

LOLO SCHOOL DISTRICT NO. 7

**MISSOULA COUNTY
LOLO, MONTANA**

FINANCIAL AND COMPLIANCE REPORT

Fiscal year Ended June 30, 2014

Strom & Associates, P. C.
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Billings, Montana 59103

Lolo School District No. 7
 Missoula County
 Lolo, Montana 59847

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Lolo School District No. 7
Missoula County
Lolo, Montana 59847

ORGANIZATION

BOARD OF TRUSTEES

Clint Arneson	Chair
Kelly Hart	Vice Chair
Brandon Wright	Trustee
Trevor Thompson	Trustee
Alex Beal	Trustee

OFFICIALS

Michael Magone	Superintendent
Linda Tarno	District Clerk
Erin Lipkind	County Superintendent
Elizabeth Kaleva	Attorney

Lolo School District #7
Management and Discussion Analysis (MD&A)
For the Year Ended June 30, 2014

The Superintendent and Business Manager/District Clerk of Lolo School have provided this management discussion and analysis to give the reader an overview of the financial position and activities of the school district for the fiscal year ended June 30, 2014.

Financial Highlights

The district's budget rose slightly. As in the past, the district taxpayers continue to provide significant support. The Lolo Booster Club, through their many fund-raisers, greatly assists funding for the extra-curricular activities. The Lolo Parent, Teacher, Student Association (PTSA) provides significant funding for various support staff positions, other equipment, supplies and activities. Lolo School actively researches, applies for and occasionally obtains grants to also help support both educational and extra-curricular activities.

Using the Financial Report

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

Reporting the District as a Whole

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

- A. The **Statement of Net Position** (page 8) shows the "assets" (what is owned), "liabilities" (what is owed) and the "net position" (the resources that would remain if all obligations were settled) of the school district. The statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in "fixed" or "capital" assets, such as buildings, equipment, and other long-lived property; and some assets are available to fund budgets for the following year.
- B. The **Statement of Activities**, (page 9) shows the amounts of program-specific and general school district revenues used to support the school district's various functions.

Reporting the District's Most Significant Funds

The fund statements provide detailed information about the funds used by the school district. State law and Generally Accepted Accounting Principles (GAAP) establish the fund structure of school districts. State law generally requires school districts to segregate money generated for certain specific purposes, like transportation and debt service, in separate fund accounts.

The fund statements report balances and activities of the most significant, or "major" funds separately and combine the activities of less significant funds under a single category. Significance of fund is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the school district's operations, and the existence of legal budget requirements. Internal Service funds are never reported as major funds, but are combined and presented in a separate column.

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

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

Reporting the District's Trust and Fiduciary Responsibilities

The district is the trustee, or fiduciary, for endowments and the student extracurricular fund.

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.

Budget-to-Actual Comparisons

The budgetary comparison schedules (pages 29 - 32) show how actual expenditures compare to the original and final budgeted expenditures for the general fund. The district did not experience any significant variances between the original and final budget expenditure budget and the final and actual expenditures.

THE DISTRICT AS A WHOLE

One important question asked about the District's finances is, "Is the District better or worse off as a result of the year's activities?" The information in the government-wide financial statements helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, including reporting depreciation on capital assets. This is similar to the basis of accounting used by most private-sector companies.

The change in net position over time is one indicator of whether the District's financial health is improving or deteriorating. There are also other non-financial factors that influence the District's fiscal health, such as enrollment changes, changes in the State's funding or educational costs, changes in the economy, or changes in the District's tax base. At Lolo School, assets exceeded liabilities by \$4,243,696 as of June 30, 2014. In the prior year, assets exceeded liabilities by \$4,238,179.

The district's total revenues for the fiscal year ended June 30, 2014 were \$5,937,590. The total cost of all programs and services was \$5,930,056. This generated an increase in net position of \$7,534. District taxpayers paid approximately 20.95% of the \$5,937,590 in revenues. The remainder was financed through other state and federal revenues and investment earnings.

Analysis of Financial Information

The following analysis is provided to help the reader understand the major operations of the school district, where the resources come from, what the resources are used for, and trends, decisions and events that are expected to affect the district's financial situation in the future.

1. What Does the School Do?

Lolo School's main purpose is to educate children; therefore, its costs revolve around instruction and supporting the instruction of students, transporting children to and from school, providing breakfast and lunch to these students along with funding some extra-curricular activities.

2. Where Do the Resources Come From?

The majority of Lolo School's revenues come from property taxes and state aid. Lolo School participates in many federal programs including, but not limited to, all of the ESEA programs that are funded based upon the free and reduced lunch census. The Booster Club and the Lolo PTSA also provide considerable funding for equipment, supplies, some staff, and extra-curricular activities. The District is continually researching, applying for, and utilizing various grants to help support and expand the programs it is able to offer.

Capital Assets

As of June 30, 2014 the District has \$2,653,033 in capital assets including land, buildings, machinery, and equipment.

The District's Future

The growth or decline in enrollment in Lolo School District and the level of financial support from the Lolo Community via general fund, building reserve, technology levies and/or bond issues will have the biggest effect on the district's future. The district is being used to beyond full capacity and with the trending increase in students face's a variety of overcrowding issues. Future housing and business developments, both within and near the district, may also influence the school district's future enrollment. Thus, since state revenue is currently based on enrollment, district revenues will also vary with enrollment. Long range facility and program planning is on-going for identifying and hopefully addressing needs.

Management Discussion and Analysis Comparison Schedules

NET POSITION	Governmental Activities			
	<u>2014</u>	<u>2013</u>	<u>CHANGE</u>	<u>% CHANGE</u>
Current Assets	\$ 1,844,845	\$ 2,115,448	\$ (270,603)	-12.79%
Restricted Assets	355,486	-	355,486	
Capital Assets, net	<u>2,653,033</u>	<u>2,755,776</u>	<u>(102,743)</u>	<u>-3.73%</u>
Total Assets	4,853,364	4,871,224	(17,860)	-0.37%
Current Liabilities	31,894	42,671	(10,777)	-25.26%
Long Term Liabilities	<u>577,774</u>	<u>590,374</u>	<u>(12,600)</u>	<u>-2.13%</u>
Total Liabilities	609,668	633,045	(23,377)	-3.69%
Net Position:				
Net Investment in Capital Assets	2,653,033	2,755,776	(102,743)	-3.73%
Restricted	1,212,419	1,111,098	101,321	9.12%
Unrestricted	<u>378,244</u>	<u>371,305</u>	<u>6,939</u>	<u>1.87%</u>
Total Net Position	<u>\$ 4,243,696</u>	<u>\$ 4,238,179</u>	<u>\$ 5,517</u>	<u>0.13%</u>

CHANGES IN NET POSITION	Governmental Activities			
	<u>2014</u>	<u>2013</u>	<u>CHANGE</u>	<u>% CHANGE</u>
Revenues				
Program Revenues:				
Charges for Services	\$ 93,961	\$ 90,317	\$ 3,644	4.03%
Operating Grants	987,633	718,656	268,977	37.43%
General Revenues:				
District Levies	1,244,020	1,270,692	(26,672)	-2.10%
State Equalization	1,610,677	1,609,394	1,283	0.08%
Other State Revenues	1,240,204	1,591,527	(351,323)	-22.07%
County	587,091	435,748	151,343	34.73%
Interest	10,913	6,819	4,094	60.04%
Other	<u>163,091</u>	<u>143,613</u>	<u>19,478</u>	<u>13.56%</u>
Total Revenues	5,937,590	5,866,766	70,824	1.21%
Program Expenses				
Instructional Services	3,638,701	3,546,827	91,874	2.59%
Support Services	156,535	152,754	3,781	2.48%
Educational Media Services	392,518	339,910	52,608	15.48%
General Administrative Services	731,047	621,054	109,993	17.71%
Operation & Maintenance Services	494,908	677,720	(182,812)	-26.97%
Transportation Services	131,230	126,509	4,721	3.73%
School Food Services	332,408	327,630	4,778	1.46%
Extracurricular	25,989	26,798	(809)	-3.02%
OPEB	-	3,238		
Loss on Asset	-	13,505	(13,505)	-100.00%
Unallocated Depreciation Expense *	<u>26,720</u>	<u>25,818</u>	<u>902</u>	<u>3.49%</u>
Total Expenses	<u>\$ 5,930,056</u>	<u>\$ 5,861,763</u>	<u>\$ 71,531</u>	<u>1.22%</u>
Change in Net Position	<u>7,534</u>	<u>5,003</u>	<u>(707)</u>	

Contact for Further Information

If you have questions about this report or need additional information, contact Michael Magone, Superintendent or Linda Tarno, Business Manager at 11395 Highway 93 South, Lolo, MT 59847 or 406-273-0451.

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Lolo School District No. 7
Missoula County
Lolo, Montana 59847

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 Lolo School District No. 7 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lolo School District No. 7 as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 - 5) and the schedule of funding for other post-employment benefits other than pensions (pages 28) and budgetary comparison information (pages 29 - 32) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lolo School District No. 7's basic financial statements. The accompanying schedule of revenues, expenses and balances student activity funds (page 33) and schedule of reported enrollment (page 34) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2015 on our consideration of Lolo School District No. 7 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 Lolo School District No. 7 internal control over financial reporting and compliance.



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

Lolo School District No. 7
 Missoula County
 Lolo, Montana 59847

STATEMENT OF NET POSITION
 June 30, 2014

	<u>Governmental Activities</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 1,670,931
Taxes Receivable	158,792
Due From Other Governments	<u>15,122</u>
Total Current Assets	<u>1,844,845</u>
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	355,486
Capital Assets:	
Land	126,074
Net Depreciable Assets	<u>2,526,959</u>
Total Noncurrent Assets	<u>3,008,519</u>
Total Assets	<u>\$ 4,853,364</u>
LIABILITIES:	
Current Liabilities	
Grants Received In Advance	\$ 914
Cash Overdraft	844
Current Portions Compensated Absences	<u>30,136</u>
Total Current Liabilities	<u>31,894</u>
Noncurrent Liabilities:	
Long-Term Obligations	391,190
Compensated Absences	<u>186,584</u>
Total Noncurrent Liabilities	<u>577,774</u>
Total Liabilities	<u>609,668</u>
NET POSITION:	
Net investment in capital assets	2,653,033
Restricted	1,212,419
Unrestricted (Deficit)	<u>378,244</u>
Total Net Position	<u>4,243,696</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 4,853,364</u>

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

Lolo School District No. 7
 Missoula County
 Lolo, Montana 59847

STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2014

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charge for Services	Operating Grants and Contributions	Primary Government
				Governmental Activities
GOVERNMENT OPERATIONS				
Instructional Services	\$ 3,638,701	\$ 5,828	\$ 528,912	\$ (3,103,961)
Support Services	156,535	-	6,461	(150,074)
Educational Media Services	392,518	-	42,873	(349,645)
General Administrative Services	731,047	-	252,939	(478,108)
Operation & Maintenance Services	494,908	-	-	(494,908)
Transportation Services	131,230	-	9,052	(122,178)
School Food Services	332,408	88,133	147,396	(96,879)
Extracurricular	25,989	-	-	(25,989)
Unallocated Depreciation Expense *	26,720	-	-	(26,720)
Total Governmental Activities	<u>5,930,056</u>	<u>93,961</u>	<u>987,633</u>	<u>(4,848,462)</u>
GENERAL REVENUES				
District Levies				1,244,020
State Equalization				1,610,677
Other State Revenues				1,240,204
County				587,091
Interest				10,913
Other				163,091
Total General Revenues				<u>4,855,996</u>
Change in Net Position				<u>7,534</u>
Net Position				
Beginning of the Year				4,238,179
Prior Period Adjustments				(2,017)
End of the Year				<u>\$ 4,243,696</u>

* Excludes depreciation included in direct expenses of the various functions

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

Lolo School District No. 7
 Missoula County
 Lolo, Montana 59847

BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2014

	MAJOR					Total Governmental Funds
	General	Retirement	Miscellaneous Programs	Debt Service	Other Governmental Funds	
ASSETS:						
Current Assets:						
Cash and Cash Equivalents	\$ 828,520	\$ 233,800	\$ 267,693	\$ 56,397	\$ 257,340	\$ 1,643,750
Taxes Receivable	131,297	-	-	3,527	23,968	158,792
Due From Other Governments	-	-	14,208	-	914	15,122
Noncurrent Assets:						
Restricted Cash and Cash Equivalents	-	-	-	355,486	-	355,486
Total Assets	\$ 959,817	\$ 233,800	\$ 281,901	\$ 415,410	\$ 282,222	\$ 2,173,150
LIABILITIES:						
Current Liabilities						
Grants Received In Advance	-	-	-	-	914	914
Cash Overdraft	-	-	-	-	844	844
Total Liabilities	-	-	-	-	1,758	1,758
DEFERRED INFLOWS OF RESOURCES						
Unavailable Property Taxes Receivable	131,297	-	-	3,527	23,968	158,792
Total Deferred Inflows of resources	131,297	-	-	3,527	23,968	158,792
FUND BALANCE:						
Fund Balances:						
Restricted	-	233,800	281,901	411,883	257,340	1,184,924
Assigned	134,613	-	-	-	-	134,613
Unassigned:	693,907	-	-	-	(844)	693,063
Total Fund Balance	828,520	233,800	281,901	411,883	256,496	2,012,600
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 959,817	\$ 233,800	\$ 281,901	\$ 415,410	\$ 282,222	\$ 2,173,150

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 2,012,600
Internal Service Fund Net Position	27,181
Governmental Capital Assets	2,653,033
Long-term Liabilities	
Long-Term Obligations	(391,190)
Compensated Absences	(216,720)
Unavailable Property Taxes Receivable	158,792
Net Position of Governmental Activities	\$ 4,243,696

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

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

	MAJOR					Total Governmental Funds
	General	Retirement	Miscellaneous Programs	Debt Service	Other Governmental Funds	
REVENUES:						
District Levies	\$ 1,026,431	\$ -	\$ -	\$ 1,986	\$ 196,068	\$ 1,224,485
Interest	2,706	408	-	7,200	546	10,860
Charges for Services	-	-	-	-	88,193	88,193
Other	50,938	-	155,026	-	-	205,964
County	-	587,091	-	-	4,526	591,617
State	3,047,245	-	267,562	-	14,993	3,329,800
Federal	-	-	319,687	-	147,396	467,083
Total Revenues	4,127,320	587,499	742,275	9,186	451,722	5,918,002
EXPENDITURES:						
Current						
Instructional Services	2,641,834	444,776	467,255	-	23,345	3,577,210
Support Services	111,534	15,182	33,735	-	-	160,451
Educational Media Services	186,567	12,567	109,825	-	80,451	389,410
General Administrative Services	648,533	66,225	5,833	-	-	720,591
Operation & Maintenance Services	449,236	26,917	6,932	6,160	457	489,702
Transportation Services	-	7,531	-	-	121,950	129,481
School Food Services	57,696	19,724	-	-	248,015	325,435
Extracurricular	23,199	2,790	-	-	-	25,989
Capital Outlay	25,000	-	-	-	-	25,000
Total Expenditures	4,143,599	595,712	623,580	6,160	474,218	5,843,269
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(16,279)	(8,213)	118,695	3,026	(22,496)	74,733
OTHER FINANCING SOURCES/USES						
Fund Transfers In	-	-	-	-	1,384	1,384
Fund Transfers (Out)	(1,384)	-	-	-	-	(1,384)
Total Other financial Sources/Uses	(1,384)	-	-	-	1,384	-
NET CHANGES IN FUND BALANCES	(17,663)	(8,213)	118,695	3,026	(21,112)	74,733
FUND BALANCE:						
Beginning of the Year	828,785	242,013	165,020	408,857	295,209	1,939,884
Prior Period Adjustments	17,398	-	(1,814)	-	(17,601)	(2,017)
End of the Year	\$ 828,520	\$ 233,800	\$ 281,901	\$ 411,883	\$ 256,496	\$ 2,012,600

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

Lolo School District No. 7
Missoula County
Lolo, Montana 59847

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

Net Changes in Fund Balance		\$	74,733
Change in net position from internal service funds			3,409
Revenues on the Statement of Activity not included in governmental funds statement:			
Increase (decrease) in taxes receivable			19,535
Expenses on the Statement of Activity not included in the governmental funds statement:			
Depreciation Expense	(127,743)		
(Increase) decrease in Other Post Employment Benefits	(3,238)		
(Increase) decrease in compensated absence liability	<u>15,838</u>	(115,143)	
Expenditures reported in the governmental funds statement not included in the Statement of Activity			
Capital outlays			<u>25,000</u>
Change in net position reported on the Statement of Activity		\$	<u>7,534</u>

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

Lolo School District No. 7
Missoula County
Lolo, Montana 59847

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	Governmental Activities - Internal Service
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 27,181
Total Assets	<u>\$ 27,181</u>
LIABILITIES:	
Total Liabilities	<u>-</u>
NET POSITION:	
Unrestricted (Deficit)	<u>27,181</u>
Total Net Position	<u>27,181</u>
Total Liabilities and Net Position	<u>\$ 27,181</u>

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

Lolo School District No. 7
Missoula County
Lolo, Montana 59847

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	<u>Governmental Activities - Internal Service</u>
OPERATING REVENUES:	
Charges for Services	<u>14,858</u>
Total Operating Revenues	<u>14,858</u>
OPERATING EXPENSES:	
Personal services	5,279
Supplies	750
Purchased services	<u>5,473</u>
Total Operating Expense	<u>11,502</u>
OPERATING INCOME (LOSS)	<u>3,356</u>
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	<u>53</u>
Total nonoperating revenue (expenses)	<u>53</u>
CHANGE IN NET POSITION	3,409
NET POSITION:	
Beginning of the Year	<u>23,772</u>
End of the Year	<u>\$ 27,181</u>

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

Lolo School District No. 7
Missoula County
Lolo, Montana 59847

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Governmental Activities -
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 14,858
Payments to Suppliers	(6,223)
Payments to Employees	(5,279)
Net Cash Provided (Used) by Operating Activities	<u>3,356</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and Dividends	<u>53</u>
Net Cash Provided (Used) by Investing Activities	<u>53</u>
Net Increase (Decrease) In Cash and Cash Equivalents	3,409
BALANCE:	
Beginning of the Year	<u>23,772</u>
End of the Year	<u>\$ 27,181</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ 3,356
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,356</u>

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

Lolo School District No. 7
 Missoula County
 Lolo, Montana 59847

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 June 30, 2014

	Private Purpose	
	Trust Funds	Agency Funds
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 38,188	\$ 362,769
Total Assets	<u>38,188</u>	<u>362,769</u>
LIABILITIES:		
Current Liabilities		
Warrants Payable		251,853
Other Current Liabilities	-	110,916
Total Liabilities	<u>-</u>	<u>362,769</u>
NET POSITION:		
Restricted for Student Activities	<u>38,188</u>	
Total Net Position	<u>\$ 38,188</u>	

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

	Private Purpose
	Trust Funds
ADDITIONS:	
Revenues from Student Activities	\$ 46,899
Contributions to Endowment	
Total Additions	<u>46,899</u>
DEDUCTIONS:	
Expenses of Student Activities	42,999
Student Scholarships	
Total Deductions	<u>42,999</u>
CHANGE IN NET POSITION	3,900
NET POSITION:	
Beginning of the Year	<u>34,288</u>
End of the Year	<u>\$ 38,188</u>

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

LOLO SCHOOL DISTRICT NO. 7

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The basic financial statements of Lolo School District No. 7 (School District) have been prepared on a prescribed basis of accounting that demonstrates compliance with the accounting and budget laws of the State of Montana, which conforms to generally accepted accounting principles (GAAP). The School District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

During fiscal year 2014 the School District adopted the following

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

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

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

The School District provides education for kindergarten through eighth grade. The board of trustees is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations.

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

1. b. BASIS OF PRESENTATION AND ACCOUNTING

1. b. 1 GOVERNMENT-WIDE STATEMENTS

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

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

LOLO SCHOOL DISTRICT NO. 7

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

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

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

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

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

1. b. 2 FUND ACCOUNTING

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

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

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

Proprietary, trust and agency fund financial statements report using the economic resources measurement focus and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service funds are charges to customers for sales and services. Operating expenses for internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Resources received for capital acquisition or construction are reported as separate items.

GASB Statement No. 34 requires the general fund be reported as a major fund. Other individual governmental should be reported in separate columns as major funds based on these criteria:

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

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

LOLO SCHOOL DISTRICT NO. 7

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

The School District reports the following major governmental funds:

- General Fund – The General Fund is the general operating fund of the School District and accounts for all revenues and expenditures of the School District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. On the GASB 34 financial statements the general fund also includes the activities of the interlocal agreement fund and the flexibility fund since the restrictions on those funds are similar to the general fund.
- Retirement Fund – This fund is used to account for financing the employer's contribution to the Teachers' Retirement System (TRS), the Public Employees' Retirement System (PERS), Unemployment Compensation, Social Security and Medicare benefits for School District employees. County wide levies to this fund are to be based upon projected salaries for the fiscal year.
- Miscellaneous Fund – This fund is used to account for local, state or federal grants and reimbursements. Donations that allow the expenditure of both principal and interest for support of School District programs are deposited in this fund.
- Debt Service Fund – This fund is used to account for the financing needs of the School District to pay interest and principal on outstanding bonds and special improvement School District (SID) assessments.

1. b. 3 OTHER FUND TYPES

Internal Service Funds – Accounts for the financing of goods or services provided by one department to other departments of the School District, or to other governments, on a cost reimbursement basis. Because all of the services predominately benefit governmental type functions, they are included with governmental activities in the government-wide financial statements.

Agency Funds – Account for assets that the School District holds on behalf of others as their agent in the payroll and claims clearing funds and employee payroll tax withholdings. Cash is held for warrants which were written but have not been paid by the County Treasurer.

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

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

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

For purposes of the statement of cash flows, the School District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

1. c. 2 TAXES

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

1. c. 3 INVENTORIES

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

LOLO SCHOOL DISTRICT NO. 7

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

1. c. 4 CAPITAL ASSETS

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

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings	20 – 50 years
Improvements other than buildings	20 – 50 years
Machinery and Equipment	5 – 20 years

1.c. 5 DEFERRED INFLOWS OF RESOURCES

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

1.c. 6 VACATION AND SICK LEAVE

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

Certified School District employees shall accrue 13 days of discretionary leave at the beginning of each year. Unused may accumulate up to a limit of 105 days. At the end of the year certified staff may elect to be compensated at \$65.00 per day for those unused discretionary days in excess of the maximum accumulated days allowed. Upon termination certified staff with at least fifteen years of service in the School District will receive an additional one-month's pay. Certified staff termination with 10 - 14 years of service at the school district will receive an additional one-half month's salary.

Liabilities incurred because of unused vacation and sick leave accumulated by employees are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds and when accrued on the statement of activities. The amount expected to be paid within one year is \$ 30,136 and it is generally paid out of the general fund.

1.c. 7 NET POSITION AND FUND BALANCE

Statement of Net Position include the following:

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

Governmental fund financial statements include the following fund balances:

- Restricted - Includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Assigned – the executing a purchase order for a specific purpose such as an encumbrance.
- Unassigned - Amounts that are available for any purpose; these amounts are reported only in the general fund or funds that have negative fund balances.

LOLO SCHOOL DISTRICT NO. 7

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

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

<u>Purpose</u>	<u>Restricted</u>	<u>Assigned</u>
Instructional - Regular	\$ 30,290	\$ 89,462
Student Transportation	30,555	-
Third Party Grantor Restrictions	281,901	-
Employer Retirement Benefits	266,594	-
Future Technology	44,088	-
Future Capital Costs	119,613	45,151
Debt Service	<u>411,883</u>	-
Total	<u>\$1,184,924</u>	<u>\$134,613</u>

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

- 1. d. OTHER
- 1. d. 1 USE OF ESTIMATES

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

- 1. d. 2 County Provided Services

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

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

<u>Account Type</u>	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 1,670,931	\$ 400,957	\$ 2,071,888
Restricted Assets	355,486	-	355,486
Cash Overdraft	(844)	-	(844)
Total	<u>\$ 2,025,573</u>	<u>\$ 400,957</u>	<u>\$ 2,426,530</u>

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

	<u>Amount</u>
Demand Accounts	\$ 38,181
County Investment Pool	2,032,863
Fiscal Agent Deposits	<u>355,486</u>
Total	<u>\$ 2,426,530</u>

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

LOLO SCHOOL DISTRICT NO. 7

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

The cash of the extracurricular funds is held separately by the School District, not at the Missoula County. As of June 30, 2014, \$38,181 was exposed to custodial credit risk and was covered by FDIC insurance.

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

<u>Investment</u>	<u>Fair Value</u>	<u>Investment Maturities - Book Value</u>			
		<u>Less than 1 Year</u>	<u>1-5 years</u>	<u>6-10 Years</u>	<u>10 or more years</u>
Fdg Federal Bank Coupon Strip	\$ 355,486	\$ -	\$ 355,486	\$ -	\$ -

The \$355,486 cash held as an investment relates to QZAB bonds outstanding. When the bonds become due the cash in this investment will be used to pay the bonds in full.

NOTE 3. TAXES RECEIVABLE

The assessed value of the roll as of January 1, 2013, upon which the levy for the 2014 fiscal year was based, was \$7,337,804. The tax rates assessed for the year ended June 30, 2014 to finance School District operations and applicable taxes receivable follows:

<u>Fund</u>	<u>Mill Levies</u>	<u>Taxes Receivable</u>
General*	141.69	\$ 131,297
Transportation	15.78	12,027
Bus Depreciation	-	908
Tuition	0.07	35
Adult Education	3.99	3,452
Technology	7.44	6,846
Debt Service*	-	3,527
Building Reserve	-	700
Total	<u>168.97</u>	<u>\$ 158,792</u>

* Denotes Major Funds

NOTE 4. DUE FROM OTHER GOVERNMENTS

<u>Fund</u>	<u>Amount</u>	<u>Due From</u>	<u>Reason</u>
School Food Service	\$ 914	State of Montana - OPI	State Food Service Match
Miscellaneous*	1,508	State of Montana - OPI	Title I - reimbursement
Miscellaneous*	6,932	State of Montana - OPI	Quality Schools - reimbursement
Miscellaneous*	<u>5,768</u>	State of Montana - OPI	Significant Needs - reimbursement
Total	<u>\$ 15,122</u>		

* Denotes Major Funds

NOTE 5. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

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

<u>Governmental Activities:</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
<u>Non-depreciable:</u>				
Land	\$ 126,074	\$ -	\$ -	\$ 126,074
<u>Depreciable:</u>				
Land Improvements	\$ 816,075	\$ -	\$ -	\$ 816,075
Buildings	3,421,962	-	-	3,421,962
Major Equipment	188,071	25,000	(24,631)	188,440
Total Depreciable	<u>\$ 4,426,108</u>	<u>\$ 25,000</u>	<u>\$ (24,631)</u>	<u>\$ 4,426,477</u>

LOLO SCHOOL DISTRICT NO. 7

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

Accumulated Depreciation:

Land Improvements	\$ (225,430)	\$ (37,512)	\$ -	\$ (262,942)
Buildings	(1,450,253)	(76,495)	-	(1,526,748)
Major Equipment	(120,723)	(13,736)	24,631	(109,828)
Total Depreciation	<u>\$ (1,796,406)</u>	<u>\$ (127,743)</u>	<u>\$ 24,631</u>	<u>\$ (1,899,518)</u>
Net Depreciable Assets	<u>2,629,702</u>	<u>(102,743)</u>	-	<u>2,526,959</u>
Net Governmental Capital Assets	<u>\$ 2,755,776</u>	<u>\$ (102,743)</u>	<u>\$ -</u>	<u>\$ 2,653,033</u>

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

<u>Function</u>	<u>Amount</u>
Instructional	\$ 78,794
Media	1,054
School Administration	5,240
Operation & Maintenance	8,905
Transportation	1,749
School Food	5,281
Unallocated	26,720
Total Depreciation Expense	<u>\$ 127,743</u>

NOTE 6. CHANGES IN LONG-TERM DEBT

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

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1, 2013</u>	<u>New Debt</u> <u>and Other</u> <u>Additions</u>	<u>Principal</u> <u>Payments</u> <u>and Other</u> <u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due within</u> <u>One Year</u>
<u>Bonds and Notes Payable:</u>					
General Obligation Bonds	<u>\$ 375,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 375,000</u>	<u>\$ -</u>
<u>Other Liabilities:</u>					
Compensated Absences	\$ 232,558	\$ -	\$ (15,838)	\$ 216,720	\$ 30,136
Other Post-Employment Benefits (OPEB)	12,952	3,278	-	16,190	-
Total Other Liabilities	<u>\$ 245,510</u>	<u>\$ 3,278</u>	<u>\$ (15,838)</u>	<u>\$ 232,910</u>	<u>\$ 30,136</u>
Total Governmental Activities Long-Term Debt:	<u>\$ 620,510</u>	<u>\$ 3,278</u>	<u>\$ (15,838)</u>	<u>\$ 607,910</u>	<u>\$ 30,136</u>

6. b. SPECIAL ASSESSMENTS

The district is in a special improvement district (SID) and is assessed \$6,160 per year to finance the SID. The debt service fund is used to cover these costs that are considered operating and maintenance costs.

6. c. QZAB BONDS

The school district issued Qualified Zone Academy Bonds (QZAB) in fiscal year 2003 for various repair and maintenance projects or the purchase of new technology equipment. These bonds were for \$375,000 and all mature in 15 years. The district made one payment of \$175,118 in April 2003. These funds are held by American National Bank in a trust fund that will be used to pay off the bonds in April 2018. The face value of the bonds will be used to pay off the bonds when they mature. Interest expense is not shown since the private investors receive a tax credit in place of interest payment and the district is only responsible for repayment of the principal. The bonds were issued for the terms and payment schedules indicated below:

<u>Description</u>	<u>Issue Date</u>	<u>Interest</u> <u>Rate</u>	<u>Length of</u> <u>Loan</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Outstanding</u> <u>June 30,</u> <u>2014</u>
QZAB Bonds	4/2003	5%	15 Years	4/2018	\$ 375,000	\$ 375,000

LOLO SCHOOL DISTRICT NO. 7

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

NOTE 7. DEFERRED INFLOWS OF RESOURCES

7. a. PROPERTY TAXES

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
General*	\$ 131,297	Taxes Receivable
Transportation	12,027	Taxes Receivable
Bus Depreciation	908	Taxes Receivable
Tuition	35	Taxes Receivable
Adult Education	3,452	Taxes Receivable
Technology	6,846	Taxes Receivable
Debt Service*	3,527	Taxes Receivable
Building Reserve	700	Taxes Receivable
Total	<u>\$ 158,792</u>	

* Denotes Major Funds

NOTE 8. DEFICIT FUND BALANCES

<u>Fund</u>	<u>Amount</u>	<u>How to Correct</u>
School Food Services	\$ <u>844</u>	Future collections or transfer from general fund

NOTE 9. OPERATING LEASES

In December 2011 the District entered into a one-year lease with Suzy Anne Miller/Dunrovin Ranch for 20 acres of School District land. The District receives \$1,000 per year, payable in December. The lease is renewable on a year to year basis. The property is used for pasture.

NOTE 10. PRIOR PERIOD ADJUSTMENTS

<u>Fund</u>	<u>Amount</u>	<u>REASON</u>
General*	\$ 17,398	Prior year did not include the Interlocal agreement funds in the general fund as required by GASB 54.
Interlocal Agreement	(17,398)	Prior year did not include the Interlocal agreement funds in the general fund as required by GASB 54.
Building Reserve	(203)	Prior year tax collections correction by the County
Miscellaneous*	<u>(1,814)</u>	Prior year QZAB posting error
Total	<u>\$ (2,017)</u>	
* Denotes Major Funds		
Governmental Type Activities	-	
Total	<u>\$ (2,017)</u>	

NOTE 11. TRANSFERS

<u>Elementary Fund - From</u>	<u>Amount</u>	<u>Elementary Fund - To</u>
General*	\$ 1,384	Compensated Absences - Set aside for future liability.

NOTE 12. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The School District provides the same health care plan to all of its members. The School District had fewer than 100 plan participants and thus qualified to use an Alternative Measurement Method instead of an actuarial valuation to determine the OPEB liability. Valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and estimated amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the current plan. The valuation assumed that 10% of plan participants would elect to continue coverage after retirement.

LOLO SCHOOL DISTRICT NO. 7

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

Funding Policy - The government pays OPEB liabilities on a pay as you go basis. The trust fund for future liabilities has not been established.

Funding status and progress as of July 1, 2012 was as follows:

Actuarial Accrued Liability (AAL)	\$ 63,667
Actuarial value of plan assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>63,667</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 2,088,733
UAAL as a percentage of covered payroll	3%

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

Annual Required Contribution (ARC)	\$ 3,238
Interest on net OPEB obligation	0
Adjustment to ARC	<u>0</u>
Annual OPEB cost (expense)	3,238
Contribution made	<u>0</u>
Increase in net OPEB obligation	3,238
Net OPEB obligation - beginning of year	<u>12,952</u>
Net OPEB obligation - end of year	<u>\$ 16,190</u>

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

Actuarial Cost Method	Unit Credit Cost Method
Average age of retirement (based on historical data)	67
Discount rate (average anticipated rate)	1.00%
Average Salary Increase	1.50%
Health care cost rate trend	
Year	% Increase
2015	5.90%
2016	6.30%
2017	6.00%
2018	6.00%
2019	6.50%
2020 and after	6.70%

NOTE 13. OTHER COMMITMENTS

13. a. 1 ENCUMBRANCES

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

<u>Elementary Fund</u>	<u>Amount</u>
General*	\$ 134,613
Food Service	933
Miscellaneous*	56,064
Technology	<u>12,190</u>
Total	<u>\$ 203,800</u>

* Denotes Major Funds

LOLO SCHOOL DISTRICT NO. 7

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

NOTE 14. RISK MANAGEMENT

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

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

NOTE 15. EMPLOYEE RETIREMENT SYSTEM

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

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

Teachers Retirement System
P.O. Box 200139
1500 Sixth Avenue
Helena, MT 59620-0139
Phone: 406-444-3134
www.trs.doa.state.mt.us

Public Employees Retirement System
P.O. Box 200131
1712 Ninth Avenue
Helena, MT 59620-0131
Phone: 406-444-3154
www.state.mt.us/doa/perb/prb.htm

The PERS defined benefit contribution rates for employees was 7.9%. The PERS rate for the State was set at .37%. For the defined contribution plan the rates are the same except only 4.19% of the employer amount is added to the employee account. Employees who elect the defined contribution plan are in control of their investments and the retirement is based upon the cash in their fund. The PERS rate for employers was 7.8%. The TRS rates for employees was 8.15% and the State was set at 2.49%. The TRS rate for employers was 8.47%. The State's contribution to the retirement system qualifies as an on-behalf payment and has not been reported in the School District's financial statements.

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>
TRS	\$ 406,361	\$ 515,401	\$ 505,830
PERS	<u>68,305</u>	<u>73,552</u>	<u>85,928</u>
Total	<u>\$ 474,666</u>	<u>\$ 588,953</u>	<u>\$ 591,758</u>

LOLO SCHOOL DISTRICT NO. 7

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

NOTE 16. COOPERATIVE

16. a. SPECIAL EDUCATION

The Lolo School District No. 7 is a member of the Missoula County Special Education Cooperative, a Special Education Cooperative. The financial records of the Cooperative are prepared and maintained by the Cooperative Clerk. The financial records of the Cooperative are separate from those of Lolo School District No. 7, and the financial statements of the Cooperative are not included in the School Districts' financial statements. The Cooperative's financial statements are audited separately from those of the School District. All revenue received, including Federal, State, or other types of grant payments, and the financial support provided by each of the Cooperative's members are deposited into the Cooperative's funds, which are maintained in the custody of the Missoula County Treasurer. The Superintendent of Public Instruction may directly deposit to the Cooperative the State and Federal portion of any participating member School District's budgeted costs for contracted special education services. All capital assets of the Cooperative are included in the Cooperative's financial statements.

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

LOLO SCHOOL DISTRICT NO. 7

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a) / c]</u>
<u>7/1/2012</u>	<u>\$ 0</u>	<u>\$ 63,667</u>	<u>\$63,667</u>	<u>0%</u>	<u>\$2,088,733</u>	<u>3%</u>

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

	General			Retirement		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 1,039,834	\$ 1,039,834	\$ 1,026,374	\$ -	\$ -	\$ -
Interest	2,369	2,369	2,085	900	900	408
Other	1,480	1,480	8,065	-	-	-
County	-	-	-	591,343	591,343	587,091
State	3,030,034	3,030,034	3,030,034	-	-	-
Total Revenues	<u>4,073,717</u>	<u>4,073,717</u>	<u>4,066,558</u>	<u>592,243</u>	<u>592,243</u>	<u>587,499</u>
EXPENDITURES:						
Current						
Instructional Services			2,572,356			444,776
Support Services			111,534			15,182
Educational Media Services			141,396			12,567
General Administrative Services			648,533			66,225
Operation & Maintenance Services			449,236			26,917
Transportation Services			-			7,531
School Food Services			57,696			19,724
Extracurricular			23,199			2,790
Capital Outlay			56,141			-
Total Expenditures	<u>4,073,717</u>	<u>4,073,717</u>	<u>4,060,091</u>	<u>695,213</u>	<u>695,213</u>	<u>595,712</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>6,467</u>	<u>(102,970)</u>	<u>(102,970)</u>	<u>(8,213)</u>
OTHER FINANCING SOURCES/USES						
Fund Transfers (Out)	<u>-</u>	<u>-</u>	<u>(1,384)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other financial Sources/Uses	<u>-</u>	<u>-</u>	<u>(1,384)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>5,083</u>	<u>(102,970)</u>	<u>(102,970)</u>	<u>(8,213)</u>
FUND BALANCE:						
Beginning of the Year			403,814			242,013
End of the Year			<u>\$ 408,897</u>			<u>\$ 233,800</u>

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

Lolo School District No. 7
 Missoula County
 Lolo, Montana 59847

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

	Flexibility Fund		
	Original Budget	Final Budget	Actual
REVENUES:			
District Levies	\$ -	\$ -	\$ 57
Interest	673	673	575
Other	-	-	-
County	-	-	-
State	<u>17,211</u>	<u>17,211</u>	<u>17,211</u>
Total Revenues	<u>17,884</u>	<u>17,884</u>	<u>17,843</u>
EXPENDITURES:			
Current			
Instructional Services			-
Support Services			-
Educational Media Services			13
General Administrative Services			-
Operation & Maintenance Services			-
Transportation Services			-
School Food Services			-
Extracurricular			-
Capital Outlay			-
Total Expenditures	<u>269,905</u>	<u>269,905</u>	<u>13</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(252,021)</u>	<u>(252,021)</u>	<u>17,830</u>
OTHER FINANCING SOURCES/USES			
Fund Transfers (Out)	<u>-</u>	<u>-</u>	<u>-</u>
Total Other financial Sources/Uses	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>(252,021)</u>	<u>(252,021)</u>	<u>17,830</u>
FUND BALANCE:			
Beginning of the Year			<u>252,021</u>
End of the Year			<u>\$ 269,851</u>

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

LOLO SCHOOL DISTRICT NO. 7

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

NOTE 1. BUDGETS

1. a. BUDGETS

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

1. a. 1 General Budget Policies:

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

1. a. 2 Budget Operation:

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

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

NOTE 2. BUDGET AMENDMENT

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

LOLO SCHOOL DISTRICT NO. 7

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

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

	Sub funds			Total
	General	Flexibility Fund	Interlocal Agreement Fund	
District Levies	\$ 1,026,374	\$ 57	\$ -	\$ 1,026,431
Interest	2,085	575	46	2,706
Charges for Services	-	-	-	-
Other	8,065	-	42,873	50,938
County	-	-	-	-
State	3,030,034	17,211	-	3,047,245
Total Revenues	<u>4,066,558</u>	<u>17,843</u>	<u>42,919</u>	<u>4,127,320</u>
EXPENDITURES:				
Current				
Instructional Services	2,641,834	-	-	2,641,834
Support Services	111,534	-	-	111,534
Educational Media Services	141,396	13	45,158	186,567
General Administrative Services	648,533	-	-	648,533
Operation & Maintenance Services	449,236	-	-	449,236
School Food Services	57,696	-	-	57,696
Extracurricular	23,199	-	-	23,199
Capital Outlay	25,000	-	-	25,000
Total Expenditures	<u>4,098,428</u>	<u>13</u>	<u>45,158</u>	<u>4,143,599</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(31,870)</u>	<u>17,830</u>	<u>(2,239)</u>	<u>(16,279)</u>
OTHER FINANCING SOURCES/USES				
Fund Transfers (Out)	<u>(1,384)</u>	<u>-</u>	<u>-</u>	<u>(1,384)</u>
Total Other financial Sources/Uses	<u>(1,384)</u>	<u>-</u>	<u>-</u>	<u>(1,384)</u>
NET CHANGES IN FUND BALANCES	(33,254)	17,830	(2,239)	(17,663)
FUND BALANCE:				
Beginning of the Year	<u>576,764</u>	<u>252,021</u>	<u>17,398</u>	<u>846,183</u>
End of the Year	<u>\$ 543,510</u>	<u>\$ 269,851</u>	<u>\$ 15,159</u>	<u>\$ 828,520</u>

The fund balances of the general fund displayed above is different than the one displayed on the Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) by \$134,613. This is due to the reserve for encumbrances. Encumbrances are not included as expenditures above as they do not meet the GAAP definition of expenditures. The District reports encumbrances at year end as budgeted expenditures and displays these amounts as assigned or restricted fund balances, as applicable.

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

On the Statement of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) All Budgeted Major Governmental Funds display budgeted information for the general and major special revenue funds. The Statement presents budgetary information for the general fund, retirement fund and flexibility fund because they are reported as major funds and have legally adopted budgets. The following major funds are not reported because the miscellaneous fund is a non-budgeted special revenue funds, and the debt service fund is a budgeted debt service fund.

LOLO SCHOOL DISTRICT NO. 7

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

Activity Account Name	Beginning Balance 7/1/2013	Revenues	Expenses	Transfers	Ending Balance 6/30/2014
Elem. Counseling	\$ 3	\$ 325	\$ -	\$ 1	\$ 329
Close Up	1,935	15,697	14,828	2	2,806
1 st Grade Field Trip	301	361	70	-	592
Yearbook	46	-	-	-	46
6 th Grade Science	417	128	282	47	310
Library	4,442	1,000	791	3	4,654
3 rd Grade Environ. Ed	671	869	1,021	-	519
Home Economics	151	2,365	2,398	-	118
Drama-Plays	1	-	-	-	1
2 nd Grade Field Trip	198	77	-	-	275
Se Field Trips	-	-	-	-	-
Governor's Cup	474	-	-	-	474
4 th Grade Field Trips	1,397	668	803	1	1,263
5 th Grade Field Trips	519	-	89	-	430
6 th Grade Field Trips	47	-	-	(47)	-
Trees For Kids	1,404	2,076	1,700	1	1,781
Clearing Account	(622)	1,773	1,088	(24)	39
7 th Grade Field Trips	351	537	280	-	608
8 th Grade Field Trips	1,098	642	748	1	993
Art Activities	5,568	1,000	346	4	6,226
7-8 Grade Science	-	-	-	-	-
Student Council	122	-	110	-	12
Student Store	1,116	136	-	1	1,253
Boys Touch Football	-	1,775	1,775	-	-
Girls Basketball	-	2,072	2,072	-	-
Boys Basketball	(1,048)	2,337	1,899	610	-
Girls Volleyball	(655)	2,255	1,485	(115)	-
Track	-	3,093	2,633	(460)	-
Band	3,578	2,263	4,572	(34)	1,235
Camp Invention	119	-	80	-	39
Food For V.I.P.	360	50	242	-	168
Student Recognition	436	-	-	-	436
PE	4,684	1,203	1,368	3	4,522
Kindergarten	1,099	-	61	1	1,039
Box Tops	3,498	2,241	232	3	5,510
Playground Supplies	653	-	-	-	653
Speech Therapist	-	-	-	-	-
K-2 Resource Room	52	59	-	-	111
Campus Enhancements	1,153	53	52	2	1,156
Volleyball Equipment	720	1,843	1,973	-	590
Total	<u>\$ 34,288</u>	<u>\$ 46,899</u>	<u>\$ 42,999</u>	<u>\$ -</u>	<u>\$ 38,188</u>

LOLO SCHOOL DISTRICT NO. 7

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

FALL ENROLLMENT - OCTOBER, 2013

Elementary	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	65	65	0
Grade 1 - 6	388	388	0
Grade 7 - 8	<u>151</u>	<u>151</u>	<u>0</u>
Total	<u>604</u>	<u>604</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	1	1	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>1</u>	<u>1</u>	<u>0</u>

WINTER ENROLLMENT - DECEMBER, 2013

Elementary	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	64	64	0
Grade 1 - 6	384	384	0
Grade 7 - 8	<u>151</u>	<u>151</u>	<u>0</u>
Total	<u>599</u>	<u>599</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>

SPRING ENROLLMENT - FEBRUARY, 2014

Elementary	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	64	64	0
Grade 1 - 6	385	385	0
Grade 7 - 8	<u>152</u>	<u>152</u>	<u>0</u>
Total	<u>601</u>	<u>601</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Lolo School District No. 7
Missoula County
Lolo, Montana 59847

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lolo School District No. 7 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Lolo School District No. 7's basic financial statements and have issued our report thereon dated January 13, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lolo School District No. 7's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lolo School District No. 7's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Strom & Associates, P.C.

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

SCHEDULE OF FINDINGS AND RESPONSES

The following is the status of prior year findings and updated for the fiscal year ended June 30, 2014.

FINDING NUMBER 1 - CAPITAL ASSETS 2013:

(Repeat finding from 2012) (Implemented)

FINDING NUMBER 2 - CASH REPORTING ERROR 2013:

(Not Repeated)

FINDING NUMBER 3 - GRANT ACCOUNTING 2013:

(Implemented)

There were no findings for the fiscal year-ended June 30, 2014.