

Independent Auditor's Report and
Financial Statements

Livingston School District No. 4 & 1
Park County
Livingston, Montana
June 30, 2014

TABLE OF CONTENTS

LIVINGSTON SCHOOL DISTRICT NO. 4 & 1

June 30, 2014

Organization Board of Trustees and Officials	i
Management’s Discussion and Analysis	1
Independent Auditor’s Report	7
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements	
Balance Sheet – Governmental Funds	12
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to Government-Wide Statement of Activities	15
Statement of Fiduciary Net Position and Changes in Fiduciary Net Position	16
Notes to Financial Statements	17
Required Supplemental Information	
Budgetary Comparison Schedule	39
Notes to Budgetary Comparison Schedule	40
Schedule of Funding Progress – Other Postemployment Benefits	43

TABLE OF CONTENTS - CONTINUED

Supplemental Information

Combining Balance Sheet – General Fund	45
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – General Fund.....	46
Schedule of Expenditures of Federal Awards	47
Notes To Schedule of Expenditures of Federal Awards.....	49
Extracurricular Fund - Schedule of Cash Receipts, Disbursements and Changes in Net Position.....	50
Schedule of Reported Enrollment	53
Independent Auditor’s 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.....	54
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with OMB Circular A-133.....	56
Schedule of Findings and Questioned Costs	59

ORGANIZATION BOARD OF TRUSTEES AND OFFICIALS

June 30, 2014

BOARD OF TRUSTEES

Theodore Madden
Tom Shellenberg
Bruce Kron
Leslie Pierson
Druska Kinkie
Carol Goosey
Tammy Lewis
Kari Vondra
George Bornemann

Chairman
Vice Chairman
Trustee
Trustee
Trustee
Trustee
Trustee
Trustee

OFFICIALS

Rich Moore
D. Ellen Conley
Bruce Becker
Jo Newhall
Kevin Larkin

District Superintendent
Business Manager/Clerk
County Attorney
County Superintendent of Schools
County Treasurer

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

This Management's Discussion and Analysis (MD&A) written by the Business Manager/District Clerk of the Livingston School District 1 & 4 provides an overview of the financial position and governmental financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with our audit report and financial statements. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS FOR 2014:

As the District completed the year, its total position reported a combined total asset balance of \$27,111,805 a decrease of \$68,977 (0.25%). This small reduction is primarily the result an increase in cash due to additional monies being held for the sinking bond fund coupled with a decrease in capital assets due to depreciation.

The taxable valuation of the District has increased steadily since 2007. Taxable valuation grew a modest 2.9% or \$850,316 for the high school district and grew 2.4% or \$463,250 for the elementary district.

District funds reserves remain in satisfactory condition. Tax collections remain steady with 101.4% collected during the 2013-2014 school year. The overall effect of not collecting 100% can be an erosion of reserves.

General Fund reserves remain consistent with \$485,000 or 7.66% at the elementary district and \$365,000 or 9.1% at the high school district. Maximum allowed by law is ten percent.

Transportation Fund reserves are \$134,222 which is 17.58%; 20% is the maximum allowed by state law. Retirement Fund reserves is at the maximum 20% at both district equating to \$135,000 at the high school district and \$173,516 at the elementary district.

USING THIS AUDIT REPORT

Statement No. 34 of the Governmental Accounting Standards Board (GASB) requires the general format of this report. Components and purposes of the report are explained below.

MANAGEMENT'S DISCUSSION AND ANALYSIS

REPORTING THE DISTRICT AS A WHOLE

One important question asked about school district finances is, "Is the District, as a whole, in a better or worse financial position as a result of the year's activities?" The Statement of Net Position on Page 10 and the Statement of Activities on Page 11 report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the basis of accounting used by most private-sector companies. A comparative analysis of government-wide data to the prior year is presented.

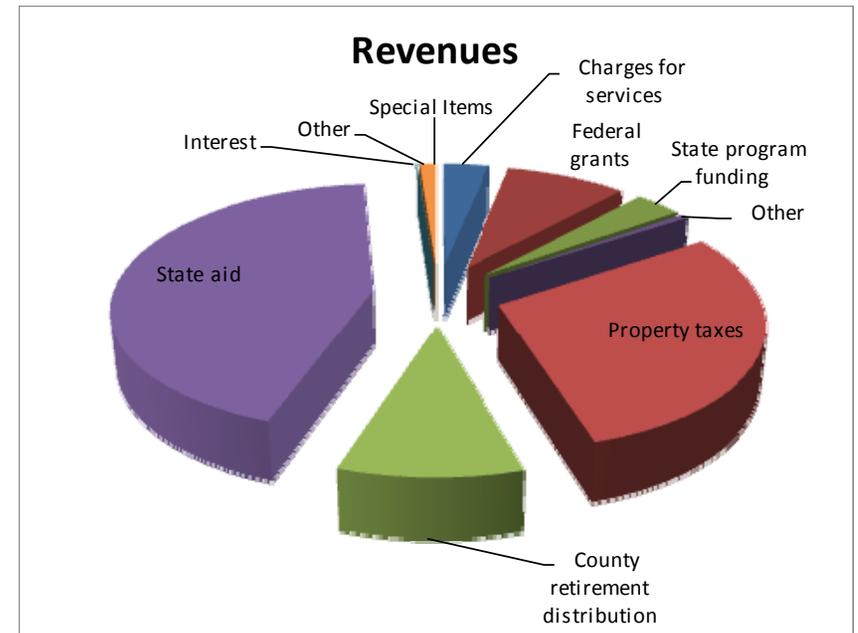
The change in net position over time is one indicator of whether the District's financial health is improving or deteriorating. However, there are other non-financial factors that influence the financial health of the school district, such as enrollment changes, tax collections, changes in how the State of Montana funds educational costs, and changes in the tax base of the school district.

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.

	<u>2014</u>	<u>2013</u>
Net Position:		
Current assets	6,767,637	6,338,237
Capital assets - net	20,344,168	20,842,545
Total assets	<u>27,111,805</u>	<u>27,180,782</u>
Current liabilities	375,402	375,769
Non-current liabilities	16,112,813	16,036,297
Total liabilities	<u>16,488,215</u>	<u>16,412,066</u>
Net investment in capital assets	6,190,293	6,473,670
Restricted for:		
Compensated absences	77,068	77,044
Other fund activities	2,144,352	2,285,316
Debt Service	2,733,868	2,110,074
Capital Projects	162,095	201,676
Unrestricted	<u>(684,086)</u>	<u>(379,064)</u>
Total net position	<u><u>10,623,590</u></u>	<u><u>10,768,716</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

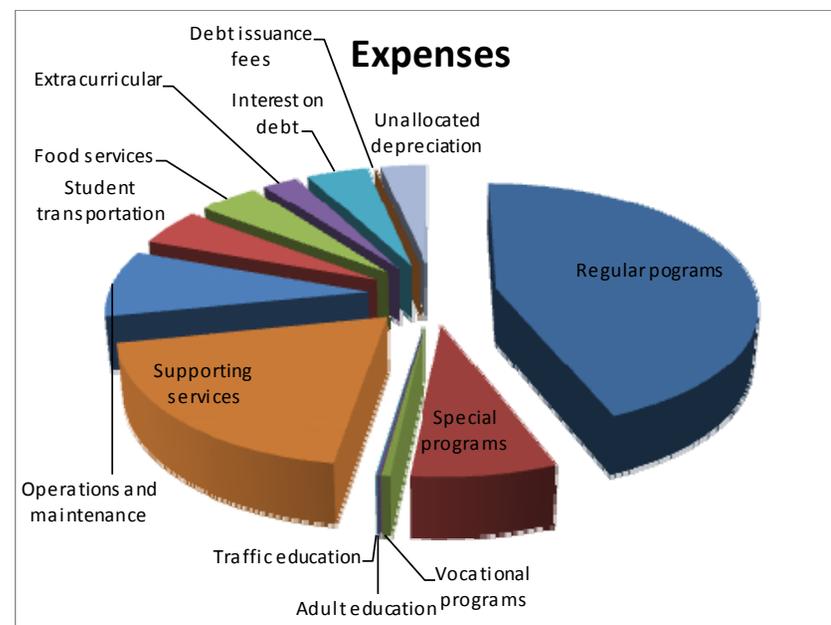
	2014	2013
Revenues:		
Program revenues:		
Charges for services	511,713	474,744
Federal grants	1,353,034	1,409,115
State program funding	522,950	489,786
Other	84,521	75,067
Total program revenues	<u>2,472,218</u>	<u>2,448,712</u>
General revenues:		
Property taxes	4,629,199	4,560,096
County retirement distribution	1,524,608	1,329,941
State aid	6,827,735	7,041,518
Interest	6,281	7,688
Other	179,661	196,174
Special Items	0	3,225
Total general revenues	<u>13,167,484</u>	<u>13,138,642</u>
Total Revenues	<u><u>15,639,702</u></u>	<u><u>15,587,354</u></u>



MANAGEMENT'S DISCUSSION AND ANALYSIS

Expenses:

	2014	2013
Regular programs	6,956,147	6,714,634
Special programs	1,206,150	1,258,594
Vocational programs	72,304	84,292
Adult education	19,585	20,677
Traffic education	11,751	17,389
Supporting services	3,074,722	2,823,198
Operations and maintenance	1,360,142	1,441,366
Student transportation	759,675	841,103
Food services	699,790	584,683
Extracurricular	399,008	413,994
Interest on debt	692,043	695,489
Debt issuance fees	1,010	1,000
Unallocated depreciation	532,501	540,697
Total expenses	15,784,828	15,437,116



- A. The Statement of Net Position on Page 10 shows the assets, liabilities, and the net position 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. Assets exceed liabilities by \$10,623,590 as of June 30, 2014.
- B. The Statement of Activities on Page 11 shows the amounts of program-specific and general school district revenues used to support the various functions of the school district. Expenses exceeded revenues by \$145,126. General revenues, from taxes, state aid and other sources for general school operations totaled \$13,167,484 while program revenues totaling \$2,472,218 was collected from other non-tax sources. Program revenues for Livingston Schools include grants, purchased meals and community education fees.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Livingston Schools are reported under the category of Governmental Activities. These funds provide a short-term view of the District's operations. Basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other short-term assets and liabilities (receivables and payables) that can readily be converted to cash or will soon be paid with cash. The governmental fund statements provide a detailed short-term view of the general government operations and the basic services it provides.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

The fund statements on Pages 12 & 14 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, such as transportation, into separate fund accounts.

These fund statements report balances and activities of the most significant or major funds separately and combine activities of less significant funds under a single category. To be reported as a major fund, total assets, liabilities, revenues, or expenditures of an individual fund must be at least ten percent of the corresponding element totals (assets, liabilities, etc.) for all funds. The Elementary and High School General Funds are always reported as a major fund. The High School Debt Service Fund is the other major fund for our district because each of these funds has assets exceeding ten percent of the total assets.

The Balance Sheet (Page 12) and Statement of Revenues, Expenditures, and Changes in Fund Balances (Page 14) are shown for governmental funds such as general funds, special revenue funds for 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 (Pages 13 & 15). 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.

REPORTING THE DISTRICT'S TRUST AND FIDUCIARY RESPONSIBILITIES

Fiduciary funds: The District is the trustee or fiduciary for the Elementary and High School Student Extracurricular Funds and the High School Scholarship and Miscellaneous Trust funds. This report includes the activities in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position (Page 16) because the District cannot use these assets to fund its operations. The District is responsible for ensuring these assets are used for their intended purpose.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE DISTRICT AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District experienced a small decrease of \$68,977 primarily due to additional cash being held for long-term debt retirement coupled with a decrease in capital assets due to depreciation.

As stated in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds on Page 14, the combined ending fund balances for all funds increased by \$605,992. The increase is due primarily to additional \$625,000 placed in the Bond Sinking fund for the retirement of outstanding \$10 million of bonds upon their maturity in 2026. The balance reserved for this purpose was \$2.5 million at the end of the 2014 fiscal year.

THE FUTURE OF THE DISTRICT

Enrollment in the Livingston School Elementary district increased by 42 ANB (Annual Number Belonging), from 939 to 981 during the 2013-2014 school year at the Elementary District. The High School District enrollment decreased by 12 ANB, from 507 down to 495 reported during the 2013-2014 school year. Enrollment for the Livingston School District is expected to remain relatively flat or increase slightly in the 2015 school year.

The Board of Trustees and administration are committed to providing the best and safest learning environment for students. They continue to work diligently to keep all classrooms and the entire campus technologically updated and the buildings and grounds well-maintained and safe.

CONTACT INFORMATION

Rich Moore– Superintendent
406-222-0861

Livingston School District No. 4 & 1
132 South B Street
Livingston, MT 59047

INDEPENDENT AUDITOR'S REPORT

February 26, 2015

Board of Trustees
Livingston School District No. 4 & 1
Park County
Livingston, Montana

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 Livingston School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Livingston School District's basic financial statements as listed in the table of contents.

The prior year summarized comparative information has been derived from the District's 2013 financial statements and was audited by Galusha, Higgins & Galusha, PC which combined its practice with Wipfli LLP as of December 31, 2014 whose report dated March 26, 2014, expressed unqualified opinions on the respective financial statements of governmental activities, each major fund and the aggregate remaining fund information.

Management's Responsibility for the Financial Statements

Livingston School District's 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 Livingston School District, as of June 30, 2014, and the respective changes in financial position 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, budgetary comparison information, and schedule of funding progress – other postemployment benefits, as listed in the table of contents, 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 the 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 inquiries 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.

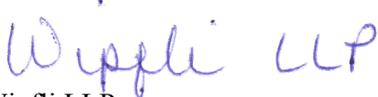
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Livingston School District's basic financial statements. The combining balance sheet – general fund, combining statement of revenues, expenditures and changes in fund balances – general fund, extracurricular fund – schedule of cash receipts, disbursements and changes in net position, schedule of reported enrollment and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining balance sheet – general fund, combining schedule of revenues, expenses and changes in fund balance – general fund, extracurricular activities – schedule of cash receipts, disbursements and changes in net position, schedule of reported enrollment, and 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 combining balance sheet – general fund, combining schedule of revenues, expenses and changes in fund balance – general fund, the extracurricular fund – schedule of cash receipts, disbursements and changes in net position, schedule of reported enrollment, and 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 26, 2015, on our consideration of Livingston School District's 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 Livingston School District's internal control over financial reporting and compliance.


Wipfli LLP
Billings, Montana

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

STATEMENT OF NET POSITION

June 30, 2014

	2014	Summarized For Comparative Purposes Only 2013
	<u>2014</u>	<u>2013</u>
ASSETS:		
Cash and equivalents	5,714,370	5,083,389
Taxes receivable	387,901	524,655
Due from other governments	637,211	698,129
Other assets	12,356	16,489
Inventories	14,888	14,888
Prepaid expenses	911	687
	<u>6,767,637</u>	<u>6,338,237</u>
Capital assets:		
Land	629,959	629,959
Other capital assets, net of depreciation	19,714,209	20,212,586
Total capital assets	<u>20,344,168</u>	<u>20,842,545</u>
Total assets	<u>27,111,805</u>	<u>27,180,782</u>
LIABILITIES:		
Accounts payable	99,613	139,451
Long-term liabilities:		
Due within one year:		
Bonds payable	220,000	215,000
Compensated absences	55,789	21,318
Due in more than one year:		
Bonds payable	13,940,000	14,160,000
Compensated absences	298,502	270,712
Other postemployment benefits	1,874,311	1,605,585
Total liabilities	<u>16,488,215</u>	<u>16,412,066</u>
NET POSITION:		
Net investment in capital assets	6,190,293	6,473,670
Restricted for:		
Compensated absences	77,068	77,044
Other fund activities	2,144,352	2,285,316
Debt Service	2,733,868	2,110,074
Capital Projects	162,095	201,676
Unrestricted	(684,086)	(379,064)
Total net position	<u>10,623,590</u>	<u>10,768,716</u>

The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

	Expenses	Program Revenue		Net (Expense) Revenue	Summarized for Comparative Purposes Only 2013
		Charges for Services	Operating Grants		
Primary government					
Instruction:					
Regular Programs	6,956,147	0	466,337	(6,489,810)	(6,071,900)
Special Programs	1,206,150	0	452,935	(753,215)	(849,685)
Vocational Programs	72,304	0	0	(72,304)	(84,292)
Adult Education	19,585	13,242	0	(6,343)	(6,096)
Traffic Education	11,751	8,600	6,888	3,737	(5,818)
Supporting Services	3,074,722	0	0	(3,074,722)	(2,823,198)
Operations & Maintenance	1,360,142	0	0	(1,360,142)	(1,441,366)
Student Transportation	759,675	228,001	169,039	(362,635)	(449,113)
Food Services	699,790	241,195	336,421	(122,174)	(63,920)
Extracurricular	399,008	20,675	0	(378,333)	(413,994)
Interest on Long-term Debt	692,043	0	528,885	(163,158)	(237,325)
Debt Issuance Costs	1,010	0	0	(1,010)	(1,000)
Unallocated Depreciation	532,501	0	0	(532,501)	(540,697)
Total governmental activities	<u>15,784,828</u>	<u>511,713</u>	<u>1,960,505</u>	<u>(13,312,610)</u>	<u>(12,988,404)</u>
General revenues:					
Property taxes, levied for general purposes				4,629,199	4,560,096
County Retirement Distribution				1,524,608	1,329,941
State Aid				6,827,735	7,041,518
Interest				6,281	7,688
Other				179,661	196,174
Special items:					
Compensation for sale or loss of assets				0	3,225
Total general revenues				<u>13,167,484</u>	<u>13,138,642</u>
Change in net position				(145,126)	150,238
Net position - beginning				10,768,716	10,618,478
Net position - ending				<u>10,623,590</u>	<u>10,768,716</u>

The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS

Fund Financial Statements

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2014

	General Fund	High School Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	1,146,157	2,533,559	2,034,654	5,714,370
Taxes receivable, net	264,231	66,629	57,041	387,901
Due from other governments	184,790	28,547	423,874	637,211
Other receivables	566	0	5,665	6,231
Inventories	0	0	14,888	14,888
Prepaid expenses	25	0	886	911
Total assets	1,595,769	2,628,735	2,537,008	6,761,512
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	51,253	0	48,360	99,613
Total liabilities	51,253	0	48,360	99,613
Deferred inflows of resources:				
Unavailable tax revenues	264,231	66,629	57,041	387,901
Total deferred inflows of resources	264,231	66,629	57,041	387,901
Fund balances:				
Nonspendable:				
Inventory	0	0	14,888	14,888
Prepaid expenses	25	0	886	911
Restricted for:				
Compensated absences	0	0	77,068	77,068
Other fund activities	0	0	2,078,163	2,078,163
Debt service funds	0	2,562,106	98,507	2,660,613
Capital projects	0	0	162,095	162,095
Unassigned	1,280,260	0	0	1,280,260
Total fund balances	1,280,285	2,562,106	2,431,607	6,273,998
Total liabilities, deferred inflows of resources and fund balances	1,595,769	2,628,735	2,537,008	6,761,512

The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2014

Total fund balance, governmental funds	6,273,998
--	-----------

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	20,344,168
---	------------

Property taxes receivable that are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	387,901
--	---------

Bond issuance costs are capitalized when paid and amortized over the life of the related debt, rather than expensed when paid.	6,125
--	-------

Some liabilities, (such as Compensated Absences, Bonds Payable and Other Postemployment Benefits) are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	(16,388,602)
--	--------------

Net Position of Governmental Activities in the Statement of Net Position	<u><u>10,623,590</u></u>
--	--------------------------

The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

For the Year Ended June 30, 2014

	General Fund	High School Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property Taxes for General Purposes	3,175,134	948,394	642,425	4,765,953
Tuition	0	0	21,842	21,842
Intergovernmental:				
County	49,608	0	1,559,521	1,609,129
State	6,749,848	66,923	449,393	7,266,164
Federal	0	528,885	487,728	1,016,613
Interest on Investments	329	5,120	832	6,281
Student Transportation	0	0	312,522	312,522
Food Services	0	0	577,616	577,616
Extracurricular	0	0	20,675	20,675
Other	0	0	179,661	179,661
Total revenues	<u>9,974,919</u>	<u>1,549,322</u>	<u>4,252,215</u>	<u>15,776,456</u>
EXPENDITURES				
Current:				
Instruction	6,086,518	0	1,995,930	8,082,448
Supporting Services	2,048,926	0	845,101	2,894,027
Operations and Maintenance	1,194,662	0	151,593	1,346,255
Student Transportation	31,711	0	634,364	666,075
Food Services	76,362	0	623,428	699,790
Extracurricular	362,972	0	35,436	398,408
Capital Outlay	58,049	0	117,359	175,408
Debt Service	0	908,053	0	908,053
Total Expenditures	<u>9,859,200</u>	<u>908,053</u>	<u>4,403,211</u>	<u>15,170,464</u>
Excess (deficiency) of revenues over expenditures	115,719	641,269	(150,996)	605,992
OTHER FINANCING SOURCES (USES)				
Transfers in	0	0	124,266	124,266
Transfers out	(60,000)	0	(64,266)	(124,266)
Total other financing sources and uses	<u>(60,000)</u>	<u>0</u>	<u>60,000</u>	<u>0</u>
Net change in fund balances	55,719	641,269	(90,996)	605,992
Fund balances - beginning	<u>1,224,566</u>	<u>1,920,837</u>	<u>2,522,603</u>	<u>5,668,006</u>
Fund balances - ending	<u><u>1,280,285</u></u>	<u><u>2,562,106</u></u>	<u><u>2,431,607</u></u>	<u><u>6,273,998</u></u>

The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

Net change in fund balances - total governmental funds:	605,992
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.	(673,785)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.	(136,754)
Statement of activities report expenses that the governmental funds do not and are not reported as expenditures in the governmental funds:	
Compensated absences expense	(62,261)
Other postemployment benefits	(268,726)
Governmental funds report expenses that the statement of activities do not and are not reported as expenditures in statement of activities:	
Capital outlays, not including capital assets under leases	175,408
Principal payments on debt	215,000
Change in net position of governmental activities	<u><u>(145,126)</u></u>

The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS

STATEMENT OF FIDUCIARY NET POSITION AND CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2014

	PRIVATE PURPOSE TRUST			AGENCY FUND	
	STUDENT ACTIVITY	SCHOLARSHIPS	MISCELLANEOUS TRUST	COBRA INSURANCE	CAFETERIA/ FLEX PLAN
FIDUCIARY NET POSITION					
Assets:					
Cash	100,348	560,574	13,452	2,798	27,776
Other Receivables	2,711	0	0	0	0
Total Assets	<u>103,059</u>	<u>560,574</u>	<u>13,452</u>	<u>2,798</u>	<u>27,776</u>
Liabilities:					
Other Current Liabilities	413	0	0	2,798	27,776
Total Liabilities	<u>413</u>	<u>0</u>	<u>0</u>	<u>2,798</u>	<u>27,776</u>
Net Position:					
Held in Trust for Student Activities	102,646	0	0	0	0
Reserved for scholarships	0	560,574	13,452	0	0
Total net position	<u>102,646</u>	<u>560,574</u>	<u>13,452</u>	<u>0</u>	<u>0</u>
Net Liabilities and Net Position	<u>103,059</u>	<u>560,574</u>	<u>13,452</u>	<u>2,798</u>	<u>27,776</u>
CHANGES IN FIDUCIARY NET POSITION					
Additions					
Revenue from Student Activities	273,432	0	0		
Interest	35	174	0		
Contributions	0	53,150	23,575		
Total additions	<u>273,467</u>	<u>53,324</u>	<u>23,575</u>		
Deductions					
Expenses for Student Activities	264,173	0	0		
Scholarships	0	46,200	0		
Instruction	0	0	15,755		
Total deductions	<u>264,173</u>	<u>46,200</u>	<u>15,755</u>		
Change in Net Position Held in Trust	9,294	7,124	7,820		
Net Position, Beginning	<u>93,352</u>	<u>553,450</u>	<u>5,632</u>		
Net Position, End of Year	<u>102,646</u>	<u>560,574</u>	<u>13,452</u>		

The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

Note A. Description of the School District and Reporting Entity

1. Reporting Entity

Livingston School District No. 4 & 1 was established under Montana law to provide educational services below the college and university level to residents of the District. The District actually consists of two separate legal entities, High School and Elementary districts. Accounting records of both districts must be maintained separately per State Law because of differences in funding and tax base. Yet, both are managed by one central Board of Trustees elected by the citizens and by a central administration appointed by and responsible to the Board.

The criteria for including organizations within the District's reporting entity are set forth in Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity." This statement defines the financial reporting entity as the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. The District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such financial accountability that would result in the District being considered a component unit of the entity.

Park County provides services to the District; tax billings and cash collections all flow through the office of the County Treasurer. The County Commissioners have the legal obligation to set levy amounts to finance the budget of the District, as directed by the Board of Trustees. Despite the degree of services rendered, the District has determined that neither Park County nor any other outside agency meets the criteria set forth in the preceding paragraph and therefore, no other agency has been included as a component unit of the District's financial statements.

The District functions in a fiduciary capacity relating to the Student Extracurricular, Scholarship, Miscellaneous Trust, Cobra Insurance, and Cafeteria/Flex Plan Funds.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Note B. Summary of Significant Accounting Policies

The financial statements of Livingston School District No. 4 & 1 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District's significant accounting policies are described below:

1. Basis of Presentation

a. Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities show information about the overall financial position and activities of the District with the exception of the Extracurricular, Scholarship, Miscellaneous Trust, Cobra Insurance, and Cafeteria/Flex funds. The Extracurricular fund, which accounts for the extracurricular activities of the District's students, and the Scholarship and Miscellaneous Trust funds are reported as private purpose trust funds in the statement of Fiduciary Net Position and Changes in Fiduciary Net Position. The Cobra Insurance fund accounts for the receipt and disbursements of premium payments from former district employees who have retired or terminated employment and elected to continue to participate in the District's health insurance program. The Cafeteria/Flex fund accounts for the receipts and disbursements of funds designated by district employees to be used for cafeteria plan benefits. The Cobra Insurance and Cafeteria/Flex funds are reported as agency funds in those statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to students or the public who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

b. Fund Financial Statements

The District uses funds to report on its financial position and results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate 'fund types.'

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category) for the determination of major funds.

2. Governmental Funds

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It accounts for resources traditionally associated with government operations which are not required to be accounted for in another fund. The District maintains the General Fund to account for most of the instructional and administrative aspects of the District's operations and to account for repair and maintenance of District property.

Elementary Metal Mines Fund – Authorized by Section 20-9-231, MCA, for the purpose of accounting for revenues collected under Section 15-37-117(1), MCA, and 7-6-2225, MCA, related to hard rock mining. Money may be expended from this fund for any purpose provided by law.

High School Metal Mines Fund – Authorized by Section 20-9-231, MCA, for the purpose of accounting for revenues collected under Section 15-37-117(1), MCA, and 7-6-2225, MCA, related to hard rock mining. Money may be expended from this fund for any purpose provided by law.

The General Fund has been blended with the Elementary and High School Metal Mines Funds on the governmental fund financial statements for financial reporting purposes under GASB Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

High School Debt Service Fund – Authorized by Section 20-9-438, MCA, for the purpose of paying interest and principal on outstanding bonds and special improvement district (SID) assessments. This fund is also used to account for the proceeds of bonds sold for the purposes provided in Section 20-9-403 (c) and (d), MCA. The High School Debt Service Fund is a budgeted fund.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

3. Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee capacity for others and are therefore not available to support District programs. The reporting focus is on Net Position and changes in Net Position and are reported using generally accepted accounting principles similar to business in the private sector.

The District's fiduciary funds are presented in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position by type (private purpose and agency). Because by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide financial statements.

4. Basis of Accounting and Measurement Focus

a. Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. 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 as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

b. Fund Financial Statements

Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

The District recognizes property taxes as a receivable at the time an enforceable legal claim is established and considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Those revenues susceptible to accrual are property taxes, special assessments, grants, interest revenue, and charges for services. Capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The District reports unavailable tax revenue as deferred inflows of resources and advances from grantors as liabilities on its government-wide Statement of Net Position and on its balance sheet-governmental funds. Unavailable tax revenues and advances from grantors arise when potential revenue does not meet both the 'measurable' and 'available' criteria for recognition in the current period. Advances from grantor also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to resources, the liability for advances from grantors and the deferred inflow of resources for unavailable tax revenues are removed from the balance sheet and revenue is recognized.

5. Cash and Investments

Cash resources of the District for all funds are deposited in local financial institutions. Investments of the pooled cash consist primarily of certificates of deposit and repurchase agreements and are carried at cost which approximates fair value. Among the instruments which state statutes authorize the District to invest in are direct obligations of the United States government; in savings or time deposits in a state or national bank, building or loan association, savings and loan association, or credit union insured by the FDIC, FSLIC, or NCUA located in the state; in a repurchase agreement or Montana short-term investment pool. Interest income received is distributed to the appropriate fund utilizing a formula based on the respective fund's previous month's ending balance of cash and cash equivalents.

The District's carrying amount of cash and cash equivalents was \$6,650,464 as of June 30, 2014. These amounts are held in demand deposit accounts, a repurchase investment account and CDARS. The bank balance is insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC), the remainder is collateralized.

The Elementary and High School Extracurricular Fund cash of \$14,349 and \$88,297 at June 30, 2014 is held at First Interstate Bank. The First Interstate Bank accounts are insured by the FDIC up to \$250,000.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

6. Inventories

Supplies obtained through the governmental funds are recorded as expenditures at the time of purchase. Inventory is valued at cost.

7. Short-term Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as 'due from other funds' or 'due to other funds' on the balance sheet.

8. Capital Assets

Capital assets, including land, buildings, improvements, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an initial useful life of one year or more. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Buildings, improvements, and equipment are depreciated using the straight-line depreciation method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15-50 Years
Buildings and Improvements	15-50 Years
Machinery and Equipment	5-20 Years

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

9. Compensated Absences

All full-time District employees accumulate vacation and/or sick leave hours for later use or for payment upon termination, death or retirement. Vacation and sick leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the District will compensate the employees for the benefits through paid time off or some other means. The compensated absences liability fund is used to pay the accumulated vacation and/or sick leave of a non-teaching employee upon termination, death or retirement. Such reserve may not exceed 30% of the District's recorded liability for accumulated sick leave and 30% of accumulated vacation leave for non-teaching or administrative employees.

10. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report 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 District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable tax revenue, is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

11. Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*, requires the fund balance amounts to be reported within one of the fund balance categories listed below.

Nonspendable - Amounts that cannot be spent because they are either (1) not in spendable form (e.g. inventories and prepaid amounts) or (2) legally or contractually required to be maintained intact (e.g. the corpus or principal of a permanent fund).

Restricted – Amounts that can be spent only for a specific purpose pursuant to state law, enabling legislation, grant agreement, or donor agreement.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Committed – Amounts that can be used only for specific purposes determined by a formal action of the School District’s Board of Trustees (the District’s highest level of decision making authority).

Assigned – Amounts that are intended to be used by the government for specific purposes under the direction of the District Clerk by authority granted by the Board of Trustees.

Unassigned – The residual classification for the government’s general fund that includes all amounts that are not contained in the other classifications.

It is the District’s policy that for purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. All encumbrances are classified as either Assigned fund balance or Committed fund balance. At June 30, 2014, there were no encumbrances.

12. Net Position

Net Position represents the residual of assets plus deferred outflows less liabilities and deferred inflows. Net investment in capital assets represent net position in the form of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net Position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School District’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Position are available.

13. 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

14. Date of Management Review

Management has evaluated the activities and transactions subsequent to June 30, 2014, to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended June 30, 2014. Management has performed this evaluation through February 26, 2015, the date the financial statements were available to be issued.

Note C. Property Taxes

Property taxes are collected by Park County who remits to the District their respective share of the collections. The 2013 property tax levy, which was perfected and became a receivable in October 2013, was levied to finance District operations during the year ended June 30, 2014. The tax levy was collectible in November 2013 and May 2014. As of May 31, 2014 uncollected property taxes became delinquent. Property taxes are attached as an enforceable lien on the underlying property. After a period of three years, Park County, the collecting agent, may begin foreclosure proceedings and sell the property at auction. The District receives its share of the sale proceeds from Park County.

All property taxes are recognized in compliance with GASB interpretation "Property Tax Revenue Recognition in Government Funds," which states that such revenue is recorded when it becomes measurable and available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Note D. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2014 is as follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
CAPITAL ASSETS BEING DEPRECIATED AT COST:				
Land Improvements	602,325	0	0	602,325
Buildings and Improvements	25,683,782	0	0	25,683,782
Machinery and Equipment	2,995,387	175,408	75,053	3,095,742
	<u>29,281,494</u>	<u>175,408</u>	<u>75,053</u>	<u>29,381,849</u>
OTHER CAPITAL ASSETS:				
Land	<u>629,959</u>	<u>0</u>	<u>0</u>	<u>629,959</u>
Total	<u>29,911,453</u>	<u>175,408</u>	<u>75,053</u>	<u>30,011,808</u>
LESS ACCUMULATED DEPRECIATION FOR:				
Land Improvements	381,489	14,575	0	396,064
Buildings and Improvements	6,383,280	515,153	0	6,898,433
Machinery and Equipment	2,304,139	144,057	75,053	2,373,143
Total accumulated depreciation	<u>9,068,908</u>	<u>673,785</u>	<u>75,053</u>	<u>9,667,640</u>
Total	<u>20,842,545</u>			<u>20,344,168</u>

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Depreciation expense was charged to the functions of the District as follows:

Instruction	17,996
Supporting Services	15,201
Operations and Maintenance	13,887
Student Transportation	93,600
Extracurricular	600
Unallocated Depreciation	<u>532,501</u>
Total Depreciation Expense	<u><u>673,785</u></u>

Note E. Long-Term Debt

The summary of activity in bonds payable (including current maturities) is as follows:

	<u>Bonds Payable</u> <u>July 1, 2013</u>	<u>Debt Issued</u>	<u>Debt Retired</u>	<u>Bonds Payable</u> <u>June 30, 2014</u>
General Obligation Bonds:				
2010A series; 4.9% fixed interest rate; final maturity June 15, 2026	10,000,000	0	0	10,000,000
2010B series; .925% to 5.63% variable interest rate; final maturity June 15, 2030	4,375,000	0	215,000	4,160,000
Total	<u><u>14,375,000</u></u>	<u><u>0</u></u>	<u><u>215,000</u></u>	<u><u>14,160,000</u></u>

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

At June 30, 2014 the annual cash flow requirements for retirement of bond principal and interest are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	220,000	687,603	907,603
2016	220,000	682,290	902,290
2017	225,000	675,307	900,307
2018	230,000	667,491	897,491
2019	235,000	658,433	893,433
Thereafter	13,030,000	4,469,136	17,499,136
Total	<u>14,160,000</u>	<u>7,840,260</u>	<u>22,000,260</u>

The District is subject to Montana Code Annotated which limits the amount of indebtedness by the issuance of bonds to the greater of:

1. 50% of the taxable value of property subject to taxation by the District as ascertained by the last assessment for property taxes, or
2. 50% of the statewide Facility Guaranteed Mill Value per ANB multiplied by 1,000, multiplied by the number of students enrolled in a particular district (based on the current year average number of students belonging "ANB").

As of June 30, 2014 the statutory debt limit for the District was as follows:

	<u>High School</u>
Statutory debt limit	20,497,450
Outstanding debt	<u>14,160,000</u>
Remaining debt capacity	<u>6,337,450</u>

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

The following is a summary of changes in current and long-term obligations for the year ended June 30, 2014:

	July 1, 2013	Additions	Reductions	June 30, 2014	Due Within One Year	Due in More Than One Year
Compensated Absences Payable	292,030	62,261	0	354,291	55,789	298,502
Bonds Payable	14,375,000	0	215,000	14,160,000	220,000	13,940,000
Other Postemployment Benefits	1,605,585	268,726	0	1,874,311	0	1,874,311
Total	<u>16,272,615</u>	<u>330,987</u>	<u>215,000</u>	<u>16,388,602</u>	<u>275,789</u>	<u>16,112,813</u>

Payments on bonds payable are made by the debt service funds. The compensated absences liability will be liquidated by several of the governmental funds.

Summary of Information for Continuing Disclosure:

1. Future Financing

Other than the high school \$10,000,000 General Obligation Bonds, Series 2010A (2010A QSCBs) and the high school \$5,000,000 General Obligation Bonds, Series 2010B, (2010B RZEDBs) that were issued in September 2010, the District does not anticipate the need to incur any additional general obligation indebtedness during the next five years.

2. Trends in Property Valuations

The following table indicates the property valuation trends for the District for the current and seven prior fiscal years. All class three, four and ten property in each county is reappraised every six years. The last reappraisal was completed and effective January 1, 2009. Other property valuations are based on comprehensive appraisals of all taxable property performed by the Department of Revenue each year.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Fiscal Year	Taxable Market Valuation	Percent Change	Taxable Valuation	Percent Change
2013/2014	\$ 1,108,516,680	6.5%	\$ 29,811,483	2.9%
2012/2013	\$ 1,040,925,358	5.5%	\$ 28,961,167	1.9%
2011/2012	\$ 986,299,276	-5.0%	\$ 28,427,989	1.6%
2010/2011	\$ 1,037,823,217	8.0%	\$ 27,981,808	4.1%
2009/2010	\$ 960,739,947	18.4%	\$ 26,884,395	4.7%
2008/2009	\$ 811,470,727	-0.9%	\$ 25,679,400	1.1%
2007/2008	\$ 818,737,656	7.8%	\$ 25,395,943	5.3%
2006/2007	\$ 759,317,393	-7.0%	\$ 24,115,416	5.1%
2005/2006	\$ 816,476,227	n/a	\$ 22,936,362	n/a

3. Tax Collections

The following table demonstrates the tax collection history for real property taxes levied by the District for all funds for fiscal years ending June 30, 2006 through 2014.

Fiscal Year	Total Tax Levy	Total Tax Collections	Total Collections as Percent of Levy
2013/2014	\$ 1,260,562	\$ 1,278,413	101.4%
2012/2013	\$ 1,252,818	\$ 1,255,095	100.2%
2011/2012	\$ 1,308,379	\$ 1,291,538	98.7%
2010/2011	\$ 1,313,636	\$ 1,321,845	100.6%
2009/2010	\$ 1,298,262	\$ 1,295,080	99.8%
2008/2009	\$ 1,282,676	\$ 1,312,252	102.3%
2007/2008	\$ 1,277,169	\$ 1,211,310	94.8%
2006/2007	\$ 1,198,423	\$ 1,234,689	103.0%
2005/2006	\$ 1,172,110	\$ 1,144,348	97.6%

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

4. Tax Levies

The table below shows the mill rates per \$1,000 of taxable value for property located in the District for the tax years 2005/2006 through 2013/2014. The "Total" shown below is equal to the aggregate number of mills levied against most property in the District. Property located in the City is levied for the City of Livingston and not the County Road Fund. Additionally, property may be responsible for other specific fire district levies and cemetery district levies, which are not shown below.

Taxing Entity	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
University Milage	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Statewide School Equalization	95.00	95.00	95.00	95.00	95.00	95.00	95.00	95.00	95.00
County-wide School Levy	42.17	50.75	53.79	52.22	42.71	47.02	44.90	44.31	48.88
Park County	15.68	15.68	17.38	20.08	21.04	22.35	23.69	23.70	24.50
Livingston Elementary School	133.12	127.78	125.01	127.30	123.12	116.34	115.71	104.36	105.40
Livingston High School	61.15	59.06	56.54	60.38	55.05	91.86	88.47	86.91	86.83
Rural Fire	15.16	15.16	29.14	29.29	29.00	28.69	24.84	28.55	28.55
County Road	12.17	12.70	13.01	13.37	13.74	14.10	14.45	14.55	14.61
Ambulance	7.86	7.73	7.57	7.57	7.37	6.69	7.12	6.80	7.29
County Planning	1.09	1.16	1.18	1.22	1.25	1.28	1.32	1.32	1.33
Total	389.40	391.02	404.62	412.43	394.28	429.33	421.50	411.50	418.39
City of Livingston	170.66	191.43	191.28	198.12	209.01	210.83	209.06	217.13	209.53

Note F. Employee Benefit Plans

1. Plan Description and Provisions

All full-time District employees participate in one of two state-wide, cost-sharing, multiple-employer retirement benefit plans. Contributions to the two plans are as required by state statute. Information about the two plans is presented below. Total payroll for all District employees for the year ended June 30, 2014 was \$8,391,615.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Public Employees' Retirement System (PERS) - All District employees, except employees who teach on a full-time basis or who are employed in a position in which instructional services are expected to be rendered, are provided pension benefits by a multi-employer plan administered by the State of Montana. Funding is provided by participating units of government and their employees. The District's contribution to this plan for the year ended June 30, 2014 was \$117,603 (7.80% of eligible payroll). The State of Montana contributes .37% of the PERS employees' monthly compensation which is considered to be an "on behalf" payment. Although not a significant amount, the contribution is a part of the PERS funding policy. The District's contribution to this plan represented less than 1% of total contributions required of all participating employers. Required employee contributions to this plan were \$119,111 (7.90% of eligible payroll). Total payroll for employees covered by PERS was \$1,507,736. One hundred percent of the required and additional contributions were made for the current year and the preceding two years. They were \$236,714, \$199,102, and \$204,926 for the fiscal years ended June 30, 2014, 2013 and 2012, respectively.

Participants become eligible for benefits after age 60 and 5 years of service, after age 65 regardless of service, or 30 years of service regardless of age. The benefit is 1/56 of the final compensation for each year of credited service, paid as a modified cash refund annuity. A participant is eligible for early retirement benefits after age 50 and 5 years of service or after 25 years of service regardless of age. Rights become vested after 5 years of service. The authority to establish, amend, and provide cost of living adjustments for the plan is assigned to the State Legislature.

Teachers' Retirement System (TRS) - All District employees who teach on a full-time basis or are employed in a position in which instructional services are expected to be rendered, are provided pension benefits by a multi-employer plan administered by the State of Montana. Funding is provided by participating units of government and their employees. The District's contribution to this plan for the year ended June 30, 2014 was \$588,456 (8.47% of eligible payroll and additional employer contributions of \$59,969). The State of Montana contributes 2.49% of the TRS employees' monthly compensation which is considered to be an "on behalf" payment. Although generally not a significant amount, the contribution is a part of the TRS funding policy. The District's contribution to this plan represented less than 1% of total contributions required of all participating employers. Required employee contributions to this plan were \$508,521 (8.15% of eligible payroll). Additional employee contributions made to the plan were \$46,826. Total payroll for teaching employees was \$6,239,508. One hundred percent of the required and additional contributions were made for the current year and the preceding two years. They were \$1,203,472, \$1,256,019, and \$1,143,776 for the fiscal years ended June 30, 2014, 2013 and 2012, respectively.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Participants become eligible for benefits after age 60 or 25 years of service. The benefit is 1/60 of the final compensation for each year of credited service. A participant is eligible for early retirement, with reduced benefits, after age 50 and 5 years of service. Rights become vested after 5 years of service. The authority to establish, amend, and provide cost of living adjustments for the plan is assigned to the State Legislature.

The PERS financial information is reported in the Public Employees' Retirement Board's Comprehensive Annual Financial Report for the fiscal year end. It is available from the PERD at 100 North Park Avenue, Suite 200, P.O. Box 200131, Helena, Montana 59620-0131, (406) 444-3154.

The TRS financial information is reported in the Teachers' Retirement Board's Actuarial Valuation for the fiscal year end. It is available from the TRB at 1500 E. Sixth Avenue, Helena, Montana 59620-0139, (406) 444-3134.

Note G. Risk Management

The District faces a considerable number of risks 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. A variety of methods are used to provide insurance for these risks. A commercial policy with Western States Insurance, transferring all risks of loss, except for relatively small deductible amounts, was purchased for property and content damage, employee torts and professional liabilities. Flood insurance is provided through a policy with Hartford Insurance. Employee workers' compensation coverage is provided through Montana Schools Group's Workers Compensation Risk Retention Program. Employee medical insurance is provided through Allegiance Benefit Plan Management. The District does not carry coverage for environmental damages. The risk of potential loss is low and coverage is not cost beneficial.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Note H. Due From Other Governments

Due from other governments at June 30, 2014 consists of amounts owed to the District from other governmental entities. These consist of the following:

	<u>Elementary</u>	<u>High School</u>	<u>Total</u>
General Fund	88,926	46,256	135,182
Transportation Fund	48,409	48,350	96,759
Bus Depreciation Fund	0	3,615	3,615
Tuition Fund	497	651	1,148
Retirement Fund	1,465	0	1,465
Miscellaneous Programs Fund	288,498	17,314	305,812
Adult Education	0	745	745
Metal Mines Fund	24,804	24,804	49,608
Technology Fund	4,524	3,299	7,823
Debt Service Fund	3,841	28,547	32,388
Interlocal Fund	0	2,666	2,666
Total	<u>460,964</u>	<u>176,247</u>	<u>637,211</u>

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Note I. Non-Monetary Transactions

The District received \$24,233 in USDA Commodities during the 2013-2014 fiscal year. The commodities received are valued at the average wholesale price as determined by the distributing agency. All commodities received by the District were treated as an expense of the fund receiving the commodities.

Note J. Contingent Liabilities

The District participates in a number of federally assisted grant programs that are subject to audit and adjustment by the grantors. Such grantor audits of these programs, if any, for or including the year ended June 30, 2014, have not yet been conducted. Accordingly, the District's compliance with applicable grant requirements for those programs if audited by grantor agencies will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Note K. Transfers

For the year ended June 30, 2014, the elementary miscellaneous programs fund received a transfer in for the amount of \$21,391 from the Park County Special Education Cooperative for special education expenditures relating to the District's share of IDEA B and IDEA Preschool federal funds. The District also made resource transfers of \$30,000, \$30,000, \$40,000, \$14,086, and \$10,180, from the Elementary General, High School General, High School Bus Depreciation, Elementary Miscellaneous, and High School Miscellaneous Funds to the High School Interlocal Agreement Fund pursuant to Montana Code Annotated Section 20-9-704.

Note L. Other Postemployment Benefits (OPEB)

1. Other Postemployment Benefits

The District provides continuation of medical coverage to its retiring employees. Retirees may elect to continue medical coverage for themselves and their dependents through the District until the retiree's death. The District does not contribute to the health insurance premiums for retirees. An other postemployment benefits arises from the difference in the District's medical insurance cost the retirees are incurring and what they would otherwise be paying on the open market for a similar plan. As required by Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the District has calculated and included a postemployment benefit liability for the year ended June 30, 2014.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

2. Plan Description

The District maintains a single-employer medical plan. The plan provides defined health insurance for eligible employees, retirees, spouses and dependents. Included in the plan are medical and prescription drugs benefits. The plan has options for pre Medicare insurance benefits and for Medicare supplemental insurance benefits. Continued participation in the plan is elected by retirees at the time of retirement.

3. Funding Policy

The required contribution for the District is based on a pay-as-go basis using a level percentage of pay amortization method over 30 years.

4. Annual OPEB Cost and Net OPEB Obligation

The District's other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost 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 District's annual OPEB cost for the year, the amount actually contributed to the plan and the changes in the District's net OPEB obligation:

Normal Cost	224,389
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	125,200
Interest to 6/30/14	<u>68,237</u>
Annual OPEB cost (expense)	417,826
Contributions made	<u>(149,100)</u>
Increase in net OPEB obligation	268,726
Net OPEB Obligation - 7/1/13	<u>1,605,585</u>
Net OPEB Obligation - 6/30/14	<u><u>1,874,311</u></u>

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

5. Trend Information

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for the fiscal years ended June 30, are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	1,874,311	0.0%	1,874,311
June 30, 2013	1,605,585	0.0%	1,605,585
June 30, 2012	1,173,657	0.0%	1,173,657
June 30, 2011	762,667	0.0%	762,667
June 30, 2010	371,729	0.0%	371,729

6. Funded Status and Funding Progress

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

7. Actuarial Methods and Assumptions

As of June 30, 2014, the District's actuarially accrued liability (AAL) for benefits was \$4,868,570. The AAL by status breakdown is shown below:

Actives	2,932,563
Retirees	<u>1,936,007</u>
Total AAL	<u><u>4,868,570</u></u>
Normal Cost	<u><u>224,389</u></u>
Participant Information:	
Actives	131
Retirees	<u>34</u>
Total Participants	<u><u>165</u></u>

The following key assumptions were used by the District:

- a. Funding method: Entry Age Normal Cost, level percent of pay
- b. Discount rate: 4.25%
- c. Salary increase: 2.5% per year for PERS employees; 2.5% per year for TRS employees
- d. Healthcare trend rate:
 1. Medical - 2013 – 7.5%, 2014 – 7.5%, 2015 – 7.0%, 2016 – 6.5%, 2017 – 6.0%, 2018 – 5.5%, 2019 – 5.0%, 2020 and thereafter – 4.5%
 2. Prescription Drugs - 2013 – 7.5%, 2014 – 7.5%, 2015 – 7.0%, 2016 – 6.5%, 2017 – 6.0%, 2018 – 5.5%, 2019 – 5.0%, 2020 and thereafter – 4.5%
- e. Participation rate: 45% of future retirees
- f. Marital assumption: 70% of current active participants are assumed to be married, of these, 60% are assumed to elect coverage for their spouse in retirement. Husbands assumed to be 3 years older than their wives.

REQUIRED SUPPLEMENTAL INFORMATION

Livingston School District No. 4 & 1

Park County
Livingston, Montana
June 30, 2014

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE**For the Year Ended June 30, 2014**

	General Fund	
	ORIGINAL AND FINAL BUDGET	ACTUAL
REVENUES		
Taxes	3,122,639	3,175,134
Intergovernmental revenues		
State	6,749,848	6,749,848
Interest on investments	342	222
Total revenues before reappropriations	<u>9,872,829</u>	<u>9,925,204</u>
Budgeted reappropriations	0	
Total revenues and reappropriations	<u>9,872,829</u>	
EXPENDITURES		
Current:		
Instruction	9,872,829	6,086,518
Supporting services	0	2,032,544
Operations and maintenance	0	1,194,662
Student transportation	0	31,711
Food services	0	76,362
Extracurricular	0	362,972
Capital outlay	0	7,224
Total expenditures	<u>9,872,829</u>	<u>9,791,993</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	133,211
OTHER FINANCING SOURCES (USES)		
Operating transfers in (out)		<u>(60,000)</u>
Total other financing sources (uses)		<u>(60,000)</u>
Excess (deficiency) of revenues and other sources over expenditures		73,211
Fund balances, beginning (Non-GAAP budgetary basis)		<u>801,805</u>
Fund balances, ending (Non-GAAP budgetary basis)		875,016
Adjustments to generally accepted accounting principles		
Current year encumbrances included in expenditures		<u>0</u>
Fund balances, ending (GAAP basis)		<u>875,016</u>

REQUIRED SUPPLEMENTAL INFORMATION

NOTES TO BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2014

1. Budgetary Process

State Law requires that the District adopt budgets for certain funds, generally those supported by property taxes. Budgeted and non-budgeted funds are as follows:

<u>Fund</u>	<u>Budgeted</u>	<u>Non-Budgeted</u>
Governmental Funds		
General	X	
Transportation	X	
Bus Depreciation	X	
School Food Services		X
Tuition	X	
Retirement	X	
Miscellaneous Programs		X
Adult Education	X	
Traffic Education		X
Compensated Absences		X
Metal Mines		X
Impact Aid		X
Technology	X	
Flex Fund	X	
Interlocal		X
Debt Service	X	
Building		X
Building Reserve	X	
Endowment		X
Fiduciary Funds		
Extracurricular		X
Scholarships		X
Miscellaneous Trust		X
Agency Funds		
Cobra Insurance		X
Cafeteria Flex		X

REQUIRED SUPPLEMENTAL INFORMATION

NOTES TO BUDGETARY COMPARISON SCHEDULE - CONTINUED

For the Year Ended June 30, 2014

2. Budgets

The District's budget is prepared on the modified accrual basis of accounting, including encumbrances, which results in the accounting for certain transactions to be on a basis other than accounting principles generally accepted in the United States of America (modified accrual). The District's accounting records are maintained on the basis of cash receipts and disbursements during the year. At year end, certain adjustments are made to the District's accounting records to reflect the basis of accounting described above. Reported budget amounts represent the originally adopted budget. Total fund expenditures may not legally exceed the budgeted expenditures. The budget lapses at the end of each year. The results of operations, on the budget basis of accounting, described above, are presented in the Budgetary Comparison Schedule to provide a meaningful comparison of actual results with the budget.

General Fund budgets are based on the State of Montana's Foundation Program, which is based primarily on enrollment. Budgets of other funds are based on expected revenues and expenditures. Budgeted fund expenditures are limited by State Law to budgeted amounts which may be amended for emergencies as defined by State Law. Budget authority may be transferred between expenditure classifications within the same fund.

a. Budgetary policy follows:

- 1) By the second Monday in July, the County Assessor transmits a statement of the assessed valuation and taxable valuation of all property to the County Superintendent of Schools.
- 2) Before the second Monday in August, the County Superintendent estimates revenue by fund and provides this information to the Board of Trustees prior to the final budget meeting.
- 3) On the second Monday in August, the Board of Trustees must meet to legally adopt the final budget. This budget is adopted consistent with the District's basis of accounting, except for encumbrances discussed below.
- 4) Upon adoption of the final budget, expenditures and operating transfers are limited to the total fund budget. Unexpended and unencumbered appropriations lapse at year end. Under State Law and District Policy, management may amend the budget without seeking Board approval as long as the total individual fund budget is not exceeded.
- 5) Individual fund budgets may only be increased with Board approval, in a manner prescribed by State Law (MCA 20-9-161 through MCA 20-9-166).

REQUIRED SUPPLEMENTAL INFORMATION

NOTES TO BUDGETARY COMPARISON SCHEDULE - CONTINUED

For the Year Ended June 30, 2014

Encumbrances outstanding at year-end represent the estimated amount of expenditures ultimately to result if unperformed purchase orders or contracts in process at year-end were completed. They do not constitute expenditures or liabilities, and will not until performance is essentially complete. The encumbrances have been reported as an assignment of fund balance of the Balance Sheet – Governmental Funds. Because inclusion of these obligations is required for budgetary purposes they have been included in expenditures in the Budgetary Comparison Schedule. The difference between this basis of presentation and GAAP basis is reconciled on the face of this statement.

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

For the Year Ended June 30, 2014

The year ended June 30, 2010 is the year of transition for GASB Statement No. 45 therefore, the requirements of GASB Statement No. 45 have been implemented prospectively. Hence, the below illustration does not reflect similar information respective of the years preceding June 30, 2010. The annual OPEB costs, the percentage of OPEB cost contributed to the plan and the net OPEB obligation for June 30, 2014 for the District's other postemployment benefits are as follows:

ANNUAL OPEB COST				
	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
Retiree Health Plan	06/30/14	\$ 417,826	0.0%	\$ 1,874,311
	06/30/13	\$ 453,879	0.0%	\$ 1,605,585
	06/30/12	\$ 419,942	0.0%	\$ 1,173,657
	06/30/11	\$ 387,530	0.0%	\$ 762,667
	06/30/10	\$ 371,729	0.0%	\$ 371,729

The funded status of the plan was as follows:

FUNDED STATUS	
(a) Actuarial accrued liability (AAL)	\$ 4,868,570
(b) Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL) [(a) - (b)]	\$ 4,868,570
Funded ratio (b) / (a)	0.0%
(c) Covered payroll	Not available
Unfunded actuarial accrued liability (UAAL) as a percentage of covered payroll [{(a) - (b)} / (c)]	Not available

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF FUNDING PROGRESS							
	Actuarial Valuation Date	(a) Actuarial Value of assets	(b) Actuarial Accrued Liability (AAL)	(b - a) Unfunded AAL (UAAL)	(a / b) Funded Ratio	(c) Covered Payroll	[(b - a) / c] UAAL as a Percentage of Covered Payroll
Retiree Health Plan	06/30/14	\$ -	\$ 4,868,570	\$ 4,868,570	0.0%	Not available	Not available
	06/30/13	\$ -	\$ 5,403,571	\$ 5,403,571	0.0%	Not available	Not available
	06/30/12	\$ -	\$ 5,183,282	\$ 5,183,282	0.0%	Not available	Not available
	06/30/11	\$ -	\$ 4,971,973	\$ 4,971,973	0.0%	Not available	Not available
	06/30/10	\$ -	\$ 4,769,249	\$ 4,769,249	0.0%	Not available	Not available

SUPPLEMENTAL INFORMATION

Livingston School District No. 4 & 1

Park County

Livingston, Montana

June 30, 2014

SUPPLEMENTAL INFORMATION

COMBINING BALANCE SHEET – GENERAL FUND

June 30, 2014

	General Fund			Total General Fund
	General Fund	Elementary Metal Mines	High School Metal Mines	
ASSETS				
Cash and cash equivalents	790,496	177,713	177,948	1,146,157
Taxes receivable, net	264,231	0	0	264,231
Due from other governments	135,182	24,804	24,804	184,790
Other receivables	566	0	0	566
Prepaid expenses	25	0	0	25
Total assets	<u>1,190,500</u>	<u>202,517</u>	<u>202,752</u>	<u>1,595,769</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	51,253	0	0	51,253
Total liabilities	<u>51,253</u>	<u>0</u>	<u>0</u>	<u>51,253</u>
Deferred inflows of resources:				
Unavailable Tax Revenues	264,231	0	0	264,231
Total deferred inflows of resources	<u>264,231</u>	<u>0</u>	<u>0</u>	<u>264,231</u>
Fund balances:				
Nonspendable:				
Prepaid Expenses	25	0	0	25
Unassigned	874,991	202,517	202,752	1,280,260
Total fund balances	<u>875,016</u>	<u>202,517</u>	<u>202,752</u>	<u>1,280,285</u>
Total liabilities, deferred inflows of resources and fund balances	<u>1,190,500</u>	<u>202,517</u>	<u>202,752</u>	<u>1,595,769</u>

SUPPLEMENTAL INFORMATION

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GENERAL FUND

For the Year Ended June 30, 2014

	General Fund			Total General Fund
	General Fund	Elementary Metal Mines	High School Metal Mines	
REVENUES				
Property Taxes for General Purposes	3,175,134	0	0	3,175,134
Intergovernmental:				
County	0	24,804	24,804	49,608
State	6,749,848	0	0	6,749,848
Interest on Investments	222	54	53	329
Total revenues	<u>9,925,204</u>	<u>24,858</u>	<u>24,857</u>	<u>9,974,919</u>
EXPENDITURES				
Current:				
Instruction	6,086,518	0	0	6,086,518
Supporting Services	2,048,926	0	0	2,048,926
Operations and Maintenance	1,194,662	0	0	1,194,662
Student Transportation	31,711	0	0	31,711
Food Services	76,362	0	0	76,362
Extracurricular	362,972	0	0	362,972
Capital Outlay	58,049	0	0	58,049
Total Expenditures	<u>9,859,200</u>	<u>0</u>	<u>0</u>	<u>9,859,200</u>
Excess (deficiency) of revenues over expenditures	66,004	24,858	24,857	115,719
OTHER FINANCING SOURCES (USES)				
Transfers out	(60,000)	0	0	(60,000)
Total other financing sources and uses	<u>(60,000)</u>	<u>0</u>	<u>0</u>	<u>(60,000)</u>
Net change in fund balances	6,004	24,858	24,857	55,719
Fund balances - beginning	<u>869,012</u>	<u>177,659</u>	<u>177,895</u>	<u>1,224,566</u>
Fund balances - ending	<u><u>875,016</u></u>	<u><u>202,517</u></u>	<u><u>202,752</u></u>	<u><u>1,280,285</u></u>

SUPPLEMENTAL INFORMATION

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

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Disbursements or Expenditures
<hr/>		
U.S. Department of Education		
<hr/>		
Passed through Montana Office of Public Instruction		
<hr/>		
Title I Grants to Local Educational Agencies	84.010	279,939
Improving Teacher Quality State Grants	84.367	83,347
21st Century Community Learning Centers	84.287	67,500
Career and Technical Education - Basic Grants to States	84.048	29,245
Total Passed through Montana Office of Public Instruction		<hr/> <u>460,031</u>
<hr/>		
Passed through the Park County Special Education Cooperative		
<hr/>		
Special Education Cluster (IDEA)		
Special Education - Preschool Grants	84.173	21,391
Total Special Education Cluster		<hr/> <u>21,391</u>
Total Passed through Park County Special Education Cooperative		<hr/> <u>21,391</u>
Total Department of Education		<hr/> <u>481,422</u>
<hr/>		
Passed through Montana Department of Public Health and Human Services		
<hr/>		
Temporary Assistance for Needy Families	93.558	4,999
Total Passed through Montana Department of Public Health and Human Services		<hr/> <u>4,999</u>
Total Department of Public Health and Human Services		<hr/> <u>4,999</u>

SUPPLEMENTAL INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the Year Ended June 30, 2014

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Disbursements or Expenditures
U.S. Department of Transportation		
Passed through Montana Department of Transportation		
Highway Planning and Construction	20.205	<u>2,673</u>
Total Department of Transportation		<u>2,673</u>
U.S. Department of Agriculture		
Direct Programs		
Farm to School Grant Program	10.575	<u>13,314</u>
Total Direct Programs		<u>13,314</u>
Passed through Montana Office of Public Instruction		
Fresh Fruits and Vegetable Program	10.582	15,538
Child Nutrition Cluster		
Cash Assistance:		
National School Lunch Program	10.555	227,269
National Breakfast Program	10.553	47,632
Summer Food Services Program for Children	10.559	19,534
Noncash Assistance:		
National School Lunch Program (Commodities)	10.555	<u>24,433</u>
Total Child Nutrition Cluster		<u>318,868</u>
Total Passed through Montana Office of Public Instruction		<u>334,406</u>
Total Department of Agriculture		<u>347,720</u>
Total Federal Financial Assistance		<u>836,814</u>

SUPPLEMENTAL INFORMATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2014

Note A. Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Livingston School District and is presented on the modified accrual basis of accounting including encumbrances. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule differ from amounts presented in or used in the preparation of the financial statements.

Note B. Nonmonetary Transactions

The District received \$24,233 in USDA Commodities during the 2013-2014 fiscal year. The commodities received are valued at the average wholesale price as determined by the distributing agency. All commodities received by the District were treated as an expense of the Fund receiving the commodities.

SUPPLEMENTAL INFORMATION

EXTRACURRICULAR FUND - SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION
For the Year Ended June 30, 2014

Student Activity	Net Position July 1, 2013	Receipts	Disbursements	Transfers	Net Position June 30, 2014
6th Grade Intramurals	104	20	0	0	124
8th Grade Class Trip	666	6,834	5,189	0	2,311
8th Grade History Trip	45	0	0	0	45
Band	227	7,979	8,361	0	(155)
Boys Basketball	60	2,830	2,721	0	169
Choir	108	6,290	4,299	0	2,099
Cougar Service Organization	794	842	1,236	0	400
Cross Country	285	0	0	0	285
Football	68	4,225	3,295	0	998
Gate/Tournaments/Receipts	29	0	0	0	29
General	1,562	3,363	2,469	0	2,456
Girls Basketball	27	2,709	3,264	0	(528)
Go For It	437	0	89	0	348
Life Skills Club	146	415	0	0	561
Library	372	2,664	2,298	0	738
PE Department	846	3,270	4,546	0	(430)
Robotics Club	17	0	0	0	17
School Supplies	29	1,000	0	0	1,029
Science Club	666	0	1,300	0	(634)
Student Council	1,203	3,500	4,217	0	486
Summer Sports	24	0	0	0	24
Track	1,658	1,115	908	0	1,865
Tech Ed Club	338	500	247	0	591
Subtotal	9,711	47,556	44,439	0	12,828

SUPPLEMENTAL INFORMATION

EXTRACURRICULAR FUND - SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION - CONTINUED
For the Year Ended June 30, 2014

Student Activity	Net Position July 1, 2013	Receipts	Disbursements	Transfers	Net Position June 30, 2014
Balance from previous page	9,711	47,556	44,439	0	12,828
Tobacco Prevention Grant	40	0	0	0	40
Vending	164	2,165	2,354	0	(25)
Volleyball	229	2,385	1,636	0	978
World of Work	254	0	0	0	254
Yearbook	1,744	910	2,042	0	612
Interest Earned	7	5	350	0	(338)
Academic Team	640	3,981	851	0	3,770
Activity Revenue	704	58,380	50,032	0	9,052
Angel Account	1,035	3,160	2,733	0	1,462
Annual	2,928	10,209	7,758	0	5,379
Art Club	1,023	0	0	0	1,023
Band	4,631	8,998	6,472	0	7,157
Boys Basketball	2,150	2,020	3,876	0	294
Boys Tennis	17	0	0	0	17
Boys Soccer	390	1,505	1,664	0	231
Business Professional Association	1,803	10,852	11,924	0	731
Change Box	150	0	0	0	150
Cheerleaders	835	7,773	7,969	0	639
Choir	7,735	12,251	12,601	0	7,385
Cross Country	3,095	2,053	1,589	0	3,559
Climbing Club	578	3,785	432	0	3,931
F.F.A.	8,136	23,192	29,144	0	2,184
F.C.C.L.A.	1,104	571	1,198	0	477
Football	3,105	5,265	7,761	0	609
General	1,165	1,637	1,488	0	1,314
Geyser	788	1,692	1,691	0	789
Girls Basketball	3,937	1,945	2,521	0	3,361
Subtotal	58,098	212,290	202,525	0	67,863

SUPPLEMENTAL INFORMATION

EXTRACURRICULAR ACTIVITIES - SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION - CONTINUED

For the Year Ended June 30, 2014

Student Activity	Net Position July 1, 2013	Receipts	Disbursements	Transfers	Net Position June 30, 2014
Balance From Previous Page	58,098	212,290	202,525	0	67,863
Girls Soccer	605	2,580	2,602	0	583
Girls Softball	1,814	1,685	1,579	0	1,920
Girls Tennis	1,951	3,459	2,458	0	2,952
Golf	0	1,513	0	0	1,513
Ireland Trip	148	0	0	0	148
International Club - French	1,428	537	199	0	1,766
International Club - German	20	200	195	0	25
Library	0	23	0	0	23
Math	304	279	43	0	540
Miscellaneous Athletics	384	725	150	0	959
Model UN	193	1,525	1,695	0	23
Purple and Gold Club	653	20,800	20,786	0	667
RBT Reed Nursing SC	250	0	0	0	250
Science Fines	0	120	0	0	120
Scholarship	1,084	0	0	0	1,084
Senior Leadership	1,079	250	315	0	1,014
Staff Recognition	0	0	0	0	0
Student Council	2,588	3,605	4,469	0	1,724
Summer School	4,255	0	0	0	4,255
Special Olympics	141	0	58	0	83
Testing	825	5,386	5,258	0	953
Track	312	750	1,260	0	(198)
T.N.T.	3,689	6,680	6,991	0	3,378
TSA	300	0	0	0	300
Vending Machine	665	551	18	0	1,198
Volleyball	5,710	1,308	2,660	0	4,358
Wrestling	1,265	0	1,492	0	(227)
Youth Ledge	314	1,687	1,640	0	361
Interest Earned	82	29	0	0	111
	93,352	273,467	264,173	0	102,646

SUPPLEMENTAL INFORMATION

SCHEDULE OF REPORTED ENROLLMENT**For the Year Ended June 30, 2014**

Grade	Fall		Winter		Spring	
	Enrollment Per FR-4	Enrollment Per District Record	Enrollment Per FR-4	Enrollment Per District Record	Enrollment Per FR-4	Enrollment Per District Record
K-6	702	702	692	692	701	701
7-8	247	247	244	244	244	244
9-12	484	484	476	476	473	473
Totals	<u>1,433</u>	<u>1,433</u>	<u>1,412</u>	<u>1,412</u>	<u>1,418</u>	<u>1,418</u>

INDEPENDENT AUDITOR'S 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

February 26, 2015

Board of Trustees
Livingston School District No. 4 & 1
Livingston, Montana

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Livingston School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Livingston School District's basic financial statements, and have issued our report thereon dated February 26, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Livingston School District'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 Livingston School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Livingston School 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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Livingston School District's financial statements are free from 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.


Wipfli LLP
Billings, Montana

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

February 26, 2015

Board of Trustees
Livingston School District No. 4 & 1
Livingston, Montana

Report on Compliance for Each Major Federal Program

We have audited Livingston School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Livingston School District's major federal programs for the year ended June 30, 2014. Livingston School District's major federal program is 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 Livingston School District's major federal program 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 Livingston School District'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 the major federal program. However, our audit does not provide a legal determination of Livingston School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Livingston School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of Livingston School District 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 Livingston School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing 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 Livingston School District'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 noncompliance 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.

Board of Trustees
Livingston School District No. 4 & 1
Page 3

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.

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.



Wipfli LLP
Billings, Montana

SUPPLEMENTAL INFORMATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's report issued:	Unmodified			
Internal control over financial reporting:				
- Are any material weaknesses identified?	_____	Yes	<u> X </u>	No
- Are any significant deficiency(ies) identified that are not considered to be material weaknesses?	_____	Yes	<u> X </u>	No
Is any noncompliance material to financial statements noted?	_____	Yes	<u> X </u>	No

Federal Awards

Internal control over major programs:				
- Are any material weaknesses identified?	_____	Yes	<u> X </u>	No
- Are any significant deficiency(ies) identified that are not considered to be material weaknesses?	_____	Yes	<u> X </u>	No

Type of Auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____	Yes	<u> X </u>	No

Identification of Major Programs:

CFDA Number(s)
84.010

Name of Federal Program or Cluster
Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between type A and type B programs:	\$ <u>300,000</u>			
Auditee qualified as low-risk auditee?	<u> X </u>	Yes	_____	No

SUPPLEMENTAL INFORMATION

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV –Auditees Summary Schedule of Prior Audit Findings

2013-001 Implemented