



Independent Auditor's Report and  
Financial Statements

**Polson Public School District No. 23**

Lake County  
Polson, Montana  
June 30, 2014

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### POLSON PUBLIC SCHOOL DISTRICT NO. 23

June 30, 2014

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## ORGANIZATION - BOARD OF TRUSTEES AND OFFICIALS

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For the Year Ended June 30, 2014

### BOARD OF TRUSTEES

|                      |               |
|----------------------|---------------|
| John Triolo          | Chairman      |
| Caroline McDonald    | Vice Chairman |
| Alan Anderson        | Trustee       |
| Chanel Lake          | Trustee       |
| Michael Leadercharge | Trustee       |
| Cindy Lanier         | Trustee       |
| Tim McGinnis         | Trustee       |
| Caryl Cox            | Trustee       |

### OFFICIALS

|                   |                                  |
|-------------------|----------------------------------|
| Dr. Linda Reksten | District Superintendent          |
| Pam Owen          | Business Manager                 |
| Bob Long          | County Attorney                  |
| Michelle Wood     | County Superintendent of Schools |
| Patti Kugler      | County Treasurer                 |

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**June 30, 2014**

This Management's Discussion and Analysis, written by the Business Manager/Clerk and Superintendent of the Polson School District, provides an overview of the Polson School District's financial position and governmental financial activities for the fiscal year ended June 30, 2014. Please read it along with the School District's financial statements that begin on Page 10.

### FINANCIAL HIGHLIGHTS

The District is financially sound as shown by the audit. Cash flow has been planned through Impact Aid funds in coordination with First Interstate Bank. A multi-district cooperative was established in the prior year to access funding from HB329. The focuses of these funds are to address our facilities needs.

### USING THIS AUDIT REPORT

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

This annual report consists of financial statements for the District as a whole with more detailed information for certain District funds. The Statement of Net Position and the Statement of Activities (Pages 10-11) provide information about the activities of the District as a whole.

Fund financial statements (Pages 12-15) present a short-term view of the District's activities. They include only current assets expected to be collected in the very near future and liabilities expected to be paid in the very near future. Generally accepted accounting principles require that only major funds are disclosed in these financial statements. These statements provide detailed information about the District's general, elementary miscellaneous programs, and high school building funds, which qualify as major funds. All non-major funds are grouped under "other governmental fund".

### REPORTING THIS DISTRICT AS A WHOLE

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

The change in net position over time is one indicator of whether the District's financial health is improving or deteriorating. However, there are other nonfinancial factors that influence the District's fiscal health, such as changes in enrollment, changes in the State's funding of educational costs, changes in the economy, changes in the District's tax base, etc.

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## MANAGEMENT DISCUSSION AND ANALYSIS

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

- A. The Statement of Net Position (Page 10) shows the assets, liabilities and the net position of the school district. The statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in fixed or capital assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year. Assets exceed liabilities and deferred inflows of resources by \$11,364,866 as of June 20, 2014. Net investment in capital assets and restricted net position compose 96% of the total net position; 4% are unrestricted or liquid.
- B. The Statement of Activities on (Page 11) shows the amounts of program-specific and general school district revenues used to support the various functions of the school district. 80% of expenditures were supported with general revenues, from taxes and other sources for general school use. 20% of expenditures were supported with sources other than taxes, called program revenues. Program revenues for Polson Schools include grants, state program funding, charges for services, and various other sources.

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

### REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

These fund financial statements provide detailed information about the most significant of the District's funds. Major funds are defined as the general fund, elementary miscellaneous fund and high school building fund where the assets, liabilities, revenues, or expenditures exceed 10% of total governmental fund amounts. In the 2014 fiscal year, the liabilities, revenues and expenditures of the elementary miscellaneous fund and the assets in the high school building funds exceeded the 10% thresholds. The high school building fund is authorized by Section 20-9-508, MCA to account for proceeds from the sale of bonds. The elementary miscellaneous program fund is used to account for a variety of programs, (most of which are federally funded) and was included because of its deferred revenue.

### REPORTING DISTRICT'S TRUST AND FIDUCIARY RESPONSIBILITY

Also attached are summarized financial reports about the student activity and deferred compensation funds which the District oversees.

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## MANAGEMENT DISCUSSION AND ANALYSIS

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### BUDGET TO ACTUAL COMPARISON

Only the general, retirement and debt services funds are required to have budgets. There were no significant variations between the budget and actual revenues and expenditures which are detailed on the supplemental schedule on Page 39.

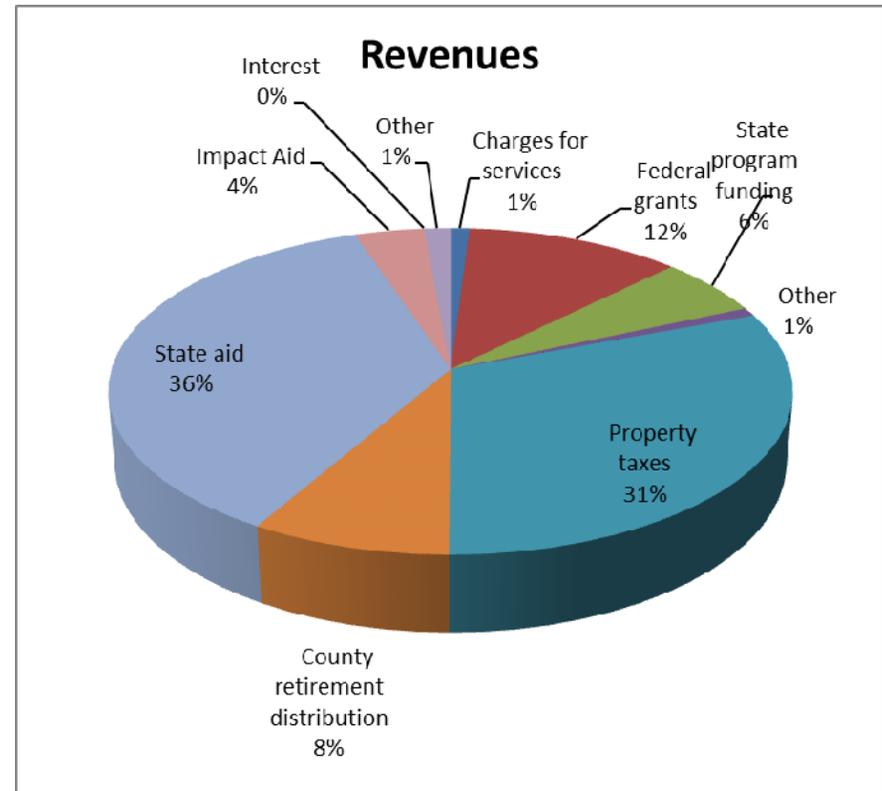
### STATEMENT OF NET POSITION

|  | <u>2014</u>              | <u>2013</u>              |
|--|--------------------------|--------------------------|
| <b>Net Assets:</b>                                 |                          |                          |
| Current assets                                     | 5,491,182                | 6,961,924                |
| Capital assets - net                               | <u>10,085,122</u>        | <u>9,437,388</u>         |
| Total assets                                       | <u>15,576,304</u>        | <u>16,399,312</u>        |
| Current liabilities                                | 741,751                  | 684,194                  |
| Non-current liabilities                            | <u>3,442,185</u>         | <u>3,480,957</u>         |
| Total liabilities                                  | <u>4,183,936</u>         | <u>4,165,151</u>         |
| Deferred inflows of resources                      | <u>27,502</u>            | <u>30,557</u>            |
| <b>Net assets:</b>                                 |                          |                          |
| Invested in capital assets,<br>net of related debt | 7,737,488                | 6,809,426                |
| Restricted for:                                    |                          |                          |
| Capital Projects                                   | 1,803,131                | 0                        |
| Compensated absences                               | 34,532                   | 45,623                   |
| Other fund activities                              | 1,311,683                | 4,154,428                |
| Unrestricted                                       | <u>478,032</u>           | <u>1,194,127</u>         |
| Total net assets                                   | <u><u>11,364,866</u></u> | <u><u>12,203,604</u></u> |

# MANAGEMENT DISCUSSION AND ANALYSIS

## STATEMENT OF ACTIVITIES

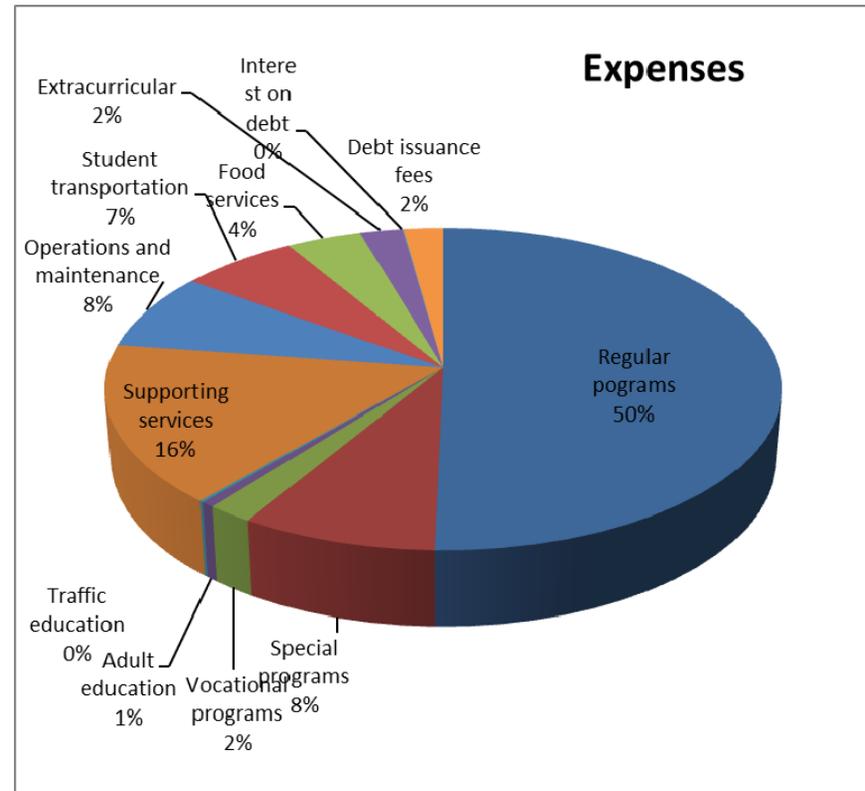
|                                | <u>2014</u>              | <u>2013</u>              |
|--------------------------------|--------------------------|--------------------------|
| <b>Revenues:</b>               |                          |                          |
| <b>Program revenues:</b>       |                          |                          |
| Charges for services           | 189,392                  | 170,516                  |
| Federal grants                 | 2,076,885                | 2,037,449                |
| State program funding          | 1,162,418                | 1,046,640                |
| Other                          | 149,968                  | 148,185                  |
| Total program revenues         | <u>3,578,663</u>         | <u>3,402,790</u>         |
| <b>General revenues:</b>       |                          |                          |
| Property taxes                 | 5,727,637                | 5,457,937                |
| County retirement distribution | 1,679,817                | 1,495,655                |
| State aid                      | 6,680,225                | 6,592,221                |
| Impact Aid                     | 332,834                  | 509,956                  |
| Interest                       | 32                       | 0                        |
| Other                          | 77,385                   | 96,218                   |
| Total general revenues         | <u>14,497,930</u>        | <u>14,151,987</u>        |
| Total Revenues                 | <u><u>18,076,593</u></u> | <u><u>17,554,777</u></u> |



# MANAGEMENT DISCUSSION AND ANALYSIS

## STATEMENT OF ACTIVITIES – CONTINUED

|                            | <u>2014</u>              | <u>2013</u>              |
|----------------------------|--------------------------|--------------------------|
| <b>Expenses:</b>           |                          |                          |
| Regular pograms            | 9,935,094                | 9,123,449                |
| Special programs           | 1,734,619                | 1,562,025                |
| Vocational programs        | 348,961                  | 331,284                  |
| Adult education            | 83,712                   | 66,440                   |
| Traffic education          | 18,162                   | 26,763                   |
| Supporting services        | 2,596,218                | 2,581,720                |
| Operations and maintenance | 1,371,347                | 1,283,171                |
| Student transportation     | 1,185,314                | 1,172,013                |
| Food services              | 773,194                  | 731,166                  |
| Extracurricular            | 440,120                  | 429,995                  |
| Interest on debt           | 49,517                   | 1,162                    |
| Unallocated depreciation   | 379,073                  | 382,041                  |
| Total expenses             | <u><u>18,915,331</u></u> | <u><u>17,691,229</u></u> |



## THE FUTURE OF THE DISTRICT

Student enrollment is variable and funding on ANB remains dependent on legislative allocations from both state and federal entities.

The Polson School District passed a High School Bond in the spring of 2014 in order to replace the existing roof, repair and replace the HVAC system and related improvements. This bond will make significant needed improvements.

The District has developed a Multi-District Coop with our High School District allowing the District to be able to fund on-going facility needs, safety issues, technology needs and professional development for staff.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**June 30, 2014**

### UNCERTAINTIES

Considerations that have uncertainty for the District can be found in:

The District will be required to continue to find other funding sources to maintain current facility and technology needs.

The Confederated Salish & Kootenai Tribes is seeking the purchase of Kerr Dam. If this acquisition occurs it will mean a loss of district revenue estimated over \$400,000 per year.

Forecasts for increased enrollment, due to new businesses and growth around Polson, could cause a problem in our facilities regarding classroom size and capacities for programs.

The Polson School District has applied for a Planning Grant through the Department of Commerce. If the District should receive this grant, the District has a high probability that they could receive a Project Grant in the future. The Project Grant could be used for replacement of a boiler at Cherry Valley School or any other project the Planning Grant process finds is needed the most.

### CONTACT INFORMATION

Dr. Linda Reksten, Superintendent  
Pam Owen, Business Manager

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**INDEPENDENT AUDITOR’S REPORT**

February 04, 2015

Board of Trustees  
Polson Public School District No. 23  
Lake County  
Polson, 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 Polson Public School District No. 23, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Polson Public School District No. 23’s basic financial statements as listed in the table of contents.

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

Polson Public School District No. 23’s management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor’s Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Polson Public School District No. 23, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Polson Public School District No. 23's basic financial statements. The Combining Balance Sheet – General Fund, Combining Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund, Extracurricular Fund – Schedule of Cash Receipts, Disbursements and Changes in Net Position, Schedule of Reported Enrollment and the Schedule of Expenditures of Federal Awards, as required by the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Balance Sheet – General Fund, Combining Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund, Extracurricular Fund – Schedule of Cash Receipts, Disbursements and Changes in Net Position, Schedule of Reported Enrollment, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, The Combining Balance Sheet – General Fund, Combining Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund, Extracurricular Fund – Schedule of Cash Receipts, Disbursements and Changes in Net Position, Schedule of Reported Enrollment, and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 04, 2015 on our consideration of Polson Public School District No. 23'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 Polson Public School District No. 23's internal control over financial reporting and compliance.



Wipfli LLP  
Billings, Montana

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## BASIC FINANCIAL STATEMENTS

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### Government-Wide Financial Statements

#### STATEMENT OF NET POSITION

June 30,

|   | <u>2014</u>       |
|---|-------------------|
| <b>ASSETS:</b>                            |                   |
| Cash and Equivalents                      | 4,826,206         |
| Taxes Receivable                          | 461,397           |
| Due from Other Governments                | <u>203,579</u>    |
|   | <u>5,491,182</u>  |
| Capital Assets:                           |                   |
| Land                                      | 38,050            |
| Construction in progres                   | 691,890           |
| Other Capital Assets, net of depreciation | <u>9,355,182</u>  |
| Total Capital Assets                      | <u>10,085,122</u> |
| Total assets                              | <u>15,576,304</u> |
| <b>LIABILITIES:</b>                       |                   |
| Accounts payable                          | 67,574            |
| Due to other governments                  | 76                |
| Advances from grantors                    | 132,630           |
| Long-term liabilities:                    |                   |
| Due within one year:                      |                   |
| Bonds payable                             | 235,000           |
| Notes payable                             | 55,009            |
| Compensated absences                      | 251,462           |
| Due in more than one year:                |                   |
| Bonds payable                             | 2,030,000         |
| Notes payable                             | 27,626            |
| Compensated absences                      | 891,547           |
| Other postemployment benefits             | <u>493,012</u>    |
| Total liabilities                         | <u>4,183,936</u>  |
| <b>DEFERRED INFLOW OF RESOURCES</b>       |                   |
| Bond Premium, net of amortization         | <u>27,502</u>     |
| Total deferred inflow of resources        | <u>27,502</u>     |
| <b>NET POSITION:</b>                      |                   |
| Net investment in capital assets          | 7,737,488         |
| Restricted for:                           |                   |
| Capital projects                          | 1,803,131         |
| Compensated Absences                      | 34,532            |
| Other fund activities                     | 1,311,683         |
| Unrestricted                              | <u>478,032</u>    |
| Total net position                        | <u>11,364,866</u> |

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



## BASIC FINANCIAL STATEMENTS

### STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

|   | <u>Expenses</u>   | <u>Program Revenue</u>          |                             | <u>Net (Expense)<br/>Revenue</u> |
|---|-------------------|---------------------------------|-----------------------------|----------------------------------|
|   |                   | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants</u> |                                  |
| <b>Primary government</b>                   |                   |                                 |                             |                                  |
| Instruction:                                |                   |                                 |                             |                                  |
| Regular Programs                            | 9,935,094         | 0                               | 1,562,753                   | (8,372,341)                      |
| Special Programs                            | 1,734,619         | 0                               | 993,652                     | (740,967)                        |
| Vocational Programs                         | 348,961           | 0                               | 0                           | (348,961)                        |
| Adult Education                             | 83,712            | 1,497                           | 0                           | (82,215)                         |
| Traffic Education                           | 18,162            | 15,230                          | 9,722                       | 6,790                            |
| Supporting Services                         | 2,596,218         | 0                               | 0                           | (2,596,218)                      |
| Operations & Maintenance                    | 1,371,347         | 0                               | 0                           | (1,371,347)                      |
| Student Transportation                      | 1,185,314         | 0                               | 303,894                     | (881,420)                        |
| Food Services                               | 773,194           | 172,665                         | 516,194                     | (84,335)                         |
| Extracurricular                             | 440,120           | 0                               | 0                           | (440,120)                        |
| Interest on Long-term debt                  | 49,517            | 0                               | 3,056                       | (46,461)                         |
| Unallocated Depreciation                    | 379,073           | 0                               | 0                           | (379,073)                        |
| Total governmental activities               | <u>18,915,331</u> | <u>189,392</u>                  | <u>3,389,271</u>            | <u>(15,336,668)</u>              |
| <b>General revenues:</b>                    |                   |                                 |                             |                                  |
| Property taxes, levied for general purposes |                   |                                 |                             | 5,727,637                        |
| County Retirement Distribution              |                   |                                 |                             | 1,679,817                        |
| State Aid                                   |                   |                                 |                             | 6,680,225                        |
| Impact Aid                                  |                   |                                 |                             | 332,834                          |
| Interest                                    |                   |                                 |                             | 32                               |
| Other                                       |                   |                                 |                             | 77,385                           |
| Total general revenues                      |                   |                                 |                             | <u>14,497,930</u>                |
| Change in net position                      |                   |                                 |                             | (838,738)                        |
| Net position - beginning                    |                   |                                 |                             | <u>12,203,604</u>                |
| Net position - ending                       |                   |                                 |                             | <u><u>11,364,866</u></u>         |

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



## BASIC FINANCIAL STATEMENTS

### Fund Financial Statements

#### BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2014

|   | General Fund     | Elementary<br>Miscellaneous | High School<br>Building | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|------------------|-----------------------------|-------------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>   |                  |                             |                         |                                |                                |
| Cash and cash equivalents   | 1,714,455        | 0                           | 1,802,967               | 1,308,784                      | 4,826,206                      |
| Taxes receivable, net   | 359,963          | 0                           | 0                       | 101,434                        | 461,397                        |
| Due from other funds  | 45,311           | 1,286                       | 0                       | 0                              | 46,597                         |
| Due from other governments  | 0                | 154,840                     | 0                       | 48,739                         | 203,579                        |
| Total assets  | <u>2,119,729</u> | <u>156,126</u>              | <u>1,802,967</u>        | <u>1,458,957</u>               | <u>5,537,779</u>               |
| <b>LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES AND FUND BALANCES</b> |                  |                             |                         |                                |                                |
| Liabilities:  |                  |                             |                         |                                |                                |
| Accounts payable  | 34,599           | 1,136                       | 0                       | 31,839                         | 67,574                         |
| Due to other funds  | 1,286            | 25,641                      | 0                       | 19,670                         | 46,597                         |
| Due to other governments  | 0                | 0                           | 0                       | 76                             | 76                             |
| Advances from grantors  | 0                | 125,089                     | 0                       | 7,541                          | 132,630                        |
| Total liabilities   | <u>35,885</u>    | <u>151,866</u>              | <u>0</u>                | <u>59,126</u>                  | <u>246,877</u>                 |
| Deferred inflow:  |                  |                             |                         |                                |                                |
| Unavailable tax revenue   | 359,963          | 0                           | 0                       | 101,434                        | 461,397                        |
| Total deferred inflow of resources                                      | <u>359,963</u>   | <u>0</u>                    | <u>0</u>                | <u>101,434</u>                 | <u>461,397</u>                 |
| Fund balances:  |                  |                             |                         |                                |                                |
| Restricted for:   |                  |                             |                         |                                |                                |
| Compensated absences  | 0                | 0                           | 0                       | 34,532                         | 34,532                         |
| Capital projects funds  | 0                | 0                           | 1,802,967               | 164                            | 1,803,131                      |
| Other fund activities   | 0                | 0                           | 0                       | 1,210,249                      | 1,210,249                      |
| Assigned for:   |                  |                             |                         |                                |                                |
| Encumbrances  | 215,342          | 4,259                       | 0                       | 66,510                         | 286,111                        |
| Unassigned  | 1,508,539        | 0                           | 0                       | (13,057)                       | 1,495,482                      |
| Total fund balances   | <u>1,723,881</u> | <u>4,259</u>                | <u>1,802,967</u>        | <u>1,298,398</u>               | <u>4,829,505</u>               |
| Total liabilities, deferred inflow of resource and fund<br>balances     | <u>2,119,729</u> | <u>156,125</u>              | <u>1,802,967</u>        | <u>1,458,958</u>               | <u>5,537,779</u>               |



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## BASIC FINANCIAL STATEMENTS

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

June 30, 2014

|   |                   |
|---|-------------------|
| Total fund balance, governmental funds  | 4,829,505         |
| Amounts reported for governmental activities in the Statement of Net Position are different because:  |                   |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.                 | 10,085,122        |
| Property taxes receivable that are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.                | 461,397           |
| Some liabilities, (such as Bonds Payable, Notes Payable, Compensated Absences, and Other Postemployment Benefits) are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. | (3,983,656)       |
| Deferred inflow of resources, (such as Bond Premium) are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.  | (27,502)          |
| Net Position of Governmental Activities in the Statement of Net Position.   | <u>11,364,866</u> |



## BASIC FINANCIAL STATEMENTS

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

For the Year Ended June 30, 2014

|   | General Fund      | Elementary<br>Miscellaneous | High School<br>Building | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|-------------------|-----------------------------|-------------------------|--------------------------------|--------------------------------|
| <b>REVENUES</b>                                   |                   |                             |                         |                                |                                |
| Property Taxes for General Purposes               | 4,236,788         | 0                           | 0                       | 1,381,970                      | 5,618,758                      |
| Tuition   | 0                 | 0                           | 0                       | 16,727                         | 16,727                         |
| Intergovernmental:                                |                   |                             |                         |                                |                                |
| County  | 0                 | 0                           | 0                       | 1,826,730                      | 1,826,730                      |
| State   | 7,126,426         | 486,055                     | 0                       | 230,163                        | 7,842,644                      |
| Federal   | 332,834           | 1,494,748                   | 0                       | 582,135                        | 2,409,717                      |
| Interest on Investments                           | 28                | 0                           | 0                       | 4                              | 32                             |
| Food Services                                     | 0                 | 0                           | 0                       | 172,665                        | 172,665                        |
| Other   | 1,929             | 1,368                       | 0                       | 74,088                         | 77,385                         |
| Total revenues                                    | <u>11,698,005</u> | <u>1,982,171</u>            | <u>0</u>                | <u>4,284,482</u>               | <u>17,964,658</u>              |
| <b>EXPENDITURES</b>                               |                   |                             |                         |                                |                                |
| Current:  |                   |                             |                         |                                |                                |
| Instruction                                       | 8,157,037         | 1,954,137                   | 650                     | 1,738,861                      | 11,850,685                     |
| Supporting Services                               | 2,085,392         | 34,299                      | 0                       | 476,086                        | 2,595,777                      |
| Operations and Maintenance                        | 1,230,440         | 20,547                      | 0                       | 106,087                        | 1,357,074                      |
| Student Transportation                            | 0                 | 7,063                       | 0                       | 967,386                        | 974,449                        |
| Food Services                                     | 0                 | 4,112                       | 0                       | 767,454                        | 771,566                        |
| Extracurricular                                   | 407,090           | 0                           | 0                       | 31,952                         | 439,042                        |
| Capital Outlay                                    | 128,611           | 0                           | 691,890                 | 452,017                        | 1,272,518                      |
| Debt Service                                      | 55,560            | 0                           | 0                       | 274,284                        | 329,844                        |
| Total Expenditures                                | <u>12,064,130</u> | <u>2,020,158</u>            | <u>692,540</u>          | <u>4,814,127</u>               | <u>19,590,955</u>              |
| Excess (deficiency) of revenues over expenditures | (366,125)         | (37,987)                    | (692,540)               | (529,645)                      | (1,626,297)                    |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                   |                             |                         |                                |                                |
| Transfers in                                      | 0                 | 0                           | 0                       | 317,500                        | 317,500                        |
| Transfers out                                     | (239,500)         | 0                           | 0                       | (78,000)                       | (317,500)                      |
| Total other financing sources and uses            | <u>(239,500)</u>  | <u>0</u>                    | <u>0</u>                | <u>239,500</u>                 | <u>0</u>                       |
| Net change in fund balances                       | (605,625)         | (37,987)                    | (692,540)               | (290,145)                      | (1,626,297)                    |
| Fund balances - beginning                         | 2,329,506         | 42,246                      | 2,495,507               | 1,588,543                      | 6,455,802                      |



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## BASIC FINANCIAL STATEMENTS

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

For the Year Ended June 30, 2014

Net change in fund balances - total governmental funds: (1,626,297)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. (624,784)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 108,879

Statement of activities report expenses that the governmental funds do not and are not reported as expenditures in the governmental funds:

Compensated absences expense (5,545)  
Other postemployment benefits (246,892)

Governmental funds report bond premiums as other financing sources. In contrast, the Statement of Activities reports only a portion of premium expense. The premium is allocated over the bonds' estimated useful lives as amortization expense for the period. 3,056

Governmental funds report expenses that the statement of activities do not and are not reported as expenditures in the statement of activities:

Capital outlays, not including capital assets under leases 1,272,518  
Principal payments on debt 280,327  
Change in net position of governmental activities (838,738)

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



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## BASIC FINANCIAL STATEMENTS

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### STATEMENT OF FIDUCIARY NET POSITION AND CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2014

|                                      | <u>PRIVATE PURPOSE<br/>TRUST<br/>STUDENT<br/>ACTIVITY FUND</u> | <u>AGENCY FUND<br/>DEFERRED<br/>COMPENSATION</u> |
|--------------------------------------|--|--|
| FIDUCIARY NET POSITION               |  |  |
| Assets:                              |  |  |
| Cash                                 | 247,132  | 197,774  |
| Total Assets                         | <u>247,132</u>   | <u>197,774</u>                                   |
| Liabilities:                         |  |  |
| Other current liabilities            | 0  | 197,774  |
| Total liabilities                    | <u>0</u>   | <u>197,774</u>                                   |
| Net Position:                        |  |  |
| Held in Trust for Student Activities | 247,132  | 0  |
| Total Net Position                   | <u><u>247,132</u></u>  | <u><u>0</u></u>                                  |
| CHANGES IN FIDUCIARY NET POSITION    |  |  |
| Additions                            |  |  |
| Revenue                              | <u>293,765</u>   |  |
| Deductions                           |  |  |
| Expenses                             | <u>298,767</u>   |  |
| Change in Net Position Held in Trust | (5,002)  |  |
| Net Position, Beginning of Year      | <u>252,134</u>   |  |
| Net Position, End of Year            | <u><u>247,132</u></u>  |  |

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



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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

#### Note A. Description of the School District and Reporting Entity

##### 1. Reporting Entity

Polson Public School District No. 23 was established under Montana law to provide educational services below the college and university level to residents of the District. The District actually consists of two separate legal entities, High School and Elementary districts. Accounting records of both districts must be maintained separately per State Law because of differences in funding and tax base. Yet, both are managed by one central Board of Trustees elected by the citizens and by a central administration appointed by and responsible to the Board.

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

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

The District functions in a fiduciary capacity relating to the Student Extracurricular Fund and the Deferred Compensation Fund.



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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

#### Note B. Summary of Significant Accounting Policies

The financial statements of Polson Public School District No. 23 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District's significant accounting policies are described below:

##### 1. Basis of Presentation

###### a. Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities show information about the overall financial position and activities of the District with the exception of the extracurricular and deferred compensation funds. The extracurricular fund, which accounts for the extracurricular activities of the District's students, is reported as private purpose trust funds in the Statement of Fiduciary Net Position and Changes in Fiduciary Net Position. The deferred compensation fund, which accounts for the District's cafeteria plan, is reported as an agency fund in those same statements.

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

###### b. Fund Financial Statements

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



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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

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

#### 2. Governmental Funds

The District reports the following major governmental funds:

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

**Elementary and High School Impact Aid Funds** – Authorized by Section 20-9-514, MCA for the purpose of the receipt and expenditure of Public Law 81-874 Impact Aid.

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

**Elementary Miscellaneous Programs Fund** – The Miscellaneous Programs Fund is used to account 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.

**High School Building Fund** – The High School Building Fund is authorized by Section 20-9-508, MCA. It is used primarily to account for the proceeds of bonds sold for the purposes provided in Section 20-9-403, MCA. The fund is also used to account for insurance proceeds for damaged property as provided in 20-6-608, MCA, or the sale or rental of property as provided by 20-6-604 and 607, MCA.



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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

#### 3. Fiduciary Funds

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

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

#### 4. Basis of Accounting and Measurement Focus

##### a. Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

##### b. Fund Financial Statements

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

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



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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

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

#### 5. Cash and Investments

Cash resources of the District are deposited in local financial institutions. The District's cash is held in demand deposit accounts and a repurchase investment account. The bank balance is insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC), the remainder is collateralized. In addition, some cash resources of the District are deposited with the County Treasurer. Investments of the pooled cash consist primarily of certificates of deposit and repurchase agreements and are carried at cost which approximates fair value. Among the instruments which state statutes authorize the District to invest in are direct obligations of the United States government; in savings or time deposits in a state or national bank, building or loan association, savings and loan association, or credit union insured by the FDIC, FSLIC, or NCUA located in the state; in a repurchase agreement or Montana short-term investment pool. Interest income received as a result of pooling is distributed to the appropriate district utilizing a formula based on the respective district's previous month's ending balance of cash and cash equivalents.

Extracurricular Fund cash of \$177,446 and \$40,205 at June 30, 2014 is held at First Interstate Bank, and Glacier Bank, respectively. The First Interstate Bank and Glacier Bank accounts are insured by the FDIC up to \$250,000 at June 30, 2014.

#### 6. Capital Assets

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

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



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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

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

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

#### 7. Compensated Absences

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

#### 8. Deferred Inflow of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of deferred inflow of resources, one of which arises on the accrual basis and the other which arises on the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the first item, bond premium, net of amortization, is reported in the statement of net position which is reported on the accrual basis of accounting. This amount is deferred and recognized as an inflow of resources evenly throughout the life of the bond. In addition, the second item, unavailable tax revenue, is reported in the governmental funds balance sheet which is reported on the modified accrual basis of accounting. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.



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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

#### 9. Fund Balances

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

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

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

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

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

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

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

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

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. All encumbrances are classified as either Assigned fund balance or Committed fund balance. At June 30, 2014, \$137,613, \$62,641, \$15,088, \$4,259 and \$66,510 were assigned for encumbrances in the General, Elementary Impact Aid, High School Impact Aid, Elementary Miscellaneous and remaining aggregate non-major funds, respectively.



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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

#### 10. Net Position

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

#### 11. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

#### 12. Date of Management Review

Management has evaluated the activities and transactions subsequent to June 30, 2014 to determine the need for any adjustments to and/or disclosure within the audited financials for the year ended June 30, 2014. Management has performed this evaluation through February 04, 2015, the date the financial statements were available to be issued.

#### Note C. Property Taxes

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

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



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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

#### Note D. Capital Assets

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

|   | <u>July 1, 2013</u> | <u>Additions</u> | <u>Deletions</u> | <u>June 30, 2014</u> |
|---|---------------------|------------------|------------------|----------------------|
| CAPITAL ASSETS BEING DEPRECIATED AT COST: |                     |                  |                  |                      |
| Land Improvements                         | 550,866             | 69,116           | 0                | 619,982              |
| Buildings and Improvements                | 14,606,773          | 153,622          | 0                | 14,760,395           |
| Machinery and Equipment                   | <u>3,173,630</u>    | <u>357,890</u>   | <u>171,428</u>   | <u>3,360,092</u>     |
|   | <u>18,331,269</u>   | <u>580,628</u>   | <u>171,428</u>   | <u>18,740,469</u>    |
| OTHER CAPITAL ASSETS:                     |                     |                  |                  |                      |
| Construction in Progress                  | 0                   | 691,890          | 0                | 691,890              |
| Land                                      | <u>38,050</u>       | <u>0</u>         | <u>0</u>         | <u>38,050</u>        |
| Total                                     | <u>18,369,319</u>   | <u>1,272,518</u> | <u>171,428</u>   | <u>19,470,409</u>    |
| LESS ACCUMULATED DEPRECIATION FOR:        |                     |                  |                  |                      |
| Land Improvements                         | 253,940             | 26,040           | 0                | 279,980              |
| Buildings and Improvements                | 6,442,244           | 352,636          | 0                | 6,794,880            |
| Machinery and Equipment                   | <u>2,235,747</u>    | <u>246,108</u>   | <u>171,428</u>   | <u>2,310,427</u>     |
| Total accumulated depreciation            | <u>8,931,931</u>    | <u>624,784</u>   | <u>171,428</u>   | <u>9,385,287</u>     |
| Total                                     | <u>9,437,388</u>    |                  |                  | <u>10,085,122</u>    |



## BASIC FINANCIAL STATEMENTS

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

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

#### DEPRECIATION PER FUNCTION:

|                            |                       |
|----------------------------|-----------------------|
| Instruction                | 16,229                |
| Supporting Services        | 1,635                 |
| Operations and Maintenance | 14,275                |
| Student Transportation     | 210,868               |
| Food Services              | 1,627                 |
| Extracurricular            | 1,077                 |
| Unallocated Depreciation   | <u>379,073</u>        |
| Total Depreciation Expense | <u><u>624,784</u></u> |

#### Note E. Long-Term Obligations

In June of 2013 the District issued general obligation bonds in the amount of \$2,491,000 to finance the renovation of the high school. The summary of activity in bonds payable (including current maturities) is as follows:

|  | <u>Bonds<br/>Payable<br/>July 1, 2013</u> | <u>Debt<br/>Issued</u> | <u>Debt<br/>Retired</u> | <u>Bonds<br/>Payable<br/>June 30, 2014</u> | <u>Due<br/>Within<br/>One Year</u> | <u>Due in<br/>More Than<br/>One Year</u> |
|--|---|------------------------|-------------------------|--|------------------------------------|--|
| General Obligation Bonds:  |   |                        |                         |  |                                    |  |
| 2013 series; interest rate 0.400% 2014, 0.550% 2015,<br>0.750% 2016, 1.000% 2017, 4.000% 2018, 2.125% 2019-<br>2020, 2.500% 2021; original issue of \$2,491,000; with bi<br>annual payments commencing January 1, 2014; final<br>maturity July 1, 2023 | <u>2,491,000</u>                          | <u>0</u>               | <u>226,000</u>          | <u>2,265,000</u>                           | <u>235,000</u>                     | <u>2,030,000</u>                         |
| Total  | <u><u>2,491,000</u></u>                   | <u><u>0</u></u>        | <u><u>226,000</u></u>   | <u><u>2,265,000</u></u>                    | <u><u>235,000</u></u>              | <u><u>2,030,000</u></u>                  |



## BASIC FINANCIAL STATEMENTS

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

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

| <u>Year Ending June 30,</u> | <u>Principle</u> | <u>Interest</u> | <u>Total</u>     |
|-----------------------------|------------------|-----------------|------------------|
| 2015                        | 235,000          | 45,949          | 280,949          |
| 2016                        | 240,000          | 44,656          | 284,656          |
| 2017                        | 240,000          | 42,856          | 282,856          |
| 2018                        | 240,000          | 40,456          | 280,456          |
| 2019                        | 250,000          | 30,856          | 280,856          |
| Thereafter                  | 1,060,000        | 66,169          | 1,126,169        |
| Total                       | <u>2,265,000</u> | <u>270,942</u>  | <u>2,535,942</u> |

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

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

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

|                         | <u>Elementary</u> | <u>High School</u> |
|-------------------------|-------------------|--------------------|
| Statutory debt limit    | 19,735,510        | 20,121,350         |
| Outstanding debt        | <u>0</u>          | <u>2,347,635</u>   |
| Remaining debt capacity | <u>19,735,510</u> | <u>17,773,715</u>  |



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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Summary of Information for Continuing Disclosure:

**1. Future Financing**

Other than the high school \$2,491,000 General Obligation Bonds, Series 2013 that was issued on June 20, 2013, the District does not anticipate the need to incur any additional general obligation indebtedness during the next five years.

**2. Trends in Property Valuations**

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

| <u>Fiscal<br/>Year</u> | <u>Taxable Market Valuation</u> | <u>Percent<br/>Change</u> | <u>Taxable<br/>Valuation</u> | <u>Percent<br/>Change</u> |
|------------------------|---------------------------------|---------------------------|------------------------------|---------------------------|
| 2013/2014              | 1,910,466,065                   | 15.80%                    | 47,631,446                   | 8.66%                     |
| 2012/2013              | 1,649,848,322                   | 8.64%                     | 43,834,267                   | 4.06%                     |
| 2011/2012              | 1,518,643,724                   | 5.66%                     | 42,122,988                   | 2.20%                     |
| 2010/2011              | 1,437,308,374                   | 9.99%                     | 41,214,241                   | 4.87%                     |
| 2009/2010              | 1,306,806,518                   | 16.28%                    | 39,301,308                   | 15.20%                    |
| 2008/2009              | 1,123,885,258                   | n/a                       | 34,116,748                   | n/a                       |



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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

#### 3. Tax Collections

The following table demonstrates the tax collection history for real property taxes levied by the District for all funds for fiscal years ending June 30, 2008 through 2014. First half collections are due November 30 and second half collections are due May 31.

| Fiscal Year | Total Tax Levy | Total Tax Collections | Total Collections as Percent of Levy |
|-------------|----------------|-----------------------|--------------------------------------|
| 2013/2014   | 1,557,358      | 1,535,304             | 98.6%                                |
| 2012/2013   | 1,611,005      | 906,486               | 56.3%                                |
| 2011/2012   | 1,583,576      | 1,531,377             | 96.7%                                |
| 2010/2011   | 1,493,644      | 1,429,313             | 95.7%                                |
| 2009/2010   | 1,459,286      | 1,386,825             | 95.0%                                |
| 2008/2009   | 1,303,647      | 1,226,286             | 94.1%                                |
| 2007/2008   | 1,311,439      | 1,256,268             | 95.8%                                |



## BASIC FINANCIAL STATEMENTS

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

In July 2012, the District entered in to a loan agreement with the Board of Investments of the State of Montana for \$164,000 to finance the renovation of the high school. The note calls for bi-annual payments on August 15 and February 15 of each year. Interest rates are variable, at an adjusted rate as determined by the Montana Board of Investments and were 1.00% for the February 15, 2014 payment. The summary of activity in notes payable (including current maturities) is as follows:

|                       | <u>Note Payable<br/>July 1, 2013</u> | <u>Debt Issued</u> | <u>Debt Retired</u> | <u>Note Payable<br/>June 30, 2014</u> | <u>Due Within<br/>One Year</u> | <u>Due in More<br/>Than One Year</u> |
|-----------------------|--------------------------------------|--------------------|---------------------|---------------------------------------|--------------------------------|--------------------------------------|
| Intercap Loan Payable | 136,962                              | 0                  | 54,327              | 82,635                                | 55,009                         | 27,626                               |
|                       | <u>136,962</u>                       | <u>0</u>           | <u>54,327</u>       | <u>82,635</u>                         | <u>55,009</u>                  | <u>27,626</u>                        |

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

| <u>Year Ending June 30,</u> | <u>Principle</u> | <u>Interest</u> | <u>Total</u>  |
|-----------------------------|------------------|-----------------|---------------|
| 2015                        | 55,009           | 0               | 55,009        |
| 2016                        | 27,626           | 0               | 27,626        |
| Total                       | <u>82,635</u>    | <u>0</u>        | <u>82,635</u> |



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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

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

|                               | <u>July 1, 2013</u> | <u>Additions</u> | <u>Reductions</u> | <u>June 30, 2014</u> | <u>Due Within One<br/>Year</u> | <u>Due in More<br/>Than One Year</u> |
|-------------------------------|---------------------|------------------|-------------------|----------------------|--------------------------------|--------------------------------------|
| Compensated Absences Payable  | 1,137,464           | 5,545            | 0                 | 1,143,009            | 251,462                        | 891,547                              |
| Other Postemployment Benefits | 246,120             | 246,892          | 0                 | 493,012              | 0                              | 493,012                              |
| Total                         | <u>1,383,584</u>    | <u>252,437</u>   | <u>0</u>          | <u>1,636,021</u>     | <u>251,462</u>                 | <u>1,384,559</u>                     |

The compensated absences liability will be liquidated by several of the governmental funds.

#### Note F. Employee Benefit Plans

##### 1. Plan Description and Provisions

All full-time District employees participate in one of two state-wide, cost-sharing, multiple-employer retirement benefit plans. Contributions to the two plans are as required by state statute. Information about the two plans is presented below. Total payroll for all District employees for the year ended June 30, 2014 was \$10,955,789.

Public Employees' Retirement System (PERS) - All District employees, except employees who teach on a full-time basis or who are employed in a position in which instructional services are expected to be rendered, are provided pension benefits by a multi-employer plan administered by the State of Montana. Funding is provided by participating units of government and their employees. The District's contribution to this plan for the year ended June 30, 2014 was \$118,495. (7.80% of eligible payroll). The State of Montana contributes .37% of the PERS employees' monthly compensation which is considered to be an "on behalf" payment. Although not a significant amount, the contribution is a part of the PERS funding policy. The District's contribution to this plan represented less than 1% of total contributions required of all participating employers. Required employee contributions to this plan were \$120,015 (7.90% of eligible payroll). Total payroll for employees covered by PERS was \$1,519,114. One hundred percent of the required contributions were made for the current year and the preceding two years. They were \$238,510, \$200,559, and \$187,160, for the fiscal years ended June 30, 2014, 2013, and 2012, respectively.

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



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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Teachers' Retirement System (TRS) - All District employees who teach on a full-time basis or are employed in a position, in which instructional services are expected to be rendered, are provided pension benefits by a multi-employer plan administered by the State of Montana. Funding is provided by participating units of government and their employees. The District's contribution to this plan for the year ended June 30, 2014 was \$734,356 (8.47% of eligible payroll). The State of Montana contributes 2.49% of the TRS employees' monthly compensation which is considered to be an "on behalf" payment. Although generally not a significant amount, the contribution is a part of the TRS funding policy. The District's contribution to this plan represented less than 1% of total contributions required of all participating employers. Required employee contributions to this plan were \$707,706 (8.15% of eligible payroll). Total payroll for teaching employees was \$8,670,083. One hundred percent of the required contributions were made for the current year and the preceding two years. They were \$1,442,062, \$1,247,777, and \$1,195,545, for the fiscal years ended June 30, 2014, 2013 and 2012, respectively.

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

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

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



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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

#### Note G. Risk Management

The District faces a considerable number of risks of loss, including: a) damage to and loss of property and contents; b) employee torts; c) professional liability, (i.e. errors and omissions); d) environmental damage; e) workers' compensation, (i.e. employee injuries) and f) medical insurance costs of employees. A variety of methods are used to provide insurance for these risks. A commercial policy with Western States Insurance, transferring all risks of loss, except for relatively small deductible amounts, was purchased for property and content damage, employee torts and professional liabilities. Employee workers' compensation coverage is provided through Wausau Insurance Company. Employee medical insurance is provided through Montana Unified School Trust (MUST) plan. The District does not carry coverage for environmental damages. The risk of potential loss is low and coverage is not cost beneficial.

#### Note H. Due From Other Governments

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

|   | <u>Elementary</u> | <u>High School</u> | <u>Total</u>   |
|---|-------------------|--------------------|----------------|
| Special Revenue Funds:                              |                   |                    |                |
| Miscellaneous Programs Fund                         | 154,840           | 14,482             | 169,322        |
| School Food Fund                                    | 0                 | 24,535             | 24,535         |
| State Driver's Ed Reimbursement - June distribution | 0                 | 9,722              | 9,722          |
| Total   | <u>154,840</u>    | <u>48,739</u>      | <u>203,579</u> |

#### Note I. Non-Monetary Transactions

The District received \$39,578 in USDA Commodities during the 2013-2014 fiscal year. The commodities received are valued at the average wholesale price as determined by the distributing agency. All commodities received by the District were treated as an expense of the fund receiving the commodities.



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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

#### Note J. Contingent Liabilities

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

#### Note K. Other Postemployment Benefits (OPEB)

##### 1. Other Postemployment Benefits

The District provides continuation of medical coverage to its retiring employees. Retirees may elect to continue medical coverage for themselves and their dependents through the District until the retiree's death. The District does not contribute to the health insurance premiums for retirees. Other postemployment benefits arise from the difference in the District's medical insurance cost the retirees are incurring and what they would otherwise be paying on the open market for a similar plan and the cost of the retiree's premiums that are paid 100% by the District. As required by Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the District has calculated and included a postemployment benefit liability for the year ended June 30, 2014.

##### 2. Plan Description

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

##### 3. Funding Policy

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



## BASIC FINANCIAL STATEMENTS

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

#### 4. Annual OPEB Cost and Net OPEB Obligation

The District's other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan and the changes in the District's net OPEB obligation:

|   |          |
|---|----------|
| Normal Cost   | 184,970  |
| Amortization of Unfunded Actuarial Accrued Liability (UAAL) | 116,849  |
| ARC Adjustment  | (9,801)  |
| Interest to June 30, 2014                                   | 10,460   |
| Annual OPEB cost (expense)                                  | 302,478  |
| Contributions made  | (55,586) |
| Increase in net OPEB obligation                             | 246,892  |
| Net OPEB Obligation July 1, 2013                            | 246,120  |
| Net OPEB Obligation June 30, 2014                           | 493,012  |

#### 5. Trend Information

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for the fiscal year ended June 30, 2014 are as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------|------------------|--|---------------------|
| June 30, 2014     | 302,478          | 18.4%                                      | 493,012             |
| June 30, 2013     | 284,555          | 13.5%                                      | 246,120             |



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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

#### 6. Funded Status and Funding Progress

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

#### 7. Actuarial Methods and Assumptions

As of June 30, 2014, the District's actuarially accrued liability (AAL) for benefits was \$3,058,852. The AAL by status breakdown is shown below:

|                                      |                         |
|--------------------------------------|-------------------------|
| Actives                              | 2,410,009               |
| Retirees                             | <u>648,843</u>          |
| Total AAL                            | <u><u>3,058,852</u></u> |
| <br>                                 |                         |
| Normal Cost                          | <u><u>184,970</u></u>   |
| <br>                                 |                         |
| Participant Information:             |                         |
| Actives                              | 217                     |
| Retirees, Spouses, Surviving Spouses | <u>16</u>               |
| Total Participants                   | <u><u>233</u></u>       |

- Funding method: Entry Age Normal Cost, level percent of pay
- Discount rate: 4.25%
- Salary increase: 4.00% per year for PERS employees and 4.50% for TRS employees.
- Healthcare trend rate: Medical – 2014 – 8.5%, 2015 – 8.0%, 2016 – 7.5%, 2017 – 7.0% and thereafter – 5.75%
- Participation rate: 25% of future retirees elect medical coverage.
- Marital assumption: 30% of current active participants are assumed to be married. Of these, 25% are assumed to elect coverage for their spouse in retirement. Husbands assumed to be 3 years older than their wives.



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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

#### Note L. Interfund Receivables and Payables

Interfund receivables and payables at June 30, 2014 consisted of the following individual fund receivables and payables:

|                                   | <u>Receivables</u> | <u>Payables</u> |
|-----------------------------------|--------------------|-----------------|
| Elementary Miscellaneous Programs | 1,286              | 25,641          |
| Elementary Impact Aid             | 45,311             | 1,286           |
| HS School Food                    | 0                  | 6,612           |
| HS Tuition                        | 0                  | 161             |
| HS Debt Service                   | 0                  | 12,897          |
| Total                             | <u>46,597</u>      | <u>46,597</u>   |

#### Note M. Deficit Fund Balances

The following funds have deficit fund balances at June 30, 2014:

| <u>Fund</u>     | <u>Deficit<br/>Fund<br/>Balances</u> |
|-----------------|--------------------------------------|
| HS Tuition      | 160                                  |
| HS Debt Service | 12,897                               |
| Total           | <u>13,057</u>                        |



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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

#### Note N. Operating Transfers

Operating transfers at June 30, 2014 consisted of the following individual fund transfers out and transfers in:

|                      | <u>Operating<br/>Transfers Out</u> | <u>Operating<br/>Transfers In</u> |
|----------------------|------------------------------------|-----------------------------------|
| <u>Elementary</u>    |                                    |                                   |
| General              | 90,500                             | 0                                 |
| Transportation       | 8,000                              | 0                                 |
| Adult Education      | 11,000                             | 0                                 |
| Compensated Absence  | 0                                  | 10,000                            |
| Interlocal Agreement | 0                                  | 297,500                           |
| Total Elementary     | <u>109,500</u>                     | <u>307,500</u>                    |
| <u>High School</u>   |                                    |                                   |
| General              | 149,000                            | 0                                 |
| Compensated Absence  | 0                                  | 10,000                            |
| Transportation       | 25,000                             | 0                                 |
| Adult Education      | 34,000                             | 0                                 |
| Total High School    | <u>208,000</u>                     | <u>10,000</u>                     |
| Total Transfers      | <u><u>317,500</u></u>              | <u><u>317,500</u></u>             |

In the prior year, the District established an Interlocal Agreement Fund for the purpose of paying for expenditures incurred for the general operation and maintenance across both the Elementary and High School Districts. During the year ended June 30, 2014, operating transfers from the Elementary General, Transportation, and Adult Education and the High School General, Transportation and Adult Education Funds were made to the Elementary Interlocal Agreement Fund. The Interlocal Agreement Fund was established under authority granted by the Montana State Legislature pursuant to Montana Code Annotated Section 20-3-363.

Operating transfers were made from the Elementary Adult Education to the Elementary Compensated Absence Fund and from the High School General Fund to the High School Compensated Absences Fund pursuant to Montana Code Annotated Section 20-9-512.





**REQUIRED SUPPLEMENTAL INFORMATION**

**Polson Public School District No. 23**

Lake County  
Polson, Montana  
June 30, 2014

## REQUIRED SUPPLEMENTAL INFORMATION

### BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2014

|  | GENERAL FUND                    |            |
|--|---------------------------------|------------|
|  | ORIGINAL<br>AND FINAL<br>BUDGET | ACTUAL     |
| REVENUES   |                                 |            |
| Taxes  | 4,327,842                       | 4,236,788  |
| Intergovernmental revenues   |                                 |            |
| State  | 7,126,426                       | 7,126,426  |
| Interest on investments  | 0                               | 28         |
| Other revenue  | 9,583                           | 1,929      |
| Total revenues before reappropriations                                 | 11,463,851                      | 11,365,171 |
| Budgeted reappropriations  | 0                               |            |
| Total revenues and reappropriations                                    | 11,463,851                      |            |
| EXPENDITURES   |                                 |            |
| Current:   |                                 |            |
| Instruction  | 11,463,851                      | 7,649,825  |
| Supporting services  | 0                               | 2,010,056  |
| Operations and maintenance   | 0                               | 1,144,924  |
| Extracurricular  | 0                               | 400,749    |
| Capital outlay   | 0                               | 222        |
| Total expenditures   | 11,463,851                      | 11,205,776 |
| Excess (deficiency) of revenues over expenditures                      | 0                               | 159,395    |
| OTHER FINANCING SOURCES (USES)   |                                 |            |
| Resource transfers in (out)  |                                 | (239,500)  |
| Total other financing sources (uses)                                   |                                 | (239,500)  |
| Excess (deficiency) of revenues and other sources<br>over expenditures |                                 | (80,105)   |
| Fund balances, beginning (Non-GAAP budgetary basis)                    |                                 | 785,877    |
| Fund balances, ending (Non-GAAP budgetary basis)                       |                                 | 705,772    |
| Adjustments to generally accepted accounting principles                |                                 |            |
| Current year encumbrances included in expenditures                     |                                 | 137,613    |
| Fund balances, ending (GAAP basis)                                     |                                 | 843,385    |



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## REQUIRED SUPPLEMENTAL INFORMATION

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### NOTES TO BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2014

#### 1. Budgetary Process

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

| Fund                   | Budgeted | Non-Budgeted |
|------------------------|----------|--------------|
| Governmental Funds     |          |              |
| General                | X        |              |
| Transportation         | X        |              |
| Bus Depreciation       | X        |              |
| School Food Services   |          | X            |
| Tuition                | X        |              |
| Retirement             | X        |              |
| Miscellaneous Programs |          | X            |
| Adult Education        | X        |              |
| Traffic Education      |          | X            |
| Compensated Absences   |          | X            |
| Impact Aid             |          | X            |
| Technology             | X        |              |
| Flex Fund              | X        |              |
| Interlocal             |          | X            |
| Debt Service           | X        |              |
| Building               |          | X            |
| Building Reserve       | X        |              |
| Endowment              |          | X            |
| Fiduciary Funds        |          |              |
| Extracurricular        |          | X            |
| Payroll Clearing       |          | X            |
| Claims Clearing        |          | X            |
| Deferred Compensation  |          | X            |



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## REQUIRED SUPPLEMENTAL INFORMATION

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### NOTES TO BUDGETARY COMPARISON SCHEDULE - CONTINUED

For the Year Ended June 30, 2014

#### 2. Budgets

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

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

##### a. Budgetary policy follows:

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



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## REQUIRED SUPPLEMENTAL INFORMATION

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### NOTES TO BUDGETARY COMPARISON SCHEDULE - CONTINUED

For the Year Ended June 30, 2014

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



## REQUIRED SUPPLEMENTAL INFORMATION

### SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

For the Year Ended June 30, 2014

The year ended June 30, 2010 was the year of transition for GASB Statement No. 45 therefore, the requirements of GASB Statement No. 45 have been implemented prospectively. However the District has not elected to disclose the liability until June 30, 2013. Hence, the below illustration does not reflect similar information respective of the years preceding June 30, 2013. The annual OPEB costs, the percentage of OPEB cost contributed to the plan and the net OPEB obligation for June 30, 2014, for the District’s other postemployment benefits are as follows:

| <b>ANNUAL OPEB COST</b> |            |                  |                                     |                     |
|-------------------------|------------|------------------|-------------------------------------|---------------------|
|                         | Year Ended | Annual OPEB Cost | Percentage of OPEB Cost Contributed | Net OPEB Obligation |
| Retiree Health Plan     | 06/30/14   | \$ 302,478       | 18.4%                               | \$ 493,012          |
|                         | 06/30/13   | \$ 284,555       | 13.5%                               | \$ 246,120          |

The funded status of the plan was as follows:

| <b>FUNDED STATUS</b>  |                     |
|---|---------------------|
| (a) Actuarial accrued liability (AAL)   | \$ 3,058,852        |
| (b) Actuarial value of plan assets  | -                   |
| Unfunded actuarial accrued liability (UAAL) [(a) - (b)]   | <u>\$ 3,058,852</u> |
| Funded ratio (b) / (a)  | 0.0%                |
| (c) Covered payroll   | 9,567,870           |
| Unfunded actuarial accrued liability (UAAL) as a percentage of covered payroll<br>[ {(a) - (b)} / (c) ] | 32.0%               |



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## REQUIRED SUPPLEMENTAL INFORMATION

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### SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

For the Year Ended June 30, 2014

| SCHEDULE OF FUNDING PROGRESS |                |                                  |                                |                                |                         |                        |  |
|------------------------------|----------------|----------------------------------|--------------------------------|--------------------------------|-------------------------|------------------------|--|
|                              | Valuation Date | (a)<br>Actuarial Value of assets | (b)<br>Accrued Liability (AAL) | (b - a)<br>Unfunded AAL (UAAL) | (a / b)<br>Funded Ratio | (c)<br>Covered Payroll | [(b - a) / c]<br>Percentage of Covered Payroll |
| Retiree Health Plan          | 06/30/14       | \$ -                             | \$ 3,058,852                   | \$ 3,058,852                   | 0.0%                    | 9,567,870              | 32.0%  |
|                              | 06/30/13       | \$ -                             | \$ 2,793,162                   | \$ 2,793,162                   | 0.0%                    | 9,199,875              | 30.4%  |



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## SUPPLEMENTARY INFORMATION

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### SUPPLEMENTAL INFORMATION

### **Polson Public School District No. 23**

Lake County  
Polson, Montana  
June 30, 2014

## SUPPLEMENTARY INFORMATION

### COMBINING BALANCE SHEET – GENERAL FUND

June 30, 2014

|  | <u>General Fund</u> |                              |                               | <u>Total General Fund</u> |
|--|---------------------|------------------------------|-------------------------------|---------------------------|
|  | <u>General Fund</u> | <u>Impact Aid Elementary</u> | <u>Impact Aid High School</u> |                           |
| <b>ASSETS</b>  |                     |                              |                               |                           |
| Cash and cash equivalents  | 877,984             | 427,205                      | 409,266                       | 1,714,455                 |
| Taxes receivable, net  | 359,963             | 0                            | 0                             | 359,963                   |
| Due from other funds   | 0                   | 45,311                       | 0                             | 45,311                    |
| Total assets   | <u>1,237,947</u>    | <u>472,516</u>               | <u>409,266</u>                | <u>2,119,729</u>          |
| <b>LIABILITIES AND FUND BALANCES</b>                             |                     |                              |                               |                           |
| Liabilities:   |                     |                              |                               |                           |
| Accounts payable   | 34,599              | 0                            | 0                             | 34,599                    |
| Due to other funds   | 0                   | 1,286                        | 0                             | 1,286                     |
| Total liabilities  | <u>34,599</u>       | <u>1,286</u>                 | <u>0</u>                      | <u>35,885</u>             |
| <b>DEFERRED INFLOW OF RESOURCES</b>                              |                     |                              |                               |                           |
| Deferred inflow:   |                     |                              |                               |                           |
| Unavailable tax revenue  | 359,963             | 0                            | 0                             | 359,963                   |
| Total Deferred inflow of resources                               | <u>359,963</u>      | <u>0</u>                     | <u>0</u>                      | <u>359,963</u>            |
| Fund balances:   |                     |                              |                               |                           |
| Assigned for:  |                     |                              |                               |                           |
| Encumbrances   | 137,613             | 62,641                       | 15,088                        | 215,342                   |
| Unassigned   | 705,772             | 408,589                      | 394,178                       | 1,508,539                 |
| Total fund balances  | <u>843,385</u>      | <u>471,230</u>               | <u>409,266</u>                | <u>1,723,881</u>          |
| Total liabilities, deferred inflow of resource and fund balances | <u>1,237,947</u>    | <u>472,516</u>               | <u>409,266</u>                | <u>2,119,729</u>          |



## SUPPLEMENTARY INFORMATION

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

For the Year Ended June 30, 2014

|   | General Fund      |                       |                        | Total General Fund |
|---|-------------------|-----------------------|------------------------|--------------------|
|   | General Fund      | Impact Aid Elementary | Impact Aid High School |                    |
| <b>REVENUES</b>                                   |                   |                       |                        |                    |
| Property Taxes for General Purposes               | 4,236,788         | 0                     | 0                      | 4,236,788          |
| Intergovernmental:                                |                   |                       |                        |                    |
| State   | 7,126,426         | 0                     | 0                      | 7,126,426          |
| Federal   | 0                 | 213,381               | 119,453                | 332,834            |
| Interest on Investments                           | 28                | 0                     | 0                      | 28                 |
| Other   | 1,929             | 0                     | 0                      | 1,929              |
| Total revenues                                    | <u>11,365,171</u> | <u>213,381</u>        | <u>119,453</u>         | <u>11,698,005</u>  |
| <b>EXPENDITURES</b>                               |                   |                       |                        |                    |
| Current:  |                   |                       |                        |                    |
| Instruction                                       | 7,658,641         | 376,004               | 122,392                | 8,157,037          |
| Supporting Services                               | 2,021,904         | 62,133                | 1,355                  | 2,085,392          |
| Operations and Maintenance                        | 1,183,399         | 27,816                | 19,225                 | 1,230,440          |
| Extracurricular                                   | 401,290           | 0                     | 5,800                  | 407,090            |
| Capital Outlay                                    | 30,489            | 61,095                | 37,027                 | 128,611            |
| Debt Service                                      | 0                 | 0                     | 55,560                 | 55,560             |
| Total Expenditures                                | <u>11,295,723</u> | <u>527,048</u>        | <u>241,359</u>         | <u>12,064,130</u>  |
| Excess (deficiency) of revenues over expenditures | 69,448            | (313,667)             | (121,906)              | (366,125)          |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                   |                       |                        |                    |
| Transfers out                                     | (239,500)         | 0                     | 0                      | (239,500)          |
| Total other financing sources and uses            | <u>(239,500)</u>  | <u>0</u>              | <u>0</u>               | <u>(239,500)</u>   |
| Net change in fund balances                       | (170,052)         | (313,667)             | (121,906)              | (605,625)          |
| Fund balances - beginning                         | 1,013,437         | 784,897               | 531,172                | 2,329,506          |
| Fund balances - ending                            | <u>843,385</u>    | <u>471,230</u>        | <u>409,266</u>         | <u>1,723,881</u>   |



## SUPPLEMENTARY INFORMATION

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2014

| <u>Federal Grantor/Pass Through Grantor/<br/>Program Title</u> | <u>Federal CFDA<br/>Number</u> | <u>Pass-Through<br/>Grantor Number</u> | <u>Program or<br/>Award<br/>Amount</u> | <u>Disbursements<br/>or<br/>Expenditures</u> |
|--|--------------------------------|--|--|--|
| U.S. Department of Education                                   |                                |  |  |  |
| Direct Programs  |                                |  |  |  |
| Impact Aid Cluster   |                                |  |  |  |
| Impact Aid (Elementary)  | 84.041                         | 36-MT-2001-0903                        |  | 525,566                                      |
| Impact Aid (High School)                                       | 84.041                         | 36-MT-2001-0904                        |  | 241,359                                      |
| Total Impact Aid Cluster                                       |                                |  |  | <u>766,925</u>                               |
| Indian Education Grants to Local Educational Agencies          | 84.060                         | S060A020638                            | 136,654                                | 128,712                                      |
| Indian Education Grants to Local Educational Agencies          | 84.060                         |  | 129,969                                | <u>15,394</u>                                |
| Total Direct Programs  |                                |  |  | <u>911,031</u>                               |
| U.S. Department of Education                                   |                                |  |  |  |
| Passed through Montana Office of Public Instruction            |                                |  |  |  |
| Special Education Cluster                                      |                                |  |  |  |
| Special Education Preschool Grants                             | 84.173                         | 2404777909                             | 11,276                                 | 11,276                                       |
| Special Education Grants to States                             | 84.027                         | 2404777908                             | 365,592                                | 38   |
| Special Education Grants to States                             | 84.027                         | 2404777707                             | 745,951                                | 32,761                                       |
| Special Education Grants to States                             | 84.027                         | 2404777709                             | 711,603                                | <u>499,717</u>                               |
| Total Special Education Cluster                                |                                |  |  | <u>543,792</u>                               |



## SUPPLEMENTARY INFORMATION

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the Year Ended June 30, 2014

| Federal Grantor/Pass Through Grantor/<br>Program Title | Federal CFDA<br>Number | Pass-Through<br>Grantor Number | Program or<br>Award<br>Amount | Disbursements<br>or<br>Expenditures |
|--|------------------------|--------------------------------|-------------------------------|-------------------------------------|
| Title I Grants to Local Educational Agencies           | 84.010                 | 2404777909                     | 646,037                       | 604,878                             |
| Title I Grants to Local Educational Agencies           | 84.010                 |                                | 686,466                       | 4,988                               |
| Migrant Education State Grant Program                  | 84.011                 | 2404773609B                    | 70,000                        | 4,366                               |
| Migrant Education State Grant Program                  | 84.011                 |                                | 73,000                        | 71,608                              |
| Rural Education  | 84.358                 |                                | 13,329                        | 72                                  |
| Rural Education  | 84.358                 |                                | 21,517                        | 20,517                              |
| Rural Education  | 84.358                 |                                | 30,189                        | 25,589                              |
| English Language Acquisition State Grants              | 84.365                 | 2404774110                     | 10,394                        | 10,394                              |
| 21st Century Community Learning Centers                | 84.287                 | 2404771708                     | 72,400                        | 223                                 |
| Career and Technical Education-Basic Grants to States  | 84.048                 | 2404788108BG                   | 37,292                        | 2,205                               |
| Career and Technical Education-Basic Grants to States  | 85.048                 | 2404788108BG                   | 45,684                        | 10,464                              |
| Career and Technical Education-Basic Grants to States  | 85.048                 | 2404788108BG                   | 43,944                        | 35,093                              |
| Improving Teacher Quality State Grants                 | 84.367                 | 2404771409                     | 93,085                        | 93,085                              |
| Improving Teacher Quality State Grants                 | 84.367                 | 2404771408                     | 80,728                        | 5,207                               |
| Total Pass Through Grants                              |                        |                                |                               | <u>1,432,481</u>                    |
| Total Department of Education                          |                        |                                |                               | <u>2,343,512</u>                    |
|  |                        |                                |                               |                                     |
| U.S. Department of Interior                            |                        |                                |                               |                                     |
| Passed through Confederated                            |                        |                                |                               |                                     |
| Salish & Kootenai Tribes                               |                        |                                |                               |                                     |
| Indian Education Assistance to Schools                 | 15.130                 | N/A                            |                               | <u>11,256</u>                       |
| Total Department of Interior                           |                        |                                |                               | <u>11,256</u>                       |
|  |                        |                                |                               |                                     |
| U.S. Department of Defense National Security Agency    |                        |                                |                               |                                     |
| Direct Programs  |                        |                                |                               |                                     |
| Mathematical Sciences Grants Program                   | 12.901                 |                                | 49,000                        | <u>31,560</u>                       |
| Total Department of Defense National Security Agency   |                        |                                |                               | <u>31,560</u>                       |



## SUPPLEMENTARY INFORMATION

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the Year Ended June 30, 2014

| <u>Federal Grantor/Pass Through Grantor/<br/>Program Title</u> | <u>Federal CFDA<br/>Number</u> | <u>Pass-Through<br/>Grantor Number</u> | <u>Program or<br/>Award<br/>Amount</u> | <u>Disbursements<br/>or<br/>Expenditures</u> |
|--|--------------------------------|--|--|--|
| U.S. Department of Agriculture                                 |                                |  |  |  |
| Passed through Montana Office of Public Instruction            |                                |  |  |  |
| Fresh Fruits and Vegetable Program                             | 10.582                         |  |  | 39,857                                       |
| Child Nutrition Cluster  |                                |  |  |  |
| Cash Assistance:   |                                |  |  |  |
| School Breakfast Program                                       | 10.553                         |  |  | 67,849                                       |
| National School Lunch Program                                  | 10.555                         | N/A                                    |  | 335,251                                      |
| Special Milk Program for Children                              | 10.556                         |  |  | 167  |
| Summer Food Service Program for Children                       | 10.559                         |  |  | 31,431                                       |
|  |                                |  |  | <u>434,698</u>                               |
| Non-Cash Assistance (Commodities):                             |                                |  |  |  |
| National School Lunch Program                                  | 10.555                         | N/A                                    |  | 39,578                                       |
| Total Child Nutrition Cluster                                  |                                |  |  | <u>474,276</u>                               |
| Total Department of Agriculture                                |                                |  |  | <u>514,133</u>                               |
|  |                                |  |  | <u>2,900,461</u>                             |



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## SUPPLEMENTARY INFORMATION

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### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

#### **Note A. Basis of Accounting**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Polson Public School District No. 23 and is presented on the modified accrual basis of accounting including encumbrances. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule differ from amounts presented in or used in the preparation of the financial statements.

#### **Note B. Nonmonetary Transactions**

The District received \$39,578 in USDA Commodities during the 2013-2014 fiscal year. The commodities received are valued at the average wholesale price as determined by the distributing agency. All commodities received by the District were treated as an expense of the Fund receiving the commodities.



## SUPPLEMENTARY INFORMATION

### EXTRACURRICULAR FUND - SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION

For the Year Ended June 30, 2014

| Student Activity              | Net<br>Position<br>July 1, 2013 | Disbursements | Receipts | Transfers | Net<br>Position<br>June 30, 2014 |
|-------------------------------|---------------------------------|---------------|----------|-----------|----------------------------------|
| Athletic Activities           | 4,052                           | 9,187         | 8,899    | 0         | 3,764                            |
| AISES                         | 2,132                           | 0             | 1        | 0         | 2,133                            |
| Annual                        | 12,503                          | 10,595        | 11,311   | 0         | 13,219                           |
| Art                           | 1,951                           | 351           | 302      | 1,300     | 3,202                            |
| Band                          | 13,228                          | 18,163        | 8,189    | 232       | 3,486                            |
| Band Fundraiser               | 1,834                           | 2,254         | 3,269    | 1,214     | 4,063                            |
| Basketball, Boys              | 123                             | 40            | 0        | 0         | 83                               |
| Basketball, Girls             | 0                               | 0             | 300      | 0         | 300                              |
| Bill of Rights                | 393                             | 0             | 0        | 0         | 393                              |
| Bog                           | 7,254                           | 298           | 3        | 2,891     | 9,850                            |
| BPA                           | 188                             | 85            | 0        | 0         | 103                              |
| Cheeleader Fund Raiser        | 1,385                           | 5,549         | 14,385   | (40)      | 10,181                           |
| Cheerleaders                  | (4,830)                         | 6,098         | 4,201    | 40        | (6,687)                          |
| Chess Club                    | 7                               | 0             | 162      | 0         | 169                              |
| Choir                         | 534                             | 2,914         | 1,483    | 982       | 85                               |
| Choir Festival                | 671                             | 0             | 0        | 0         | 671                              |
| Class 2013                    | 1,146                           | 864           | 0        | (282)     | 0                                |
| Class 2014                    | 2,392                           | 3,627         | 2,012    | 0         | 777                              |
| Class 2015                    | 210                             | 2,605         | 4,370    | 178       | 2,153                            |
| Class 2016                    | 44                              | 0             | 436      | 0         | 480                              |
| Class 2017                    | 0                               | 81            | 244      | 100       | 263                              |
| Club Concessions              | 122                             | 8,780         | 20,868   | (12,210)  | 0                                |
| Concessions                   | 3,035                           | 4,313         | 384      | 3,832     | 2,938                            |
| Cross Country                 | 1,649                           | 1,790         | 1,571    | 0         | 1,430                            |
| District 1 Music Festival     | 272                             | 0             | 0        | 0         | 272                              |
| Drama                         | 8,847                           | 1,900         | 1,895    | 0         | 8,842                            |
| FCCLA                         | 696                             | 250           | 0        | (250)     | 196                              |
| Fellowship Christian Athletes | 913                             | 1,580         | 237      | 1,300     | 870                              |
| Football                      | 824                             | 2,292         | 3,467    | (1,000)   | 999                              |
| Friends of Rachael            | 28                              | 0             | 0        | 0         | 28                               |
| General                       | 7,077                           | 2,497         | 2,764    | 0         | 7,344                            |
| General Athletics             | 5,985                           | 74,096        | 74,630   | 89        | 6,608                            |
| Golf                          | 1,410                           | 2,070         | 2,661    | 0         | 2,001                            |
| Subtotal                      | 76,075                          | 162,279       | 168,044  | (1,624)   | 80,216                           |



## SUPPLEMENTARY INFORMATION

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

| Student Activity              | Net<br>Position<br>July 1, 2013 | Disbursements | Receipts | Transfers | Net<br>Position<br>June 30, 2014 |
|-------------------------------|---------------------------------|---------------|----------|-----------|----------------------------------|
| Balance from previous page    | 76,075                          | 162,279       | 168,044  | (1,624)   | 80,216                           |
| Graduation Matters            | 4,322                           | 1,963         | 72       | 0         | 2,431                            |
| Guidance                      | 10,217                          | 16,894        | 18,014   | 0         | 11,337                           |
| IBA                           | 86                              | 0             | 0        | 0         | 86                               |
| JMG                           | 307                             | 0             | 0        | 0         | 307                              |
| Keith Wright Scholarship Fund | 1,418                           | 1,000         | 0        | 82        | 500                              |
| Key Club                      | 1,395                           | 4,155         | 3,147    | 1,100     | 1,487                            |
| Lake County Track             | 1,246                           | 2,282         | 2,271    | (1,075)   | 160                              |
| Library                       | 870                             | 159           | 380      | 0         | 1,091                            |
| Link Program                  | 2,472                           | 1,651         | 222      | 0         | 1,043                            |
| National Honors Society       | (38)                            | 50            | 0        | 100       | 12                               |
| Native American Club          | 4,046                           | 2,474         | 623      | 0         | 2,195                            |
| PEP Bus                       | 1,541                           | 0             | 1        | 0         | 1,542                            |
| Polson Outdoor Complex        | 21,548                          | 1,126         | 10       | 0         | 20,432                           |
| Robotic Club                  | 4,249                           | 226           | 2        | 0         | 4,025                            |
| Rodeo Club                    | 127                             | 0             | 0        | 0         | 127                              |
| Salishian                     | 9,018                           | 0             | 1,216    | 0         | 10,234                           |
| Science Club                  | 807                             | 0             | 0        | 0         | 807                              |
| Softball/Linderman Complex    | 10,527                          | 5,436         | 4,705    | 0         | 9,796                            |
| Spanish Club                  | 45                              | 45            | 0        | 0         | 0                                |
| Special Olympics              | 407                             | 0             | 0        | 0         | 407                              |
| Speech                        | 3,403                           | 1,085         | 1,501    | 232       | 4,051                            |
| Stage Improvement Fund        | 4,552                           | 0             | 1,002    | 0         | 5,554                            |
| State Softball                | 0                               | 11,218        | 11,668   | (450)     | 0                                |
| Student CD Funds              | 48,718                          | 0             | 23       | 0         | 48,741                           |
| Student Incentive Funds       | 256                             | 347           | 653      | 0         | 562                              |
| Student Needs Account         | 821                             | 50            | 0        | 0         | 771                              |
| Tournament                    | 0                               | 2,132         | 3,778    | 0         | 1,646                            |
| Track                         | 0                               | 1,148         | 1,274    | 0         | 126                              |
| Vending Machines              | 3,020                           | 19,703        | 18,622   | 645       | 2,584                            |
| Volleyball                    | 1,397                           | 2,928         | 2,591    | 0         | 1,060                            |
| Subtotal                      | 212,852                         | 238,351       | 239,819  | (990)     | 213,330                          |



## SUPPLEMENTARY INFORMATION

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

| Student Activity           | Net<br>Position<br>July 1, 2013 | Disbursements | Receipts | Transfers | Net<br>Position<br>June 30, 2014 |
|----------------------------|---------------------------------|---------------|----------|-----------|----------------------------------|
| Balance From Previous Page | 212,852                         | 238,351       | 239,819  | (990)     | 213,330                          |
| Woodshop                   | 2,004                           | 3,679         | 2,476    | 990       | 1,791                            |
| Miscellaneous              | 129                             | 10            | 0        | 0         | 119                              |
| Cherry Valley General      | 2,427                           | 2,011         | 1,015    | 0         | 1,431                            |
| Cherry Valley Library      | 1,165                           | 3,317         | 3,028    | 0         | 876                              |
| Linderman General          | 8,406                           | 5,444         | 1,938    | 0         | 4,900                            |
| Linderman Library          | 1,793                           | 4,379         | 3,895    | 0         | 1,309                            |
| Linderman Village          | 1,983                           | 103           | 1,399    | 0         | 3,279                            |
| PMS Art                    | 509                             | 283           | 0        | 0         | 226                              |
| PMS Athletics              | 794                             | 3,868         | 3,087    | 0         | 13                               |
| PMS Band                   | 3,813                           | 358           | 1,166    | 0         | 4,621                            |
| PMS Chorus                 | 289                             | 750           | 1,111    | 0         | 650                              |
| PMS Comm                   | 1,536                           | 169           | 0        | 0         | 1,367                            |
| PMS FACS                   | (253)                           | 1,190         | 1,959    | 0         | 516                              |
| PMS Industrial             | 1,066                           | 43            | 983      | 0         | 2,006                            |
| PMS Library                | 78                              | 3,169         | 3,436    | 0         | 345                              |
| Chocolate                  | (371)                           | 0             | 0        | 371       | 0                                |
| Concession                 | (86)                            | 0             | 0        | 0         | (86)                             |
| Council                    | 3,853                           | 1,138         | 592      | 0         | 3,307                            |
| Magazine Sales             | 3,671                           | 19,691        | 16,715   | (371)     | 324                              |
| Pop                        | (721)                           | 793           | 671      | 0         | (843)                            |
| Needy Student              | 252                             | 317           | 118      | 0         | 53                               |
| Class of 2017              | (20)                            | 0             | 0        | 0         | (20)                             |
| PMS MBI                    | 168                             | 4,704         | 5,270    | 0         | 734                              |
| PMS Yearbook               | 4,994                           | 5,000         | 5,087    | 0         | 5,081                            |
| PPP Concessions            | 95                              | 0             | 0        | 0         | 95                               |
| Speech, Debate, Drama      | 112                             | 0             | 0        | 0         | 112                              |
| Interest Earned            | 1,596                           | 0             | 0        | 0         | 1,596                            |
|                            | 252,134                         | 298,767       | 293,765  | 0         | 247,132                          |



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## SUPPLEMENTARY INFORMATION

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### SCHEDULE OF REPORTED ENROLLMENT

For the Year Ended June 30, 2014

| Grade  | Fall                   |                                      | Winter                 |                                      | Spring                 |                                      |
|--------|------------------------|--------------------------------------|------------------------|--------------------------------------|------------------------|--------------------------------------|
|        | Enrollment<br>Per FR-4 | Enrollment<br>Per District<br>Record | Enrollment<br>Per FR-4 | Enrollment<br>Per District<br>Record | Enrollment<br>Per FR-4 | Enrollment<br>Per District<br>Record |
| K-6    | 901                    | 901                                  | 892                    | 892                                  | 901                    | 901                                  |
| 7-8    | 250                    | 250                                  | 251                    | 251                                  | 252                    | 252                                  |
| 9-12   | 511                    | 511                                  | 506                    | 506                                  | 499                    | 499                                  |
| Totals | <u>1,662</u>           | <u>1,662</u>                         | <u>1,649</u>           | <u>1,649</u>                         | <u>1,652</u>           | <u>1,652</u>                         |





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

February 04, 2015

Board of Trustees  
Polson Public School District No. 23  
Polson, Montana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Polson Public School District No. 23 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Polson Public School District No. 23’s basic financial statements, and have issued our report thereon dated February 04, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Polson Public School District No. 23’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 Polson Public School District No. 23’s internal control. Accordingly, we do not express an opinion on the effectiveness of Polson Public School District No. 23’s internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and question cost as item 2014-001 that we consider to be a significant deficiency

### **Compliance and Other Matters**

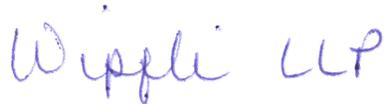
As part of obtaining reasonable assurance about whether Polson Public School District No. 23's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Polson Public School District No. 23 s Response to Findings**

Polson Public School District No. 23's response to the findings identified in our audit are described in the accompanying corrective action plan. Polson Public School District No. 23's response was not subjected 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 on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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Billings, Montana



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

February 04, 2015

Board of Trustees  
Polson Public School District No. 23  
Polson, Montana

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

We have audited Polson Public School District No. 23's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget Circular A-133 *Compliance Supplement* that could have a direct and material effect on Polson Public School District No. 23's major federal programs for the year ended June 30, 2014. Polson Public School District No. 23's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Polson Public School District No. 23's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Polson Public School District No. 23's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Polson Public School District No. 23's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Polson Public School District No. 23 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

### **Report on Internal Control over Compliance**

Management of Polson Public School District No. 23 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Polson Public School District No. 23's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Polson Public School District No. 23's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-002, that we consider to be a significant deficiency.

Polson Public School District No. 23's responses to the internal control over compliance findings identified in our audit are described in the accompanying corrective action plan. Polson Public School District No. 23's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Purpose of this Report**

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

Wipfli LLP

Wipfli LLP  
Billings, Montana

## SUPPLEMENTAL INFORMATION

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2014

#### Section I - Summary of Auditor's Results

##### Financial Statements

Type of Auditor's report issued:

Unmodified

Internal control over financial reporting:

- Are any material weaknesses identified?
- Are any significant deficiency(ies) identified that are not considered to be material weaknesses?

|  |                   |     |                   |    |
|--|-------------------|-----|-------------------|----|
|  | <u>          </u> | Yes | <u>    X    </u>  | No |
|  | <u>    X    </u>  | Yes | <u>          </u> | No |
|  | <u>          </u> | Yes | <u>    X    </u>  | No |

Is any noncompliance material to financial statements noted?

##### Federal Awards

Internal control over major programs:

- Are any material weaknesses identified?
- Are any significant deficiency(ies) identified that are not considered to be material weaknesses?

|  |                   |     |                   |    |
|--|-------------------|-----|-------------------|----|
|  | <u>          </u> | Yes | <u>    X    </u>  | No |
|  | <u>    X    </u>  | Yes | <u>          </u> | No |

Type of Auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

|  |                  |     |                   |    |
|--|------------------|-----|-------------------|----|
|  | <u>    X    </u> | Yes | <u>          </u> | No |
|--|------------------|-----|-------------------|----|

##### Identification of Major Programs:

###### CFDA Number(s)

10.553, 10.555, 10.556, 10.559  
84.010  
84.041

###### Name of Federal Program or Cluster

Child Nutrition Cluster  
Title I, Part A  
Impact Aid

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

|  |                   |     |                  |    |
|--|-------------------|-----|------------------|----|
|  | <u>          </u> | Yes | <u>    X    </u> | No |
|--|-------------------|-----|------------------|----|



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## SUPPLEMENTAL INFORMATION

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### SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the Year Ended June 30, 2014

#### Section II - Financial Statement Findings

##### **2014-001 Payroll**

Criteria or Specific Requirement: Polson Public School District No. 23's internal policies and procedures require that all hourly employees submit an accurate timesheet to their supervisor for review. Supervisors are required to review timesheets for accuracy and appropriateness and then sign off before submitting to the payroll clerk for payment.

Condition: During testing over of controls over payroll two deviations were noted. The deviations consisted of two instances where employee time sheets did not get properly approved.

Context: We selected a sample of forty one expenditures for control testing. Of which twenty six were for payroll expenditures. The sample size was not expanded due to the number of deviations exceeding the maximum amount allowed for a reasonable sample size.

Effect: Payroll expenditures could be over/understated which may lead to budget violations or noncompliance with U.S. labor laws. Differences may lead to misstatement of financial statements.

Cause: The District lacks an appropriate review procedures to ensure all payroll expenditures are accurate.

Auditor's Recommendation: We recommend the District maintain proper documentation of approved payroll expenditures within the district so that proper record keeping can be performed. We also recommend that recorded amounts are reviewed to ensure accuracy of payroll expenditure amounts.



### **Section III - Federal Award Findings and Questioned Costs**

#### **2014-002 Allowable Costs**

Funding Agency: United States Department of Agriculture  
Title: Child Nutrition Cluster  
CFDA Number: 10.553, 10.555, 10.556, 10.559

Criteria or Specific Requirement: OMB Circular A-21 states that all expenditures, including payroll expenditures, must be properly supported.

Condition: During testing over of controls over payroll two deviations were noted. The deviations consisted of two instances where employee time sheets did not get properly approved.

Context: We selected a sample of twenty nine expenditures for control testing. Of which fourteen were for payroll expenditures. The sample size was not expanded due to the number of deviations exceeding the maximum amount allowed for a reasonable sample size.

Questioned Costs: NA

Effect: Expenditures made under the grant could be unallowable resulting in repayment of grant funding to the grantor.

Cause: The District lacks an appropriate review procedure to ensure all payroll expenditures are accurate.

Auditor's Recommendation: We recommend the District maintain proper documentation of approved payroll expenditures within the district so that proper record keeping can be performed. We also recommend that recorded amounts are reviewed to ensure accuracy of payroll expenditure amounts.



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## SUPPLEMENTAL INFORMATION

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### **Section IV –Auditees Summary Schedule of Prior Audit Findings**

2013-001 Restated as 2014-001

2013-002 Restated as 2014-002

2013-003 Implemented





# *Polson School District #23*

## CORRECTIVE ACTION PLAN

Wipfli LLP  
303 N. 28<sup>th</sup> St, Suite 503  
Billings, MT 59101

In response to your memo regarding our June 30, 2014 audit findings, here is our comment on the following conditions:

### **2014-001: Payroll**

Condition: During testing over of controls over payroll two deviations were noted. The deviations consisted of two instances where employee time sheets did not get properly approved.

Cause: The District lacks appropriate review procedures to ensure all payroll expenditures are accurate.

Auditor's Recommendation: We recommend the District maintain proper documentation of approved payroll expenditures within the district so that proper recordkeeping can be performed. We also recommend that recorded amounts are reviewed to ensure accuracy of payroll expenditure amounts.

Auditee's Response: The District is in the process of initiating an electronic time card system with Black Mountain Software. During the verification process, electronic time cards will be sent to the staff member's administrator for approval. Once the administrator approves the time card, it will be electronically uploaded into our software. The employer will run an approved list of all electronic time card employees, by month, for District records. This process will begin October, 2014.

### **2014-002: Allowable Costs (Child Nutrition)**

Condition: During testing of controls over payroll, two deviations were noted. The deviations consisted of two instances where employee time sheets did not get properly approved.



## *Polson School District #23*

Cause: The District lacks appropriate review procedures to ensure all payroll expenditures are accurate.

Auditor's Recommendation: We recommend the District maintain proper documentation of approved payroll expenditures within the district so that proper recordkeeping can be performed. We also recommend that recorded amounts are reviewed to ensure accuracy of payroll expenditure amounts.

Auditee's Response: The District is in the process of initiating an electronic time card system with Black Mountain Software. During the verification process, electronic time cards will be sent to the staff member's administrator for approval. Once the administrator approves the time card, it will be electronically uploaded into our software. The employer will run an approved list of all electronic time card employees, by month, for District records. This process will begin October, 2014.

Sincerely,

A handwritten signature in black ink, appearing to read 'Pam Owen', written in a cursive style.

Pam Owen  
Business Manager