



Independent Auditor's Report
& Financial Statements

St. Ignatius School District No. 28

Lake County
St. Ignatius, Montana
June 30, 2014

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June 30, 2014

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ORGANIZATION – BOARD OF TRUSTEES AND OFFICIALS

June 30, 2014

BOARD OF TRUSTEES

Gene Posivio	Chairman
Jeff Evans	Vice-Chairman
Frank Delgado	Trustee
Peter Matt	Trustee
Brandon Gilleard	Trustee

OFFICIALS

Bob Lewandowski	District Superintendent
Adam Hawkaluk	District Clerk/Business Manager
Bob Long	County Attorney
Michelle Wood	County Superintendent of Schools
Patty Kugler	County Treasurer

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Financial Highlights

The district's financial position remained stable in 2014; however, sequestered federal funding create year-out concerns. At this time, the District remains dependent on federal funds to run the School District due to the State's failure to adequately fund education costs and the District's inability to raise adequate sums of money from a local levy.

Using this Financial Report

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

Reporting the District as a Whole

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.

Reporting the District's Most Significant Funds

The Impact Aid Fund is authorized by the state to account for the receipt and expenditure of Public Law 81-874 impact aid. Because the entire General Fund and much of the grant funding are used for salaries and benefits, the Impact Aid is fundamentally used to run the District's operations.

The District as a Whole

On July 1, 2003 the District adopted GASB Statement No. 34.

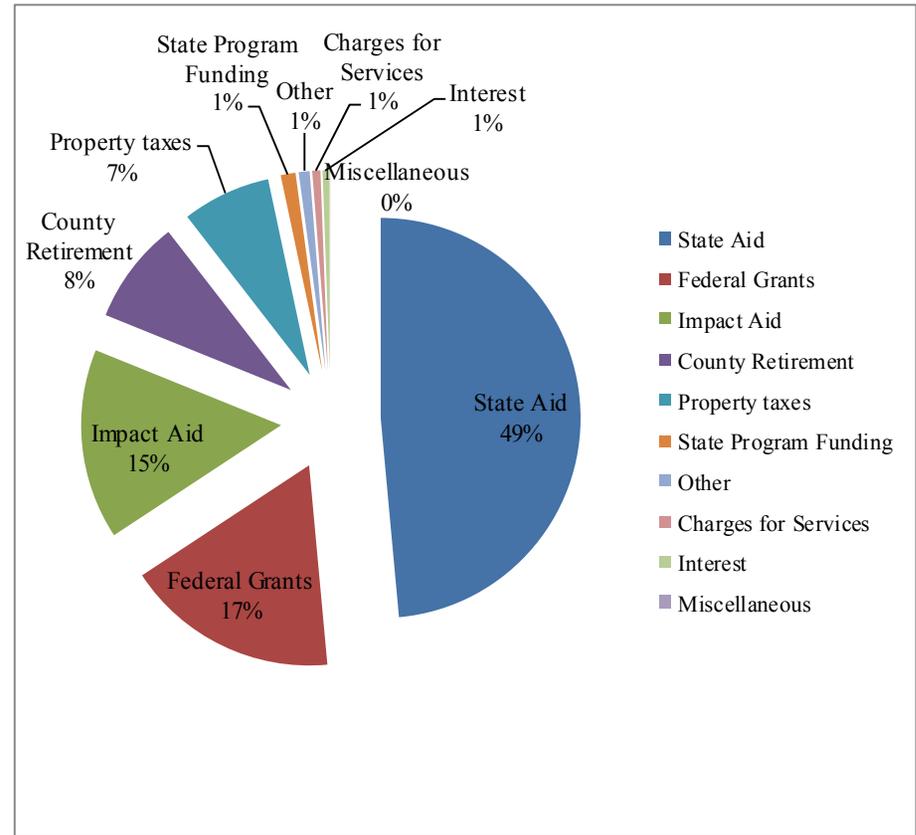
MANAGEMENT'S DISCUSSION AND ANALYSIS

A summary of the District's net position, revenue and expenses are as follows:

	<u>2014</u>	<u>2013</u>
<u>Net Position:</u>		
Current assets	1,963,018	2,336,423
Capital assets - net	2,628,943	2,720,061
Total assets	4,591,961	5,056,484
Current liabilities	395,578	201,944
Non-current liabilities	268,238	311,700
Total liabilities	663,816	513,644
Net position:		
Net investment in capital assets	2,628,943	2,720,061
Restricted for:		
Compensated absences	11,330	11,228
Other fund activities	494,832	672,098
Unrestricted	793,040	1,139,453
Total net position	3,928,145	4,542,840

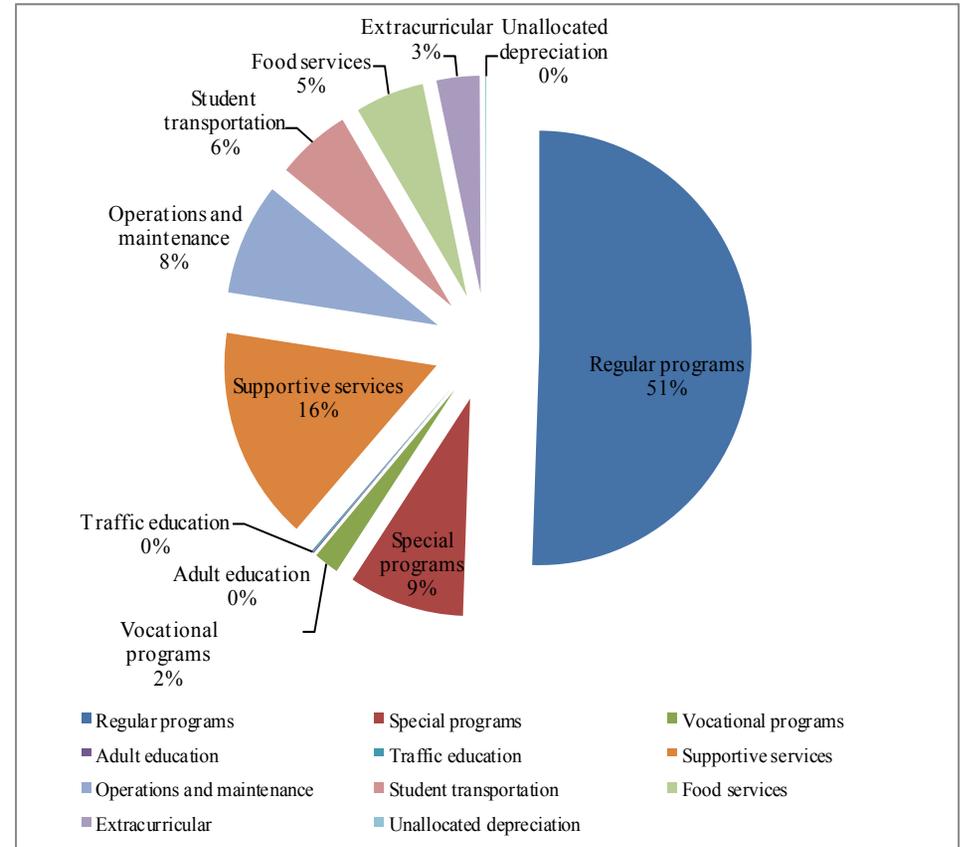
MANAGEMENT'S DISCUSSION AND ANALYSIS

	2014	2013
Revenues:		
Program revenues:		
Charges for services	35,866	38,278
Federal grants	977,170	994,423
State program funding	75,970	77,188
Other	57,944	58,884
Total program revenues	<u>1,146,950</u>	<u>1,168,773</u>
General revenues:		
Property taxes	525,093	551,628
County retirement distribution	710,182	613,000
State aid	3,406,390	3,115,573
Impact aid	514,623	964,206
Interest	18,357	19,469
Miscellaneous	17,836	2,559
Special items:		
Gain/(Loss) on asset disposal	(22,167)	0
Total general revenues	<u>5,170,314</u>	<u>5,266,435</u>



MANAGEMENT'S DISCUSSION AND ANALYSIS

	2014	2013
Expenses:		
Regular programs	3,294,778	2,918,719
Special programs	753,487	690,487
Vocational programs	145,768	152,860
Adult education	4,982	4,839
Traffic education	4,885	7,509
Supportive services	1,129,527	940,668
Operations and maintenance	547,556	561,718
Student transportation	373,613	372,339
Food services	295,099	210,079
Extracurricular	189,526	220,850
Unallocated depreciation	7,614	5,144
Total expenses.	<u>6,746,835</u>	<u>6,085,212</u>



Future of the District

A major measure of this District's health is student enrollment. St. Ignatius continues to indicate stable student enrollment figures. This is a double edged sword, in so much, that when more students attend our district, more funding becomes available; however, with more students, more personnel and space is needed to provide an appropriate education. Higher enrollment in the lower elementary mandates that the district add additional personnel; these costs are unexpected and unfunded in the current year.

The St. Ignatius District has been able to provide the needed personnel, but is reaching a point where the space needed to appropriately teach students the mandated state standards comes at a substantial cost in providing the buildings and maintaining the required facilities. With increasing enrollment in some classes, the District no longer has substantial monies saved from Impact Aid to address our facility growth needs and with the cost of one mill levy at \$2,950.51, the tax payer burden would be too significant to bond the facility needs required.

MANAGEMENT'S DISCUSSION AND ANALYSIS

State revenues are also a concern. With fewer federal programs and minimal State revenues for 2014-2015 school year, Impact Aid funds are again stressed. As stated before, the local tax levy is equally debilitating for the district with a mill levy below \$3,000. This could leave the District in a state of financial stress.

The Impact Aid allotment is unpredictable. The District depends on the Impact Aid allotment for operational costs in addition to some salaries. In addition, Impact Aid revenues for 2014-2015 were reduced by \$268,091.75 from the previous year as a result of federal sequestering of funds. Over the past four years, Impact Aid has been reduced by \$600,853.20. The District no longer has the luxury of large reserves to carry over for expenditures. The District will have to make decisions to operate within its lower revenue means. If the Impact Aid revenues do not significantly increase it will result in a reduction in its workforce for 2015-2016.

District Goals

All funds are focused in maintaining current District outcomes and operations; in addition, the District also focuses on specified goals based on student needs generated by collected data in order to meet the school improvement processes as required by the Montana Office of Public Instruction. Goal selection is based on best practices for school improvement; all expenditures are measured accordingly. Academic goals are listed in the District Five Year Plan on file with the Office of Public Instruction. Academic goal areas are:

1. Improve Math scores for all students in St. Ignatius School District #28
2. Improve Reading scores for all students in St. Ignatius School District #28

All other goals are identified in the District Strategic Plan that outlines strategic objective and outcomes through 2016 in the following areas:

1. Student Achievement
2. Leadership
3. Facilities
4. Community/Communications
5. Student Centered Positive Climate and Culture
6. Resources Accountability and Certainty

Major grants provide many of the sources required to implement interventions for each goal. Major grants include School-wide Title I: \$403,148 (Supplementary personnel for teaching Reading and Math); 21st Century Grant: \$50,000 (After School and Summer School personnel and academic initiatives); Title VII: \$63,074 (Indian Education).

Contact Information

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INDEPENDENT AUDITOR'S REPORT

November 06, 2014

Board of Trustees
St. Ignatius School District No. 28
Lake County
St. Ignatius, 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 St. Ignatius School District No. 28, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise St. Ignatius School District No. 28's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

St. Ignatius School District No. 28'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 St. Ignatius School District No. 28, 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 and budgetary comparison information on pages 1 through 5 and 29 through 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing 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 St. Ignatius School District No. 28's basic financial statements. The student extracurricular fund – schedule of cash receipts, disbursements, and changes in net position, schedule of reported enrollment and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The student extracurricular fund – schedule of cash receipts, disbursements and changes in net position, schedule of reported enrollment, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the student extracurricular fund – schedule of cash receipts, disbursements and changes in net position, schedule of reported enrollment, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 06, 2014 on our consideration of St. Ignatius School District No. 28'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 St. Ignatius School District No. 28's internal control over financial reporting and compliance.

Galusha, Higgins & Galusha, PC

GALUSHA, HIGGINS & GALUSHA PC
Billings, Montana

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

STATEMENT OF NET POSITION

June 30, 2014

	<u>2014</u>
ASSETS:	
Cash and Equivalents	1,597,874
Taxes Receivable	107,319
Due from Other Governments	257,825
Capital Assets:	
Non Depreciable Assets	300,480
Other Capital Assets, net of depreciation	2,328,463
Total Capital Assets	<u>2,628,943</u>
Total Assets	<u>4,591,961</u>
LIABILITIES:	
Accounts Payable and Accrued Expenses	269,274
Advances from grantors	78,968
Long-term Liabilities:	
Due within one year:	
Compensated Absences	47,336
Due in more than one year:	
Compensated Absences	268,238
Total Liabilities	<u>663,816</u>
NET POSITION:	
Net Investment in Capital Assets	2,628,943
Restricted for:	
Compensated absences	11,330
Other fund activities	494,832
Unrestricted	793,040
Total Net Position	<u>3,928,145</u>

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

BASIC FINANCIAL STATEMENTS

STATEMENT OF ACTIVITIES

For the Years Ended June 30, 2014

	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Revenue</u> <u>2014</u>
Primary government				
Instruction:				
Regular Programs	3,294,778	0	768,634	(2,526,144)
Special Programs	753,487	0	0	(753,487)
Vocational Programs	145,768	0	0	(145,768)
Adult Education	4,982	820	0	(4,162)
Traffic Education	4,885	4,464	0	(421)
Supporting Services	1,129,527	0	0	(1,129,527)
Operations & Maintenance	547,556	0	0	(547,556)
Student Transportation	373,613	0	133,914	(239,699)
Food Services	295,099	30,582	208,536	(55,981)
Extracurricular	189,526	0	0	(189,526)
Unallocated Depreciation	7,614	0	0	(7,614)
Total governmental activities	<u>6,746,835</u>	<u>35,866</u>	<u>1,111,084</u>	<u>(5,599,885)</u>
General revenues:				
Property taxes, levied for general purposes				525,093
County Retirement Distribution				710,182
State Aid				3,406,390
Impact Aid				514,623
Interest				18,357
Miscellaneous				17,836
Special items:				
Gain/(Loss) on asset disposal				(22,167)
Total general revenues				<u>5,170,314</u>
Change in net position				<u>(429,571)</u>
Net position - beginning				4,542,840
Prior period adjustment				(185,124)
Net position - beginning, as restated				<u>4,357,716</u>
Net position - ending				<u>3,928,145</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		Total General Fund	Transportation	Retirement	Miscellaneous Programs	Other Governmental Funds	Total Governmental Funds
	General Fund	Impact Aid						
ASSETS								
Cash and cash equivalents	108,861	854,244	963,105	169,688	338,687	90,166	36,228	1,597,874
Taxes receivable, net	45,204	0	45,204	59,973	0	0	2,142	107,319
Due from other governments	0	0	0	0	0	257,825	0	257,825
Total assets	<u>154,065</u>	<u>854,244</u>	<u>1,008,309</u>	<u>229,661</u>	<u>338,687</u>	<u>347,991</u>	<u>38,370</u>	<u>1,963,018</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES								
Liabilities:								
Advances from grantors	0	0	0	0	0	78,968	0	78,968
Other payables	0	23,925	23,925	0	0	241,938	3,411	269,274
Total liabilities	<u>0</u>	<u>23,925</u>	<u>23,925</u>	<u>0</u>	<u>0</u>	<u>320,906</u>	<u>3,411</u>	<u>348,242</u>
Deferred inflow of resources:								
Unavailable tax revenue	45,204	0	45,204	59,973	0	0	2,142	107,319
Total deferred inflow of resources	<u>45,204</u>	<u>0</u>	<u>45,204</u>	<u>59,973</u>	<u>0</u>	<u>0</u>	<u>2,142</u>	<u>107,319</u>
Fund balances:								
Restricted for:								
Compensated Absences	0	0	0	0	0	0	11,330	11,330
Other fund activities	0	0	0	169,688	338,687	22,602	21,487	552,464
Assigned for:								
Encumbrances	0	11,400	11,400	0	0	4,483	0	15,883
Unassigned	108,861	818,919	927,780	0	0	0	0	927,780
Total fund balances	<u>108,861</u>	<u>830,319</u>	<u>939,180</u>	<u>169,688</u>	<u>338,687</u>	<u>27,085</u>	<u>32,817</u>	<u>1,507,457</u>
Total liabilities, deferred inflow of resources and fund balances	<u>154,065</u>	<u>854,244</u>	<u>1,008,309</u>	<u>229,661</u>	<u>338,687</u>	<u>347,991</u>	<u>38,370</u>	<u>1,963,018</u>

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

BASIC FINANCIAL STATEMENTS

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

June 30, 2014

Total fund balance, governmental funds	1,507,457
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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.	2,628,943
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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.	107,319
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Some liabilities, (such as Notes Payable, Capital Lease Payable, Compensated Absences, and Bonds Payable), are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	<u>(315,574)</u>
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Net Position of Governmental Activities in the Statement of Net Position	<u><u>3,928,145</u></u>
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The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS

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

For the Year Ended June 30, 2014

	General Fund		Total General Fund	Transportation	Retirement	Miscellaneous Programs	Other Governmental Funds	Total Governmental Funds
	General Fund	Impact Aid						
REVENUES								
Property Taxes for General Purposes	197,459	0	197,459	294,785	0	0	3,166	495,410
Intergovernmental:								
County	0	0	0	57,944	710,182	0	0	768,126
State	2,919,077	0	2,919,077	75,970	0	479,877	7,436	3,482,360
Federal	0	514,623	514,623	0	0	768,634	208,536	1,491,793
Interest on Investments	1,663	12,771	14,434	1,222	2,495	0	206	18,357
Food Services	0	0	0	0	0	0	35,866	35,866
Other	570	0	570	0	0	17,178	88	17,836
Total revenues	<u>3,118,769</u>	<u>527,394</u>	<u>3,646,163</u>	<u>429,921</u>	<u>712,677</u>	<u>1,265,689</u>	<u>255,298</u>	<u>6,309,748</u>
EXPENDITURES								
Current:								
Instruction	2,034,142	591,549	2,625,691	0	504,467	950,575	21,690	4,102,423
Supporting Services	795,541	197,699	993,240	9,090	105,402	47,361	0	1,155,093
Operations and Maintenance	195,472	325,340	520,812	0	26,153	0	0	546,965
Student Transportation	0	34,262	34,262	373,613	0	0	0	407,875
Food Services	48,141	0	48,141	0	13,634	922	232,403	295,100
Extracurricular	95,598	42,988	138,586	0	13,119	0	0	151,705
Capital Outlay	0	14,287	14,287	0	0	240,693	0	254,980
Total Expenditures	<u>3,168,894</u>	<u>1,206,125</u>	<u>4,375,019</u>	<u>382,703</u>	<u>662,775</u>	<u>1,239,551</u>	<u>254,093</u>	<u>6,914,141</u>
Excess (deficiency) of revenues over expenditures	(50,125)	(678,731)	(728,856)	47,218	49,902	26,138	1,205	(604,393)
Fund balances - beginning	<u>158,986</u>	<u>1,509,050</u>	<u>1,668,036</u>	<u>122,470</u>	<u>288,785</u>	<u>947</u>	<u>31,612</u>	<u>2,111,850</u>
Fund balances - ending	<u>108,861</u>	<u>830,319</u>	<u>939,180</u>	<u>169,688</u>	<u>338,687</u>	<u>27,085</u>	<u>32,817</u>	<u>1,507,457</u>

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

BASIC FINANCIAL STATEMENTS

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

For the Year Ended June 30, 2014

Net change in fund balances - total governmental funds: (604,393)

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. (138,807)

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold. (22,167)

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. 29,684

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

Capital outlays, not including capital assets under leases 254,980

Compensated absence expense 51,132

Change in net position of governmental activities (429,571)

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

BASIC FINANCIAL STATEMENTS

STATEMENT OF FIDUCIARY NET POSITION AND STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – STUDENT EXTRACURRICULAR FUND

For the Year Ended June 30, 2014

	<u>PRIVATE PURPOSE TRUST</u>	<u>STUDENT EXTRACURRICULAR FUND</u>
FIDUCIARY NET POSITION		
Assets:		
Cash		31,657
Total Assets		<u>31,657</u>
Net Position:		
Held in Trust for Student Activities		<u><u>31,657</u></u>
CHANGES IN FIDUCIARY NET POSITION		
Additions		
Revenue from Student Activities		89,322
Deductions		
Expenses for Student Activities		<u>94,978</u>
Change in Net Position Held in Trust		(5,656)
Net Position, Beginning of Year		<u>37,313</u>
Net Position, End of Year		<u><u>31,657</u></u>

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

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

Note A Description of the School District and Reporting Entity

1 Reporting Entity

St. Ignatius School District No. 28 was established under Montana law to provide educational services below the college and university level to residents of the District. The District is 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 Funds.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2014

Note B Summary Of Significant Accounting Policies

The financial statements of St. Ignatius School District No. 28 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 fund. The extracurricular fund, which accounts for the extracurricular activities of the District's students, is reported as a private purpose trust in the statement of fiduciary net position and changes in fiduciary net position.

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.'

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.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2014

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 and reported 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.

Impact Aid Fund – The Impact Aid Fund is used to account for the receipt and expenditure of funds received under Public Law 81-874, Impact Aid.

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

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

Retirement Fund – The Retirement Fund is authorized by Section 20-9-501, MCA, for the purpose of financing the employer's contribution to the Teachers' Retirement System (TRS), the Public Employees' Retirement System (PERS), Unemployment Compensation and Social Security. The Retirement Fund is funded by a countywide levy for retirement.

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.

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.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2014

4 Basis of Accounting and Measurement Focus

a. Government-Wide Financial Statements

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

b. Fund Financial Statements

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

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

The District reports unavailable revenues as deferred inflows of resources and advances from grantors as a liability on its balance sheet - governmental funds. Unavailable revenues arise when potential revenue does not meet both the ‘measurable’ and ‘available’ criteria for recognition in the current period. Unavailable revenues 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 revenue and liability for advances from grantors are removed from the balance sheet and revenue is recognized. Unavailable revenues are not reflected in the government-wide Statement of Net Position as these amounts are recognized under the accrual basis of accounting. Advances from grantors are reflected as a liability on the government-wide Statement of Net Position.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2014

5 Cash and Investments

Cash resources of the District for all funds other than the Extracurricular Fund, are combined with cash resources of other school districts within Lake County to form a pool of cash and cash equivalents that is managed by the Lake 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. The County Treasurer then distributes interest income to each fund utilizing a formula based on the fund's previous month's ending balance cash and cash equivalents.

The District issues warrants in payment of its obligations. When the warrants are presented to the County Treasurer, the District's cash balance is reduced to pay the warrant. The cash and warrants payable for the payroll and claims clearing agency funds are netted for reporting purposes.

The cash and warrants payable in the payroll and claims clearing accounts are as follows:

	<u>Payroll Clearing</u>	<u>Claims Clearing</u>
Cash	<u>109,893</u>	<u>902</u>
Warrants payable	<u>109,893</u>	<u>902</u>

Information regarding the collateral and security for cash and cash equivalents is not available to the District. Montana state statute requires that collateral to secure deposits of public funds be held in direct obligations of the United States government or its agencies.

Extracurricular Fund cash of \$35,690 at June 30, 2014 is held at Lake County Bank of St. Ignatius. The account is insured by the FDIC up to \$250,000.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended 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.

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 Building Improvements	15-50 Years
Machinery and Equipment	5-20 Years

7 Short-term Interfund Receivables and Payables

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

8 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.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2014

9 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 only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable tax revenue, is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

10 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, \$11,400 and \$4,483 were assigned for encumbrances in the Impact Aid and Miscellaneous programs funds, respectively.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2014

11 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.

12 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.

13 Date of Management Review

Management has evaluated the activities and transactions subsequent to June 30, 2014 to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended June 30, 2014. Management has performed this evaluation through November 06, 2014, 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.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2014

Note D Capital Assets

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

	<u>June 30, 2013</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
CAPITAL ASSETS BEING DEPRECIATED AT COST:					
Land Improvements	365,999	0	0	0	365,999
Buildings and Improvements	6,033,634	0	0	35,000	5,998,634
Machinery and Equipment	214,799	0	0	0	214,799
	<u>6,614,432</u>	<u>0</u>	<u>0</u>	<u>35,000</u>	<u>6,579,432</u>
OTHER CAPITAL ASSETS:					
Land	45,500	0	0	0	45,500
Construction in Progress	0	0	254,980	0	254,980
	<u>45,500</u>	<u>0</u>	<u>254,980</u>	<u>0</u>	<u>300,480</u>
Total	<u>6,659,932</u>	<u>0</u>	<u>254,980</u>	<u>35,000</u>	<u>6,879,912</u>
LESS ACCUMULATED DEPRECIATION FOR:					
Land Improvements	50,718	37,800	12,234	0	100,752
Buildings and Improvements	3,720,672	135,432	117,251	12,833	3,960,522
Machinery and Equipment	168,481	11,892	9,322	0	189,695
Total accumulated depreciation	<u>3,939,871</u>	<u>185,124</u>	<u>138,807</u>	<u>12,833</u>	<u>4,250,969</u>
Total	<u>2,720,061</u>				<u>2,628,943</u>

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2014

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

Instruction	127,045
Operations and Maintenance	589
Extracurricular	3,560
Unallocated	7,613
	<u>138,807</u>
	<u><u>138,807</u></u>

Note E Long-Term Debt

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>Change</u>	<u>June 30, 2014</u>	<u>Year</u>	<u>Term</u>
Compensation Absences Payable	<u>366,706</u>	<u>(51,132)</u>	<u>315,574</u>	<u>47,336</u>	<u>268,238</u>
Total	<u><u>366,706</u></u>	<u><u>(51,132)</u></u>	<u><u>315,574</u></u>	<u><u>47,336</u></u>	<u><u>268,238</u></u>

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

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2014

Note F Employee Benefit Plans

1 Plan Description and Provisions

All full-time District employees participate in one of two statewide, 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 \$3,835,794.

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 \$45,042 (6.90% 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 \$45,832 (6.90% of eligible payroll for employees hired before July 1, 2011 and 7.90% of eligible payroll for employees hired after July 1, 2011). Total payroll for employees covered by PERS was \$559,197. One hundred percent of the required contributions were made for the current year and the preceding two years. They were \$90,874, \$80,142, and \$72,004 for the fiscal years ending June 30, 2014, 2013 and 2012, respectively.

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

Teachers' Retirement System (TRS) - All District employees who teach on a full-time basis or are employed in a position in which instructional services are expected to be rendered, are provided pension benefits by a multi-employer plan administered by the State of Montana. Funding is provided by participating units of government and their employees. The District's contribution to this plan for the year ended June 30, 2014 was \$254,203 (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 not a significant amount, the contribution is a part of the TRS funding policy. The District's contribution represented less than one percent of total contributions required of all participating employers. Required employee contributions to this plan were \$244,600 (8.15% of eligible payroll). Total payroll for teaching employees was \$3,001,222. One hundred percent of the required contributions were made for the current year and the preceding two years. They were \$498,803, \$433,199, and \$422,632 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.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2014

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

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

Note G Risk Management

The District faces a considerable number of risks of loss, including: a) damage to and loss of property and contents; b) employee torts; c) professional liability, (i.e. errors and omissions); d) environmental damage; e) workers' compensation, (i.e. employee injuries) and f) medical insurance costs of employees. A variety of methods are used to provide insurance for these risks. A commercial policy with Western States Insurance, transferring all risks of loss, except for relatively small deductible amounts, was purchased for property and content damage, employee torts and professional liabilities. Workers compensation insurance is provided through the State Fund. Employee medical insurance is provided through Blue Cross/Blue Shield of Montana. The District does not carry separate 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:

	Amount Due the District
<u>Special Revenue Funds</u>	
Miscellaneous Programs	<u>257,825</u>
	<u><u>257,825</u></u>

Note I Non-Monetary Transactions

The District received \$12,317 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.

BASIC FINANCIAL STATEMENTS

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.

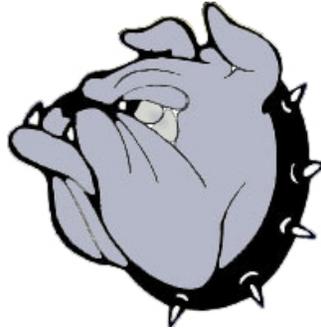
Note K Resource Transfers

For the year ended June 30, 2014, resource transfers out of \$108,231 and \$23,722 was made from the General Fund and the Retirement Fund, respectively, to record lump sum payments paid to the Missoula Area Education Cooperative for the provision of special education services.

Note L Prior Period Adjustment

During the year ended June 30, 2014, it was discovered that the District's fixed assets were overstated by \$185,124 due to the incorrect calculation of depreciation expense. The related accumulated depreciation associated with these fixed assets was determined to be \$4,250,969 resulting in a net decrease of net position of \$185,124. As fixed assets are only recorded on the government-wide statements, a prior period adjustment was recorded to adjust beginning net position on the Statement of Activities.

REQUIRED SUPPLEMENTAL INFORMATION



St. Ignatius School District No. 28

Lake County
St. Ignatius, Montana
June 30, 2014

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2014

	GENERAL FUND	
	ORIGINAL AND FINAL BUDGET	ACTUAL
REVENUES		
Taxes	199,930	197,459
Intergovernmental revenues - state	2,919,077	2,919,077
Interest on investments	1,836	1,663
Other revenue	0	570
	<u>3,120,843</u>	<u>3,118,769</u>
Total revenues before reappropriations	3,120,843	3,118,769
Budgeted reappropriations	0	
Total revenues and reappropriations	<u>3,120,843</u>	
EXPENDITURES		
Current:		
Instruction	3,120,843	2,034,142
Supporting services	0	795,541
Operations and maintenance	0	195,472
Food services	0	48,141
Extracurricular	0	95,598
	<u>3,120,843</u>	<u>3,168,894</u>
Total expenditures	3,120,843	3,168,894
Excess (deficiency) of revenues over expenditures	<u>0</u>	(50,125)
Fund balances, beginning (Non-GAAP budgetary basis)		<u>158,986</u>
Fund balances, ending (Non-GAAP budgetary basis)		108,861
Adjustments to generally accepted accounting principles		
Current year encumbrances included in expenditures		<u>0</u>
Fund balances, ending (GAAP basis)		<u>108,861</u>

REQUIRED SUPPLEMENTAL INFORMATION

NOTES TO BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2014

1 Budgetary Process

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

<u>Fund</u>	<u>Budgeted</u>	<u>Non-Budgeted</u>
Governmental Funds		
General	X	
Transportation	X	
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	
Fiduciary Funds		
Extracurricular		X
Payroll Clearing		X
Claims Clearing		X

REQUIRED SUPPLEMENTAL INFORMATION

NOTES TO BUDGETARY COMPARISON SCHEDULE - CONTINUED

For the Year Ended June 30, 2014

2 Budgets

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

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

a. Budgetary policy follows:

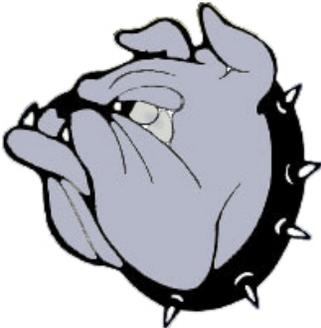
- 1) By the second Monday in July, the County Assessor transmits a statement of the assessed valuation and taxable valuation of all property to the County Superintendent of Schools.
- 2) Before the second Monday in August, the County Superintendent estimates revenue by fund and provides this information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

REQUIRED SUPPLEMENTAL INFORMATION

NOTES TO BUDGETARY COMPARISON SCHEDULE - CONTINUED

For the Year Ended June 30, 2014

Encumbrances outstanding at year-end represent the estimated amount of expenditures ultimately to result if unperformed purchase orders or contracts in process at year-end were completed. They do not constitute expenditures or liabilities, and will not until performance is essentially complete. The encumbrances have been reported as either Assigned or Committed 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.



St. Ignatius School District No. 28
Lake County
St. Ignatius, Montana
June 30, 2014

SUPPLEMENTAL INFORMATION

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

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor Number	Federal Expenditures
U.S. Department of Education			
Direct Programs:			
Impact Aid	84.041	SO41B-2010-6742	1,206,126
Indian Education Grants to Local Agencies	84.060	S060A-2012-0911	64,227
			1,270,353
Passed through Montana Office of Public Instruction			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	24-0481-3011	322
Title I Grants to Local Educational Agencies	84.010	24-0481-3212	19,158
Title I Grants to Local Educational Agencies	84.010	24-0481-3214	433,068
Total Title I, Part A Cluster			452,548
Career and Technical Education - Basic Grants to States	84.048	24-0481-81-14-BG	13,918
21st Century Community Learning Centers	84.287	24-0481-17-14	48,518
			514,984
Passed through Montana University System Commissioner of Higher Education			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		268
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		904
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		52,725
Gaining Early Awareness and Readiness for Undergraduate Programs	83.334		10,140
			64,037
Passed through Missoula County Public Schools			
English Language Acquisition Grants	84.365	24-0481-41-14	1,725
			1,725
Passed through Missoula Area Education Cooperative			
Special Education Grants to States (IDEA, Part B)	84.027	32-9698-77-13-ALLO	116,963
			116,963
Total Department of Education			1,968,062

SUPPLEMENTAL INFORMATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2014

Note A Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of St. Ignatius School District No. 28 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 \$12,317 in USDA Commodities during the 2013-2014 fiscal year. The commodities received are valued at the average wholesale price as determined by the distributing agency. All commodities received by the District were treated as an expense of the Fund receiving the commodities.

SUPPLEMENTAL INFORMATION

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

<u>Student Activity</u>	<u>Balance 7/1/13</u>	<u>Disbursements</u>	<u>Receipts</u>	<u>Transfers</u>	<u>Balance 6/30/14</u>
Annual	1,186	918	1,013	0	1,281
Athletics	12,142	49,788	41,713	0	4,067
Business Professionals	74	50	0	0	24
Cheerleaders	281	0	0	0	281
Close - Up	617	1	1	0	617
FACS	0	506	551	0	45
FHA	1,118	2,665	2,989	90	1,532
Indian Club	60	411	437	0	86
Industrial Arts Club	197	1,175	1,534	0	556
Library Club	42	4,749	4,774	0	67
Music Club	932	114	1	0	819
National Honor Society	565	42	1	0	524
Pep Club	757	0	1	0	758
Principal's Cash	74	10,482	11,388	(14)	966
Rodeo Club	147	0	0	0	147
Shop Fund	635	1,236	1,718	0	1,117
Student Council	1,883	2,108	1,620	(90)	1,305
Youth Legislature	1,600	179	278	0	1,699
Subtotal	<u>22,310</u>	<u>74,424</u>	<u>68,019</u>	<u>(14)</u>	<u>15,891</u>

SUPPLEMENTAL INFORMATION

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

<u>Student Activity</u>	<u>Balance 7/1/13</u>	<u>Disbursements</u>	<u>Receipts</u>	<u>Transfers</u>	<u>Balance 6/30/14</u>
Balance from previous page	22,310	74,424	68,019	(14)	15,891
Class of 2014	132	132	0	0	0
Class of 2015	1,073	1,451	1,234	0	856
Class of 2016	843	0	1	0	844
Class of 2017	397	136	0	0	261
Class of 2018	954	0	2	0	956
Class of 2019	37	0	0	0	37
Coffee Cart Crew	5,276	1,646	3,767	(40)	7,357
Dogs With Wings	630	1,056	1,286	0	860
Elementary Indian Club	176	200	26	0	2
Elementary Student Fund	1,014	2,003	1,800	0	811
Missoula Children's Theatre	497	2,250	2,701	0	948
MS Enrichment	0	6,972	6,976	0	4
MS Student Advisory Council	1,446	1,027	627	0	1,046
Students Serving Community	152	344	552	54	414
TAG	963	0	0	0	963
Tour of MT - 8th Grade	1,413	3,337	2,331	0	407
Total	<u>37,313</u>	<u>94,978</u>	<u>89,322</u>	<u>0</u>	<u>31,657</u>

SUPPLEMENTAL INFORMATION

SCHEDULE OF REPORTED ENROLLMENT

For the Year Ended June 30, 2014

Grade	Fall		Winter		Spring	
	Enrollment Per FR-4	Enrollment Per District Record	Enrollment Per FR-4	Enrollment Per District Record	Enrollment Per FR-4	Enrollment Per District Record
K-5	223	223	224	224	222	222
6-8	127	127	122	122	124	124
9-12	128	128	122	122	121	121
Totals	478	478	468	468	467	467



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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**

November 06, 2014

Board of Trustees
St. Ignatius School District No. 28
St. Ignatius, 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 St. Ignatius School District No. 28 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise St. Ignatius School District No. 28’s basic financial statements, and have issued our report thereon dated November 06, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered St. Ignatius School District No. 28’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 St. Ignatius School District No. 28’s internal control. Accordingly, we do not express an opinion on the effectiveness of St. Ignatius School District No. 28’s internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Ignatius School District No. 28's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Galusha, Higgins & Galusha, PC

GALUSHA, HIGGINS & GALUSHA PC
Billings, Montana



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

November 06, 2014

Board of Trustees
St. Ignatius School District No. 28
St. Ignatius, Montana

Report on Compliance for Each Major Federal Program

We have audited St. Ignatius School District No. 28’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 each of St. Ignatius School District No. 28’s major federal programs for the year ended June 30, 2014. St. Ignatius School District No. 28’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 each of its major federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of St. Ignatius School District No. 28’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 St. Ignatius School District No. 28’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of St. Ignatius School District No. 28’s compliance.

Basis for Qualified Opinion on Child Nutrition Cluster

As described in the accompanying schedule of findings and questioned costs, St. Ignatius School District No. 28 did not comply with requirements regarding CFDA 10.553, 10.555, 10.556 and 10.559 Child Nutrition Cluster as described in finding numbers 2014-001 for Eligibility. Compliance with such requirements is necessary, in our opinion, for St. Ignatius School District No. 28 to comply with the requirements applicable to that program.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, St. Ignatius School District No. 28 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 10.553, 10.555, 10.556 and 10.559 Child Nutrition Cluster for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, St. Ignatius School District No. 28 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of St. Ignatius School District No. 28 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 St. Ignatius School District No. 28'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 St. Ignatius School District No. 28's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a material weakness.

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.

St. Ignatius School District No. 28's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. St. Ignatius School District No. 28's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Galusha, Higgins & Galusha, PC

GALUSHA, HIGGINS & GALUSHA PC
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:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X No

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Type of auditors' report issued on compliance for major programs: Qualified.

Internal control over major programs:

- Material weakness(es) identified? _____ X Yes _____ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X No

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ X Yes _____ No

Identification of Major Programs:

CFDA Number(s)

84.041

Name of Federal Program or Cluster

Impact Aid

84.027, 84.173

Special Education Cluster

10.553, 10.555, 10.556, 10.559

Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? _____ X Yes _____ No

SUPPLEMENTAL INFORMATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

For the Year Ended June 30, 2014

Section II - Financial Statement Findings – None

None

Section III - Federal Award Findings and Questioned Costs

2014-001 Eligibility

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: 7 CFR sections 245.2, 245.3 and 245.6; section 9(b)(1) state that "Children from households with incomes at or below 130 percent of the Federal poverty level are eligible to receive meals or milk free under the School Nutrition Programs. Children from households with incomes above 130 percent but at or below 185 percent of the Federal poverty level are eligible to receive reduced price meals. Persons from households with incomes exceeding 185 percent of the poverty level pay the full price."

Condition: During review of applicant eligibility for free or reduced school food programs five deviations were noted. The deviations consisted of four students receiving free meals and milk that should have been receiving reduced price meals and milk. One deviation consisted of a student receiving free meals and milk that should have paid full price for meals and milk.

Context: We selected a sample of forty students for eligibility testing of controls over eligibility and for substantive testing. The sample size was not expanded due to the number of deviations exceeding the maximum amount allowed for a reasonable sample size.

Questioned Costs: To be determined by grantor.

Effect: Federal monies are being improperly expended on ineligible students, which could cause the district to have to repay misspent federal monies.

Cause: The District lacks an appropriate review procedures to ensure eligibility for free or reduced meals and milk is calculated correctly.

Section IV - Summary Schedule of Prior Audit Findings

None



SCHOOL DISTRICT NO. 28

P.O. Box 1540 • St. Ignatius, Montana 59865-1540

District Office (406) 745-4420
Elementary Office (406) 745-2971
High School Office (406) 745-3811
FAX (406) 745-4421

Corrective Action Plan

A new system that provides checks and balances has been implemented to assure the specific requirements meet the identified criteria for application for free and reduced meal pricing.

The new system for the Free & Reduce Lunch Application Form:

1. **Free & Reduced Lunch** requests are sent out by each building to their respective students. This assures that all students will receive the Free & Reduced Lunch Application.
2. Each building collects the **Free & Reduced Lunch** forms from their respective students.
3. Each building tracks students that have completed the **Free & Reduced Lunch** form. Students or families that haven't filled out the form will be contacted again by building officials to affirm their choice for participation.
4. Completed **Free & Reduced Lunch** forms are sent directly to the Kitchen Clerk.
5. The Kitchen Clerk processes all **Free & Reduced Lunch** forms and qualifies the applications based on Federal guidelines.
6. The Kitchen Clerk turns the original application forms into the District Office.
7. The District Office will review all application to ensure they meet the required criteria for participation.
8. District Clerk, Assistant District Clerk and the Kitchen Clerk will confirm participation.
9. The District Office returns the reviewed applications to the Kitchen Clerk for archiving.

Bob Lewandowski, District Superintendent