

LONE ROCK PUBLIC SCHOOL  
RAVALLI COUNTY, MONTANA  
Fiscal Year Ended June 30, 2014

**AUDIT REPORT**

**Denning, Downey & Associates, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

LONE ROCK PUBLIC SCHOOL  
RAVALLI COUNTY, MONTANA  
Fiscal Year Ended June 30, 2014

**TABLE OF CONTENTS**

Organization	1
Management Discussion and Analysis	2-5
Independent Auditor’s Report	6-8
<b>Financial Statements</b>	
<u>Government-wide Financial Statements</u>	
Statement of Net Position	9
Statement of Activities	10
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Net Position - Fiduciary Fund Types	15
Statement of Changes in Net Position - Fiduciary Fund Types	16
Notes to Financial Statements	17-33
<b>Required Supplemental Information</b>	
Budgetary Comparison Schedule	34-37
Budgetary Comparison Schedule – Budget-to-GAAP Reconciliation	38
Schedule of Funding Progress – Other Post Employment Benefits Other Than Pensions	39
<b>Supplemental Information</b>	
Schedule of Enrollment	40-42
Schedule of Revenues and Expenditures – Extracurricular Fund – All Fund Accounts	43
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	44-50
Report on Prior Audit Recommendations	51

LONE ROCK PUBLIC SCHOOL  
RAVALLI COUNTY, MONTANA

**ORGANIZATION**

Fiscal Year Ended June 30, 2014

**BOARD OF TRUSTEES**

Nancy Preston	Chairperson
Dan Metully	Vice Chairperson
Gary Leese	Trustee
Matt Pendergast	Trustee
Wayne Stanford	Trustee

**DISTRICT OFFICIALS**

Dr. Roger Samples	District Superintendent
Denise Grant	Business Manager
Michael Williams	County Superintendent
Bill Fulbright	County Attorney

**Lone Rock School District #13  
Management Discussion and Analysis (MD&A)  
For the Year Ended June 30, 2014**

The Superintendent and Business Manager/Clerk of the Lone Rock School District #13 have provided this MD&A to give the reader of these statements an overview of the financial position and activities of the school district for the fiscal year ended June 30, 2014.

***Financial Highlights***

**Using This Financial Report**

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

***Reporting the School District as a Whole***

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

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

B. The Statement of Activities (page 10) shows the amounts of program-specific and general school district revenues used to support the school district’s various functions.

The Statement of Net Position and the Statement of Activities includes:

Governmental activities – The school functions, including instruction, student services, administration, etc. Property taxes, state and federal revenues usually support most of these functions of the district.

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

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

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

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance are shown for governmental funds such as the general funds, 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 (pages 15 and 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 District's original budget was adjusted to prevent budget overruns and to revise special education salaries to accommodate the implementation of the Medicaid Administrative Claiming program.

The budgetary comparison schedules on page 34 through 37 show how actual expenditures compared to the original and final budgeted expenditures for the general fund.

### The District As A Whole

Net position may serve over time as a useful indicator of a government's financial position. The District's net position were primarily equal on June 30, 2014 than they were the year before.

**Table 1 - Net Position**

	<b>Governmental Activities</b>		<b>Change</b>
	<b><u>FY14</u></b>	<b><u>FY13</u></b>	<b><u>Inc (Dec)</u></b>
Current and other assets	\$ 428,627	\$ 443,341	\$ (14,714)
Capital assets	2,590,049	2,610,962	(20,913)
Total assets	<u>3,018,676</u>	<u>3,054,303</u>	<u>(35,627)</u>
Long-term debt outstanding	\$ 1,587,421	\$ 1,839,542	\$ (252,121)
Other liabilities	1,015	-	1,015
Total liabilities	<u>1,588,436</u>	<u>1,839,542</u>	<u>(251,106)</u>
Net investment in capital assets	1,287,051	1,269,512	17,539
Restricted	380,686	367,342	13,344

Unrestricted (deficit)	(237,497)	(422,093)	184,596
Total net position	\$ 1,430,240	\$ 1,214,761	\$ 215,479

**Table 2 - Changes in Net Position**

	<b>Governmental Activities</b>		
	<b><u>FY14</u></b>	<b><u>FY13</u></b>	<b><u>Change Inc (Dec)</u></b>
<b>Revenues</b>			
<i>Program revenues (by major source):</i>			
Charges for services	\$ 47,245	\$ 51,114	\$ (3,869)
Operating grants and contributions	739,567	764,829	(25,262)
<i>General revenues (by major source):</i>			
Property taxes for general purposes	558,338	578,973	(20,635)
Grants and entitlements not restricted to specific programs	1,371,842	1,292,849	78,993
Investment earnings	675	1,267	(592)
State entitlement (block grants)	37,866	39,441	(1,575)
State technology	3,822	1,922	1,900
County retirement	338,620	212,824	125,796
Total revenues	<u>\$ 3,097,975</u>	<u>\$2,943,219</u>	<u>\$ 154,756</u>
<b>Program expenses</b>			
Instructional - regular	\$ 1,481,477	\$1,460,664	\$ 20,813
Instructional - special education	\$ 291,228	\$ 317,350	(26,122)
Instructional - adult education	\$ -	\$ 627	(627)
Supporting services - operations & maintenance	\$ 192,062	\$ 217,768	(25,706)
Supporting services - general	\$ 36,839	\$ 13,576	23,263
Supporting services - educational media services	\$ 204,422	\$ 151,454	52,968
Administration - general	\$ 101,474	\$ 173,320	(71,846)
Administration - school	\$ 107,110	\$ 50,008	57,102
Administration - business	\$ 73,600	\$ 59,210	14,390
Student transportation	\$ 131,607	\$ 150,117	(18,510)
Extracurricular	\$ 18,254	\$ 18,050	204
School food	\$ 143,851	\$ 146,732	(2,881)
Debt service expense - interest	\$ 45,677	\$ 29,417	16,260
Unallocated depreciation*	\$ 57,154	\$ 57,154	-
Total expenses	<u>\$ 2,884,755</u>	<u>\$2,845,447</u>	<u>\$ 39,308</u>
Excess (deficiency) before special items and transfers	213,220	97,772	115,448
<b>Increase (decrease) in net position</b>	<u>\$ 213,220</u>	<u>\$ 97,772</u>	<u>\$ 115,448</u>

The district's revenues for the fiscal year ended June 30, 2014 increased by 5%, while total expenses increased by 1.4% resulting in an increase in net position of \$115,448. District taxpayers paid approximately \$558,338 of the \$3.1 million in revenues. The increase in local taxable valuation reduces the amount of guaranteed state tax base reimbursement received from the state.

**Analysis of Financial Information**

The fund balance of the General Fund increased allowing the District to transfer funds into the Compensated Absences Fund.

**Capital Assets**

As of June 30, 2014, the District's increase to the capital assets included \$88,369 increase in construction in progress for the new PE building. The PE building is expected to be complete in 2015.

**Debt Administration**

At June 30, 2014, the District had \$1,587,421 in general obligation bonds and other long-term debt outstanding. A summary of the District's outstanding long-term debt is presented below:

	<u>2014</u>	<u>2013</u>	Percentage Change <u>2013-2014</u>
General obligation bonds	\$ 1,245,000	\$ 1,355,000	-8.1%
Other liabilities	<u>342,421</u>	<u>484,542</u>	-29.3%
	<u>\$1,587,421</u>	<u>\$ 1,839,542</u>	13.7%

The District maintains an "A" rating from Standard and Poor's for general obligation debt. The District's new general obligation bond and the Farmers Bank loan for the PE building.

**The District's Future**

The following will be major factors in the future of the District:

- The Montana Supreme Court has determined that the State's system of funding K-12 public schools is unconstitutional and inadequate. A Quality Schools Committee was established to develop a solution for the State's educational funding. Funding continues to be an issue for the District. We continue to have small increases in enrollment which help our general fund budget amounts.
- With the national economy suffering at this point, our enrollment is beginning to be effected.
- The Board of Trustees and Administration is closely monitoring the school's enrollment and with the financial economy of the area, have opted to ask the local taxpayers for additional operating funds.

**Contact for Additional Information**

If you have questions about this report or need additional information, contact the Business Manager, Lone Rock School District No. 13, 1112 Three Mile Creek Road, Stevensville, MT 59870.

***Denning, Downey & Associates, P.C.***  
***CERTIFIED PUBLIC ACCOUNTANTS***

*1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957*

---

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Lone Rock Public School  
Ravalli County  
Stevensville, 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 Lone Rock Public School, Ravalli County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the 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**

### **Basis for Qualified Opinion on the Aggregate Remaining Fund Information**

Management does not reconcile the payroll fund with the county treasurer. Accordingly, we were not able to satisfy ourselves as to the cash reported on the Statement of Net Position – Fiduciary Funds for the agency funds amounting to \$27,824. The amount by which these departures would affect the assets of the aggregate remaining fund information is not determined.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on the Aggregate Remaining Fund Information” paragraph, the financial statements of the referred to above, present fairly, in all material respects, the respective financial position of the Aggregate Remaining Fund Information of Lone Rock Public School, Ravalli County, Montana, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Lone Rock Public School, Ravalli County, Montana, as of and for the year ended June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As described in Note 1 to the financial statements, in 2014, the Lone Rock Public School, Ravalli County, Montana adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### **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 for other post employment benefits other than pensions on pages 2 through 5, 34 through 38, and 39 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 the District's basic financial statements. The schedule of revenues and expenditures for the extracurricular fund and the schedule of enrollment are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying schedule of revenues and expenditures for the extracurricular fund and the schedule of enrollment are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues and expenditures for the extracurricular fund and the schedule of enrollment are fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2015, on our consideration of the Lone Rock Public School, Ravalli County, Montana'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 Lone Rock Public School, Ravalli County, Montana's internal control over financial reporting and compliance.

*Derring, Downey and Associates, CPAs, P.C.*

June 22, 2015

**Lone Rock Public School, Ravalli County, Montana**  
**Statement of Net Position**  
**June 30, 2014**

		<b>Governmental Activities</b>
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$	285,086
Taxes and assessments receivable, net		36,786
Due from other governments		106,755
Total current assets	\$	428,627
Noncurrent assets		
Capital assets - land	\$	1,000
Capital assets - construction in progress		768,779
Capital assets - depreciable, net		1,820,270
Total noncurrent assets	\$	2,590,049
Total assets	\$	3,018,676
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$	1,015
Current portion of long-term liabilities		36,600
Current portion of long-term capital liabilities		121,638
Current portion of compensated absences payable		22,525
Total current liabilities	\$	181,778
Noncurrent liabilities		
Noncurrent portion of long-term liabilities	\$	87,644
Noncurrent portion of long-term capital liabilities		1,181,360
Noncurrent portion of compensated absences		137,654
Total noncurrent liabilities	\$	1,406,658
Total liabilities	\$	1,588,436
<b>NET POSITION</b>		
Net investment in capital assets	\$	1,287,051
Restricted for capital projects		223,970
Restricted for debt service		72,765
Restricted for special projects		83,951
Unrestricted		(237,497)
Total net position	\$	1,430,240

See accompanying Notes to the Financial Statements

**Lone Rock Public School, Ravalli County, Montana**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>
<b>Primary government:</b>		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>
<b>Governmental activities:</b>				<u>Governmental Activities</u>
Instructional - regular	\$ 1,481,477	\$ -	\$ 489,126	\$ (992,351)
Instructional - special education	291,228	-	133,528	(157,700)
Instructional - adult education	-	2,348	-	2,348
Supporting services - operations & maintenance	192,062	-	-	(192,062)
Supporting services - general	36,839	-	-	(36,839)
Supporting services - educational media services	204,422	-	-	(204,422)
Administration - general	101,474	-	-	(101,474)
Administration - school	107,110	-	-	(107,110)
Administration - business	73,600	-	-	(73,600)
Student transportation	131,607	-	44,226	(87,381)
Extracurricular	18,254	-	-	(18,254)
School food	143,851	44,897	72,687	(26,267)
Debt service expense - interest	45,677	-	-	(45,677)
Unallocated depreciation*	57,154	-	-	(57,154)
Total primary government	\$ 2,884,755	\$ 47,245	\$ 739,567	\$ (2,097,943)
General Revenues:				
			\$	558,338
				1,371,842
				675
				37,866
				3,822
				338,620
			\$	2,311,163
			\$	213,220
			\$	1,214,761
				2,259
			\$	1,217,020
			\$	1,430,240

\* This amount excludes the depreciation that is included in the direct expenses of the various programs  
See accompanying Notes to the Financial Statements

**Lone Rock Public School, Ravalli County, Montana**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	<u>General</u>	<u>Transportation</u>	<u>Bus Depreciation</u>	<u>Retirement</u>	<u>Miscellaneous Programs</u>	<u>Debt Service</u>	<u>Building Reserve</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>									
Current assets:									
Cash and investments	\$ 34,844	\$ 11	\$ 108,382	\$ 84,539	\$ (92,298)	\$ 60,508	\$ 106,700	\$ (17,600)	\$ 285,086
Taxes and assessments receivable, net	13,097	11,048	1,729	-	-	8,277	-	2,635	36,786
Due from other governments	-	-	-	-	106,755	-	-	-	106,755
Total assets	<u>\$ 47,941</u>	<u>\$ 11,059</u>	<u>\$ 110,111</u>	<u>\$ 84,539</u>	<u>\$ 14,457</u>	<u>\$ 68,785</u>	<u>\$ 106,700</u>	<u>\$ (14,965)</u>	<u>\$ 428,627</u>
Current liabilities:									
Accounts payable	<u>\$ 1,015</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,015</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Deferred inflows of resources	<u>\$ 13,097</u>	<u>\$ 11,048</u>	<u>\$ 1,729</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,277</u>	<u>\$ -</u>	<u>\$ 2,635</u>	<u>\$ 36,786</u>
<b>FUND BALANCES</b>									
Restricted	\$ -	\$ 11	\$ 108,382	\$ 84,539	\$ 14,457	\$ 60,508	\$ 106,700	\$ 15,325	\$ 389,922
Unassigned fund balance	33,829	-	-	-	-	-	-	(32,925)	904
Total fund balance	<u>\$ 33,829</u>	<u>\$ 11</u>	<u>\$ 108,382</u>	<u>\$ 84,539</u>	<u>\$ 14,457</u>	<u>\$ 60,508</u>	<u>\$ 106,700</u>	<u>\$ (17,600)</u>	<u>\$ 390,826</u>

See accompanying Notes to the Financial Statements

**Lone Rock Public School, Ravalli County, Montana**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**June 30, 2014**

<b>Total fund balances - governmental funds</b>	\$	390,826
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,590,049
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		36,786
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(1,587,421)
<b>Total net position - governmental activities</b>	\$	<u><u>1,430,240</u></u>

See accompanying Notes to the Financial Statements

**Lone Rock Public School, Ravalli County, Montana**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2014**

	<u>General</u>	<u>Transportation</u>	<u>Bus Depreciation</u>	<u>Retirement</u>	<u>Miscellaneous Programs</u>	<u>Debt Service</u>	<u>Building Reserve</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>									
Local revenue	\$ 191,558	\$ 178,727	\$ 34,689	\$ -	\$ 22,445	\$ 111,238	\$ -	\$ 91,257	\$ 629,914
County revenue	-	23,041	-	338,620	-	-	-	-	361,661
State revenue	1,412,614	27,068	-	-	206,375	48,891	-	3,822	1,698,770
Federal revenue	-	-	-	-	335,795	-	-	72,687	408,482
Total revenues	<u>\$ 1,604,172</u>	<u>\$ 228,836</u>	<u>\$ 34,689</u>	<u>\$ 338,620</u>	<u>\$ 564,615</u>	<u>\$ 160,129</u>	<u>\$ -</u>	<u>\$ 167,766</u>	<u>\$ 3,098,827</u>
<b>EXPENDITURES</b>									
Instructional - regular	\$ 962,663	\$ -	\$ -	\$ 124,793	\$ 302,829	\$ -	\$ -	\$ 6,303	\$ 1,396,588
Instructional - special education	213,644	-	-	21,709	55,875	-	-	-	291,228
Supporting services - operations & maintenance	177,312	1,063	-	10,928	-	-	-	-	189,303
Supporting services - general	-	6,514	-	2,321	-	-	-	28,004	36,839
Supporting services - educational media services	99,170	-	-	28,043	60,550	-	-	16,659	204,422
Administration - general	68,345	23,659	-	8,216	-	-	-	-	100,220
Administration - school	66,610	20,679	-	19,821	-	-	-	-	107,110
Administration - business	51,679	13,167	-	6,792	1,962	-	-	-	73,600
Student transportation	2,814	88,801	-	4,929	38	-	-	-	96,582
Extracurricular	16,321	-	-	1,933	-	-	-	-	18,254
School food	24,742	-	-	10,266	-	-	-	107,346	142,354
Debt service expense - principal	5,244	-	-	-	207,406	110,000	-	-	322,650
Debt service expense - interest	834	-	-	-	3,508	41,335	-	-	45,677
Capital outlay	-	-	-	-	-	-	-	88,369	88,369
Total expenditures	<u>\$ 1,689,378</u>	<u>\$ 153,883</u>	<u>\$ -</u>	<u>\$ 239,751</u>	<u>\$ 632,168</u>	<u>\$ 151,335</u>	<u>\$ -</u>	<u>\$ 246,681</u>	<u>\$ 3,113,196</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (85,206)</u>	<u>\$ 74,953</u>	<u>\$ 34,689</u>	<u>\$ 98,869</u>	<u>\$ (67,553)</u>	<u>\$ 8,794</u>	<u>\$ -</u>	<u>\$ (78,915)</u>	<u>\$ (14,369)</u>
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 106,700	\$ -	\$ 106,700
Transfers out	-	(106,700)	-	-	-	-	-	-	(106,700)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (106,700)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,700</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ (85,206)</u>	<u>\$ (31,747)</u>	<u>\$ 34,689</u>	<u>\$ 98,869</u>	<u>\$ (67,553)</u>	<u>\$ 8,794</u>	<u>\$ 106,700</u>	<u>\$ (78,915)</u>	<u>\$ (14,369)</u>
Fund balances - beginning	\$ 119,543	\$ 31,758	\$ 73,693	\$ (14,330)	\$ 82,010	\$ 51,714	\$ -	\$ 61,315	\$ 405,703
Restatements	(508)	-	-	-	-	-	-	-	(508)
Fund balances - beginning, restated	<u>\$ 119,035</u>	<u>\$ 31,758</u>	<u>\$ 73,693</u>	<u>\$ (14,330)</u>	<u>\$ 82,010</u>	<u>\$ 51,714</u>	<u>\$ -</u>	<u>\$ 61,315</u>	<u>\$ 405,195</u>
Fund balance - ending	<u>\$ 33,829</u>	<u>\$ 11</u>	<u>\$ 108,382</u>	<u>\$ 84,539</u>	<u>\$ 14,457</u>	<u>\$ 60,508</u>	<u>\$ 106,700</u>	<u>\$ (17,600)</u>	<u>\$ 390,826</u>

See accompanying Notes to the Financial Statements

**Lone Rock Public School, Ravalli County, Montana**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2014**

Amounts reported for *governmental activities* in the statement of activities are different because:

**Net change in fund balances - total governmental funds** \$ (14,369)

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

- Capital assets purchased	88,369
- Depreciation expense	(109,282)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

- Long-term receivables (deferred revenue)	(852)
--	-------

The change in compensated absences is shown as an expense in the Statement of Activities

(66,496)

Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:

- Long-term debt principal payments	322,650
-------------------------------------	---------

Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:

- Termination benefits, beginning of the year	73,300
- Termination benefits, end of the year	(80,100)

**Change in net position - Statement of Activities** \$ 213,220

See accompanying Notes to the Financial Statements

**Lone Rock Public School, Ravalli County, Montana**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2014**

		<u>Private Purpose Trust Funds</u>		<u>Agency Funds</u>
<b>ASSETS</b>				
Cash and short-term investments	\$	16,649	\$	27,824
Total assets	\$	<u>16,649</u>	\$	<u>27,824</u>
<b>LIABILITIES</b>				
Warrants payable	\$	-	\$	20,241
Due to others		-		7,583
Total liabilities	\$	<u>-</u>	\$	<u>27,824</u>
<b>NET POSITION</b>				
Assets held in trust	\$	<u>16,649</u>		

See accompanying Notes to the Financial Statements

**Lone Rock Public School, Ravalli County, Montana**  
**Statement of Changes in Net Position**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2014**

		<u>Private Purpose Trust Funds</u>
<b>ADDITIONS</b>		
Contributions:		
Student activities	\$	<u>49,357</u>
Total additions	\$	<u>49,357</u>
 <b>DEDUCTIONS</b>		
Student activities	\$	<u>52,558</u>
Total deductions	\$	<u>52,558</u>
Change in net position	\$	<u>(3,201)</u>
Net Position - Beginning of the year	\$	17,661
Restatements		<u>2,189</u>
Net Position - Beginning of the year - Restated	\$	<u>19,850</u>
Net Position - End of the year	\$	<u><u>16,649</u></u>

See accompanying Notes to the Financial Statements

LONE ROCK PUBLIC SCHOOL  
RAVALLI COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The School District complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

GASBS No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard is effective for fiscal year ending June 30, 2014.

**Financial Reporting Entity**

In determining the financial reporting entity, the District complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, as amended by GASB statement No. 61, *The Financial Reporting Entity: Omnibus*, and includes all component units of which the District appointed a voting majority of the component units' board; the District is either able to impose its' will on the unit or a financial benefit or burden relationship exists. In addition, the Entity complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the Entity.

*Primary Government*

The District was established under Montana law to provide elementary educational services to residents of the District. The District provides education from kindergarten through the eighth grade.

The District is managed by a Board of Trustees, elected in district-wide elections, and by an administration appointed by and responsible to the Board. The financial statements include all of the operations of the District controlled by the Board of Trustees. Based on the criteria for determining the reporting entity (separate legal entity and financial or fiscal dependency on other governments) the District is a primary government as defined by GASB Cod. Sec. 2100 and has no component units.

LONE ROCK PUBLIC SCHOOL  
RAVALLI COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

**Basis of Presentation, Measurement Focus and Basis of Accounting.**

*Government-wide Financial Statements:*

*Basis of Presentation*

The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the reporting entity except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function. The District does not charge indirect expenses to programs or functions. The types of transactions reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

*Measurement Focus and Basis of Accounting*

**Government-Wide Financial Statements**

On the government-wide Statement of Net Position and the Statement of Activities, the governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred regardless of the timing of the 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 all eligibility requirements imposed by the provider have been met. The District generally applies restricted resources to expenses incurred before using unrestricted resources when both restricted and unrestricted net assets are available.

LONE ROCK PUBLIC SCHOOL  
RAVALLI COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

**Fund Financial Statements:**

*Basis of Presentation*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are organized into three categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is displayed in a separate column in the governmental funds statements. All of the remaining funds are aggregated and reported in a single column as non-major funds. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

*Measurement Focus and Basis of Accounting*

***Governmental Funds***

**Modified Accrual**

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The District defined the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements to be upon receipt. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General 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.

LONE ROCK PUBLIC SCHOOL  
RAVALLI COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

Property taxes, charges for current services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the District.

Major Funds:

The District reports the following major governmental funds:

*General Fund* - This is the District's primary operating fund and it accounts for all financial resources of the District except those required to be accounted for in other funds.

*Transportation Fund* – Authorized by Section 20-10-143, MCA, for the purpose of financing the maintenance and operation of district owned school buses, contracts with private carriers for school bus service, individual transportation contracts, and any amount necessary for the purchase, rental, or insurance of yellow school buses or operation of the transportation program. The fund may be used only to support costs of home-to-school transportation.

*Bus Depreciation Fund* – This fund accounts for financing the replacement of buses and two-way radio equipment owned by the District.

*Retirement Fund*- Authorized by Section 20-9-501, MCA, for the purpose of financing the employer's contribution to the Teachers' Retirement System (TFS), the Public Employees' Retirement System (PERS), Unemployment Compensation and Social Security. Funded by a countywide levy for retirement.

*Miscellaneous Programs Fund* – Authorized by Section 20-9-507, MCA, for the purpose of accounting for local, state or federal grants and reimbursements. Donations and expendable trusts for scholarships or other purposes that support district programs are deposited in this fund.

*Debt Service Fund* – This fund is used to account for the accumulation of resources for, and the payment of principal, interest, and related costs of long term liabilities.

*Building Reserve Fund* - The Building Reserve Fund is authorized by Section 20-9-502, MCA, for the purpose of financing voter approved building or construction projects funded with district mill levies.

LONE ROCK PUBLIC SCHOOL  
RAVALLI COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

***Fiduciary Funds***

Fiduciary funds presented using the economic resources measurement focus and the accrual basis of accounting (except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment healthcare plans). The required financial statements are a statement of fiduciary net position and a statement of changes in fiduciary net assets. The fiduciary funds are:

*Agency Funds* – To report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). This fund primarily consist of assets held by the District as an agent for individuals, private organizations, other local governmental entities and the District's claims and payroll clearing funds

*Student Extracurricular Activities Fund* – The Student Extracurricular Activities Fund is authorized by Section 20-9-504, MCA, to account for various student activities, such as athletics, clubs, classes, student government organizations, student publications and other such activities. Separate fund accounts within the Extracurricular Fund are maintained to account for these various activities. Unlike other district funds, the money for these activities may be maintained in bank accounts outside the control of the County Treasurer. The fund is administered by school district administrators, faculty members, and student organizations under the guidelines and policies established by the Board of Trustees and in accordance with the "Student Activity Fund Accounting" guidelines. Required guidelines are available from the Montana Association of School Business Officials (MASBO) or from OPI.

**NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

**Cash Composition**

The District's cash, except for the Student Extracurricular Fund (an expendable trust) is held by the County Treasurer and pooled with other County cash. School district cash which is not necessary for short-term obligations, the District participates in a County-wide investment program whereby all available cash is invested by the County Treasurer in pooled investments. Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. The County's investment portfolio as of June 30, 2014, consisted of demand deposits, certificates of deposit, money market, U.S. Government Securities, and U.S. Treasury Notes.

The School District does not own specific identifiable investment securities in the pool; therefore, is not subject to categorization. Information regarding investment risk, collateral, security, and fair values for Ravalli County deposits and investments is available from Ravalli County Treasurer's office, 215 South Fourth, Suite H, Hamilton, MT 59840-2853. Fair value approximates carrying value for investments as of June 30, 2014.

Authorized investments allowed by Section 20-9-213, MCA, include savings or time deposits in a state or national bank, building or loan association, or credit union insured

LONE ROCK PUBLIC SCHOOL  
RAVALLI COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

by the FDIC or NCUA located in the state; repurchase agreements; and the State Unified Investment Program. Further, Section 7-6-202, MCA, authorizes investments in U.S. government treasury bills, notes, bonds, U.S. Treasury obligations, treasury receipts, general obligations of certain agencies of the United States, and U.S. government security money market fund if the fund meets certain conditions.

**Deposits**

The District's deposit balance at year end was \$16,649 and the bank balance was \$23,225. The District's deposits were fully insured by FDIC at year end.

**NOTE 3. RECEIVABLES**

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts.

Property tax levies are set in August, in connection with the budget process, and are based on taxable values listed as of January 1 for all property located in the District. Taxable values are established by the Montana Department of Revenue, and a revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

Real property taxes are generally billed in October and are payable 50% by November 30 and 50% by May 31. After these dates, taxes become delinquent and become a lien on the property. Personal property is assessed and personal property taxes are billed throughout the year, with a significant portion generally billed in May, June, and July. Personal property taxes are based on levies set during the prior August. These taxes become delinquent 30 days after billing.

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% a month plus a penalty of 2%. Real property on which taxes remain delinquent and unpaid may be sold at tax sales. In the case of personal property, the property is to be seized and sold after the taxes become delinquent.

**NOTE 4. INVENTORIES**

The cost of inventories is recorded as an expenditure when purchased.

LONE ROCK PUBLIC SCHOOL  
RAVALLI COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 5. CAPITAL ASSETS**

The District's assets are capitalized at historical cost or estimated historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	50 years
Improvements other than buildings	20 – 40 years
Equipment	8 – 25 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the District has no infrastructure into the 2014 Basic Financial Statements. The government has elected not to retroactively report general infrastructure assets.

A summary of changes in governmental capital assets was as follows:

Governmental activities:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital assets not being depreciated:			
Land	\$ 1,000	\$ -	\$ 1,000
Construction in progress	680,410	88,369	768,779
Total capital assets not being depreciated	\$ 681,410	\$ 88,369	\$ 769,779
Other capital assets:			
Buildings	\$ 2,547,400	\$ -	\$ 2,547,400
Improvements other than buildings	117,601	-	117,601
Machinery and equipment	556,072	-	556,072
Total other capital assets at historical cost	\$ 3,221,073	\$ -	\$ 3,221,073
Less: accumulated depreciation	\$ (1,291,521)	\$ (109,282)	\$ (1,400,803)
Total	\$ 2,610,962	\$ (20,913)	\$ 2,590,049

LONE ROCK PUBLIC SCHOOL  
RAVALLI COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

Governmental capital assets depreciation expense was charged to functions as follows:

Governmental Activities:	
Instructional – regular	\$ 11,593
Supporting services – operations and maintenance	2,759
Administration – general	1,254
Student transportation	35,025
School food	1,497
Unallocated	<u>57,154</u>
Total governmental activities depreciation expense	\$ <u>109,282</u>

**NOTE 6. LONG TERM DEBT OBLIGATIONS**

In the governmental-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, are expensed at the date of sale.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2014, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance				Balance	Due Within
	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Restatements</u>	<u>June 30, 2014</u>	<u>One Year</u>
General obligation bonds	\$ 1,355,000	\$ -	\$ (110,000)	\$ -	\$ 1,245,000	\$ 115,000
Contracted debt	207,406	-	(207,406)	-	-	-
Compensated absences	93,683	66,496	-	-	160,179	22,525
Intercap loans	66,009	-	(5,244)	(2,767)	57,998	6,638
Retiree Liability	73,300	6,800	-	-	80,100	36,600
Other post-employment benefits*	44,144	-	-	-	44,144	-
Total	<u>\$ 1,839,542</u>	<u>\$ 73,296</u>	<u>\$ (322,650)</u>	<u>\$ (2,767)</u>	<u>\$ 1,587,421</u>	<u>\$ 180,763</u>

\*See Note 7

In prior years the general fund and the compensated absences fund was used to liquidate compensated absences and claims and judgments.

LONE ROCK PUBLIC SCHOOL  
RAVALLI COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

General Obligation Bonds - The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds outstanding as of June 30, 2014 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2014</u>
General Obligation Refunding Bond	4/4/10	2.0-3.85%	10 yrs	7/1/2020	\$ 970,000	Varies	\$ 545,000
General Obligation Bond	8/30/12	.8% - 4.0%	20 yrs	7/1/2032	<u>761,000</u>	Varies	<u>700,000</u>
					<u>\$ 1,731,000</u>		<u>\$ 1,245,000</u>

Annual requirement to amortize debt:

For Fiscal			
<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	
2015	\$ 115,000	\$ 39,095	
2016	115,000	36,305	
2017	120,000	33,302	
2018	130,000	29,803	
2019	130,000	25,952	
2020	135,000	21,913	
2021	35,000	17,187	
2022	35,000	16,312	
2023	35,000	15,438	
2024	40,000	14,037	
2025	40,000	12,438	
2026	40,000	10,837	
2027	40,000	9,238	
2028	45,000	7,638	
2029	45,000	6,175	
2030	45,000	4,713	
2031	50,000	3,250	
2032	50,000	1,625	
Total	<u>\$ 1,245,000</u>	<u>\$ 305,258</u>	

**Intercap Loans**

Intercap loans have variable interest rates. Interest rates are subject to change annually. Interest rates to the borrower are adjusted on February 16<sup>th</sup> of each year and are based on a spread over the interest paid on one-year term, tax-exempt bonds which are sold to fund the loans.

LONE ROCK PUBLIC SCHOOL  
RAVALLI COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

Intercept loans outstanding as of June 30, 2014 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2014</u>
Septic System	12/30/11	1.95%	10 yrs	6/15/21	\$ 40,000	\$ 32,108
Phone System	6/14/2013	1.00%	10 yrs	8/15/23	30,000	25,890
Total					<u>\$ 70,000</u>	<u>\$ 57,998</u>

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 6,638	\$ 563
2016	6,743	586
2017	6,850	504
2018	6,958	422
2019	7,069	339
2020	7,182	255
2021	7,297	170
2022	5,009	84
2023	2,827	39
2024	1,425	8
Total	<u>\$ 57,998</u>	<u>\$ 2,970</u>

**Compensated Absences**

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. Non-teaching District employees earn vacation leave ranging from fifteen to twenty-four days per year depending on the employee's years of service. Vacation leave may be accumulated not to exceed two times the maximum number of days earned annually. Sick leave is earned at a rate of one day per month for non-teaching employees. Upon retirement or termination, employees are paid for 100% of unused vacation leave and 25% of unused sick leave. Upon termination, all payments are made at the employee's current rate of pay.

Teaching District employees earn sick leave of seventeen days annually. Unused days of sick leave may be accumulated up to 110 days. Upon retirement or termination, employees are paid for 25% of unused sick leave. Upon termination, all payments are made at the employee's current rate of pay.

The liability associated with governmental fund-type employees is reported in the governmental-type activities.

LONE ROCK PUBLIC SCHOOL  
RAVALLI COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

**Special Retirement Benefits**

The District offers early retirement incentives which are intended to provide teachers flexibility in developing new career options through capitalization of financial incentives of value to both the teacher and to the District. The District recorded a liability of \$80,100, for retirement incentives due as of June 30, 2014.

**Severance Pay**

A teacher must be employed by the Lone Rock School District for 15 year to be eligible to receive severance pay. The Board agrees to provide severance pay to teachers who terminate their employment with the District. Said severance shall be paid by the 15<sup>th</sup> of the month following severance. If the teacher chooses the two payment method, the second payment shall be made July 15<sup>th</sup> of the following year. Said severance shall be based upon 40% of the teacher's accumulated unused sick leave to a maximum of 100 days of such credit computed on the daily earnings at the time of the termination or a maximum of \$8,500. When terminations occur during the school year, sick leave will be prorated. The teacher must submit a written letter of resignation to the Board of Trustees by March 1<sup>st</sup> to be eligible to receive severance pay. Retiring teachers may choose to place this into the Montana Teacher's Retirement System along with the required contribution by the District. The resulting benefit received by the teacher shall be determined according to the rules and regulation of said Retirement System.

**NOTE 7. POSTEMPLOYMENT HEALTHCARE PLAN**

*Plan Description.* The healthcare plan provides for, and Montana State Law (2-18-704) requires local governments to allow employees with at least 5 years of service and who are at least age 50 along with surviving spouses and dependents to stay on the government's health care plan as long as they pay the same premium. Since retirees are usually older than the average age of the plan participants they receive a benefit of lower insurance rates. This benefit is reported as the Other Post Employment Benefits (OPEB) liability. The government has less than 100 plan members and thus qualifies to use the "Alternative Measurement Method" for calculating the liability. The above described OPEB plan does not provide a stand-alone financial report.

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

LONE ROCK PUBLIC SCHOOL  
RAVALLI COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

*Funding Status and funding Progress.* The funded status of the plan as of June 30, 2013, was as follows:

Actuarial Accrued Liability (AAL)	\$	70,933
Actuarial value of plan assets		-
Unfunded Actuarial Accrued Liability (UAAL)	\$	<u>70,933</u>
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	\$	1,237,698
UAAL as a percentage of covered payroll		5.73%

*Annual OPEB Cost and Net OPEB Obligation.* 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 cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (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 changes in the government's net OPEB obligation.

Annual Required Contribution (ARC)	\$	11,036
Interest on net OPEB obligation		-
Adjustment to ARC		-
Annual OPEB cost (expense)	\$	<u>11,036</u>
Contributions made		-
Increase in net OPEB obligation	\$	11,036
Net OPEB obligation - beginning of year		<u>33,108</u>
Net OPEB obligation - end of year	\$	<u>44,144</u>

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

	Unit Credit Cost Method
Actuarial cost method	
Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	0.34%
Average salary increase (Consumer Price Index)	1.50%

LONE ROCK PUBLIC SCHOOL  
RAVALLI COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

Health care cost rate trend (Federal Office of the Actuary)

<u>Year</u>	<u>% Increase</u>
2010	3.90%
2011	5.20%
2012	5.50%
2013	6.10%
2014	6.60%
2015	6.70%
2016	7.00%
2017	6.80%
2018	6.80%
2019 and after	6.60%

**NOTE 8. INTERFUND RECEIVABLES AND PAYABLES**

**Interfund Transfers**

The following is an analysis of operating transfers in and out during Fiscal Year 2014:

<u>Purpose</u>	<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
SB348 School	Building Reserve –	Transportation –	\$ <u>106,700</u>
Safety Transfer	Major Governmental	Major Governmental	

**NOTE 9. STATE-WIDE RETIREMENT PLANS**

The District participates in two cost-sharing, multiple-employer defined benefit pension plans. The plans provide retirement, death, and disability benefits to plan members and beneficiaries with amounts determined by the State. Teaching employees (including principals and superintendents) are covered by Montana Teachers Retirement Plan (TRS), and substantially all other District employees are covered by the Montana Public Employees Retirement System (PERS). The plans are established by Montana law and administered by the State of Montana. The plans are cost-sharing multiple-employer defined benefit plans that provide retirement, disability and death benefits to plan members and beneficiaries, with amounts determined by the State. However, PERS members may have chosen the defined contribution retirement plan. Under this plan it puts the employee in control of investments options and their retirement is based upon the cash in their investment account.

LONE ROCK PUBLIC SCHOOL  
RAVALLI COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

Contribution rates are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll for the fiscal year ended June 30, 2014, were:

	<u>PERS**</u>	<u>TRS</u>
Employer	7.80%	8.47%
Employee	7.90%*	8.15%
State	0.37%	2.49%

\* For PERS members hired prior 7/1/2011 that rate is 6.90%

\*\* For the defined contribution plan all rates are the same except only 4.19% of the employer amount is added to the individuals account

The State contribution qualifies as an on-behalf payment. These amounts have not been recorded in the District's financial statements and were considered immaterial.

Publicly available financial reports that include financial statements and required supplementary information may be obtained for the plans by writing or calling:

1. Montana Public Employee Retirement Administration, P.O. Box 200131, Helena, Montana 59620-0131 Phone: 1-406-444-3154.
2. Teachers' Retirement System, P.O. Box 200319, Helena, Montana 59620-0139 Phone: 1-406-444-3134.

The District's contributions for the years ended June 30, 2012, 2013, and 2014, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>	<u>TRS</u>
2012	\$ 24,459	\$ 79,174
2013	\$ 26,821	\$ 83,598
2014	\$ 25,335	\$ 97,663

**NOTE 10. LOCAL RETIREMENT PLANS**

**Deferred Compensation Plan**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all District employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

LONE ROCK PUBLIC SCHOOL  
RAVALLI COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 11. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES**

The government considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

The government considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**Restricted Fund Balance**

<u>Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Transportation	\$ 11	Student transportation services
Bus Depreciation	108,382	Bus replacement
Retirement	84,539	Employer costs of employee benefits
Miscellaneous Programs	14,457	Third party grantor requirements
Debt Service	60,508	Debt service
Building Reserve	106,700	Capital projects
All other aggregate		
	4,180	Instruction – regular services
	6	Operations and maintenance services
	3,980	Payment of classified compensated absences liabilities
	<u>7,159</u>	Capital projects
	<u>\$ 389,922</u>	

**NOTE 12. DEFICIT FUND BALANCES**

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be eliminated</u>
School Food Services	\$ <u>(32,925)</u>	Expenditures exceeded revenues	Increased food prices and reduce expenditures

**NOTE 13. RESTATEMENTS**

During the current fiscal year, the following adjustments relating to prior years' transactions were made to fund balance and net position.

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
General	\$ (508)	Prior period revenue adjustment
Governmental activities	<u>2,767</u>	Long-term debt adjustment
	<u>\$ 2,259</u>	

LONE ROCK PUBLIC SCHOOL  
RAVALLI COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 14. JOINT VENTURES**

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose which are subject to joint control, in which the participating governments retain 1) an ongoing financial interest or 2) an ongoing financial responsibility.

**Special Education Cooperative**

Lone Rock Public School is a member of the Bitterroot Valley Special Education Cooperative. The Cooperative is comprised of 7 districts, each of which contributes to the operating costs of the Cooperative based on an annual fiscal budget adopted by the Cooperative and the benefits derived from the Cooperative's services. The Board of the Cooperative is made up of the six district superintendents. Separate financial statements can be obtained from Bitterroot Valley Education Cooperative, P.O. Box 187, Stevensville, MT 59870, (406) 777-2494.

**Corvallis Lightspeed Multidistrict Agreement**

Lone Rock Public School is a member of the Corvallis Lightspeed Multidistrict Cooperative. The Cooperative was established for the purpose of purchasing software/hardware from Lightspeed Systems, Inc. The Corvallis School District is designated as the prime agency of this Cooperative. Lone Rock Public School's portion of the Software Price was \$2,869.

**NOTE 15. SERVICES PROVIDED BY OTHER GOVERNMENTS**

**County Provided Services**

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

**NOTE 16. RISK MANAGEMENT**

The District faces 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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

LONE ROCK PUBLIC SCHOOL  
RAVALLI COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

Insurance Policies:

Commercial policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employee torts, and professional liability. Employee medical insurance is provided for by a commercial carrier. And, given the lack of coverage available, the District has no coverage for potential losses from environmental damages.

Insurance Pools:

The Montana Schools Group Insurance Authority (MSGIA) was created pursuant to the Interlocal Cooperation Act by execution of an Interlocal Agreement creating the MSGIA. The MSGIA is responsible for paying all workers' compensation claims of the member school districts. Each member of the MSGIA is jointly and severally liable for the full amount of any and all known or unknown claims of each member arising during the member's participation in the program. The MSGIA purchases workers' compensation reinsurance to provide statutory excess limits. The MSGIA contracts with Montana School Boards Association (MTSBA) to provide third party administrative services to the program. The MTSBA provides general program management, claim management, and risk management services to its program members.

The Montana School Unemployment Insurance Program (MSUIP) was created pursuant to the Interlocal Cooperation Act by execution of an Interlocal Agreement creating the MSUIP. The MSUIP is responsible for paying all unemployment insurance claims of the member school districts. Each member of the MSUIP is jointly and severally liable for the full amount of any and all known or unknown claims of each member arising during the member's participation in the program. The MSUIP contracts with Montana School Boards Association (MTSBA) to provide third party administrative services to the program. The MTSBA provides general program management and technical services to its program members.

Separate audited financial statements are available from Montana Schools Group Insurance Authority for MSGIA and MSUIP.

**REQUIRED SUPPLEMENTAL  
INFORMATION**

**Lone Rock Public School, Ravalli County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2014**

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL
	ORIGINAL	FINAL	(BUDGETARY BASIS) See Note A	BUDGET
<b>RESOURCES (INFLOWS):</b>				
Local revenue	\$ 194,371	\$ 194,371	\$ 191,558	\$ (2,813)
County revenue	-	-	-	-
State revenue	1,409,698	1,409,698	1,409,697	(1)
Federal revenue	-	-	-	-
Amounts available for appropriation	<u>\$ 1,604,069</u>	<u>\$ 1,604,069</u>	<u>\$ 1,601,255</u>	<u>\$ (2,814)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Instructional - regular	\$ 887,962	\$ 984,867	\$ 959,428	\$ 25,439
Instructional - special education	234,832	234,832	203,964	30,868
Supporting services - operations & maintenance	185,952	185,952	168,225	17,727
Supporting services - general	500	500	-	500
Supporting services - educational media services	110,761	110,761	99,170	11,591
Administration - general	100,475	100,475	68,345	32,130
Administration - school	26,115	26,115	64,169	(38,054)
Administration - business	38,921	38,921	51,679	(12,758)
Student transportation	2,315	2,315	2,164	151
Extracurricular	16,236	16,236	16,005	231
School food	-	-	24,742	(24,742)
Debt service expense - principal	-	-	5,244	(5,244)
Debt service expense - interest	-	-	834	(834)
Capital outlay	-	-	-	-
Total charges to appropriations	<u>\$ 1,604,069</u>	<u>\$ 1,700,974</u>	<u>\$ 1,663,969</u>	<u>\$ 37,005</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	\$ -	\$ -	\$ -	\$ -
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance			<u>\$ (62,714)</u>	
Fund balance - beginning of the year			\$ 96,905	
Restatements			(508)	
Fund balance - beginning of the year - restated			<u>\$ 96,397</u>	
<b>Fund balance - end of the year</b>			<u><u>\$ 33,683</u></u>	

**Lone Rock Public School, Ravalli County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Transportation</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS (BUDGETARY BASIS) See Note A</b>	<b>WITH FINAL BUDGET</b>
<b>RESOURCES (INFLOWS):</b>				
Local revenue	\$ 181,626	\$ 181,626	\$ 178,727	\$ (2,899)
County revenue	23,433	23,433	23,041	(392)
State revenue	29,316	29,316	27,068	(2,248)
Amounts available for appropriation	<u>\$ 234,375</u>	<u>\$ 234,375</u>	<u>\$ 228,836</u>	<u>\$ (5,539)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Instructional - regular	\$ -	\$ -	\$ -	\$ -
Instructional - special education	-	-	-	-
Instructional - adult education	-	-	-	-
Supporting services - operations & maintenance	-	-	1,063	(1,063)
Supporting services - general	-	-	6,514	(6,514)
Supporting services - educational media services	-	-	-	-
Administration - general	44,554	44,554	23,659	20,895
Administration - school	27,200	27,200	20,679	6,521
Administration - business	22,850	22,850	13,167	9,683
Student transportation	139,771	139,771	88,801	50,970
Extracurricular	-	-	-	-
School food	-	-	-	-
Debt service expense - principal	-	-	-	-
Debt service expense - interest	-	-	-	-
Capital outlay	-	-	-	-
Total charges to appropriations	<u>\$ 234,375</u>	<u>\$ 234,375</u>	<u>\$ 153,883</u>	<u>\$ 80,492</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ -	\$ -	\$ (106,700)	\$ (106,700)
Net change in fund balance			<u>\$ (31,747)</u>	
Fund balance - beginning of the year			\$ 31,758	
Restatements			-	
Fund balance - beginning of the year - restated			<u>\$ 31,758</u>	
<b>Fund balance - end of the year</b>			<u>\$ 11</u>	

**Lone Rock Public School, Ravalli County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2014**

**Bus Depreciation**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS (BUDGETARY BASIS) See Note A</u>	
<b>RESOURCES (INFLOWS):</b>				
Local revenue	\$ 35,638	\$ 35,638	\$ 34,689	\$ (949)
County revenue	-	-	-	-
State revenue	-	-	-	-
Federal revenue	-	-	-	-
Amounts available for appropriation	\$ <u>35,638</u>	\$ <u>35,638</u>	\$ <u>34,689</u>	\$ <u>(949)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Instructional - regular	\$ -	\$ -	\$ -	\$ -
Instructional - special education	-	-	-	-
Supporting services - operations & maintenance	-	-	-	-
Supporting services - general	-	-	-	-
Supporting services - educational media services	-	-	-	-
Administration - general	-	-	-	-
Administration - school	-	-	-	-
Administration - business	-	-	-	-
Student transportation	24,300	24,300	-	24,300
Extracurricular	-	-	-	-
School food	-	-	-	-
Debt service expense - principal	-	-	-	-
Debt service expense - interest	-	-	-	-
Capital outlay	85,031	85,031	-	85,031
Total charges to appropriations	\$ <u>109,331</u>	\$ <u>109,331</u>	\$ <u>-</u>	\$ <u>109,331</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	\$ -	\$ -	\$ -	\$ -
Total other financing sources (uses)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Net change in fund balance			\$ <u>34,689</u>	
Fund balance - beginning of the year			\$ 73,693	
Restatements			-	
Fund balance - beginning of the year - restated			\$ <u>73,693</u>	
<b>Fund balance - end of the year</b>			\$ <u><u>108,382</u></u>	

**Lone Rock Public School, Ravalli County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Retirement</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS (BUDGETARY BASIS) See Note A</b>	<b>WITH FINAL BUDGET</b>
<b>RESOURCES (INFLOWS):</b>				
Local revenue	\$ -	\$ -	\$ -	\$ -
County revenue	342,000	342,000	338,620	(3,380)
State revenue	-	-	-	-
Federal revenue	-	-	-	-
Amounts available for appropriation	<u>\$ 342,000</u>	<u>\$ 342,000</u>	<u>\$ 338,620</u>	<u>\$ (3,380)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Instructional - regular	\$ 261,917	\$ 261,917	\$ 124,793	\$ 137,124
Instructional - special education	-	-	21,709	(21,709)
Supporting services - operations & maintenance	8,045	8,045	10,928	(2,883)
Supporting services - general	12,867	12,867	2,321	10,546
Supporting services - educational media services	14,004	14,004	28,043	(14,039)
Administration - general	14,350	14,350	8,216	6,134
Administration - school	6,179	6,179	19,821	(13,642)
Administration - business	10,172	10,172	6,792	3,380
Student transportation	3,285	3,285	4,929	(1,644)
Extracurricular	2,006	2,006	1,933	73
School food	9,175	9,175	10,266	(1,091)
Debt service expense - principal	-	-	-	-
Debt service expense - interest	-	-	-	-
Capital outlay	-	-	-	-
Total charges to appropriations	<u>\$ 342,000</u>	<u>\$ 342,000</u>	<u>\$ 239,751</u>	<u>\$ 102,249</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	\$ -	\$ -	\$ -	\$ -
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance			<u>\$ 98,869</u>	
Fund balance - beginning of the year			\$ (14,330)	
Restatements			-	
Fund balance - beginning of the year - restated			<u>\$ (14,330)</u>	
<b>Fund balance - end of the year</b>			<u>\$ 84,539</u>	

**Lone Rock Public School, Ravalli County, Montana**  
**Budgetary Comparison Schedule**  
**Budget-to-GAAP Reconciliation**

**Note A - Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures**

	<u>General</u>	<u>Transportation</u>	<u>Bus Depreciation</u>	<u>Retirement</u>
<b>Sources/Inflows of resources</b>				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,601,255	\$ 228,836	\$ 34,689	\$ 338,620
Combined funds (GASBS 54) revenues	2,917	-	-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 1,604,172</u>	<u>\$ 228,836</u>	<u>\$ 34,689</u>	<u>\$ 338,620</u>
<b>Uses/Outflows of resources</b>				
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,663,969	\$ 153,883	\$ -	\$ 239,751
Combined funds (GASBS 54) expenditures	25,409	-	-	-
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes. - Encumbrances reported at the beginning of the year	-	-	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,689,378</u>	<u>\$ 153,883</u>	<u>\$ -</u>	<u>\$ 239,751</u>

**Note B**

**The Miscellaneous Programs fund is a major special revenue fund in which a legally adopted budget is not required.**

**Lone Rock Public School, Ravalli County, Montana**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**Schedule of Funding Progress**  
**For the Fiscal Year Ended June 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
July 1, 2010	\$ -	\$ 70,933	\$ 70,933	0%	\$ 1,237,698	5.7%

## **SUPPLEMENTAL INFORMATION**





**Lone Rock Public School, Ravalli County, Montana**  
**SCHEDULE OF ENROLLMENT - Continued**  
**For the Fiscal Year Ended June 30, 2014**

**Spring Enrollment - February, 2014**

**Elementary School District**

	<b>SPRING</b>	<b>Audit Per</b>	<b>Difference</b>
	<b>Per Enrollment</b>	<b>District Records</b>	
	<b><u>Reports</u></b>	<b><u>District Records</u></b>	<b><u>Difference</u></b>
Kindergarten - Full	37	37	0
Kindergarten - Part	0	0	0
Grades 1-6	182	182	0
Grades 7-8	59	59	0
Total Elementary	278	278	0

**Part-time Students**

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
Kinder - Full	0	0	0	0	0	0	0	0	0
Kinder - Part	0	0	N/A	N/A	0	0	N/A	N/A	0
1-6	0	0	0	0	0	0	0	0	0
7-8	1	0	0	0	1	0	0	0	0

Lone Rock School  
Ravalli County, Montana  
**EXTRACURRICULAR FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS**  
Fiscal Year Ended June 30, 2014

FUND ACCOUNT	Beginning <u>Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	Transfers <u>In(Out)</u>	Ending <u>Balance</u>
8th Grade Grad & Trip	\$ 3,378	\$ 4,158	\$ 3,897	\$ (93)	\$ 3,546
China Trip	3,635	26,327	29,418	214	758
Interest Income	37	7	21	8	31
Kindergarten	7	1,494	1,462	(1)	38
Library	1,043	4,075	4,224	(38)	856
Middle School	471	6	-	(182)	295
Middle School Ski Fund	82	4,146	3,752	1,001	1,477
Piano	1,334	691	1,482	2	545
Playground	200	-	-	-	200
Science Club	2,656	570	1,089	(719)	1,418
Special Olympics	195	-	-	-	195
Sports	765	3,089	3,281	(573)	-
Student Council	2,616	1,981	1,534	342	3,405
Student Incentives	171	241	148	-	264
Volleyball	152	-	-	1	153
Yearbook	897	2,572	2,250	25	1,244
Total	\$ <u>17,639</u>	\$ <u>49,357</u>	\$ <u>52,558</u>	\$ <u>(13)</u>	\$ <u>14,425</u>

***Denning, Downey & Associates, P.C.***  
**CERTIFIED PUBLIC ACCOUNTANTS**

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

---

**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***

Board of Trustees  
Lone Rock Public School  
Ravalli County  
Stevensville, Montana

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 *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 Lone Rock Public School, Ravalli County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Lone Rock Public School's basic financial statements and have issued our report thereon dated June 22, 2015, which was qualified because we were unable to satisfy ourselves to the cash and payables on the Statement of Net Position – Fiduciary Funds for the Agency Funds.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lone Rock Public School, Ravalli County, Montana'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 Lone Rock Public School, Ravalli County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Lone Rock Public School's internal control over financial reporting.

Our consideration of internal control 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below to be material weaknesses as identified as items 2014-001 through 2014-005.

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. We consider the deficiency described below to be a significant deficiency as identified as item 2014-006.

**2014-001      Taxes Receivable**

**Condition:**

The District understated taxes receivable and deferred inflows of resources by \$8,583

**Context:**

We scheduled the taxes receivable per Trustees' Financial Summary and compared to the taxes receivable reported by the County.

**Criteria:**

Internal control procedures should be in place to verify the receivables reported agree to the county reports.

**Effect:**

Understated taxes receivable and deferred inflows in the following funds:

General	\$ 3,088
Transportation	\$ 2,711
Bus Depreciation	\$ 797
Debt Service	\$ 1,223
Adult Education	\$ 438
Technology	\$ 326

**Cause:**

The District has not been balancing taxes receivable and deferred inflows to the County reports.

**Recommendation:**

The District should implement internal control procedures to ensure the taxes receivable and deferred inflows agree to the county reports.

**Auditee Response:**

The District contracted a retired Business Manager to balance the taxes receivable reported with the county. The reports will show the receivable dollars are now matching. The County has been at least two months behind with sending reports to balance with. The County has been working on reconciling this lengthy process for a faster turn around.

**2014-002      Deficit Cash and Fund Balance (repeat finding)**

**Condition:**

The food service fund had a deficit cash and fund balance of \$32,925. The fund reported deficit fund balances for the past several years.

**Context:**

As a part of the audit we reviewed all fund balances and fund balance classifications.

**Criteria:**

Proper internal control procedures should ensure funds are not in a deficit.

**Effect:**

A deficit cash and fund balance of \$32,925 was reported in the food service fund.

**Cause:**

The deficit is caused by costs increasing in food program and the revenues not adequate to cover additional costs.

**Recommendation:**

The District should establish a plan to continue to eliminate the deficit cash and fund balance in this fund.

**Auditee Response:**

The District has increased the cost of food for student meals. The District will continue to watch the budget closely, paying more attention to the fund balances. The District has moved some expenditures from this budget and absorbed them by another budgeted fund to make up for the deficit.

**2014-003      Cash Reconciling**

**Condition:**

The following funds had differences in the amount of cash that was reported on the Trustees' Financial Summary (TFS) and the amount of cash per the County reports:

General Fund understated by	\$ 2,113
Transportation Fund understated by	\$ 81
Payroll Clearing Fund overstated by	\$ 20,519
Claims Clearing Fund understated by	\$ 445

**Context:**

We scheduled all of the cash balances on the TFS and compared to the Ravalli County cash report.

**Criteria:**

Good internal control procedures would ensure cash is balanced to the County reports monthly.

**Effect:**

Overall cash does not reconcile to the County by \$17,880.

**Cause:**

The District was not reconciling cash to the County reports.

**Recommendation:**

We recommend the District reconcile cash to the County reports monthly.

**Auditee Response:**

The District office has implemented a schedule for reconciling cash accounts each month. This process will ensure that when the County reports are received, the cash accounts will be balanced. The District Office will ensure that each month the accounts are reconciled for accuracy.

**2014-004      Student Activity Financial Summary Reporting**

**Condition:**

The Trustees Financial Summary (TFS) had the following errors in the extracurricular fund:

Revenues understated by	\$26,611
Expenses understated by	\$29,785
Cash overstated by	\$ 985

This has been corrected in the financial statements.

**Context:**

We compared the amounts reported on the TFS to the subsidiary reports for the extracurricular fund and completed a proof of cash

**Criteria:**

Good internal control procedures ensure the numbers reported on the TFS include all activity.

**Effect:**

The TFS was misstated by the amounts shown above.

**Cause:**

Lack of internal control procedures to ensure the numbers reported on the TFS included all activity.

**Recommendation:**

We recommend the District establish internal control procedures to ensure all activity is reported on the Trustees Financial Summary.

**Auditee Response:**

The District has removed the item in question. By removing this item, we have established an internal control with reporting.

**2014-005      Other Post Employment Benefits (OPEB) Liability**

**Condition:**

The Governmental Accounting Standards Board (GASB) issued statement #45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The purpose of the statement is for governments to recognize the cost of OPEB obligations as they are earned by the employees. To calculate the OPEB obligations governments with less than 200 employees are required to have an actuarial valuation or use the alternative measurement method with a valuation performed every three years. Lone Rock Public School has not had the required updated valuation performed to determine the change in the obligation as required by the GASB.

**Context:**

The District did not comply with GASB 45 as stated above.

**Criteria:**

GASB Statement #45 provides guidance for recording the OPEB liability.

**Effect:**

Lone Rock School District was not in compliance with the reporting requirements of GASB #45.

**Cause:**

The District did not complete a valuation to report the updated OPEB liability.

**Recommendation:**

We recommend that the District obtain a valuation for fiscal year 2015.

**Auditee Response:**

The School Board has taken action to hire an Actuary and resolve this issue.

**2014-006      Student Activity Receipting**

**Condition:**

Supporting documentation was not received for all receipts issued.

**Context:**

We tested the month of November 2013. We looked for supporting documentation for all receipts.

**Criteria:**

Internal control procedures should be in place to ensure all monies received for student activity are adequately supported with documentation.

**Effect:**

An internal control weakness resulting in lack of supporting documentation for all receipts received.

**Cause:**

Supporting documentation was not turned in for each receipt by the sponsor.

**Recommendation:**

The District should implement a receipting system for the student activity account to ensure all monies received are supported with adequate documentation.

**Auditee Response:**

Implementation of receipting funds received for the student activity account have taken place. All money in for student activities is receipted by Activity Sponsor and Business Manager. The group who was not following this procedure is no longer at Lone Rock.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Lone Rock Public School'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 an instance of noncompliance or other matter that is required to be reported under *Governmental Auditing Standards* and which is described below as item 2014-007 .

**2014-007      Non-Allowable Expenditures using the Transportation Fund**

**Condition:**

The District charged non-allowable expenditures to the transportation fund.

**Context:**

We reviewed approximately \$96,000 of the transportation fund expenditures for allow ability.

**Criteria:**

Allowable expenditures for the transportation fund include the purchase of buses, building a bus barn, bus maintenance, bus driver salaries and benefits, hiring a private contractor to run the transportation program, and individual transportation contracts for parents. These expenditures must be to pay for the costs of getting students from home to school and back only.

**Effect:**

The District charged approximately \$10,800 to reseal the parking lot to the Transportation fund.

**Cause:**

Weakness in internal controls ensuring the expenditures charged to the transportation fund are in compliance.

**Recommendation:**

The District should implement controls that ensure all charges to the transportation fund are in compliance with Montana statutes.

**Auditee Response:**

Implementation of receipting funds received for the student activity account have taken place. All money in for student activities is receipted by Activity Sponsor and Business Manager. The group who was not following this procedure is no longer at Lone Rock.

**Lone Rock Public School's Response to Findings**

Lone Rock Public School's response to the findings identified in our audit is described above. Lone Rock Public School's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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 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.

*Derring, Downey and Associates, CPAs, P.C.*

June 22, 2015

***Denning, Downey & Associates, P.C.***  
***CERTIFIED PUBLIC ACCOUNTANTS***

*1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957*

---

**REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS**

Board of Trustees  
Lone Rock Public School  
Ravalli County  
Stevensville, Montana

The prior audit report contained six recommendations. The action taken on each recommendation is as follows:

<u>Recommendation</u>	<u>Action Taken</u>
Deficit Cash and Fund Balance	Repeated
Student Activity Receipting	Repeated
Loans Proceeds Classification	Implemented
Exceeding Budget Authority	Implemented
Non-Allowable Transportation Expenditures	Repeated
Deferred Revenue and Expenditure Overstatement	Implemented

*Denning, Downey and Associates, CPA's, P.C.*

June 22, 2015