

**RED LODGE SCHOOL DISTRICT NO. 1**

**CARBON COUNTY  
RED LODGE, MONTANA**

**FINANCIAL AND COMPLIANCE REPORT**

**Fiscal year Ended June 30, 2014**

**Strom & Associates, P. C.**

**PO BOX 1980  
Billings, Montana 59103**

Red Lodge School District No. 1  
Carbon County  
Red Lodge, Montana 59068

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Red Lodge School District No. 1  
Carbon County  
Red Lodge, Montana 59068

ORGANIZATION

BOARD OF TRUSTEES

Elise Fouts	Chair
Steve Haman	Vice Chair
Kurt Davey	Trustee
Radford Langston	Trustee
Marci Dye	Trustee
Sandy Kelly	Trustee
Bob Bilyeu	Trustee

OFFICIALS

Mark Brajcich	Superintendent
Sheryl Roberts	District Clerk
Jerry Scott	County Superintendent
Alex Nixon	County Attorney

**Red Lodge School District  
Management Discussion and Analysis (MD&A)  
For the Year Ended June 30, 2014**

The Superintendent and Business Manager/Clerk of the Red Lodge School District have provided this MD&A to give the reader of these statements an overview of the financial position and activities of the school district for the fiscal year ended June 30, 2014.

**Using This Annual Report**

This audit report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the government as a whole and present a longer-term view of the finances. For governmental activities, fund statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the government's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which the government acts solely as a trustee or agent for the benefit of those outside of the government. The general format of this report is required by Statement No. 34 of the Governmental Accounting Standards Board (GASB).

**Reporting the School District as a Whole**

The report includes two district-wide statements that focus on operations of the district as a whole. These statements measure inputs and outflows using an economic resources measurement focus, and use the accrual basis of accounting. Activities that are fiduciary in nature are not included in these statements.

A. The Statement of Net Position shows the "assets" (what is owned), "liabilities" (what is owed) and the "net position" (the resources that would remain if all obligations were settled) of the school district. The statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in "fixed" or "capital" assets, such as buildings, equipment, and other long-lived property; and some assets are available to fund budgets of the following year.

B. The Statement of Activities shows the amounts of program-specific and general school district revenues used to support the school district's various functions. The Statement of Net Position and the Statement of Activities divide the activities of the school district into categories, including instruction, administration, etc. Property taxes, as well as state and federal revenues, usually support most of these functions of the district.

**Reporting the District's Most Significant Funds**

The fund statements provide detailed information about the funds used by the school district. State law and Generally Accepted Accounting Principles (GAAP) establish the fund structure of school districts. State law generally requires school districts to segregate money generated for certain specific purposes, like transportation and debt service, in separate fund accounts. These funds use the modified accrual basis of accounting and represent the majority of the district's activities and programs.

The fund statements report balances and activities of the most significant, or "major" funds separately, and combine the activities of less significant funds under a single category. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the school district's operations, and the existence of legal budget requirements.

**Reporting the District's Trust and Fiduciary Responsibilities**

The district is the trustee, or fiduciary, for the student extracurricular fund. This report includes these activities in a separate Schedule of Revenues, Expenditures and Changes in Fund Balances. The district cannot use assets belonging to the student extracurricular fund to fund its operations. The district is responsible for ensuring these assets are used for their intended purpose.

**The District as a Whole**

Net position may serve over time as a useful indicator of a government's financial position. In the District, assets exceeded liabilities by \$9,601,500 as of June 30, 2014.

**Red Lodge School District  
Statement of Net Position**

	<b>Governmental Activities</b>			
	<u>2013</u>	<u>2014</u>	<u>\$ CHANGE</u>	<u>% CHANGE</u>
Current Assets	2,066,361	2,089,461	23,100	1.12%
Restricted Assets		140,768	140,768	100.00%
Capital Assets, net	<u>15,606,477</u>	<u>15,191,219</u>	<u>(415,258)</u>	<u>-2.66%</u>
Total Assets	17,672,838	17,421,448	(251,390)	-1.42%
Current Liabilities	83,747	204,154	120,407	143.77%
Long Term Liabilities	<u>8,073,526</u>	<u>7,615,794</u>	<u>(457,732)</u>	<u>-5.67%</u>
Total Liabilities	8,157,273	7,819,948	(337,325)	-4.14%
Net Position:				
Net Investment in Capital Assets	7,756,477	7,766,219	9,742	.13%
Restricted	<u>1,336,253</u>	1,461,538	125,285	9.38%
Unrestricted	<u>422,836</u>	<u>373,744</u>	<u>(49,092)</u>	<u>-11.61%</u>
Total Net Position	9,515,566	9,601,500	85,934	.90%

**Changes in Net Position**

	<u>2013</u>	<u>2014</u>	<u>\$ CHANGE</u>	<u>% CHANGE</u>
<b>Revenues</b>				
Program Revenues:				
Charges for Services	109,017	163,984	54,967	50.42%
Operating Grants	468,985	470,905	1,920	0.41%
General Revenues:				
District Levy	3,047,615	3,115,658	68,043	2.23%
State Equalization	1,470,851	1,531,660	60,809	4.13%
Other State Revenue	558,154	527,192	-30,962	-5.55%
County	454,929	516,623	61,694	13.56%
Investment Earnings	27,466	22,384	-5,082	-18.50%
Other:	<u>431,829</u>	<u>39,071</u>	<u>-392,758</u>	<u>-90.95%</u>
Total Revenues	6,568,846	6,387,478	-181,368	-2.76%
<b>Program Expenses</b>				
Instruction	2,921,741	3,057,016	135,275	4.63%
Support	137,944	143,015	5,071	3.68%
Media	132,050	114,192	(17,858)	-13.52%
Administration:	584,197	604,523	20,326	3.48%
O & M	1,112,961	835,586	(277,375)	-24.92%
Transportation	389,155	415,455	26,300	6.76%
Extracurricular	199,560	191,886	(7,674)	-3.85%
School Food	272,181	240,656	(31,525)	-11.58%
Other Current Charges	18,250	17,500	(750)	-4.11%
Interest	336,058	317,758	(18,301)	-5.45%
Loss on Fixed Asset	15,270	6,142	(9,128)	-59.78%
Depreciation-unallocated	<u>323,345</u>	<u>338,690</u>	<u>15,345</u>	4.75%
Total Expenses	2,921,741	3,057,016	135,275	4.63%
<b>Change in Net Position</b>	<u>126,134</u>	<u>105,058</u>	<u>-21,076</u>	

Overall revenues decreased by 2.76% during the year and overall program expenses decreased by 2.49%. Overall net position decreased by \$21,076 during the year.

**Spending Levels Compared to Resource Levels**

	<u>FY 2012-13</u>	<u>FY 2013-14</u>
Expenditures Supported with General Revenues	\$5,970,971 (92.7%)	\$5,858,557 (93.3%)
Expenditures Supported with Program Revenues	<u>\$ 471,741 (7.3%)</u>	<u>\$ 423,863 (6.7%)</u>
Total Expenditures Related to Governmental Activities	\$6,442,712 (100%)	\$6,282,420 (100%)

**Analysis of Financial Information**

The entire general fund budget was expended during the fiscal year, yet administration was able to maintain reserves at or above the maximum. The District continues to maintain a balanced budget while providing students with a high quality education preparing them for life after graduation.

**Capital Assets**

As of June 30, 2014, the District had \$15,191,220 total in capital assets net of depreciation. Maintenance of buildings has been a priority in recent years. Management sees no significant maintenance needs in the near term, with minimal expenses next fiscal year. Total unallocated depreciation expense for the year was \$323,345. The following schedule presents capital asset balances for the fiscal year ended June 30, 2014:

Buildings & Improvements	\$ 17,858,298
Machinery & Equipment	<u>\$ 1,102,115</u>
<b>Total</b>	<b>\$18,960,413</b>

**Debt Administration**

At June 30, 2014, the District had \$7,702,957 in long-term debt. The majority of this debt is for bonds sold to finance building the new high school. A summary of the District's outstanding long-term debt for the year ended June 30, 2014, is presented below:

Bonds	\$7,425,000
Compensated Absences	\$ 260,280
Other Post Employment Benefits	<u>\$ 17,677</u>
<b>Total</b>	<b>\$7,702,957</b>

**The District's Future**

New funding legislation just passed by the state legislature will provide needed tax relief for the residents. The elementary budget will see a modest increase in FY15 and FY16, while the high school budget remains frozen. Flexibility in spending continues to be a benefit to the district.

Enrollment has decreased from 519 overall in FY13 to 490 in FY15. This trend, if continued, will require the Board and administration to make some tough decisions in the future.

The disposition of "old" Roosevelt School has not yet been determined, but studies are now being undertaken by the Red Lodge Community Foundation to ascertain costs and possible usages. A decision will eventually have to be made by the Board whether to lease or sell the building outright.

The District has in place a Technology Plan devised to maintain the most advanced technology the district can afford, as well as a rotation for technology replacement. Funding is through the levying of taxes allowable in the Technology Fund. Recently, the Board saw passage of permanent levies for the elementary district and the high school district which will ensure future funding for technology upgrades in the district.

The possibility of purchasing land and building a bus barn has been discussed, which would protect our investment in buses and save the cost associated with parking.

**Contact for Additional Information**

If you have questions about this report or need additional information, contact the Superintendent or the Business Manager of Red Lodge School District, P.O. Box 1090, Red Lodge, MT 59068, 406-446-2110.

STROM & ASSOCIATES, PC  
Certified Public Accountants  
P.O. Box 1980  
Billings, Montana 59103

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Red Lodge School District No. 1  
Carbon County  
Red Lodge, Montana 59068

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Red Lodge School District No. 1 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities each major fund, and the aggregate remaining fund information of Red Lodge School District No. 1 as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 - 5) and the schedule of funding for other post-employment benefits other than pensions (page 26) and budgetary comparison information (pages 27 - 31) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Red Lodge School District No. 1's basic financial statements. The accompanying schedule of revenues, expenses and balances student activity funds (pages 32 - 33) and schedule of reported enrollment (page 34) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying schedule of revenues, expenses and balances student activity funds and schedule of reported enrollment are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedule of revenues, expenses and balances student activity funds and schedule of reported enrollment are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2015 on our consideration of Red Lodge School District No. 1 internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Red Lodge School District No. 1 internal control over financial reporting and compliance.

*Strom & Associates, P.C.*

STROM & ASSOCIATES, PC  
Billings, Montana  
June 10, 2015

Red Lodge School District No. 1  
 Carbon County  
 Red Lodge, Montana 59068

STATEMENT OF NET POSITION  
 as of June 30, 2014

	<u>Governmental Activities</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 1,788,814
Taxes Receivable	277,489
Due From Other Governments	4,180
Other Current Assets	<u>17,369</u>
Total Current Assets	<u>2,087,853</u>
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	140,768
Capital Assets:	
Net Depreciable Assets	<u>15,191,219</u>
Total Noncurrent Assets	<u>15,331,987</u>
Total Assets	<u>\$ 17,419,840</u>
LIABILITIES:	
Current Liabilities	
Other Current Liabilities	\$ 114,800
Grants Received In Advance	583
Current Portions Compensated Absences	<u>87,163</u>
Total Current Liabilities	<u>202,546</u>
Noncurrent Liabilities:	
Long-Term Obligations	17,677
Compensated Absences	173,117
Long-Term Capital Obligations	<u>7,425,000</u>
Total Noncurrent Liabilities	<u>7,615,794</u>
Total Liabilities	<u>7,818,340</u>
NET POSITION:	
Net investment in capital assets	7,766,219
Restricted	1,440,809
Unrestricted (Deficit)	<u>394,472</u>
Total Net Position	<u>9,601,500</u>
Total Liabilities and Net Position	<u>\$ 17,419,840</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2014

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charge for Services	Operating Grants and Contributions	Primary Government Governmental Activities
<b>GOVERNMENT OPERATIONS</b>				
Instructional Services	\$ 3,057,016	\$ 10,917	\$ 311,954	\$ (2,734,145)
Support Services	143,015	-	-	(143,015)
Educational Media Services	114,192	-	-	(114,192)
General Administrative Services	604,523	-	-	(604,523)
Operation & Maintenance Services	835,586	15,598	6,824	(813,163)
Transportation Services	415,455	56,394	77,436	(281,626)
School Food Services	191,886	81,076	74,690	(36,119)
Extracurricular	240,656	-	-	(240,656)
Other Current Charges	17,500	-	-	(17,500)
Debt Service				
Interest and other charges	317,758	-	-	(317,758)
Unallocated Depreciation Expense *	338,690	-	-	(338,690)
<b>Total Governmental Activities</b>	<u>6,276,278</u>	<u>163,984</u>	<u>470,905</u>	<u>(5,641,388)</u>
<b>GENERAL REVENUES</b>				
District Levies				3,115,658
State Equalization				1,531,660
Other State Revenues				527,192
County				516,623
Interest				22,384
Other				39,071
Gain loss on Sale of Assets				(6,142)
<b>Total General Revenues</b>				<u>5,746,446</u>
<b>Change in Net Position</b>				105,058
<b>Net Position</b>				
Beginning of the Year				9,515,565
Prior Period Adjustments				(19,123)
End of the Year				<u>\$ 9,601,500</u>

\* Excludes depreciation included in direct expenses of the various functions

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 as of June 30, 2014

	MAJOR				
	General	Tuition (HS)	Private Purpose Trust (Permanent fund)	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 616,490	\$ 65,234	\$ 108,405	\$ 1,000,294	\$ 1,790,422
Taxes Receivable	172,360	2,712	-	102,417	277,489
Due From Other Governments	-	-	-	4,180	4,180
Other Current Assets	-	-	-	17,369	17,369
Restricted Cash and Cash Equivalents	-	-	140,768	-	140,768
<b>Total Assets</b>	<b>\$ 788,849</b>	<b>\$ 67,946</b>	<b>\$ 249,173</b>	<b>\$ 1,124,260</b>	<b>\$ 2,230,229</b>
<b>LIABILITIES:</b>					
Current Liabilities					
Other Current Liabilities	39,327	39,850	2,500	33,123	114,800
Grants Received In Advance	-	-	-	583	583
Cash Overdraft	-	-	-	1,608	1,608
<b>Total Liabilities</b>	<b>39,327</b>	<b>39,850</b>	<b>2,500</b>	<b>35,314</b>	<b>116,991</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Property Taxes Receivable	172,360	2,712	-	102,417	277,489
<b>Total Deferred Inflows of resources</b>	<b>172,360</b>	<b>2,712</b>	<b>-</b>	<b>102,417</b>	<b>277,489</b>
<b>FUND BALANCE:</b>					
Fund Balances:					
Nonspendable	-	-	140,768	-	140,768
Restricted	-	25,384	105,905	986,529	1,117,819
Assigned	151,278	-	-	-	151,278
Unassigned:	425,884	-	-	-	425,884
<b>Total Fund Balance</b>	<b>577,162</b>	<b>25,384</b>	<b>246,673</b>	<b>986,529</b>	<b>1,835,749</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 788,849</b>	<b>\$ 67,946</b>	<b>\$ 249,173</b>	<b>\$ 1,124,260</b>	<b>\$ 2,230,229</b>

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 1,835,749
Governmental Capital Assets	15,191,219
Long-term Liabilities	
Long-Term Obligations	(17,677)
Compensated Absences	(260,280)
Long-Term Capital Obligations	(7,425,000)
Unavailable Property Taxes Receivable	277,489
<b>Net Position of Governmental Activities</b>	<b>\$ 9,601,500</b>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2014

	MAJOR				
	General	Tuition (HS)	Private Purpose Trust (Permanent fund)	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
District Levies	\$ 1,719,287	\$ 48,233	\$ -	\$ 1,455,524	\$ 3,223,045
Interest	3,181	196	13,203	5,805	22,384
Charges for Services	-	-	-	107,591	107,591
Other	15,329	-	19,854	3,970	39,152
County	-	-	-	583,497	583,497
State	2,140,213	-	-	142,619	2,282,832
Federal	-	-	-	236,363	236,363
<b>Total Revenues</b>	<b>3,878,010</b>	<b>48,429</b>	<b>33,057</b>	<b>2,535,368</b>	<b>6,494,864</b>
<b>EXPENDITURES:</b>					
<b>Current</b>					
Instructional Services	2,161,736	39,850	-	764,337	2,965,923
Support Services	125,184	-	-	17,779	142,963
Educational Media Services	96,484	-	-	12,359	108,842
General Administrative Services	461,697	-	-	140,779	602,476
Operation & Maintenance Services	667,480	-	-	163,717	831,197
Transportation Services	-	-	-	344,136	344,136
School Food Services	28,376	-	-	160,280	188,656
Extracurricular	212,819	-	-	22,388	235,207
Other Current Charges	-	-	17,500	-	17,500
Debt Service	-	-	-	425,000	425,000
Principal	-	-	-	317,758	317,758
Interest and other charges	-	-	-	100,065	100,065
Capital Outlay	-	-	-	-	-
<b>Total Expenditures</b>	<b>3,753,776</b>	<b>39,850</b>	<b>17,500</b>	<b>2,468,598</b>	<b>6,279,724</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>124,234</b>	<b>8,579</b>	<b>15,557</b>	<b>66,770</b>	<b>215,140</b>
<b>OTHER FINANCING SOURCES/USES</b>					
Fund Transfers In	-	-	-	158,050	158,050
Fund Transfers (Out)	(10,050)	-	-	(148,000)	(158,050)
<b>Total Other financial Sources/Uses</b>	<b>(10,050)</b>	<b>-</b>	<b>-</b>	<b>10,050</b>	<b>-</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>114,184</b>	<b>8,579</b>	<b>15,557</b>	<b>76,820</b>	<b>215,140</b>
<b>FUND BALANCE:</b>					
Beginning of the Year	455,305	16,805	231,116	935,064	1,638,290
Prior Period Adjustments	7,673	-	-	(25,355)	(17,682)
<b>End of the Year</b>	<b>\$ 577,162</b>	<b>\$ 25,384</b>	<b>\$ 246,673</b>	<b>\$ 986,529</b>	<b>\$ 1,835,749</b>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Red Lodge School District No. 1  
Carbon County  
Red Lodge, Montana 59068

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2014

Net Changes in Fund Balance		\$	215,140
Revenues on the Statement of Activity not included in governmental funds statement:			
Increase (decrease) in taxes receivable			(107,386)
Expenses on the Statement of Activity not included in the governmental funds statement:			
Depreciation Expense	(507,740)		
(Increase) decrease in Other Post Employment Benefits	(3,906)		
(Increase) decrease in compensated absence liability	<u>(9,973)</u>		(521,619)
Expenditures reported in the governmental funds statement not included in the Statement of Activity			
Capital outlays	100,065		
Gain loss on sale of assets	(6,142)		
Principal payments on bonds	<u>425,000</u>		<u>518,923</u>
Change in net position reported on the Statement of Activity		\$	<u>105,058</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 as of June 30, 2014

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS:</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 126,650	\$ 198,329
Total Assets	<u>126,650</u>	<u>198,329</u>
<b>LIABILITIES:</b>		
Current Liabilities		
Warrants Payable	-	119,185
Other Current Liabilities	-	79,144
Total Liabilities	<u>-</u>	<u>198,329</u>
<b>NET POSITION:</b>		
Restricted for Student Activities	<u>126,650</u>	
Total Net Position	<u>\$ 126,650</u>	

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STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 For the Year Ended June 30, 2014

	<u>Private Purpose Trust Funds</u>
<b>ADDITIONS:</b>	
Revenues from Student Activities	\$ 259,438
Total Additions	<u>259,438</u>
<b>DEDUCTIONS:</b>	
Expenses of Student Activities	<u>243,138</u>
Total Deductions	<u>243,138</u>
<b>CHANGE IN NET POSITION</b>	16,299
<b>NET POSITION:</b>	
Beginning of the Year	<u>110,351</u>
End of the Year	<u>\$ 126,650</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

RED LODGE SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS  
Fiscal Year-Ended June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The basic financial statements of Red Lodge School District No. 1 (School District) have been prepared on a prescribed basis of accounting that demonstrates compliance with the accounting and budget laws of the State of Montana, which conforms to generally accepted accounting principles (GAAP). The School District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

During fiscal year 2014 the School District adopted the following

- GASB Statement No. 67 – Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The amendment revised existing guidance for financial report of pension systems for state and local government. The statement is applicable for fiscal year 2014. This statement affects the applicable retirement plan administration at the State level and did not have any effect on the School District.
- GASB Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees. The statement is applicable for fiscal year 2014. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The School District has not extend any financial guarantees to other parties. This statement has no effect on the financial statements.

The following are a listing of GASB statements which have been issued and the School District assessment of effects to the financial statements.

- GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. This statement revises and establishes new financial reporting requirement that provide employees with pension benefits. The statement is effective for fiscal year 2015. This statement will require the School District to expand its pension foot note disclosures. The School District plans to implement this in fiscal year 2015 after the State of Montana provides the required information for reporting and disclosure.
- GASB Statement No. 69 – Government Combinations and Disposals of Government Operations. The statement is applicable for fiscal year 2015. The statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The School District is not merging with another School District or ceasing to exist. This statement has no effect on the financial statements.
- GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. This statement amends paragraph 137 of statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The School District plans to implement this in fiscal year 2015 after the State of Montana provides the required information for reporting and disclosure.

The School District consists of two legally separate entities, an elementary district which provides education for kindergarten through eighth grade and a high school district which provides education for ninth through twelfth grade. For financial reporting purposes the two School Districts are combined because they are controlled by the same central board of trustees and managed by the same administration. The board of trustees is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. GAAP requires only one general fund for each reporting entity so the elementary and high school general funds are combined in the accompanying financial statements.

The criteria for including organizations as component units within the School District's reporting entity is set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) "Codification of Government Accounting and Financial Reporting Standards." The basic criteria include appointing a voting majority of an organization's governing body, as well as the School District's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the School District. Based on those criteria this School District has no component units.

1. b. BASIS OF PRESENTATION AND ACCOUNTING

1. b. 1 GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements include the statement of net position and the statement of activities. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

RED LODGE SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

The government-wide financial statements report using the economic resource measurement focus and the accrual basis of accounting generally including the elimination of internal activity between or within funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. Expenses which are not directly related to a function, indirect expenses, are not charges to a function. Program revenues include:

- Charges for services such as school lunch fees, adult education fees and drivers education fees and
- Operating grants that are restricted to a particular functional program.

Property taxes, investment earnings, state equalization payments, and other revenue sources not properly included with program revenue are reported as general revenues.

1. b. 2 FUND ACCOUNTING

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The student activity funds are displayed as fiduciary funds. Since the resources in the fiduciary funds cannot be used for School District operations, they are not included in the entity-wide statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balance are included on the balance sheet. Operating statement of these funds present net increases and decreases in current assets. Revenues are recorded when they are both measurable and available. Available means collectible within the current period anything collected after June 30 are generally not material. Unavailable income are recorded in governmental funds for delinquent taxes. Expenditures are recorded when the related fund liability is incurred except for principal and interest on general long-term debt and compensated absence payments which are recognized when due. Capital assets are functional expenditures in governmental funds.

Revenues from local sources consist primarily of property taxes. Property tax revenue and revenues received from the State of Montana are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Cost reimbursement grant funds are considered to be both measurable and available to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received and the expenditure has not been incurred they are recorded as unearned grant revenues because the revenues are available. All other revenue items are considered to be measurable and available only when cash is received by the government.

Trust and agency fund financial statements report using the economic resources measurement focus and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

GASB Statement No. 34 requires the general fund be reported as a major fund and that only one general fund be reported so the elementary and high school general funds have been combined as one major fund. Other individual governmental funds should be reported in separate columns as major funds based on these criteria:

- Total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total (assets, liabilities, and so forth) for all funds of that category or type (that is, total governmental funds).

In addition to funds that meet the major fund criteria, any other governmental fund that government officials believe is particularly important to financial statement users may be reported as a major fund.

RED LODGE SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

The School District reports the following major governmental funds:

- General Fund – The General Fund is the general operating fund of the School District and accounts for all revenues and expenditures of the School District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. On the GASB 34 financial statements the general fund also includes the activities of the elementary and high school flexibility funds since the restrictions on those funds are similar to the general fund.
- High School Tuition Fund – This fund is used to account for financing tuition costs for pupils attending schools or detention centers outside their district.
- High School Private Purpose Trust (Permanente Fund) – This fund is used to account for donations received for student scholarships. The donations are permanently restricted and the interest and gains on these funds are to be used to fund college scholarships to Red Lodge high school graduates.

1. b. 3 OTHER FUND TYPES

Private-Purpose Trust Funds – Accounts for the receipt and disbursement of monies from student activity organizations. These organizations exist with the explicit approval of and are subject to revocation by the School District's Board of Trustees. This accounting reflects the School District's trust relationship with the student activity organizations and any scholarship commitments.

Agency Funds – Account for assets that the School District holds on behalf of others as their agent in the payroll and claims clearing funds and employee payroll tax withholdings. Cash is held for warrants which were written but have not been paid by the County Treasurer. A warrant is an order by which the drawer (the person with authority to make the order) commands the School District trustee to pay a particular sum of money to a payee (person or entity) from funds in the School District treasury which are or may become available.

1. c. ASSETS, LIABILITIES AND NET POSITION (FUND BALANCE)

1. c. 1 CASH AND INVESTMENTS

Cash includes amounts in demand deposits, as well as short-term investments as authorized by State statutes. Montana Code Annotated (MCA) allows Montana local governments to invest public money not necessary for immediate use in United States government treasury bills, notes, bonds; certain United States treasury obligations; United States government security money market fund if investments consist of those listed above; time or savings deposits with a bank, savings and loan association, or credit union which is FDIC, FSLIC, or NCUA insured and are located in the state; or in repurchase agreements as authorized by MCA, or Montana Board of Investments Short Term Investment Pool (STIP). Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. Investments are recorded at fair market value.

Information regarding the collateral and security for cash is not available to the School District. However, State statute requires that United State government securities or agencies be held as collateral to secure deposits of public funds in excess of Federal Deposit Insurance Corporation (FDIC) insurance. The external investment pool is audited as part of Carbon County's financial statements. This investment pool is not registered with or monitored by the Securities and Exchange Commission (SEC).

1. c. 2 TAXES

Property taxes are collected by the County Treasurer who credits to the School District funds their respective share of the collections. The tax levies are collectible in two installments, which become delinquent after November 30 and May 31. Property taxes are liens upon the property being taxed. After a period of three years, the County may begin foreclosure proceedings and sell the property at auction. The School District receives its share of the sale proceeds of any such auction.

1. c. 3 INVENTORIES

Materials, supplies and food inventory at year end was not material. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

RED LODGE SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

1. c. 4 CAPITAL ASSETS

The School District's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Historical cost was established at the initial booking of the capital assets by determining actual costs or estimating using standard costing procedures. The School District considers capital assets to be items in excess of \$5,000 with a useful life in excess of one year. The costs of normal maintenance and repair are not capitalized. Land and construction in progress are not depreciated. Depreciation on the other capital assets is provided over their estimated useful lives on the straight-line method. The useful lives of these assets have been estimated as follows:

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings	10 – 90 years
Machinery and Equipment	7 – 20 years

1.c. 5 DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable, is reported only in the governmental funds balance sheet. The governmental funds report unavailable from two sources: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

1.c. 6 VACATION AND SICK LEAVE

Classified School District employees accumulate vacation and sick leave for later use or for payment upon termination, death, or retirement. Classified School District employees earn vacation leave at the rate of 15 days per year during the first 10 years of employment, and at increasing rates thereafter to a maximum of 24 days per year after 20 years of employment. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is the amount earned in the most recent two-year period. At termination, employees are paid for any accumulated vacation leave at the current rate of pay. Classified School District employees earn sick leave at the rate of one day per month. There is no limit on the accumulation of unused sick leave. However, upon termination, only 25% of accumulated sick leave is paid at the current rate of pay.

Certified School District employees shall be granted on the basis of thirteen (13) days per school year, credited on the first day of each school year. Unused days may be accumulated to ninety (90). Certified staff must have nine (9) years with the District to qualify for compensated absence payout at termination equal to one-fourth of their accumulated leave.

Liabilities incurred because of unused vacation and sick leave accumulated by employees are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds and when accrued on the statement of activities. The amount expected to be paid within one year is \$87,163 and it is generally paid out of the general fund.

1.c. 7 NET POSITION AND FUND BALANCE

Statement of Net Position include the following:

- Net Investment in Capital Assets – The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvement of these capital assets.
- Restricted – The component of net position that is either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – The difference between the assets and liabilities that is not reported in the other element of net position.

Governmental fund financial statements include the following fund balances:

- Non-spendable – Includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - Includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Assigned – the executing a purchase order for a specific purpose such as an encumbrance.
- Unassigned - Amounts that are available for any purpose; these amounts are reported only in the general fund.

RED LODGE SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

As of June 30, 2014, fund balance components other than unassigned fund balance consist of the following:

Purpose	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>
Instructional - Regular	\$ -	\$ 147,058	\$ 132,388
Operations and Maintenance	-	-	14,055
Student Transportation	-	243,642	-
Extracurricular	-	-	4,835
School Food	-	5,465	-
Third Party Grantor Restrictions	-	31,916	-
Employer Retirement Benefits	-	213,068	-
Future Technology	-	49,927	-
Future Capital Costs	-	230,716	-
Endowment	140,768	105,905	-
Debt Service	-	90,122	-
Total	<u>\$ 140,768</u>	<u>\$ 1,117,819</u>	<u>\$ 151,278</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District considers restricted funds to have been spent first. When an expenditure is incurred for assigned or unassigned fund balances are available, the School District considers amounts to have been spent first out of assigned and then unassigned funds as needed, unless the board of trustees has provided otherwise.

1. d. OTHER

1. d. 1 USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1.d. 2 County Provided Services

The School District is provided various financial services by Carbon County. The Carbon County also serves as cashier and treasurer for the School District for tax and assessment collections and other revenues received by the Carbon County which are subject to distribution to the various taxing jurisdictions located in the Carbon County. The collections made by the Carbon County on behalf of the School District are accounted for in an agency fund in the School District's name and are periodically remitted to the School District by the Carbon County Treasurer. No service charges have been recorded by the School District or the Carbon County.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2014, the summary of cash, cash equivalents for governmental and fiduciary funds is as follows:

<u>Account Type</u>	<u>Governmental</u> <u>Activities</u>	<u>Fiduciary</u> <u>Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 1,788,814	\$ 324,979	\$ 2,113,793
Restricted Assets	140,768	0	140,768
Total	<u>\$ 1,929,582</u>	<u>\$ 324,979</u>	<u>\$ 2,254,561</u>

The carrying amount of cash on hand, deposits and investments at June 30, 2014, is as follows:

	<u>Amount</u>
Cash on Hand	\$ 1,000
Demand Accounts	126,650
County Investment Pool	1,921,239
Mutual funds	200,638
Unreconciled	5,034
Total	<u>\$ 2,254,561</u>

RED LODGE SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

Cash resources of the School District are held and managed by the Carbon County Treasurer pursuant to State Law. They are combined with cash resources of other governmental entities within Carbon County to form a pool of cash and cash equivalents. Investments of pooled cash consist primarily of STIP, savings accounts and federal agency notes and are carried at fair value. The School District's exposure to credit risk is not available to the School District. Risk in the event of loss is unclear in state law, but appears to be the liability of the Carbon County government. Because of the custodial involvement of the Carbon County government, and the commingling of cash in County deposits in the name of the Carbon County Treasurer, full risk classifications according to GASB 40 are available in the Carbon County's annual report. There is no known maturity and credit rating of the Carbon County Investment Pool.

The cash of the extracurricular funds is held separately by the School District, not at the Carbon County. As of June 30, 2014, cash of the extracurricular funds was covered by FDIC insurance.

Custodial Credit Risk – Investments: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of June 30, 2014, the School District's investment was exposed to custodial credit risk as follows:

The District investments are categorized as either (1) Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level 1 generally includes mutual funds, listed equities, listed derivatives, and cash, (2) Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate and government bonds, less liquid and restricted equity securities and certain over-the-counter derivatives. (3) Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include limited partnership interests in private equity and real estate funds, funds of hedge funds, and distressed debt. The \$200,638 is categorized as level 1.

Interest Rate Risk: The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates. The School District's investment policy is to hold investments to maturity with the contractual understanding that these investments are low risk, locked in to a guaranteed rate of return, are therefore not impacted significantly by changes in short term interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates all of the School District's investment portfolio is made up of securities whose maturities are less than 10 years.

NOTE 3. TAXES RECEIVABLE

The assessed value of the roll as of January 1, 2013, upon which the levy for the 2014 fiscal year was based, was \$13,941,508 for the Elementary School District and \$16,362,650 for the High School District. The tax rates assessed for the year ended June 30, 2014 to finance School District operations and applicable taxes receivable for the elementary and high School Districts follows:

<u>Elementary Fund</u>	<u>Mill Levies</u>	<u>Taxes Receivable</u>
General*	69.42	\$ 95,266
Transportation	11.33	11,467
Bus Depreciation	4.31	5,135
Tuition	-	2,695
Adult Education	3.18	2,786
Technology	4.51	4,696
Debt Service	24.23	12,492
Building Reserve	-	7,449
<u>High School Fund</u>		
General*	43.15	77,094
Transportation	9.41	12,612
Bus Depreciation	3.50	5,029
Tuition	3.00	2,712
Adult Education	5.12	4,971
Technology	3.40	3,630
Debt Service	-	21,650
Building Reserve	24.74	7,805
Total	<u>209.30</u>	<u>\$ 277,489</u>

\* Denotes Major Funds

RED LODGE SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

NOTE 4. ACCOUNTS RECEIVABLE

<u>Elementary Fund</u>	<u>Accounts Receivable</u>	
School Food Services	\$ 7,289	Receivable from general fund.
<u>High School Fund</u>		
Miscellaneous	10,080	<u>Receivable from Red Lodge Public School Foundation</u>
Total	<u>\$ 17,369</u>	

\* Denotes Major Funds

NOTE 5. DUE FROM OTHER GOVERNMENTS

<u>High School Fund</u>	<u>Amount</u>	<u>Due From</u>	<u>Reason</u>
Traffic Education	\$ 4,180	State of Montana – Office of Public Instruction	Traffic education reimbursement

\* Denotes Major Funds

NOTE 6. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

6. a. At June 30, 2014, the schedule of changes in general capital assets follows:

<u>Governmental Activities:</u>	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>Depreciable:</u>					
Buildings	\$ 17,816,328	\$ 42,065	\$ 0	\$ (95)	\$ 17,858,298
Machinery and equipment	1,106,861	58,000	(61,400)	(1,346)	1,102,115
Total Depreciable	<u>\$ 18,923,189</u>	<u>\$ 100,065</u>	<u>\$ (61,400)</u>	<u>\$ (1,441)</u>	<u>\$ 18,960,413</u>
<u>Accumulated Depreciation:</u>					
Buildings	\$ (2,742,106)	\$ (427,377)	\$ 0	\$ 0	\$ (3,169,483)
Machinery and equipment	(574,606)	(80,363)	55,258	0	(599,711)
Total Depreciation	<u>\$ (3,316,712)</u>	<u>\$ (507,740)</u>	<u>\$ 55,258</u>	<u>\$ 0</u>	<u>\$ (3,769,194)</u>
Net General Capital Assets	<u>\$ 15,606,477</u>	<u>\$ (407,675)</u>	<u>\$ (6,142)</u>	<u>\$ (1,441)</u>	<u>\$ 15,191,219</u>

6. b. General capital asset depreciation expense was charged to governmental functions as follows:

<u>Function</u>	<u>Amount</u>
Instructional	\$ 77,214
Support Services	52
Media	5,350
School Administration	2,047
Operation & Maintenance	4,389
Transportation	71,319
School Food	3,230
Extracurricular	5,449
Unallocated	338,690
Total Depreciation Expense	<u>\$ 507,740</u>

NOTE 7. CHANGES IN LONG-TERM DEBT

7. a. At June 30, 2014, the schedule of changes in general Long-Term debt follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1, 2013</u>	<u>New Debt</u> <u>and Other</u> <u>Additions</u>	<u>Principal</u> <u>Payments</u> <u>and Other</u> <u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due within</u> <u>One Year</u>
<u>Bonds and Notes Payable:</u>					
General Obligation Bonds	<u>\$ 7,850,000</u>	<u>\$ 0</u>	<u>\$ (425,000)</u>	<u>\$ 7,425,000</u>	<u>\$ 0</u>

RED LODGE SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1, 2013</u>	<u>New Debt</u> <u>and Other</u> <u>Additions</u>	<u>Principal</u> <u>Payments &amp;</u> <u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due within</u> <u>One Year</u>
<u>Other Liabilities:</u>					
Compensated Absences	\$ 250,302	\$ 9,978	\$ 0	\$ 260,280	\$ 87,163
Other Post-Employment Benefits (OPEB)	13,771	3,906	0	17,677	0
Total Other Liabilities	<u>\$ 264,073</u>	<u>\$ 13,884</u>	<u>\$ 0</u>	<u>\$ 277,957</u>	<u>\$ 87,163</u>
Total Governmental Activities					
Long-Term Debt:	<u>\$ 8,114,073</u>	<u>\$ 13,884</u>	<u>\$ (425,000)</u>	<u>\$ 7,702,957</u>	<u>\$ 87,163</u>

7. b. GENERAL OBLIGATION BONDS

The School District issued general obligation bonds in prior years for the acquisition and construction of capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. These bonds were issued for the terms and payment schedules indicated in the following schedule:

<u>Description</u>	<u>Issue Date</u>	<u>Interest</u> <u>Rate</u>	<u>Length</u> <u>of</u> <u>Loan</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Outstanding</u> <u>June 30,</u> <u>2014</u>
Elem. General Obligation School Building	March, 2007	3.85% -	20 Years	July, 2027	\$ 4,355,000	\$ 3,390,000
HS. General Obligation School Building	March, 2007	3.85% -	20 Years	July, 2027	5,175,000	4,035,000
					<u>\$ 9,530,000</u>	<u>\$ 7,425,000</u>

Debt service requirements to maturity for principal and interest for all bonded long term obligations are as follows:

	<u>Elementary</u>		<u>High School</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Principal</u>
For the year ended 6/30:				
2015	\$ 0	\$ 67,359	\$ 0	\$ 81,520
2016	200,000	130,718	240,000	157,040
2017	210,000	122,255	250,000	146,040
2018	220,000	113,118	260,000	135,840
2019	230,000	104,073	270,000	125,240
2020-2024	1,290,000	376,894	1,535,000	453,135
2025-2028	1,240,000	101,800	1,480,000	121,800
Totals	<u>\$ 3,390,000</u>	<u>\$ 1,016,217</u>	<u>\$ 4,035,000</u>	<u>\$ 1,220,615</u>

NOTE 8. DEFERRED INFLOWS OF RESOURCES

8. a. PROPERTY TAXES

<u>Elementary Fund</u>	<u>Amount</u>	<u>Reason</u>
General*	\$ 95,266	Taxes Receivable
Transportation	11,467	Taxes Receivable
Bus Depreciation	5,135	Taxes Receivable
Tuition	2,695	Taxes Receivable
Adult Education	2,786	Taxes Receivable
Technology	4,696	Taxes Receivable
Debt Service	12,492	Taxes Receivable
Building Reserve	7,449	Taxes Receivable
<u>High School Fund</u>	<u>Amount</u>	<u>Reason</u>
General*	77,094	Taxes Receivable
Transportation	12,612	Taxes Receivable
Bus Depreciation	5,029	Taxes Receivable
Tuition	2,712	Taxes Receivable
Adult Education	4,971	Taxes Receivable
Technology	3,630	Taxes Receivable
Debt Service	21,650	Taxes Receivable
Building Reserve	7,805	Taxes Receivable
Total	<u>\$ 277,489</u>	Taxes Receivable

\* Denotes Major Funds

RED LODGE SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

NOTE 9. OPERATING LEASES

In August 2012 the School District entered into an operating lease for the use of a copier. The lease was for 36 months with monthly payments of \$460 and a fair market value buyout at the end of the lease. Total lease payments in fiscal year 2014 were \$4,604 with \$460 representing interest. The future commitment to the School District is as follows:

Total minimum lease payments	\$	7,366
Less: amount representing interest		<u>(737)</u>
Present value of net minimum lease payments	\$	<u>6,629</u>

NOTE 10. PRIOR PERIOD ADJUSTMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>REASON</u>
General*	\$ 5,355	Correct GASB 54 reporting of elementary flexibility fund
Flexibility*	(5,355)	Correct GASB 54 reporting of elementary flexibility fund
General*	2,134	Correct prior year balances
Bus Depreciation	(11,600)	Correct prior year bus receivables
<u>High School Fund</u>		
General*	184	Correct prior year balances
Bus Depreciation	(8,400)	Correct prior year bus receivables
Total	\$ (17,682)	

\* Denotes Major Funds

  

Governmental Type Activities	(1,441)	Agree accounting records to the subsidiary capital assets schedule.
Total	\$ (19,123)	

NOTE 11. TRANSFERS

<u>Elementary Fund - Out</u>	<u>Amount</u>	<u>Elementary Fund - In</u>	<u>Purpose of Transfer</u>
General*	\$ 6,200	Compensated Absences	Compensated absence fund - MCA 20-9-512
Transportation	25,000	Interlocal Agreement	Transfer to multidistrict under - MCA 20-3-363
Adult Education	15,000	Interlocal Agreement	Transfer to multidistrict under - MCA 20-3-363
<u>High School Fund - Out</u>		<u>High School Fund - In</u>	
General*	3,850	Compensated Absences	Compensated absence fund - MCA 20-9-512
Transportation	50,000	Interlocal Agreement	Transfer to multidistrict under - MCA 20-3-363
Adult Education	58,000	Interlocal Agreement	Transfer to multidistrict under - MCA 20-3-363
Total	\$ 158,050		

\* Denotes Major Funds

NOTE 12. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The School District provides the same health care plan to all of its members. The implicit subsidy is \$6,377. The School District had fewer than 100 plan participants and thus qualified to use an Alternative Measurement Method instead of an actuarial valuation to determine the OPEB liability. Valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and estimated amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the current plan. The valuation assumed that 10% of plan participants would elect to continue coverage after retirement. Funding Policy - The government pays OPEB liabilities on a pay as you go basis. The trust fund for future liabilities has not been established. Funding status and progress as of July 1, 2012 was as follows:

Actuarial Accrued Liability (AAL)	\$	51,303
Actuarial value of plan assets		<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)		<u>51,303</u>
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	\$	3,070,636
UAAL as a percentage of covered payroll		2%

RED LODGE SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

Annual OPEB Cost and Net OPEB Obligations - The government's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameter of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed (30) years. The following table shows the components of the government's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the government's net OPEB obligation for the valuation performed at July 1, 2012.

Annual Required Contribution (ARC)	\$ 3,906
Interest on net OPEB obligation	0
Adjustment to ARC	0
Annual OPEB cost (expense)	3,906
Contribution made	0
Increase in net OPEB obligation	3,906
Net OPEB obligation - beginning of year	13,771
Net OPEB obligation - end of year	\$ 17,677

Actuarial Methods and Assumptions - The following actuarial methods and assumptions were used:

Actuarial Cost Method	Unit Credit Cost Method
Average age of retirement (based on historical data)	65
Discount rate (average anticipated rate)	4.00%
Average Salary Increase	3.00%
Health care cost rate trend	
Year	% Increase
2014 and after	3.00%

NOTE 13. OTHER COMMITMENTS

13. a. 1 ENCUMBRANCES

The School District's encumbrance policy is for fiscal year end encumbrances exceeding \$1,000 to be considered significant encumbrances. All encumbrances are classified as assigned or restricted in the funds noted below:

<u>Elementary Fund</u>	<u>Amount</u>
General*	\$ 32,871
Transportation	3,800
Technology	1,750
<u>High School Fund</u>	<u>Amount</u>
General*	118,407
Miscellaneous	2,081
Technology	1,203
Private Purpose Trust	10,500
Total	\$ 170,612

\* Denotes Major Funds

NOTE 14. RISK MANAGEMENT

The School District is exposed to various types of risk of loss, including: a) damage to and loss of property and contents; b) employee torts; c) professional liability, i.e. errors and omissions; d) environmental damage; e) workers' compensation, i.e. employee injuries and f) medical insurance costs of employees. Several methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and contents damage, employee torts, professional liabilities, and employee medical insurance. The School District has joined with other School Districts throughout the state into an interlocal common risk pool to insure workers compensation for all participating School Districts in a self-insurance pool. The Workers Compensation Risk Retention Program is managed by a board of directors elected annually. Members are responsible for fully funding the Workers Compensation Risk Retention Program through the payment of annual premiums accessed. There is no other liability to the School District other than timely payments of premiums. The School District can withdraw from the Workers Compensation Risk Retention Program with 60 days' notice at any time. The School District has no coverage for potential losses from environmental damages.

RED LODGE SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

Levels of insurance have not changed materially from the prior year and settlements have not exceeded insurance coverage limits during the current or each of the two previous years.

NOTE 15. EMPLOYEE RETIREMENT SYSTEM

The School District participates in two state-wide, cost-sharing multiple employer defined benefit retirement plans which cover all School District employees, except certain substitute teachers and part-time, non-teaching employees. The Teachers' Retirement System (TRS) covers teaching employees, including administrators and aides. The Public Employee Retirement System (PERS) covers nonteaching employees. The plans are established under State law and are administered by the State of Montana.

Both plans issue publicly available annual reports that include financial statements and required supplemental information for the plans. Those reports may be obtained from the following:

Teachers Retirement System P.O. Box 200139 1500 Sixth Avenue Helena, MT 59620-0139 Phone: 406-444-3134 www.trs.doa.state.mt.us	Public Employees Retirement System P.O. Box 200131 1712 Ninth Avenue Helena, MT 59620-0131 Phone: 406-444-3154 www.state.mt.us/doa/perb/prb.htm
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The PERS defined benefit contribution rates for employees was 7.9%. The PERS rate for the State was set at .37%. For the defined contribution plan the rates are the same except only 4.19% of the employer amount is added to the employee account. Employees who elect the defined contribution plan are in control of their investments and the retirement is based upon the cash in their fund. The PERS rate for employers was 7.8%. The TRS rates for employees was 8.15% and the State was set at 2.49%. The TRS rate for employers was 8.47%. The State's contribution to the retirement system qualifies as an on-behalf payment and has not been reported in the School District's financial statements.

Contribution rates for both plans are required and determined by State law. The amounts contributed to the plans during the years ended June 30, 2012, 2013 and 2014 were equal to the required contribution for each year. The amounts contributed by the State, School District and its employees (including additional voluntary contributions by employees as permitted by State law) were as follows:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
TRS	\$ 421,592	\$ 446,319	\$ 470,697
PERS	60,346	60,391	67,271
Total	<u>\$ 481,938</u>	<u>\$ 506,710</u>	<u>\$ 537,968</u>

NOTE 16. COOPERATIVE

16. a. SPECIAL EDUCATION

The Red Lodge School District No. 1 is a member of the Carbon County/West Yellowstone Cooperative, a Special Education Cooperative. The financial records of the Cooperative are prepared and maintained by the Cooperative Clerk. The financial records of the Cooperative are separate from those of Red Lodge School District No. 1, and the financial statements of the Cooperative are not included in the School Districts' financial statements. The Cooperative's financial statements are audited separately from those of the School District. All revenue received, including Federal, State, or other types of grant payments, and the financial support provided by each of the Cooperative's members are deposited into the Cooperative's funds, which are maintained in the custody of the Yellowstone County Treasurer. The Superintendent of Public Instruction may directly deposit to the Cooperative the State and Federal portion of any participating member School District's budgeted costs for contracted special education services. All capital assets of the Cooperative are included in the Cooperative's financial statements.

A Joint Board of Directors governs the Cooperative. The Joint Board has the power to set policies, enter into contracts, review the performance of the Cooperative annually, review the financial management of the Cooperative annually, and set and approve the annual fiscal budget of the Cooperative.

RED LODGE SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

NOTE 17. JOINT VENTURE AGREEMENTS

Joint ventures are legal entities or other organizations that result in a contractual arrangement and that are owned, operated, or governed by two or more participants. Each participant retains both an ongoing financial interest and an ongoing financial responsibility.

17 a. MULTIDISTRICT COOPERATIVE

The School District has entered into an agreement with Red Lodge Elementary and Red Lodge High School to provide joint funding for operation and maintenance of to each participating School District.

Section 20-3-363, MCA allows for the creation of a multidistrict cooperative between any School District and other public entity under Title 20, Chapter 9 Part 7, MCA. The parties in a multidistrict cooperative may mutually agree to perform any services, activities, and undertakings of the participants and provide for the joint funding and operation and maintenance of all participants in the agreement.

Red Lodge Elementary School is the designated prime agency and is responsible for the financial administration of the multidistrict cooperative. The activity of the multidistrict cooperative is accounted for in fund 82 of the Red Lodge Elementary School.

RED LODGE SCHOOL DISTRICT NO. 1

SCHEDULE OF FUNDING PROGRESS  
 Other Post-Employment Benefits Other Than Pensions (OPEB)  
 Fiscal Year-Ended June 30, 2014

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a) / c]</u>
<u>7/1/2012</u>	<u>\$ 0</u>	<u>\$ 51,303</u>	<u>\$ 51,303</u>	<u>\$ 0</u>	<u>\$3,070,636</u>	<u>2%</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 (Budget and Actual)  
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS  
 as of June 30, 2014

	General (Elem)			Flexibility Fund (Elem.)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>REVENUES:</b>						
District Levies	\$ 967,863	\$ 967,863	\$ 995,073	\$ -	\$ -	\$ -
Interest	1,585	1,585	1,679	-	-	37
Other	-	-	-	-	-	8,891
County	-	-	-	-	-	-
State	1,200,728	1,200,728	1,204,248	-	-	-
Total Revenues	<u>2,170,176</u>	<u>2,170,176</u>	<u>2,201,000</u>	<u>-</u>	<u>-</u>	<u>8,928</u>
<b>EXPENDITURES:</b>						
Current						
Instructional Services			1,379,248			-
Support Services			58,675			-
Educational Media Services			60,552			-
General Administrative Services			279,655			-
Operation & Maintenance Services			328,600			-
School Food Services			16,309			-
Extracurricular			40,932			-
Total Expenditures	<u>2,170,176</u>	<u>2,170,176</u>	<u>2,163,972</u>	<u>5,355</u>	<u>5,355</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>37,028</u>	<u>(5,355)</u>	<u>(5,355)</u>	<u>8,928</u>
<b>OTHER FINANCING SOURCES/USES</b>						
Fund Transfers (Out)			(6,200)			-
Total Other financial Sources/Uses	<u>-</u>	<u>-</u>	<u>(6,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>30,828</u>	<u>(5,355)</u>	<u>(5,355)</u>	<u>8,928</u>
<b>FUND BALANCE:</b>						
Beginning of the Year			193,452			5,355
Prior Period Adjustments			2,134			-
End of the Year			<u>\$ 226,415</u>			<u>\$ 14,283</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 (Budget and Actual)  
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS  
 as of June 30, 2014

	General (HS)			Tuition (HS)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>REVENUES:</b>						
District Levies	\$ 706,022	\$ 706,022	\$ 724,214	\$ 49,088	\$ 49,088	\$ 48,233
Interest	1,269	1,269	1,457	-	-	196
Other	-	-	-	-	-	-
County	-	-	-	-	-	-
State	933,428	933,428	935,965	-	-	-
Total Revenues	<u>1,640,719</u>	<u>1,640,719</u>	<u>1,661,636</u>	<u>49,088</u>	<u>49,088</u>	<u>48,429</u>
<b>EXPENDITURES:</b>						
Current						
Instructional Services			882,754			39,850
Support Services			66,509			-
Educational Media Services			35,721			-
General Administrative Services			181,742			-
Operation & Maintenance Services			289,163			-
School Food Services			11,924			-
Extracurricular			169,051			-
Total Expenditures	<u>1,640,719</u>	<u>1,640,719</u>	<u>1,636,864</u>	<u>65,893</u>	<u>65,893</u>	<u>39,850</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	24,772	(16,805)	(16,805)	8,579
<b>OTHER FINANCING SOURCES/USES</b>						
Fund Transfers (Out)			(3,850)			-
Total Other financial Sources/Uses	-	-	(3,850)	-	-	-
NET CHANGES IN FUND BALANCES	-	-	20,922	(16,805)	(16,805)	8,579
<b>FUND BALANCE:</b>						
Beginning of the Year			157,635			16,805
Prior Period Adjustments			184			-
End of the Year			<u>\$ 178,742</u>			<u>\$ 25,384</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 (Budget and Actual)  
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS  
 as of June 30, 2014

	Flexibility Fund (HS)		
	Original Budget	Final Budget	Actual
REVENUES:			
District Levies	\$ -	\$ -	\$ -
Interest	-	-	7
Other	-	-	6,438
County	-	-	-
State	-	-	-
Total Revenues	-	-	6,445
EXPENDITURES:			
Current			
Instructional Services			-
Support Services			-
Educational Media Services			-
General Administrative Services			-
Operation & Maintenance Services			-
School Food Services			-
Extracurricular			-
Total Expenditures	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	6,445
OTHER FINANCING SOURCES/USES			
Fund Transfers (Out)			-
Total Other financial Sources/Uses	-	-	-
NET CHANGES IN FUND BALANCES	-	-	6,445
FUND BALANCE:			
Beginning of the Year			-
Prior Period Adjustments			-
End of the Year			\$ 6,445

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

RED LODGE SCHOOL DISTRICT NO. 1

NOTES TO THE BUDGET VS ACTUAL SCHEDULE  
Fiscal Year-Ended June 30, 2014

NOTE 1. BUDGETS

1. a. BUDGETS

Budgets are adopted on a basis consistent with the State of Montana budget laws which are consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are adopted for the general fund, budgeted special revenue funds including (Transportation, Bus Depreciation, Tuition, Retirement, Adult Education, Technology, Flexibility), debt service fund, and budgeted capital project funds (Building Reserve). All annual appropriations lapse at fiscal year-end, unless the School District elects to encumber supplies and personal property ordered but not received at year end.

1. a. 1 General Budget Policies:

The School District's funds are either budgeted or non-budgeted in accordance with State statutes. Budgeted funds are those of which a legal budget must be adopted to have expenditures from such funds and are noted above. All other funds are non-budgeted, meaning a legal budget is not required in order to spend the cash balance of such a fund. The Schedule of Revenues, Expenditures, and Changes in Fund Balances, Budget vs. Actual, has been prepared on the modified accrual basis of accounting and contains financial information for only the major general and special revenue fund budgeted funds. The major funds private purpose trust (permanent fund) is non-budgeted funds.

1. a. 2 Budget Operation:

The School District operates within the budget requirements for School Districts as specified by State law. The financial report reflects the following budgetary standards:

- By the second Monday in July, the County Assessor transmits a statement of the assessed valuation and taxable valuation of all property in the School District's borders.
- Before the fourth Monday in July, the County Superintendent estimates the revenue required for each fund.
- Before the fourth Monday in August, the Board of Trustees must meet to legally adopt the final budget. The final budget for the general fund is fund total only.
- Once adopted, the budget can be amended by subsequent Board action. An increase of the total budget of a given fund requires the adoption of an amended budget in accordance with State statutes.
- According to State statutes, the expenditures of a budgeted fund may not legally exceed the adopted budget.
- At the end of a fiscal year, unencumbered appropriations lapse unless specifically obligated by the School District.

NOTE 2. FUND BALANCE RECONCILIATION

The fund balances of the general funds displayed on the Statement of Revenue, Expenditures, and Changes in Fund Balances is differently displayed on the Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) by \$151,278. This is due to the reserve for encumbrances. Encumbrances are not included as expenditures on the first statement as they do not meet the GAAP definition of expenditures. The District reports encumbrances at year end as budgeted expenditures and displays these amounts as assigned or reserve of fund balances, as applicable.

NOTE 3. BUDGET AMENDMENT

The original budget was not amended so the original budget and the final budget are the same.

RED LODGE SCHOOL DISTRICT NO. 1

NOTES TO THE BUDGET VS ACTUAL SCHEDULE (continued)  
Fiscal Year-Ended June 30, 2014

NOTE 4. COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ALL SUB-FUNDS OF THE GENERAL FUND

	<u>Sub-fund General (Elem)</u>	<u>Sub-fund Flexibility Fund (Elem.)</u>	<u>Sub-fund General (HS)</u>	<u>Sub-fund Flexibility Fund (HS)</u>	<u>Total General Fund</u>
<b>REVENUES:</b>					
District Levies	\$ 995,073	\$ -	\$ 724,214	\$ -	\$ 1,719,287
Interest	1,679	37	1,457	7	3,181
Other	-	8,891	-	6,438	15,329
State	<u>1,204,248</u>	<u>-</u>	<u>935,965</u>	<u>-</u>	<u>2,140,213</u>
Total Revenues	<u>2,201,000</u>	<u>8,928</u>	<u>1,661,636</u>	<u>6,445</u>	<u>3,878,010</u>
<b>EXPENDITURES:</b>					
Current					
Instructional Services	1,365,087	-	796,649	-	2,161,736
Support Services	58,675	-	66,509	-	125,184
Educational Media Services	61,208	-	35,276	-	96,484
General Administrative Services	279,893	-	181,804	-	461,697
Operation & Maintenance Services	366,240	-	301,240	-	667,480
School Food Services	16,309	-	12,067	-	28,376
Extracurricular	<u>43,284</u>	<u>-</u>	<u>169,536</u>	<u>-</u>	<u>212,819</u>
Total Expenditures	<u>2,190,696</u>	<u>-</u>	<u>1,563,080</u>	<u>-</u>	<u>3,753,776</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	<u>10,304</u>	<u>8,928</u>	<u>98,556</u>	<u>6,445</u>	<u>124,234</u>
<b>OTHER FINANCING SOURCES/USES</b>					
Fund Transfers (Out)	<u>(6,200)</u>	<u>-</u>	<u>(3,850)</u>	<u>-</u>	<u>(10,050)</u>
Total Other financial Sources/Uses	<u>(6,200)</u>	<u>-</u>	<u>(3,850)</u>	<u>-</u>	<u>(10,050)</u>
<b>NET CHANGES IN FUND BALANCES</b>					
	4,104	8,928	94,706	6,445	114,184
<b>FUND BALANCE:</b>					
Beginning of the Year	253,047		202,258	-	455,305
Prior Period Adjustments	<u>2,134</u>	<u>5,355</u>	<u>184</u>	<u>-</u>	<u>7,673</u>
End of the Year	<u>259,286</u>	<u>14,283</u>	<u>297,148</u>	<u>6,445</u>	<u>577,162</u>

In the reconciliation the general funds and flexibility funds are added together to get to the aggregate general fund shown as a major fund on the Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds. The flexibility funds are maintained as special revenue funds for accounting purposes, however, for external financial reporting they are added to the general fund because they have unassigned fund balance like the general fund.

RED LODGE SCHOOL DISTRICT NO. 1

SCHEDULE OF REVENUES, EXPENSES AND BALANCES EXPENDABLE TRUST – STUDENT ACTIVITY FUNDS  
Fiscal Year-Ended June 30, 2014

<u>Activity Account Name</u>	<u>Beginning Balance 7/1/2013</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Transfers</u>	<u>Ending Balance 6/30/2014</u>
ATHLETICS	\$ 19,503	\$ 56,068	\$ 64,756	\$ 41	\$ 10,856
STUDENT COUNCIL	1,367	1,371	982	(153)	1,604
MUSIC ACTIVITIES	2,775	4,452	3,339	(400)	3,488
SPECIAL MUSIC	888	81	-	-	970
FFA	109	8,317	6,801	-	1,626
FCCLA	72	1,787	1,061	-	798
DRAMA	3	-	-	-	3
YEARBOOK	1,613	4,348	4,901	110	1,170
CC ACCOUNT	10,060	19,307	12,520	(160)	16,686
YOUTH FOR YOUTH/MTI(SADD)	441	1	-	-	442
LIBRARY	535	13	37	-	512
HONOR SOCIETY	269	1	-	-	270
ART	2,409	310	1,172	-	1,546
R SCHOOL STORE	3,653	2,138	1,227	100	4,664
CONCESSIONS	3,258	26,239	20,155	(6,349)	2,993
CLASS OF 2014-FRESHMEN	1,706	153	1,826	-	34
CHEERLEADERS	1,843	1,913	492	-	3,264
SHOP	86	0	-	-	86
VICA	4,104	5,596	4,947	508	5,262
JR HI MUSIC ACTIVITY	4,119	2,403	-	47	6,568
FAM & CONSUM SCIENCE	55	0	-	-	55
COPY MACHINE	278	1	-	-	278
INTERNATIONAL CLUB	1,721	25,308	30,491	5,617	2,155
BOOK DEPOSIT	8,427	6,992	5,129	-	10,290
SKI PROGRAM	79	0	-	-	80
RL CLUB	72	0	-	-	72
R LOCK	495	234	12	(100)	617
BUSINESS CLUB	652	17,178	17,825	-	5
NEWSPAPER	42	0	-	-	42
INTERACT CLUB	865	1,905	1,404	-	1,366
LIFE SKILLS	2	-	-	-	2
SPEECH & DRAMA	349	1	-	-	349
CLOSE UP	316	831	(10)	122	1,280
MT VIEW SKI	2,105	5,993	5,703	(167)	2,229
MT VIEW PLAYGROUND	1,489	1,109	1,392	167	1,372
MTVW PAC	520	1,307	215	-	1,612
CLASS OF 2017	-	131	22	-	109
INTERACT CLUB SPEC	534	1	150	(150)	235
RLHS TOURNEY	1,947	17,430	16,185	(150)	3,042
CLASS OF 2013	249	1	-	-	250
R BOOK	4,408	3,158	6,890	4,254	4,930
RMS PAC	124	0	-	-	124
R CONCESSIONS	2,066	930	742	(110)	2,144

RED LODGE SCHOOL DISTRICT NO. 1

SCHEDULE OF REVENUES, EXPENSES AND BALANCES EXPENDABLE TRUST – STUDENT ACTIVITY FUNDS  
 (continued)  
 Fiscal Year-Ended June 30, 2014

<u>Activity Account Name</u>	<u>Beginning</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Transfers</u>	<u>Ending</u>
	<u>Balance</u>				<u>Balance</u>
	<u>7/1/2013</u>				<u>6/30/2014</u>
R ENVIOR CAMP	3,382	8,501	7,107	-	4,775
R ATHLETICS	6,850	10,239	9,318	-	7,771
R STUDENT COUNCIL	1,273	1,203	928	(100)	1,448
R LIBRARY	748	6,335	1,628	(4,201)	1,253
FACILITY USE	2,921	933	-	-	3,855
MUSIC/DRAMA	848	2	-	-	849
R PLAYGROUND	2,448	5	-	-	2,453
R SKI	4,090	10,187	9,721	100	4,657
R SPECIAL ED	51	0	-	-	51
CLASS OF 2016	307	273	32	-	547
FOOTBALL CAMP	554	2,441	2,470	(526)	-
CLASS OF 2015	352	1,658	1,514	1,500	1,996
ZUPAN MEMORIAL	920	2	59	-	863
GREEN TEAM	-	650	-	-	650
Total	<u>\$ 110,352</u>	<u>\$ 259,438</u>	<u>\$ 243,139</u>	<u>\$ -</u>	<u>\$ 126,650</u>

RED LODGE SCHOOL DISTRICT NO. 1

SCHEDULE OF REPORTED ENROLLMENT  
Fiscal Year-Ended June 30, 2014

FALL ENROLLMENT - OCTOBER, 2013

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	36	36	0
Grade 1 - 6	213	213	0
Grade 7 - 8	<u>79</u>	<u>79</u>	<u>0</u>
Total	<u>328</u>	<u>328</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>173</u>	<u>173</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

WINTER ENROLLMENT - DECEMBER, 2013

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	34	34	0
Grade 1 - 6	207	207	0
Grade 7 - 8	<u>76</u>	<u>76</u>	<u>0</u>
Total	<u>317</u>	<u>317</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>173</u>	<u>173</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

SPRING ENROLLMENT - FEBRUARY, 2014

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	33	33	0
Grade 1 - 6	208	208	0
Grade 7 - 8	<u>77</u>	<u>77</u>	<u>0</u>
Total	<u>318</u>	<u>318</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>168</u>	<u>168</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

STROM & ASSOCIATES, PC  
Certified Public Accountants  
P.O. Box 1980  
Billings, Montana 59103

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Red Lodge School District No. 1  
Carbon County  
Red Lodge, Montana 59068

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and the aggregate remaining fund information of Red Lodge School District No. 1 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Red Lodge School District No. 1's basic financial statements and have issued our report thereon dated June 10, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Red Lodge School District No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Red Lodge School District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Strom & Associates, P.C.*

STROM & ASSOCIATES, PC  
Billings, Montana  
June 10, 2015

STROM & ASSOCIATES, PC  
Certified Public Accountants  
P.O. Box 1980  
Billings, Montana 59103

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SCHEDULE OF FINDINGS AND RESPONSES

There were no findings or recommendations in the prior audit report and none for the fiscal year ended June 30, 2014.