

LIBBY PUBLIC SCHOOLS
LINCOLN COUNTY, MONTANA
Fiscal Year Ended June 30, 2013

AUDIT REPORT

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

LIBBY PUBLIC SCHOOLS
 LINCOLN COUNTY, MONTANA
 Fiscal Year Ended June 30, 2013

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LIBBY PUBLIC SCHOOLS

LINCOLN COUNTY, MONTANA

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LIBBY PUBLIC SCHOOLS
LINCOLN COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2013

BOARD OF TRUSTEES

Ellen Johnston	Chairperson
Lori Benson	Vice Chairperson
Les Nelson	Trustee
Melissa LaGoy	Trustee
Amy Fantozzi	Trustee
Bruce Sickler	Trustee
John Carlson	Trustee

DISTRICT OFFICIALS

K.W. Maki	District Superintendent
Leslie Forster	Business Manager
Ronald Higgins	County Superintendent
Bernard Cassidy	County Attorney

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2013**

The Superintendent and Business Manager/Clerk of the Libby School District #4 have provided this MD&A to give the reader of these statements an overview of the financial position and activities of the school district for the year covered by this audit report.

USING THIS FINANCIAL REPORT

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

Reporting the School District as a Whole

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

The assets of Libby School District #4 exceeded its liabilities at the close of the most recent fiscal year by \$4,637,203.

The district’s net position increased by \$515,340, which is a 12.5026% increase.

	FY 2011-12	FY 2012-13	\$ Change	% Change
Governmental Net Position	\$4,121,863	\$4,637,203	\$515,340	12.5026%

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

The district’s total revenues were less than expenditures for the FY13 year by \$163,393.

	FY2011-12 General Only	FY2012-13 General Only	FY2012-13 Total
Revenues from Taxes and Other Sources for General School Use	\$7,724,962	\$7,764,528	\$12,737,825
Less: Expenditures	\$7,628,694	\$7,801,353	\$12,901,218
Difference	\$96,268	\$(36,825)	\$(163,393)

Reporting the District's Most Significant Funds

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

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

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

Fund statements include a reconciliation of the governmental fund statements to the district-wide statements.

Reporting the District's Fiduciary Responsibilities

The district is the fiduciary for the High School Student Extracurricular fund. This report includes the activities in a separate Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets because the district cannot use these assets to fund its operations. The district is responsible for ensuring these assets are used for their intended purpose.

Budget-to-Actual Comparisons

The District's original and final budgets were identical for the year ended June 30, 2013. The budgetary comparison schedule shows how actual expenditures compared to the original and final budgeted expenditures for the general fund and retirement fund. The operating transfer of \$35,000 is the result of the statutes governing funding compensated absences. The District may transfer excess budget to fund the liability resulting from employee sick leave and vacation accrual.

THE DISTRICT AS A WHOLE

Libby Schools District #4		
Condensed Statement of Net Position	at June 30, 2012	at June 30, 2013
Current and Other Assets	\$ 3,498,163	\$ 3,470,545
Capital Assets	1,694,805	2,162,104
Total Assets	5,192,968	5,632,649
Long-term Debt Outstanding	777,044	776,906
Other Liabilities	294,061	218,540
Total Liabilities	1,071,105	995,446
Net Position		
Invested in Capital Assets, net of related debt	1,694,805	2,162,104
Restricted	2,061,407	2,106,639
Unrestricted	365,651	368,460
Total Net Position	\$ 4,121,863	\$ 4,637,203

**Libby School District #4
Changes in Net Position**

	Fiscal Year Ending June 30, 2012	Ending June 30, 2013
Revenues:		
Program Revenues:		
Charges for services	\$ 56,317	60,302
Operating grants and contributions	2,565,857	2,672,717
Capital grants and contributions	\$	391,470
General Revenues:		
Property Taxes	\$ 2,043,234	2,190,307
Grants and Entitlement	\$ 6,873,393	6,798,992
Investment Earnings	\$ 15,441	7,860
Miscellaneous	\$ 745,818	676,789
Special Items	\$	<u>75,163</u>
Total Revenues	\$ 12,300,060	12,873,600
Expenditures:		
Instruction:		
Regular Programs	\$ 6,084,136	6,102,440
Special Programs	\$ 845,729	876,806
Vocational Programs	\$ 343,867	372,743
Adult Education	\$ 23,000	23,000
Supporting Services:		
Operations and Maintenance	\$ 1,119,719	1,211,170
General	\$ 183,902	144,567
Educational Media Services	\$ 539,813	564,705
Administration:		
General	\$ 336,509	307,666
School	\$ 800,002	807,165
Financial	\$ 305,666	276,650
Student Transportation	\$ 839,058	767,060
Extracurricular	\$ 291,533	277,258
School Food	\$ 496,738	502,470
Unallocated Depreciated Expense	\$ 130,864	129,576
Debt Service Expense	\$ <u>4,772</u>	<u> </u>
Total Expenditures	\$ 12,345,308	12,363,276
Increase or Decrease in Net Position	\$ (45,248)	510,324

The district's total revenues for the fiscal year ended June 30, 2013, were \$12.87 million. The total cost of all programs and services was \$12.36 million which generated an increase in net position of \$510,324. District taxpayers paid approximately \$2.19 million of the \$12.87 million in revenues. The remainder was financed through operating grants and contributions, other state revenues, and investment earnings.

Analysis of Financial Information

The fund balance in the general fund decreased approximately \$71,825.

Capital Assets

As of June 30, 2013, the District had invested \$2.1 million in capital assets including land, buildings, and machinery and equipment. The capitalization policy for the District was changed to \$5,000 in August, 2002.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2013:

Land	\$	33,413
Construction in progress	\$	522,286
Improvement other than Buildings	\$	110,309
Buildings	\$	1,324,486
Machinery and Equipment	\$	<u>171,610</u>
Total	\$	2,162,104

Debt Administration

As of June 30, 2013, the District had \$995,446 in other long-term debt outstanding. A summary of the District's outstanding long-term debt for the year ended June 30, 2013, is presented below:

Compensated Absences	\$	678,759
Long Term Liabilities	\$	<u>240,687</u>
Total	\$	919,446

Economic Factors and the District's Future

Libby School District #4 is in sound financial shape. Despite the declining enrollment and revenue over the past thirteen years, the district continues to successfully decrease expenditures proportionately to the decline in revenue. We have projected that the steady decline in enrollment and revenue will stabilize in FY 15.

In June 2011, the Board of Trustees closed an elementary school and consolidated grades K-12 from three buildings into two buildings. The school closure has allowed the district to save approximately \$400,000 a year in facilities and personnel expenses ensuring expenditures do not outpace available revenues.

The District is in the first year of a 3-year commitment lease with the Lincoln County Library for the Asa Wood building. If the Library obtains adequate financing a long term lease will be initiated allowing the library to make building improvements and assume all cost associated with the Asa Wood building. The district will be able to maintain and renovate, as may be needed, all school district facilities with the annual income from the 10-year McGrade facility lease, which is added to the district building fund.

In addition to the cut in expenditures, the District continues to acquire several local and state grants that provide additional revenue. The district was awarded two major state grants for upcoming fiscal year 2014, GEAR UP and Striving Readers, will add \$127,000 and \$357,100 respectively to district revenue. These two grants, as well as the other annually renewed grants, cover personnel and other expenditures. They help support the District's strategic plan goals including: student academic achievement, school climate, professional development for maintaining high quality and rigorous instruction, parental involvement, increased high school graduation rate, and career and college preparation for all students.

The district continues to participate in the Medicaid Administrative Claiming Program and has received substantial revenue from that program in the past years to support general fund expenses. In addition, the district annually receives metal mines money (\$44,300 in FY13).

Contact for Additional Information

If you have questions about this report or need additional information, contact the Director of Business Services at School District No. 4, 724 Louisiana Avenue, Libby, MT 59923, 406-293-8813.

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

1740 U.S. Hwy 93 South - Suite 101 Kalispell, MT 59901

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Libby Public Schools
Lincoln County
Libby, 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 Libby Public Schools, Lincoln County, Montana, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 District'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 District'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 Libby Public Schools, Lincoln County, Montana, as of and for the year ended June 30, 2013, 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 for other post employment benefits other than pensions on pages 2 through 7, 32 through 35, and 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of revenues and expenditures for the extracurricular fund and the schedule of enrollment are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The accompanying schedule of revenues and expenditures for the extracurricular fund, the schedule of 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues and expenditures for the extracurricular fund, the schedule of enrollment and schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2014, on our consideration of the Libby Public Schools, Lincoln County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Libby Public Schools, Lincoln County, Montana's internal control over financial reporting and compliance.

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

March 26, 2014

Libby Public School, Lincoln County, Montana
Statement of Net Position
June 30, 2013

		Governmental Activities
ASSETS		
Current assets:		
Cash and investments	\$	2,899,038
Taxes and assessments receivable, net		308,443
Due from other governments		263,064
Total current assets	\$	3,470,545
Noncurrent assets		
Capital assets - land	\$	33,413
Capital assets - construction in progress		522,286
Capital assets - depreciable, net		1,606,405
Total noncurrent assets	\$	2,162,104
Total assets	\$	5,632,649
LIABILITIES		
Current liabilities		
Accounts payable	\$	76,000
Current portion of compensated absences payable		142,540
Total current liabilities	\$	218,540
Noncurrent liabilities		
Noncurrent portion of long-term liabilities	\$	240,687
Noncurrent portion of compensated absences		536,219
Total noncurrent liabilities	\$	776,906
Total liabilities	\$	995,446
Net Position		
Invested in capital assets, net of related debt	\$	2,162,104
Restricted for capital projects		104,403
Restricted for debt service		33,075
Restricted for special projects		1,969,161
Unrestricted		368,460
Total net position	\$	4,637,203
Total liabilities and net position	\$	5,632,649

See accompanying Notes to the Financial Statements

Libby Public School, Lincoln County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Primary government:						
Governmental activities:						
Instructional - regular	\$ 6,102,440	\$ 16,375	\$ 1,412,429	\$ 391,470	\$ (4,282,166)	\$ (4,282,166)
Instructional - special education	876,806	-	326,812	-	(549,994)	(549,994)
Instructional - vocational education	372,743	-	7,019	-	(365,724)	(365,724)
Instructional - adult education	23,000	-	-	-	(23,000)	(23,000)
Supporting services - operations & maintenance	1,211,170	-	-	-	(1,211,170)	(1,211,170)
Supporting services - general	144,567	-	7,456	-	(137,111)	(137,111)
Supporting services - educational media services	564,705	-	247,025	-	(317,680)	(317,680)
Administration - general	307,666	-	-	-	(307,666)	(307,666)
Administration - school	807,165	-	46,217	-	(760,948)	(760,948)
Administration - business	276,650	-	-	-	(276,650)	(276,650)
Student transportation	767,060	-	263,960	-	(503,100)	(503,100)
Extracurricular	277,258	-	-	-	(277,258)	(277,258)
School food	502,470	43,927	361,799	-	(96,744)	(96,744)
Unallocated depreciation*	129,576	-	-	-	(129,576)	(129,576)
Total governmental activities	\$ <u>12,363,276</u>	\$ <u>60,302</u>	\$ <u>2,672,717</u>	\$ <u>391,470</u>	\$ <u>(9,238,787)</u>	\$ <u>(9,238,787)</u>
Total primary government	\$ <u>12,363,276</u>	\$ <u>60,302</u>	\$ <u>2,672,717</u>	\$ <u>391,470</u>	\$ <u>(9,238,787)</u>	\$ <u>(9,238,787)</u>
General Revenues:						
Property taxes for general purposes				\$ 2,190,307	\$ 2,190,307	\$ 2,190,307
Metal Mines Licenses tax				44,293	44,293	44,293
Grants and entitlements not restricted to specific programs				5,232,647	5,232,647	5,232,647
Investment earnings				7,860	7,860	7,860
Miscellaneous (other revenue)				676,789	676,789	676,789
Indirect costs				40,965	40,965	40,965
State entitlement (block grants)				524,826	524,826	524,826
County retirement				956,261	956,261	956,261
Gain (loss) on sale of capital assets				75,163	75,163	75,163
Total general revenues, special items and transfers				\$ 9,749,111	\$ 9,749,111	\$ 9,749,111
Change in net position				\$ 510,324	\$ 510,324	\$ 510,324
Net position - beginning				\$ 4,121,863	\$ 4,121,863	\$ 4,121,863
Restatements				5,016	5,016	5,016
Net position - beginning - restated				\$ 4,126,879	\$ 4,126,879	\$ 4,126,879
Net position - end				\$ 4,637,203	\$ 4,637,203	\$ 4,637,203

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

Libby Public School, Lincoln County, Montana
Balance Sheet
Governmental Funds
June 30, 2013

	General	Transportation	Retirement	Miscellaneous Programs	Other Governmental Funds	Total Governmental Funds
ASSETS						
Current assets:						
Cash and investments	\$ 1,117,100	\$ 52,651	\$ 418,623	\$ 994,771	\$ 315,893	\$ 2,899,038
Taxes and assessments receivable, net	246,806	57,954	-	-	3,683	308,443
Due from other governments	-	-	-	256,391	6,673	263,064
Total assets	\$ 1,363,906	\$ 110,605	\$ 418,623	\$ 1,251,162	\$ 326,249	\$ 3,470,545
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 76,000	\$ -	\$ -	\$ -	\$ -	\$ 76,000
Deferred revenue	246,806	57,954	-	-	3,683	308,443
Total liabilities	\$ 322,806	\$ 57,954	\$ -	\$ -	\$ 3,683	\$ 384,443
FUND BALANCES						
Restricted	\$ -	\$ 52,651	\$ 418,623	\$ 1,251,162	\$ 322,566	\$ 2,045,002
Unassigned	1,041,100	-	-	-	-	1,041,100
Total fund balance	\$ 1,041,100	\$ 52,651	\$ 418,623	\$ 1,251,162	\$ 322,566	\$ 3,086,102
Total liabilities and fund balance	\$ 1,363,906	\$ 110,605	\$ 418,623	\$ 1,251,162	\$ 326,249	\$ 3,470,545

See accompanying Notes to the Financial Statements

Libby Public School, Lincoln County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2013

Total fund balances - governmental funds	\$	3,086,102
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,162,104
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		308,443
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(919,446)
Total net position - governmental activities	\$	<u><u>4,637,203</u></u>

See accompanying Notes to the Financial Statements

Libby Public School, Lincoln County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	<u>General</u>	<u>Transportation</u>	<u>Retirement</u>	<u>Miscellaneous Programs</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Local revenue	\$ 1,700,761	\$ 409,697	\$ 1,307	\$ 592,485	\$ 172,344	\$ 2,876,594
County revenue	44,293	131,990	956,261	-	-	1,132,544
State revenue	6,019,474	155,800	-	464,817	20,988	6,661,079
Federal revenue	-	-	-	1,706,208	361,400	2,067,608
Total revenues	<u>\$ 7,764,528</u>	<u>\$ 697,487</u>	<u>\$ 957,568</u>	<u>\$ 2,763,510</u>	<u>\$ 554,732</u>	<u>\$ 12,737,825</u>
EXPENDITURES						
Instructional - regular	\$ 3,872,973	\$ -	\$ 598,349	\$ 1,577,057	\$ 69,799	\$ 6,118,178
Instructional - special education	505,980	-	61,819	309,007	-	876,806
Instructional - vocational education	305,851	-	37,399	29,493	-	372,743
Instructional - adult education	-	-	-	-	23,000	23,000
Supporting services - operations & maintenance	997,189	-	47,735	19,129	147,117	1,211,170
Supporting services - general	122,209	-	17,644	4,714	-	144,567
Supporting services - educational media services	249,958	-	28,877	285,870	-	564,705
Administration - general	252,218	14,704	17,842	-	22,902	307,666
Administration - school	667,164	-	72,700	67,301	-	807,165
Administration - business	236,084	13,578	21,413	5,575	-	276,650
Student transportation	109,207	645,562	-	12,291	-	767,060
Extracurricular	244,917	-	31,341	1,000	-	277,258
School food	89,915	-	9,065	-	403,490	502,470
Debt service expense - principal	-	-	-	61,678	-	61,678
Capital outlay	147,688	-	-	409,487	32,927	590,102
Total expenditures	<u>\$ 7,801,353</u>	<u>\$ 673,844</u>	<u>\$ 944,184</u>	<u>\$ 2,782,602</u>	<u>\$ 699,235</u>	<u>\$ 12,901,218</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (36,825)</u>	<u>\$ 23,643</u>	<u>\$ 13,384</u>	<u>\$ (19,092)</u>	<u>\$ (144,503)</u>	<u>\$ (163,393)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from the sale of general capital asset disposition	\$ -	\$ -	\$ -	\$ -	\$ 75,163	\$ 75,163
Transfers in	-	-	-	-	35,000	35,000
Transfers out	(35,000)	-	-	-	-	(35,000)
Total other financing sources (uses)	<u>\$ (35,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,163</u>	<u>\$ 75,163</u>
Net Change in Fund Balance	<u>\$ (71,825)</u>	<u>\$ 23,643</u>	<u>\$ 13,384</u>	<u>\$ (19,092)</u>	<u>\$ (34,340)</u>	<u>\$ (88,230)</u>
Fund balances - beginning	\$ 1,112,925	\$ 29,008	\$ 405,239	\$ 1,270,254	\$ 356,906	\$ 3,174,332
Fund balance - ending	<u>\$ 1,041,100</u>	<u>\$ 52,651</u>	<u>\$ 418,623</u>	<u>\$ 1,251,162</u>	<u>\$ 322,566</u>	<u>\$ 3,086,102</u>

See accompanying Notes to the Financial Statements

Libby Public School, Lincoln County, Montana
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds \$ (88,230)

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

- Capital assets purchased 590,102
- Depreciation expense (129,576)

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

- Long-term receivables (deferred revenue) 60,612

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

75,633

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

- Long-term debt principal payments 61,678

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

- Postemployment benefits other than retirement liability (59,895)

Change in net position - Statement of Activities \$ 510,324

See accompanying Notes to the Financial Statements

Libby Public School, Lincoln County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2013

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and short-term investments	\$ 107,505	\$ 402,912
Total assets	\$ 107,505	\$ 402,912
LIABILITIES		
Warrants payable	\$ -	\$ 397,182
Due to others	-	5,730
Total liabilities	\$ -	\$ 402,912
NET POSITION		
Assets held in trust	\$ 107,505	

See accompanying Notes to the Financial Statements

Libby Public School, Lincoln County, Montana
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2013

		<u>Private Purpose Trust Funds</u>
ADDITIONS		
Contributions:		
Student activities	\$	<u>174,030</u>
Total additions	\$	<u>174,030</u>
DEDUCTIONS		
Student activities	\$	<u>185,149</u>
Total deductions	\$	<u>185,149</u>
Change in net position	\$	<u>(11,119)</u>
Net Position - Beginning of the year	\$	118,624
Net Position - End of the year	\$	<u><u>107,505</u></u>

See accompanying Notes to the Financial Statements

LIBBY PUBLIC SCHOOLS
LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Primary Government

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

The District is managed by a Board of Trustees, elected in district-wide elections, and by an administration appointed by and responsible to the Board. The financial statements include all of the operations of the District controlled by the Board of Trustees. Based on the criteria for determining the reporting District (separate legal District and financial or fiscal dependency on other governments) the District is a primary government as defined by GASB Cod. Sec. 2100 and has no component units as defined in GASBs 14, 39, 61

Basis of Presentation, Measurement Focus and Basis of Accounting.

Government-wide Financial Statements:

Basis of Presentation

The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the reporting District except fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

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

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated.

LIBBY PUBLIC SCHOOLS
LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2013

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

On the government-wide Statement of Net Position and the Statement of Activities, the governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred regardless of the timing of the cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The District generally applies restricted resources to expenses incurred before using unrestricted resources when both restricted and unrestricted net assets are available.

Fund Financial Statements:

Basis of Presentation

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

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

Measurement Focus and Basis of Accounting

Governmental Funds

Modified Accrual

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

LIBBY PUBLIC SCHOOLS
LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2013

The District defined the length of time used for “available” for purposes of revenue recognition in the governmental fund financial statements to be upon receipt. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Major Funds:

The District reports the following major governmental funds:

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

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

Retirement Fund – This fund is 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 and is funded by a county-wide levy for retirement.

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

LIBBY PUBLIC SCHOOLS
LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2013

Fiduciary Funds

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

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

Claims and Payroll Clearing Funds – These funds are agency funds used for the clearing of warrants.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

The District’s cash, except for the Student Extracurricular Fund Travel Account (an expendable trust) is held by the County Treasurer and pooled with other County cash. School district cash which is not necessary for short-term obligations, the District participates in a County-wide investment program whereby all available cash is invested by the County Treasurer in pooled investments. Interest earned on the pooled investments is distributed to each contributing District and fund on a pro rata basis. The County’s investment portfolio as of June 30, 2013, consisted of demand deposits and the State Short-Term Investment Pool (STIP). Interest earned on pooled investments is distributed to each contributing District and fund on a pro rata basis. The Lincoln County investment pool is not rated.

The School District does not own specific identifiable investment securities in the pool; therefore, is not subject to categorization. Information regarding investment risk, collateral, security, and fair values for Lincoln County deposits and investments is available from Lincoln County Treasurer’s office, 512 California Avenue, Libby, Montana 59923-1942. Fair value approximates carrying value for investments as of June 30, 2013.

LIBBY PUBLIC SCHOOLS
LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2013

Authorized investments allowed by Section 20-9-213, MCA, include savings or time deposits in a state or national bank, building or loan association, or credit union insured by the FDIC or NCUA located in the state; repurchase agreements; and the State Unified Investment Program. Further, Section 7-6-202, MCA, authorizes investments in U.S. government treasury bills, notes, bonds, U.S. Treasury obligations, treasury receipts, general obligations of certain agencies of the United States, and U.S. government security money market fund if the fund meets certain conditions.

Deposits

The District's deposit balance at year end was \$4,100 and the bank balance was \$4,047. The District's deposits at year-end are as follows:

NOTE 3. RECEIVABLES

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

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

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

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

NOTE 4. INVENTORIES

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

LIBBY PUBLIC SCHOOLS
LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2013

NOTE 5. CAPITAL ASSETS

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

Buildings	50 years
Improvements	7 – 25 years
Equipment	3 – 20 years

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

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

Governmental activities:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Balance</u> <u>June 30, 2013</u>
Capital assets not being depreciated:				
Land	\$ 33,413	\$ -	\$ -	\$ 33,413
Construction in progress	-	<u>522,286</u>	-	<u>522,286</u>
Total capital assets not being depreciated	\$ 33,413	\$ 522,286	\$ -	\$ 555,699
Other capital assets:				
Buildings	\$ 7,020,031	\$ 32,927	\$ 2,363	\$ 7,055,321
Improvements other than buildings	210,486	-	-	210,486
Machinery and equipment	<u>693,294</u>	<u>34,889</u>	<u>1,540</u>	<u>729,723</u>
Total other capital assets at historical cost	\$ 7,923,811	\$ 67,816	\$ 3,903	\$ 7,995,530
Less: accumulated depreciation	\$ (6,262,419)	\$ (129,576)	\$ 2,870	\$ (6,389,125)
Total	<u>\$ 1,694,805</u>	<u>\$ 460,526</u>	<u>\$ 6,773</u>	<u>\$ 2,162,104</u>

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

Governmental Activities:	
Unallocated	\$ <u>129,576</u>

LIBBY PUBLIC SCHOOLS
LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2013

NOTE 6. LONG TERM DEBT OBLIGATIONS

In the governmental-wide financial statements, outstanding debt is reported as liabilities. The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2013, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2013</u>	Due Within <u>One Year</u>
Loans/Contracted Debt	\$ 59,921	\$ -	\$ (59,921)	\$ -	-
Compensated absences	754,392	-	(75,633)	678,759	142,540
Other post-employment benefits*	180,792	59,895	-	240,687	-
Total	<u>\$ 995,105</u>	<u>\$ 59,895</u>	<u>\$ (135,554)</u>	<u>\$ 919,446</u>	<u>\$ 142,540</u>

*See Note 7

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

Compensated Absences

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

Teaching employees are provided with twelve days annually at full salary for personal illness or disability. Unused days of leave will be allowed to accumulate without limitation. Upon retirement or termination, employees are paid 25% of the daily wage for any accumulated leave.

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

LIBBY PUBLIC SCHOOLS
LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2013

NOTE 7. POSTEMPLOYMENT HEALTHCARE PLAN

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

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

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

Actuarial Accrued Liability (AAL)	\$ 540,663
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 540,663
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 6,101,042
UAAL as a percentage of covered payroll	8.9%

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

Annual Required Contribution (ARC)	\$ 59,895
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost (expense)	\$ 59,895
Contributions made	59,895
Increase in net OPEB obligation	\$ 59,895
Net OPEB obligation - beginning of year	180,792
Net OPEB obligation - end of year	\$ 240,687

LIBBY PUBLIC SCHOOLS
 LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 Fiscal Year Ended June 30, 2013

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

Actuarial cost method	Unit Credit Cost Method
Average age of retirement (based on historical data)	61.7
Discount rate (average anticipated rate)	4.50%
Average salary increase (Consumer Price Index)	2.50%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	
<u>Year</u>	<u>% Increase</u>
2012	3.8%
2013	4.0%
2014	7.8%
2015	6.4%
2016	6.2%
2017	6.0%
2018	6.4%
2019	6.8%
2020	6.9%
2021	6.7%
2022 and thereafter	6.9%

NOTE 8. INTERFUND RECEIVABLES AND PAYABLES

Interfund Transfers

The following is an analysis of operating transfers in and out during Fiscal Year 2013:

<u>Purpose</u>	<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Fund compensated absence liability	Compensated Absences – Nonmajor Governmental	General – Major Governmental	\$ <u>35,000</u>

LIBBY PUBLIC SCHOOLS
 LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 Fiscal Year Ended June 30, 2013

NOTE 9. STATE-WIDE RETIREMENT PLANS

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

Contribution rates are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll for the fiscal year ended June 30, 2013, were:

	<u>PERS**</u>	<u>TRS</u>
Employer	6.8%	7.47%
Employee	6.90%*	7.15%
State	0.37%	2.49%

* For PERS members hired after 7/1/2011 that rate is 7.9%

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

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

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

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

LIBBY PUBLIC SCHOOLS
LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2013

The District's contributions for the years ended June 30, 2011, 2012, and 2013, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>	<u>TRS</u>
2011	\$ 51,087	\$ 524,828
2012	\$ 46,048	\$ 494,926
2013	\$ 46,072	\$ 437,784

NOTE 10. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

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

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

Restricted Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Transportation	\$ 52,651	Student Transportation
Retirement	418,623	Employer Retirement Benefits
Miscellaneous Programs	1,251,162	Third Party Grantor Requirements
All other aggregate governmental funds	2,974	School Food
	181,583	Instructional – Regular
	588	Instructional – Adult Education
	248	Operations and Maintenance
	32,770	Debt Service
	<u>104,403</u>	Capital Projects
Total	<u>\$ 2,045,002</u>	

NOTE 11. RESTATEMENTS

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

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
Governmental Activities	\$ 6,773	Adjustment to Capital Assets
Governmental Activities	<u>(1,757)</u>	Adjustment to Long-term Debt
	<u>\$ 5,016</u>	

LIBBY PUBLIC SCHOOLS
LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2013

NOTE 12. SERVICES PROVIDED BY OTHER GOVERNMENTS

County Provided Services

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

NOTE 13. RISK MANAGEMENT

The District faces considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e., errors and omissions, (d) environmental damage, (e) workers' compensation, i.e., employee injuries, and (f) medical insurance costs of employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Insurance Policies:

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

Insurance Pools:

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

LIBBY PUBLIC SCHOOLS
LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2013

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

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

**REQUIRED SUPPLEMENTAL
INFORMATION**

Libby Public School, Lincoln County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2013

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Local revenue	\$ 1,678,374	\$ 1,678,374	\$ 1,700,150	\$ 21,776
State revenue	6,019,474	6,019,474	6,019,474	-
Amounts available for appropriation	\$ 7,697,848	\$ 7,697,848	\$ 7,719,624	\$ 21,776
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 3,990,468	\$ 3,990,468	\$ 3,872,973	\$ 117,495
Instructional - special education	484,935	484,935	505,980	(21,045)
Instructional - vocational education	268,820	268,820	305,851	(37,031)
Supporting services - operations & maintenance	954,615	954,615	987,414	(32,799)
Supporting services - general	130,700	130,700	122,209	8,491
Supporting services - educational media services	250,590	250,590	249,958	632
Administration - general	264,040	264,040	252,218	11,822
Administration - school	658,260	658,260	667,164	(8,904)
Administration - business	215,070	215,070	236,084	(21,014)
Student transportation	92,650	92,650	109,207	(16,557)
Extracurricular	260,785	260,785	244,917	15,868
School food	56,915	56,915	89,915	(33,000)
Capital outlay	-	-	16,873	(16,873)
Other current charges	50,000	50,000	-	50,000
Total charges to appropriations	\$ 7,677,848	\$ 7,677,848	\$ 7,660,763	\$ 17,085
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (20,000)	\$ (20,000)	\$ (35,000)	\$ (15,000)
Net change in fund balance			\$ 23,861	
Fund balance - beginning of the year			\$ 878,996	
Fund balance - end of the year			\$ 902,857	

Libby Public School, Lincoln County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2013

Transportation

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	
RESOURCES (INFLOWS):				
Local revenue	\$ 408,822	\$ 408,822	\$ 409,697	\$ 875
County revenue	138,184	138,184	131,990	(6,194)
State revenue	161,994	161,994	155,800	(6,194)
Amounts available for appropriation	<u>\$ 709,000</u>	<u>\$ 709,000</u>	<u>\$ 697,487</u>	<u>\$ (11,513)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Administration - general	\$ 14,700	\$ 14,701	\$ 14,704	\$ (3)
Administration - business	13,600	13,600	13,578	22
Student transportation	680,700	680,700	645,562	35,138
Total charges to appropriations	<u>\$ 709,000</u>	<u>\$ 709,001</u>	<u>\$ 673,844</u>	<u>\$ 35,157</u>
Net change in fund balance			<u>\$ 23,643</u>	
Fund balance - beginning of the year			\$ 29,008	
Fund balance - end of the year			<u><u>\$ 52,651</u></u>	

Libby Public School, Lincoln County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2013

	Retirement			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Local revenue	\$ 2,000	\$ 2,000	\$ 1,307	\$ (693)
County revenue	956,261	956,261	956,261	-
Amounts available for appropriation	\$ 958,261	\$ 958,261	\$ 957,568	\$ (693)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 609,000	\$ 609,000	\$ 598,349	\$ 10,651
Instructional - special education	86,000	86,000	61,819	24,181
Instructional - vocational education	38,000	38,000	37,399	601
Supporting services - operations & maintenance	60,000	60,000	47,735	12,265
Supporting services - general	4,000	4,000	17,644	(13,644)
Supporting services - educational media services	30,000	30,000	28,877	1,123
Administration - general	23,000	23,000	17,842	5,158
Administration - school	85,000	85,000	72,700	12,300
Administration - business	24,000	24,000	21,413	2,587
Extracurricular	40,000	40,000	31,341	8,659
School food	11,000	11,000	9,065	1,935
Total charges to appropriations	\$ 1,010,000	\$ 1,010,000	\$ 944,184	\$ 65,816
Net change in fund balance			\$ 13,384	
Fund balance - beginning of the year			\$ 405,239	
Fund balance - end of the year			\$ 418,623	

Libby Public School, Lincoln County, Montana
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation

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

	<u>General</u>	<u>Transportation</u>	<u>Retirement</u>
Sources/Inflows of resources			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 7,719,624	\$ 697,487	\$ 957,568
Combined funds (GASBS 54) revenues	<u>44,904</u>	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 7,764,528</u>	<u>\$ 697,487</u>	<u>\$ 957,568</u>
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 7,660,763	\$ 673,844	\$ 944,184
Combined funds (GASBS 54) expenditures	<u>140,590</u>	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 7,801,353</u>	<u>\$ 673,844</u>	<u>\$ 944,184</u>

Note B

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

Libby Public Schools, Lincoln County, Montana
REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
June 30, 2010	\$ -	\$ 521,785	\$ 521,785	0%	\$ 5,785,429	9.0%
July 1, 2012	\$ -	\$ 540,663	\$ 540,663	0%	\$ 6,101,042	8.9%

Changes in plan provisions

The following benefit changes apply for the 2011-2012 plan year:

The health care trend rates were changed to better anticipate short-term and long-term medical increases.

The mortality table was updated to reflect the projection of 2000 rates to 2012 based on Scale BB

The percent of married retirees electing spouse coverage was reduced from 65% to 60% to better reflect actual plan experience.

SUPPLEMENTAL INFORMATION

Libby Public Schools, Lincoln County, Montana
SCHEDULE OF ENROLLMENT
For the Fiscal Year Ended June 30, 2013

Fall Enrollment - October, 2012

Elementary School District

	FALL		
	Per Enrollment Reports	Audit Per District Records	Difference
Pre-Kindergarten	0	0	0
Kindergarten Full	91	91	0
Kindergarten Part	0	0	0
Grades 1-6	515	515	0
Grades 7-8	189	189	0
Total Elementary	795	795	0

Part-time Students

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

High School District

	FALL		
	Per Enrollment Reports	Audit Per District Records	Difference
Grades 9-12	335	335	0
19 year-olds	3	3	0
Job Corps students	1	1	0

Part-time Students

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
9-12	0	0	1	0	0	0	1	0	0

Spring Enrollment - February, 2013

Elementary School District

	SPRING		
	Per Enrollment Reports	Audit Per District Records	Difference
Pre-Kindergarten	0	0	0
Kindergarten - Full	88	88	0
Kindergarten - Part	0	0	0
Grades 1-6	517	517	0
Grades 7-8	189	189	0
Total Elementary	794	794	0

Part-time Students

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

High School District

	SPRING		
	Per Enrollment Reports	Audit Per District Records	Difference
Grades 9-12	333	333	0
19 year-olds	2	2	0
Early Graduates	0	0	0
Job Corps students	0	0	0

Part-time Students

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
9-12	0	0	1	0	0	0	1	0	0

Libby Public Schools
Lincoln County Montana
EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS
Fiscal Year Ended June 30, 2013

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Transfers In/Out	Ending Balance
<u>Elementary School</u>					
Athletics	\$ 918	\$ 1,040	\$ -	\$ -	1,958
Library	2,114	7,494	7,416	-	2,192
Student Supplies	2,141	4,725	4,609	-	2,257
Industrial Arts - VoEd	99	-	-	-	99
Music - Band	786	365	903	-	248
Music - Choral	233	-	226	-	7
Lock Deposit	2,073	563	-	-	2,636
Special Education	2,984	-	130	-	2,854
Student Council	2,212	-	-	-	2,212
Cheerleaders	167	-	-	-	167
ROAR Supplies	4,450	1,407	1,479	-	4,378
Kids 4 Kids Supplies	4,649	634	-	-	5,283
Drama Club Supplies	1,379	-	-	-	1,379
Student Fines/Replacement	5,928	165	-	-	6,093
Class of 2019	782	89	-	-	871
Class of 2020	-	3,710	3,018	-	692
Activity tickets	15,382	50,257	32,705	(28,977)	3,957
Concession Stand	3,569	18,651	15,506	(4,580)	2,134
Cashbox	1,250	-	-	-	1,250
Football	1,793	1,849	3,976	334	-
Boys Soccer	4,421	90	101	-	4,410
Girls Basketball	228	1,081	1,227	-	82
Boys Basketball	1,403	1,474	1,316	-	1,561
Volleyball	3,766	10,644	10,254	-	4,156
Wrestling	2,495	3,945	3,650	-	2,790
Track	347	195	73	-	469
Softball	910	2,650	2,397	-	1,163
Cross Country	1,415	35	906	-	544
Tennis	1,963	2,050	2,768	-	1,245
Golf	97	-	30	-	67
Lock Deposit	2,967	375	-	-	3,342
Cheerleaders	1,536	2,309	2,307	-	1,538
Class of 2011	1,532	-	1,531	-	1
Class of 2012	2,295	-	358	-	1,937
Class of 2013	3,049	919	2,377	-	1,591
Class of 2014	469	3,625	2,729	2,000	3,365
Class of 2016	149	-	-	-	149
Class of 2017	72	-	-	-	72
Class of 2018	673	-	-	-	673
Speech & Debate	3,611	2,311	3,441	-	2,481
Industrial Ed	2,223	250	161	-	2,312
HS Publications	558	16,028	18,013	1,427	-
MS Yearbook	467	1,030	1,071	-	426
L Club	1,448	-	394	-	1,054
Choir	1,017	6,543	6,155	-	1,405
Band	7,225	16,275	11,595	(50)	11,855
Honor Society	598	-	85	-	513
B.P.A.	8,202	8,133	11,471	2,580	7,444
Student Council	-	500	344	-	156
Special Ed Recreation	1,275	-	1,269	-	6
Central School	51	1,062	726	-	387
LHS Productions	392	-	-	-	392
H.S. GREAT	1,165	965	1,052	1,071	2,149
Girls Soccer	2,047	95	10	-	2,132
Science Club	499	-	-	-	499
HS JMG	79	497	104	-	472
Interest into Great	1,071	-	-	(1,071)	-
Activity Pay	-	-	8,512	8,512	-
MOA Officials	-	-	18,754	18,754	-
Total	\$ 114,624	\$ 174,030	\$ 185,149	\$ -	\$ 103,505

SINGLE AUDIT SECTION

Libby Public Schools, Lincoln County, Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditure June 30, 2013
<u>U.S. Department of Agriculture</u>			
<i>Passed through Montana Office of Public Instruction:</i>			
School Breakfast Program	10.553	N/A	\$ 83,236
National School Lunch (Donated Food) (1)	10.555	N/A	11,845
National School Lunch	10.555	N/A	224,801
After School Snack	10.556	N/A	3,122
Summer Food Service Program for Children	10.559	N/A	11,671
Team Nutrition Grant	10.574	N/A	1,000
Fresh Fruit and Vegetable	10.582	N/A	38,070
Total U.S. Department of Agriculture			\$ 373,745
<u>U.S. Department of Health and Human Services</u>			
<i>Passed through Montana Department of Health and Human Services:</i>			
Temporary Assistance for Needy Families	93.558	1302MOST0213	\$ 5,000
Temporary Assistance for Needy Families	93.558	1302MOST0212	5,000
Total U.S. Department of Health and Human Services			\$ 10,000
<u>U.S. Department of Education</u>			
<i>Passed through Montana Office of Public Instruction:</i>			
Title I Part A	84.010A	02705223213	\$ 745,621
Title I Part A	84.010A	02705223112	17,950
Special Education	84.027	02705227713	330,121
Special Education, Preschool	84.173	02705227913	25,277
Career and Technical Education	84.048A	02705228113	31,799
Twenty-First Century Community Learning Centers	84.287	02705221713	72,600
ACT Plus Writing Test Administration	84.334	02705228113	350
Striving Readers	84.371C	02705223513	288,464
Striving Readers	84.371C	02705223512	56,818
<i>Passed through the Office of the Commissioner of Higher Education:</i>			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	N/A	\$ 85,743
Total U.S. Department of Education			\$ 1,654,743
Total Federal Financial Assistance			\$ 2,038,488

(1) This amount represents the value of donated food received under the child nutrition cluster. Individual inventory categories were not valued. Therefore, it was not possible to determine the value of donated food used (expenditures) or value of beginning and ending inventory balances.

N/A = Not Applicable or Not Available

LIBBY PUBLIC SCHOOLS
LINCOLN COUNTY, MONTANA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2013

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Libby Public Schools, Lincoln County, Montana, and is presented on the modified accrual basis of accounting. 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 may differ from amounts presented in, or used in preparation of, the basic financial statements.

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

1740 U.S. Hwy 93 South - Suite 101 Kalispell, MT 59901

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

Board of Trustees
Libby Public Schools
Lincoln County
Libby, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Libby Public Schools, Lincoln County, Montana, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Districts' basic financial statements and have issued our report thereon dated March 26, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Libby Public Schools, Lincoln County, Montana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Libby Public Schools, Lincoln County, Montana'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 District'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Derrington, Downey and Associates, CPAs, P.C.

March 26, 2014

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Trustees
Libby Public Schools
Lincoln County
Libby, Montana

Report on Compliance for Each Major Federal Program

We have audited Libby Public Schools, Lincoln County, Montana, compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Libby Public Schools's major federal programs for the year ended June 30, 2013. The District'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 federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Libby Public Schools, Lincoln County, Montana'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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of District's compliance.

Opinion on Each Major Federal Program

In our opinion, Libby Public Schools, Lincoln County, Montana, 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 major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Libby Public Schools, Lincoln County, Montana 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, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our 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 the District's internal control over compliance.

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

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

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

Derrington, Downey and Associates, CPAs, P.C.

March 26, 2014

LIBBY PUBLIC SCHOOLS

LINCOLN COUNTY, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2013

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	<i>Unmodified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses	None Reported
Type of auditor’s report issued on compliance for major programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010A	Title I, Part A
10.553,10.555,10.556,10.559	Child Nutrition Cluster

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

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

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

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Board of Trustees
Libby Public Schools
Lincoln County
Libby Montana

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

<u>Recommendation</u>	<u>Action Taken</u>
Student Activity Receipting	Implemented

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

March 26, 2014