

**HAYS/LODGE POLE SCHOOL DISTRICT NO. 50**

**BLAINE COUNTY  
HAYS, MONTANA**

**FINANCIAL AND COMPLIANCE REPORT**

**Fiscal year Ended June 30, 2014**

**Strom & Associates, P. C.**  
PO BOX 1980  
Billings, Montana 59103

Hays/Lodge Pole School District No. 50  
Blaine County  
Hays, MT 59527

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Hays/Lodge Pole School District No. 50  
Blaine County  
Hays, MT 59527

ORGANIZATION

BOARD OF TRUSTEES

Corey C Morgan	Chair
Frank J Doney	Vice Chair
George Horse Capture Jr.	Trustee
Brenda Essert	Trustee
Gail Main	Trustee

OFFICIALS

Margarett Campbell	Superintendent
Daralyn Shambo	District Clerk
Terry Brockie	County Superintendent
Donald Ranstrom	County Attorney

**MANAGEMENT DISCUSSION AND ANALYSIS  
HAYS LODGE POLE PUBLIC SCHOOLS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2014**

**HAYS LODGE POLE MANAGEMENT & DISCUSSION LETTER**

The Superintendent and Clerk of the Hays Lodge Pole Public Schools have provided this management discussion and analysis to give the reader of these statements an overview of the financial position and activities of the school district for the fiscal year covered by this audit report (for the year ending June 30, 2014).

**FINANCIAL HIGHLIGHTS**

At Hays Lodge Pole Schools, primary funding is provided by the General Fund (state funded) and Impact Aid (federally funded). Due to the low taxable valuation of our district, the taxable levy is very low, and normally an additional levy is not imposed. The impact aid budget is used for most of our non-salary spending, we received \$1,086,204.00 in impact aid funds this fiscal year, with a projection of approximately the same revenue for next fiscal year or even less. We try to spend only a portion of our impact aid funds, saving as much as possible for a reserve, and try to maintain a reserve of approximately two years allocation, or more than two million dollars. Our Retirement Fund is funded by the county, which receives state aid. No "local" retirement funds were spent on retirement benefits for salaries paid with federal funds. These benefits are paid from the federal funds. A four (4) year comparison for the General Fund, Impact Aid Fund, and Retirement Funds is provided below:

FUND	2010-2011	2011-2012	2012-2013	2013-2014
GENERAL BUDGET	1,571,963	1,521,910	1,491,423	1,574,344
IMPACT AID AL-LOCATION	1,271,230	1,025,518	1,048,357	1,086,204
RETIREMENT BUDGET	350,000	350,000	275,000	345,000

Major grants received by Hays Lodge Pole School during 2013-2014 were a major source of funding. The total of the major grants received was \$495,161.00 and include the following:

TITLE I (BASIC)	116,873
TITLE I (SCHOOLWIDE)	279,915
E-RATE	27,805
TITLE II A (PROFESSIONAL DEVELOPMENT)	14,277
TITLE VII (INDIAN EDUCATION)	47,601
CARL PERKINS	8,690

The funding trend we are experiencing is slightly increased in the General Fund and Impact Funds. General fund expenditures were \$137,757.00 over revenue.

The District spends approximately 53% on instruction, 41% on support services, and 6% on other elementary and secondary expenditures. The District has five students for every full-time equivalent teacher, with the Montana state average being fourteen students per full time equivalent teacher. The dropout rate is double the national average. Nearly one third of the students have IEP (Individualized Education Program). An IEP is a written plan for students eligible for special needs services.

Our high school enrollment had a slight decrease this year, but our elementary has become stable.

**ENROLLMENT TRENDS**

YEAR	ELEMENTARY	HIGH SCHOOL
2010-2011	127 (SPRING)	62 (SPRING)
2011-2012	130 (SPRING)	60 (SPRING)
2012-2013	132 (SPRING)	64 (SPRING)
2013-2014	131 (SPRING)	53 (SPRING)

The following statement will illustrate the Management, Discussions and Analysis of the Hays Lodge Pole School District 50. The new development of construction was due to major structural, mechanical and electrical problems in the old Lodge Pole Elementary School.

**MANAGEMENT DISCUSSION AND ANALYSIS  
HAYS LODGE POLE PUBLIC SCHOOLS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2014**

The new Hays Lodge Pole Elementary School was built and completed in 2006 in Lodge Pole, Montana on Federally Recognized Land on the Fort Belknap Indian Reservation. Some major construction problems developed within the new school and the district had to retain legal counsel in an attempt to resolve those issues with the building contractor. The district reluctantly reached a settlement of \$1,200,000. The building problems were not resolved due to the lack of funding. The K-6 Students were moved to the school in Hays, where they were housed at the conclusion of fiscal year 2013-2014.

The Hays Lodge Pole School is currently receiving School Improvement support through the Office of Public Instruction Title I Support Unit. Our school district has been assigned a School Improvement Coach who visits our school at least 2 times per month. She works with staff on teaching and learning strategies that can be utilized in the classrooms. Our school district has been identified for restructuring under the No Child Left Behind requirements due to our low scores on the Montana State-wide assessment. Our staff is receiving on – going professional development training to help improve our scores in reading, math and science. We are implementing Individual Student Learning Plans (ILP) to assist us in tracking student progress or lack of it and setting goals for student learning and a new OPI SIG Program has been implemented in the High School.

A problem in the past for Hays Lodge Schools is the turnover in administration and school board. These past couple of years, the district has a certified Superintendent and Principal in place. The school district also has a school board coach who works closely with the superintendent, principal and school board and also attends all board meetings. The current school board of trustees are serving their complete terms, so there has not been a huge turnover in the school board this past year. With a stable administration, Board of Trustees, and school board coach we hope to establish and maintain strong goals and work towards those goals.

USING THIS FINANCIAL REPORT

The general format of this report is required by Statement No. 34 of the Governmental Accounting Standards Board (GASB). Components and purposes of the report are explained on the following pages.

REPORTING THE DISTRICT AS A WHOLE

This 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”, “liabilities, and the “net position” of the school district. The statements categories 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.
- C. The Statement of Net Position and the Statement of Activities divided the activities of the school district into three categories:
- D. Governmental activities-The school functions, including instruction, student services, administration, etc. Property taxes, state and federal revenue usually support most of these functions of the district.
- E. Proprietary (business-type) activities - the school has none of these.
- F. Component Units – the school has none of these.

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 district to segregate money generated for certain specific purposes, like transportation and debt services, in separate fund accounts.

**MANAGEMENT DISCUSSION AND ANALYSIS  
HAYS LODGE POLE PUBLIC SCHOOLS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2014**

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.

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance are shown for governmental funds, such as the general fund, special revenue funds for transportation and school food service, and debt service and capital outlay funds. These funds use the modified accrual basis of accounting and represent the majority of the district’s activities and programs.

Fund statements include a reconciliation of the governmental fund statements to the district-wide statements. Most significant differences result from the use of different presentation bases. The district-wide statements are presented using the accrual basis of accounting and the fund statements for governmental funds use the modified accrual basis. In addition, general capital assets and general long-term debt are reported in the district-wide statements but not in the fund statements.

**CLASSIFICATIONS OF FUND BALANCES**

The District Fund Balance Policy applies to all funds in the custody of the School District Business Manager/Clerk of the District. These funds are accounted for in the District’s annual audited financial reports and include, but are not limited to the following:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Enterprise Funds
- Any new funds created by the District, unless specifically exempted by the governing body; in accordance with state law or GASB pronouncements.

The District shall classify its fund balances in its various funds in one or more of the following five classifications; non-spendable, restricted, committed, assigned, and unassigned. These are defined as:

1. Fund Balance – the arithmetic difference between the assets and liabilities reported in a school district fund.
2. Committed Fund Balance – amounts constrained to specific purposes by the District itself, using its highest level of decision - making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest – level action to remove or change the constraint.
3. Assigned Fund Balance – amount as a school district intends to use for a specific purpose; intent can be expressed by the District or by an official to which the Board of Trustees delegates the authority.
4. Non spendable Fund Balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund)
5. Restricted Fund Balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
6. Unassigned Fund Balance – amounts that are available for any purpose; these amounts are reported only in the general fund.

**REPORTING THE DISTRICT’S TRUST AND FIDUCIARY RESPONSIBILITIES**

The district is the trustee, or fiduciary for student extracurricular funds. This report includes the activities in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position because the district cannot use these assets to fund its operations. The district is responsible ensuring these assets are used for their intended purpose.

### BUDGET TO ACTUAL COMPARISONS

The budgetary comparison schedules show how actual expenditures compared to the original and final budget expenditures for the general fund.

#### **Management Discussion and Analysis Comparison Schedules**

<u>NET POSITION</u>	<u>Governmental Activities</u>			
	<u>2014</u>	<u>2013</u>	<u>CHANGE</u>	<u>% CHANGE</u>
Current Assets	\$ 4,054,600	\$ 3,704,507	\$ 350,093	9.45%
Capital Assets, net	<u>7,259,741</u>	<u>7,539,318</u>	<u>(279,577)</u>	<u>-3.71%</u>
Total Assets	11,314,341	11,243,825	70,516	0.63%
Current Liabilities	146,559	71,898	74,661	103.84%
Long Term Liabilities	<u>132,735</u>	<u>114,030</u>	<u>18,705</u>	<u>16.40%</u>
Total Liabilities	279,294	185,928	93,366	50.22%
Net Position:				
Net Investment in Capital Assets	7,259,741	7,539,318	(279,577)	-3.71%
Restricted	169,887	149,533	20,354	13.61%
Unrestricted	<u>3,605,420</u>	<u>3,369,046</u>	<u>236,374</u>	<u>7.02%</u>
Total Net Position	11,035,048	11,057,897	(22,849)	-0.21%
<u>CHANGES IN NET POSITION</u>	<u>Governmental Activities</u>			
	<u>2014</u>	<u>2013</u>	<u>CHANGE</u>	<u>% CHANGE</u>
Revenues				
Program Revenues:				
Charges for Services	41,600	57,973	(16,373)	-28.24%
Operating Grants	731,752	999,276	(267,524)	-26.77%
General Revenues:				
District Levies	14,533	6,478	8,055	124.34%
State Equalization	739,122	695,915	43,207	6.21%
Other State Revenues	458,890	720,907	(262,017)	-36.35%
County	295,549	174,392	121,157	69.47%
Federal	1,086,204	1,048,357	37,847	3.61%
Interest	11,135	18,117	(6,982)	-38.54%
Other	<u>16,173</u>	<u>29,990</u>	<u>(13,817)</u>	<u>-46.07%</u>
Total Revenues	3,394,958	3,751,405	(356,447)	-9.50%
Program Expenses				
Instructional Services	1,666,445	1,810,151	(143,706)	-7.94%
Support Services	106,155	100,345	5,810	5.79%
Educational Media Services	114,235	80,308	33,927	42.25%
General Administrative Services	659,620	539,484	120,136	22.27%
Operation & Maintenance Services	517,454	1,026,482	(509,028)	-49.59%
Transportation Services	64,038	93,004	(28,966)	-31.14%
School Food Services	192,788	172,068	20,720	12.04%
Extracurricular	81,173	77,846	3,327	4.27%
Other Current Charges	6,524	864	5,660	655.04%
Other Post-Employment Benefits	-	5,670	(5,670)	-100.00%
Total Expenses	<u>3,408,431</u>	<u>3,906,222</u>	<u>(497,791)</u>	<u>-12.74%</u>
Change in Net Position	(13,474)	(154,817)	141,343	

Any questions regarding these statements should be directed to Daralyn Shambo, District Clerk, Hays Lodgepole Schools, Hays, MT 59527, or by calling 406.673.3120.

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

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Hays/Lodge Pole School District No. 50  
Blaine County  
Hays, MT 59527

**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 Hays/Lodge Pole School District No. 50 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 Hays/Lodge Pole School District No. 50 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 - 6) and the schedule of funding for other post-employment benefits other than pensions (pages 24) and budgetary comparison information (pages 25 - 27) 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 Hays/Lodge Pole School District No. 50's basic financial statements. The schedule of revenues, expenses and balances student activity funds (page 28) and accompanying schedule of reported enrollment (page 29) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards (page 30 - 31) is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The accompanying schedule of reported enrollment, schedule of revenues, expenses and balances student activity funds, and the schedule of expenditures of federal awards 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 reported enrollment, schedule of end of year revenues and expenses student activity funds, and the schedule of expenditures of federal awards 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 February 13, 2015 on our consideration of Hays/Lodge Pole School District No. 50 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 Hays/Lodge Pole School District No. 50 internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC  
Billings, Montana  
February 13, 2015

STATEMENT OF NET POSITION  
 as of June 30, 2014

	<u>Governmental Activities</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 3,916,774
Taxes Receivable	356
Due From Other Governments	<u>137,470</u>
Total Current Assets	<u>4,054,600</u>
Noncurrent Assets:	
Capital Assets:	
Net Depreciable Assets	<u>7,259,741</u>
Total Noncurrent Assets	<u>7,259,741</u>
Total Assets	<u>\$ 11,314,341</u>
LIABILITIES:	
Current Liabilities	
Advances from Grantors	1,516
Cash Over Draft	129,545
Current Portions Compensated Absences	<u>15,498</u>
Total Current Liabilities	<u>146,559</u>
Noncurrent Liabilities:	
Long-Term Obligations	26,488
Compensated Absences	<u>106,247</u>
Total Noncurrent Liabilities	<u>132,735</u>
Total Liabilities	<u>279,294</u>
NET POSITION:	
Net investment in capital assets	7,259,741
Restricted	169,887
Unrestricted (Deficit)	<u>3,605,420</u>
Total Net Position	<u>11,035,048</u>
Total Liabilities and Net Position	<u>\$ 11,314,341</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	\$ 1,666,445	\$ -	\$ 478,765	\$ (1,187,680)
Support Services	106,155	-	39,823	(66,331)
Educational Media Services	114,235	-	52,164	(62,071)
General Administrative Services	659,620	-	36,031	(623,589)
Operation & Maintenance Services	517,454	35,313	-	(482,141)
Transportation Services	64,038	-	22,962	(41,076)
School Food Services	192,788	6,287	102,007	(84,494)
Extracurricular	81,173	-	-	(81,173)
Other Current Charges	6,524	-	-	(6,524)
Total Governmental Activities	<u>3,408,431</u>	<u>41,600</u>	<u>731,752</u>	<u>(2,635,080)</u>
<b>GENERAL REVENUES</b>				
District Levies				14,533
State Equalization				739,122
Other State Revenues				458,890
County				295,549
Federal				1,086,204
Interest				11,135
Other				16,173
Total General Revenues				<u>2,621,606</u>
Change in Net Position				<u>(13,474)</u>
<b>Net Position</b>				
Beginning of the Year				11,057,897
Prior Period Adjustments				<u>(9,375)</u>
End of the Year				<u>\$ 11,035,048</u>

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	Miscellaneous Programs (Elem.)	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 3,753,312	\$ -	\$ 163,462	\$ 3,916,774
Taxes Receivable	341	-	15	356
Due From Other Governments	-	137,470	-	137,470
<b>Total Assets</b>	<b>\$ 3,753,653</b>	<b>\$ 137,470</b>	<b>\$ 163,478</b>	<b>\$ 4,054,600</b>
<b>LIABILITIES:</b>				
Current Liabilities				
Advances from Grantors	-	1,516	-	1,516
Cash Over Draft	-	129,545	-	129,545
<b>Total Liabilities</b>	<b>-</b>	<b>131,061</b>	<b>-</b>	<b>131,061</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Property Taxes Receivable	341	-	15	356
<b>Total Deferred Inflows of resources</b>	<b>341</b>	<b>-</b>	<b>15</b>	<b>356</b>
<b>FUND BALANCE:</b>				
Fund Balances:				
Restricted	-	6,409	163,462	169,871
Unassigned:	3,753,312	-	-	3,753,312
<b>Total Fund Balance</b>	<b>3,753,312</b>	<b>6,409</b>	<b>163,462</b>	<b>3,923,184</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 3,753,653</b>	<b>\$ 137,470</b>	<b>\$ 163,478</b>	<b>\$ 4,054,600</b>

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 3,923,184
Governmental Capital Assets	7,259,741
Long-term Liabilities	
Compensated Absences	(121,745)
Long Term obligations	(26,488)
Unavailable Property Taxes Receivable	356
<b>Net Position of Governmental Activities</b>	<b>\$ 11,035,048</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			Total Governmental Funds
	General	Miscellaneous Programs (Elem.)	Other Governmental Funds	
<b>REVENUES:</b>				
District Levies	\$ 13,917	\$ -	\$ 489	\$ 14,406
Interest	10,986	-	149	11,135
Charges for Services	-	-	41,600	41,600
Other	11,669	4,422	81	16,173
County	-	-	307,030	307,030
State	1,408,160	2,568	15,956	1,426,684
Federal	1,086,204	390,238	101,361	1,577,804
<b>Total Revenues</b>	<b>2,530,937</b>	<b>397,228</b>	<b>466,666</b>	<b>3,394,831</b>
<b>EXPENDITURES:</b>				
<b>Current</b>				
Instructional Services	1,028,255	267,392	185,537	1,481,184
Support Services	56,265	39,823	9,046	105,134
Educational Media Services	51,509	52,164	8,314	111,987
General Administrative Services	554,149	36,031	48,553	638,733
Operation & Maintenance Services	409,963	-	39,169	449,132
Transportation Services	37,564	-	19,746	57,309
School Food Services	63,658	-	119,306	182,964
Extracurricular	74,900	-	6,273	81,173
Other Current Charges	-	6,524	-	6,524
<b>Total Expenditures</b>	<b>2,276,262</b>	<b>401,934</b>	<b>435,944</b>	<b>3,114,139</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>254,676</b>	<b>(4,706)</b>	<b>30,722</b>	<b>280,692</b>
<b>FUND BALANCE:</b>				
Beginning of the Year	3,492,975	11,115	138,401	3,642,492
Prior Period Adjustment	5,662	-	(5,662)	-
<b>End of the Year</b>	<b>\$ 3,753,312</b>	<b>\$ 6,409</b>	<b>\$ 163,462</b>	<b>\$ 3,923,184</b>

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

Hays-Lodge Pole School District No. 50  
Blaine County  
Hays, MT 59527

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	\$	280,692
Revenues on the Statement of Activity not included in governmental funds statement:		
Increase (decrease) in taxes receivable		126
Expenses on the Statement of Activity not included in the governmental funds statement:		
Depreciation Expense	(270,202)	
(Increase) decrease in Other Post Employment Benefits	(3,808)	
(Increase) decrease in compensated absence liability	<u>(20,282)</u>	<u>(294,292)</u>
Change in net position reported on the Statement of Activity	\$	<u>(13,474)</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

	Private Purpose	
	Trust Funds	Agency Funds
<b>ASSETS:</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 49,652	\$ 204,626
Total Assets	<u>49,652</u>	<u>204,626</u>
<b>LIABILITIES:</b>		
Current Liabilities		
Warrants Payable	-	204,626
Total Liabilities	<u>-</u>	<u>204,626</u>
<b>NET POSITION:</b>		
Restricted for Student Activities	49,652	
Total Net Position	<u>\$ 49,652</u>	

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

	Private Purpose
	Trust Funds
<b>ADDITIONS:</b>	
Revenues from Student Activities	\$ 31,290
Total Additions	<u>31,290</u>
<b>DEDUCTIONS:</b>	
Expenses of Student Activities	35,517
Total Deductions	<u>35,517</u>
CHANGE IN NET POSITION	(4,228)
<b>NET POSITION:</b>	
Beginning of the Year	53,880
End of the Year	<u>\$ 49,652</u>

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

HAYS/LODGE POLE SCHOOL DISTRICT NO. 50

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 Hays Lodge Pole School District No. 50 (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.

School District No. 50 provides education for kindergarten through twelfth grade. 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.

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.

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.

HAYS LODGE POLE SCHOOL DISTRICT NO. 50

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

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 and facility rental 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 funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major 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 revenue are recorded in governmental funds for delinquent taxes. Expenditures are recorded when the related fund liability is incurred except for 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.

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. On an accrual basis, revenue from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

GASB Statement No. 34 requires the general fund be reported as a 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.

The following funds are major funds of School District No. 50:

- 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. In the governmental fund financial statements the general fund also includes the activities of the impact aid fund and the flexibility fund since the restrictions on those funds are similar to the general fund.
- Elementary Miscellaneous Fund – This fund is used to account for local, state or federal grants and reimbursements. Donations that allow the expenditure of both principal and interest for support of district programs are deposited in this fund.

HAYS LODGE POLE SCHOOL DISTRICT NO. 50

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

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.

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 treasure 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 Blaine 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 so all inventory was included as expenditures at the time of purchase.

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:

Buildings	25 – 50 years
Improvements other than buildings	20 - 50 years
Machinery and Equipment	5 – 20 years

1. c. 5 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.

HAYS LODGE POLE SCHOOL DISTRICT NO. 50

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

However, upon termination, only 25% of accumulated sick leave is paid. Certified may accumulate up to 100 days and are paid for amounts over that at year-end. Upon termination certified staff shall receive a lump sum payment for up to 50 days of accumulated sick leave at the daily rate of 1/187 of the current base salary.

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 \$15,498 and it is generally paid out of the general fund.

1.c. 6 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:

- Restricted - Includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Unassigned - Amounts that are available for any purpose; these amounts are reported only in the general fund.

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

<u>Purpose</u>	<u>Restricted</u>
Instructional - Regular	\$ 1,909
Operations and Maintenance	18,526
Student Transportation	8,920
School Food	1,363
Third Party Grantor Restrictions	6,409
Employer Retirement Benefits	125,150
Future Technology	6,756
Future Capital Costs	838
Total	<u>\$ 169,871</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first.

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 Blaine County. The County also serves as cashier and treasurer for the School District for tax and assessment collections and other revenues received by the County which are subject to distribution to the various taxing jurisdictions located in the County. The collections made by the 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 County Treasurer. No service charges have been recorded by the School District or the Blaine County.

HAYS LODGE POLE SCHOOL DISTRICT NO. 50

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

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 Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 3,916,774	\$ 254,278	\$ 4,171,052
Fund Overdraft	<u>(129,545)</u>	<u>0</u>	<u>(129,545)</u>
Total	<u>\$ 3,787,229</u>	<u>\$ 254,278</u>	<u>\$ 4,041,508</u>

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

	<u>Amount</u>
Cash on Hand	\$ 500
Demand Accounts	49,652
County Investment Pool	<u>3,991,356</u>
Total	<u>\$ 4,041,508</u>

Cash resources of the School District are held and managed by the Blaine County treasurer pursuant to State law. They are combined with cash resources of other governmental entities within Blaine County to form a pool of cash and cash equivalents. Investments of pooled cash consist primarily of repurchase agreement 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 Blaine County government. Because of the custodial involvement of the Blaine County government, and the commingling of cash in County deposits in the name of the Blaine County Treasurer, full risk classifications according to GASB 40 are available in the Blaine County's annual report. There is no known maturity and credit rating of the Blaine County Investment Pool.

The cash of the extracurricular funds is held separately by the school district, not at Blaine County. As of June 30, 2014, the deposits in the extracurricular fund were covered by FDIC insurance.

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 \$166,192. The tax rates assessed for the year ended June 30, 2014 to finance District operations and applicable taxes receivable were as follows:

<u>Fund</u>	<u>Mill Levies</u>	<u>Taxes Receivable</u>
General*	56.67	\$ 341
Transportation	<u>0</u>	<u>15</u>
Total	<u>56.67</u>	<u>\$ 356</u>

\* Denotes Major Funds

NOTE 4. DUE FROM OTHER GOVERNMENTS

<u>Fund</u>	<u>Amount</u>	<u>Due From</u>	<u>Reason</u>
Miscellaneous *	\$ 1,740	State of MT	Title II
Miscellaneous *	4,537	State of MT	Carl Perkins
Miscellaneous *	8,028	State of MT	Title I Part G
Miscellaneous *	21,716	State of MT	Title I Part A
Miscellaneous *	<u>101,449</u>	State of MT	Title I School-wide
Total	<u>\$ 137,470</u>		

\* Denotes Major Funds

HAYS LODGE POLE SCHOOL DISTRICT NO. 50

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

NOTE 5. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

5. 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>Transfers</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>Depreciable:</u>					
Buildings	\$ 10,278,035	\$ 0	\$ 0	\$ 0	\$ 10,278,035
Land Improvements	524,192	0	0	0	524,192
Major Equipment	<u>1,422,596</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,422,596</u>
Total Depreciable	<u>\$ 12,224,823</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 12,224,823</u>
<u>Accumulated Depreciation:</u>					
Buildings	\$ (3,388,559)	\$ (197,795)	\$ 0	\$ 0	\$ (3,586,354)
Land Improvements	(202,092)	(25,934)	0	0	(228,026)
Major Equipment	<u>(1,094,854)</u>	<u>(46,473)</u>	<u>0</u>	<u>(9,375)</u>	<u>(1,150,702)</u>
Total Depreciation	<u>\$ (4,685,505)</u>	<u>\$ (270,202)</u>	<u>\$ 0</u>	<u>\$ (9,375)</u>	<u>\$ (4,965,082)</u>
Net Depreciable Assets	<u>7,539,318</u>	<u>(270,202)</u>	<u>0</u>	<u>(9,375)</u>	<u>7,259,741</u>
Net Governmental Capital Assets	<u>\$ 7,539,318</u>	<u>\$ (270,202)</u>	<u>\$ 0</u>	<u>\$ (9,375)</u>	<u>\$ 7,259,741</u>

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

<u>Function</u>	<u>Amount</u>
Instructional	\$ 173,229
Media	2,248
School Administration	15,373
Operation & Maintenance	60,605
Transportation	9,114
School Food	<u>9,633</u>
Total Depreciation Expense	<u>\$ 270,202</u>

NOTE 6. 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.

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 7. 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:

HAYS LODGE POLE SCHOOL DISTRICT NO. 50

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

Teachers Retirement System  
P.O. Box 200139  
1500 Sixth Avenue  
Helena, MT 59620-0139  
Phone: 406-444-3134  
www.tr.s.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

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	\$ 260,264	\$ 212,948	\$ 226,896
PERS	<u>79,775</u>	<u>82,686</u>	<u>66,524</u>
Total	<u>\$ 340,039</u>	<u>\$ 295,634</u>	<u>\$ 226,896</u>

NOTE 8. CHANGES IN LONG-TERM DEBT

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

<u>Governmental Activities</u>	<u>Balance</u>	<u>New Debt</u>	<u>Payments</u>	<u>Balance</u>	<u>Due within</u>
	<u>July 1, 2013</u>	<u>and Other</u>	<u>and Other</u>	<u>June 30, 2014</u>	<u>One Year</u>
		<u>Additions</u>	<u>Reductions</u>		
<u>Other Liabilities:</u>					
Compensated Absences	\$ 101,463	\$ 20,282	\$ 0	\$ 121,745	\$ 15,498
Other Post-Employment Benefits (OPEB)	<u>22,680</u>	<u>3,808</u>	<u>0</u>	<u>26,488</u>	<u>0</u>
Total Other Liabilities	<u>\$ 124,143</u>	<u>\$ 24,090</u>	<u>\$ 0</u>	<u>\$ 141,233</u>	<u>\$ 15,498</u>

NOTE 9. DEFERRED INFLOWS OF RESOURCES

9. a. PROPERTY TAXES

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
General*	\$ 341	Taxes Receivable
Transportation	<u>15</u>	Taxes Receivable
Total	<u>\$ 356</u>	

\* Denotes Major Funds

NOTE 10. OPERATING LEASES

On Sept. 2009 and June 2011 the District entered into operating leases with Xerox for the use of copiers. The leases were for 60 months with monthly payments of \$345, \$336, and \$119 and a fair market value buyout at the end of the lease. Total lease payments in fiscal year 2013 were \$9,600 with \$480 representing interest. The future commitment to the District is as follows:

<u>s</u>	<u>Amount</u>	<u>Amortization</u>
Total minimum lease payments	\$ 4,899	2015 \$3,471
Less: amount representing interest	<u>(245)</u>	2016 \$1,428
		Total <u>\$4,899</u>
Present value of net minimum lease payments	<u>\$ 4,654</u>	

HAYS LODGE POLE SCHOOL DISTRICT NO. 50

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

NOTE 11. SUBSEQUENT REPORTABLE EVENTS

As part of a settlement with a former student the school district paid a settlement amount of \$26,242 in July 2014. The settlement may include some additional management fees not to exceed \$1,200 per year.

NOTE 12. PRIOR PERIOD ADJUSTMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>REASON</u>
General*	\$ 5,662	EI flexibility fund included as general
Flexibility*	(5,662)	EI flexibility fund included as general
Total	<u>\$ 0</u>	
* Denotes Major Funds		
Governmental Activities	<u>\$ 9,375</u>	Correct prior year depreciation expense

NOTE 13. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The School District provides the same health care plan to all of its members. The implicit subsidy is \$5,500 per member. 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 June 30, 2014 was as follows:

Actuarial Accrued Liability (AAL)	\$ 26,488
Actuarial value of plan assets	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>26,488</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 1,859,990
UAAL as a percentage of covered payroll	1%

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)	\$ 5,670
Interest on net OPEB obligation	0
Adjustment to ARC	<u>(1,862)</u>
Annual OPEB cost (expense)	3,808
Contribution made	<u>0</u>
Increase in net OPEB obligation	3,808
Net OPEB obligation - beginning of year	<u>22,680</u>
Net OPEB obligation - end of year	<u>\$ 26,488</u>

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)		5.5%
Average Salary Increase		3.0%
Health care cost rate trend		
Year	% Increase	
2015 and after	3.0%	

HAYS LODGE POLE SCHOOL DISTRICT NO. 50

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

NOTE 14. COOPERATIVE

14. a. SPECIAL EDUCATION

The Hays/Lodge Pole School District No. 50 is a member of the Bear Paw Special Education 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 Hays/Lodge Pole School District No. 50, 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 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 Blaine County Treasurer. The Superintendent of Public Instruction may directly deposit to the Cooperative the State and Federal portion of any participating member 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.

NOTE 15. CONTINGENCIES

The government participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

HAYS/LODGE POLE SCHOOL DISTRICT NO. 50

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

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability (AAL) -</u> <u>Entry Age</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a / b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentage of</u> <u>Covered</u> <u>Payroll</u> <u>[(b-a) / c]</u>
<u>7/1/2012</u>	\$ 0	\$ 26,488	\$ 26,488	0%	\$ 1,859,990	1%

This schedule is based on the actuarial values as of July 1, 2012. Information for prior years is not available.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 (Budget and Actual)  
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2014

	General			Flexibility Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>REVENUES:</b>						
District Levies	\$ 9,415	\$ 9,415	\$ 13,917	\$ -	\$ -	\$ -
Interest	1,660	1,660	1,101	-	-	-
Other	-	-	50	-	-	-
State	1,408,160	1,408,160	1,408,160	-	-	-
Total Revenues	<u>1,419,235</u>	<u>1,419,235</u>	<u>1,423,228</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES:</b>						
Current						
Instructional Services			959,049			-
Support Services			54,941			-
Educational Media Services			49,614			-
General Administrative Services			330,062			-
Operation & Maintenance Services			122,064			-
Extracurricular			45,256			-
Total Expenditures	<u>1,574,344</u>	<u>1,574,344</u>	<u>1,560,985</u>	<u>5,662</u>	<u>5,662</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>(155,109)</u>	<u>(155,109)</u>	<u>(137,757)</u>	<u>(5,662)</u>	<u>(5,662)</u>	<u>-</u>
<b>FUND BALANCE:</b>						
Beginning of the Year			312,543			5,662
End of the Year			<u>\$ 174,786</u>			<u>\$ 5,662</u>

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

HAYS/LODGE POLE SCHOOL DISTRICT NO. 50

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 and budgeted special revenue funds including (Transportation, Bus Depreciation, Retirement, Technology, Flexibility). 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.

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. BUDGET AMENDMENT

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

HAYS/LODGE POLE SCHOOL DISTRICT NO. 50

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

NOTE 3. COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ALL SUB-FUNDS OF THE GENERAL FUND

	<u>Sub-fund</u> <u>General</u> <u>Fund</u>	<u>Sub-fund</u> <u>Flexibility</u> <u>Fund</u>	<u>Sub-fund</u> <u>Impact Aid</u> <u>Fund</u>	<u>Total</u> <u>General</u> <u>Fund</u>
REVENUES:				
District Levies	\$ 13,917	\$ 0	\$ 0	\$ 13,917
Interest Earnings	1,101	0	9,885	10,986
Other	50	0	11,619	11,669
State Sources	1,408,160	0	0	1,408,160
Federal	0	0	1,086,205	1,086,205
Total Revenues	<u>\$ 1,423,228</u>	<u>\$ 0</u>	<u>\$ 1,107,709</u>	<u>\$ 2,530,937</u>
EXPENDITURES:				
Instructional Services	959,049	0	69,206	1,028,255
Support Services	54,940	0	1,324	56,264
Educational Media	49,614	0	1,895	51,509
General Administrative	330,062	0	224,086	554,148
Operation & Maintenance	122,064	0	287,899	409,963
Transportation	0	0	37,564	37,564
Extracurricular	45,256	0	29,644	74,900
School Food	0	0	63,658	63,658
Total Expenditures	<u>\$ 1,560,985</u>	<u>\$ 0</u>	<u>\$ 715,276</u>	<u>\$ 2,276,261</u>
Net Changes In Fund Balance	(137,757)	0	392,433	254,676
FUND BALANCE:				
Beginning of the Year	312,543	0	3,180,431	3,492,974
Prior Period Adjustment	<u>5,662</u>	<u>5,662</u>	<u>0</u>	<u>5,662</u>
Ending of the Year	<u>174,786</u>	<u>5,662</u>	<u>3,572,864</u>	<u>3,753,312</u>

In the reconciliation the general fund, flexibility fund, and impact aid fund 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 fund and impact aid fund 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.

On the Statement of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) All Budgeted Major Governmental Funds the general fund and flexibility fund are shown because they are reported as major funds and have legally adopted budgets. The impact aid fund is a non-budgeted fund.

HAYS/LODGE POLE SCHOOL DISTRICT NO. 50

SCHEDULE OF REVENUES, EXPENSES AND BALANCES EXPENDABLE TRUST –  
STUDENT ACTIVITY FUNDS  
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>
LIFE SKILLS CLASS	\$ 66	\$ -	\$ -	\$ -	66
SEVENTH GRADE	-	1,055	52	-	1,003
8TH GRADE	1,799	1,817	149	-	3,467
FRESHMAN	771	0	250	-	521
SOPHOMORES	1,247	0	69	-	1,177
JUNIORS	1,212	2,407	589	(35)	2,995
SENIORS - 2014	5,895	8,117	14,048	35	(0)
ATHLETICS	32,100	15,927	18,211	-	29,817
ANNUAL	587	866	50	-	1,403
STUDENT COUNCIL	209	-	36	-	173
SHOP/TECHNOLOGY CLUB	602	37	-	-	639
CHEERLEADERS	139	-	-	-	139
STUDENT AWARDS	7,137	1	1,300	-	5,838
LODGE POLE ELEM	2,116	1,062	763	-	2,415
Total	<u>\$ 53,880</u>	<u>\$ 31,290</u>	<u>\$ 35,517</u>	<u>\$ -</u>	<u>49,652</u>

HAYS/LODGE POLE SCHOOL DISTRICT NO. 50

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	16	16	0
Grade 1 - 6	79	79	0
Grade 7 - 8	37	37	0
Total	<u>132</u>	<u>132</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>51</u>	<u>51</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	1	1	0
Total Part-time	<u>1</u>	<u>1</u>	<u>0</u>
19 year olds	<u>2</u>	<u>2</u>	<u>0</u>

WINTER ENROLLMENT - DECEMBER, 2013

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	16	16	0
Grade 1 - 6	81	81	0
Grade 7 - 8	37	37	0
Total	<u>134</u>	<u>134</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>54</u>	<u>54</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	0	0	0
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>2</u>	<u>2</u>	<u>0</u>

SPRING ENROLLMENT - FEBRUARY, 2014

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	14	14	0
Grade 1 - 6	81	81	0
Grade 7 - 8	36	36	0
Total	<u>131</u>	<u>131</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>53</u>	<u>53</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	1	1	0
Less than 719 hours	0	0	0
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>1</u>	<u>1</u>	<u>0</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<b>PASSED THROUGH MONTANA OFFICE OF PUBLIC INSTRUCTION:</b>				
National School Lunch Program (Donated Food) (fn2)	10.555	N/A	\$ 2,490	2,490
National School Lunch Program (fn1)	10.555	N/A	\$ 99,140	99,140
Fresh Fruit & Vegetable	10.582	N/A	\$ 2,222	2,222
Total U.S. Department of Agriculture				\$ 103,852
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<b>DIRECT:</b>				
Impact Aid	84.041	SO41B	N/A	715,277
Indian Education Grants to Local Educational Agencies	84.060	S060A120852	N/A	47,601
<b>PASSED THROUGH MONTANA OFFICE OF PUBLIC INSTRUCTION:</b>				
Title I Grants to Local Education Agencies				
- Part A, Improving Basic Programs	84.010	003-1213-3114	\$ 86,913	68,304
Title I Grants to Local Education Agencies				
- Part A, School-Wide	84.010	003-1213-3214	\$ 309,875	259,515
Career and Technical Education - Basic Grants to States-Carl Perkins	84.048	003-1213-8114	\$ 8,690	5,050
Improving Teacher Quality State Grants	84.367	003-1213-1414	\$ 14,277	1,740
School Improvement Grants	84.377	N/A	N/A	8,028
Total U.S. Department of Education				\$ 1,105,515
<b>Total Federal Financial Assistance</b>				<b>\$ 1,209,367</b>

The accompanying notes to the SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS are an integral part of this schedule

HAYS/LODGE POLE SCHOOL DISTRICT NO. 50

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Fiscal Year-Ended June 30, 2014

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Hays/Lodge Pole School District No. 50 under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of Hays/Lodge Pole School District No. 50, it is not intended to and does not present the financial position, changes in net assets or cash flows of Hays/Lodge Pole School District No. 50.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the same basis of accounting as the financial statements. Pass-through entity identifying numbers are presented where available

NOTE 3. FOOTNOTES

Fn1 – No separate funds or accounts maintained, the district assumes first in first out for program money.  
Fn2 – The value of commodities (revenues, expenses or inventory) are noted in the basic financial statements  
N/A – Not applicable/ available

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  
Hays/Lodge Pole School District No. 50  
Blaine County  
Hays, MT 59527

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, each major fund, and the aggregate remaining fund information of Hays/Lodge Pole School District No. 50 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Hays/Lodge Pole School District No. 50's basic financial statements and have issued our report thereon dated February 13, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Hays/Lodge Pole School District No. 50'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 Hays/Lodge Pole School District No. 50'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  
February 13, 2015

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
*OMB CIRCULAR A-133*

INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Hays/Lodge Pole School District No. 50  
Blaine County  
Hays, MT 59527

**Report on Compliance for Each Major Federal Program**

We have audited Hays/Lodge Pole School District No. 50's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Hays/Lodge Pole School District No. 50's major federal programs for the year ended June 30, 2014. Hays/Lodge Pole School District No. 50's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Hays/Lodge Pole School District No. 50's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular *A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hays/Lodge Pole School District No. 50's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Hays/Lodge Pole School District No. 50's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Hays/Lodge Pole School District No. 50's, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of Hays/Lodge Pole School District No. 50, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hays/Lodge Pole School District No. 50's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hays/Lodge Pole School District No. 50's internal control over compliance.

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

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

### Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



STROM & ASSOCIATES, PC  
Billings, Montana  
February 13, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor, Strom & Associates, PC, has issued an unmodified opinion on School District No. 50's financial statements as of and for the year ended June 30, 2014.
2. Our audit disclosed no significant deficiencies in internal controls and none that are considered to be material weaknesses relating to internal controls over financial reporting and its operation.
3. Our audit disclosed no noncompliance which was material to the financial statements of School District No. 50.
4. Our audit disclosed no significant deficiencies that are considered to be material weaknesses relating to internal controls over major federal awards programs.
5. The auditor, Strom & Associates, PC, has issued an unmodified opinion on School District No. 50's compliance with major federal awards programs as of and for the year ended June 30, 2014.
6. The audit disclosed no audit findings which are required to be reported under section .510 of OMB Circular A-133.
7. The major program for Hays/Lodge Pole School District No. 50 for the year ended June 30, 2014 was 84.041 Impact Aid and 10.555 & 10.582 Child Nutrition Cluster.
8. The threshold used to distinguish between Type A and type B programs was \$300,000. Hays/Lodge Pole School District No. 50 has 84.041 Impact Aid and 84.010 Title I as a type A programs.
9. This school district does qualify as a low risk audit client.

B. Findings relating to the financial statements which are required to be reported in accordance with "Governmental Auditing Standards."

FINDING NUMBER 1 -MINUTES 2013:

This was not a finding in fiscal year 2014.

FINDING NUMBER 2 - REVENUE 2013:

This was not a finding in fiscal year 2014.

C. Findings and questioned costs for Federal awards, as defined in section .510 (a) of OMB Circular A-133.

The audit disclosed no findings or questioned costs relating to federal awards as defined in section .510 (a) of OMB Circular A-133.