

**SCOBAY PUBLIC SCHOOLS
SCHOOL DISTRICT 1
DANIELS COUNTY
SCOBAY, MONTANA
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2014

OPI Entity Number 10-0194

SCOBEEY PUBLIC SCHOOLS
DANIELS COUNTY
SCOBEEY, MONTANA
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JUNE 30, 2014

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SCOBIEY PUBLIC SCHOOLS
DANIELS COUNTY
SCOBIEY, MONTANA
JUNE 30, 2014

BOARD OF TRUSTEES

| | |
|----------------------|----------------|
| Lane Drury..... | Chairperson |
| Jesse Cole..... | Trustee |
| Don Hagan | Trustee |
| Val Landeraaen | Trustee |
| Bill Rask | Trustee |
| Colleen Drury | Clerk of Board |

OFFICIALS

| | |
|-------------------------|-------------------------|
| Dave Selvig | District Superintendent |
| Patricia McDonnell..... | County Superintendent |
| Ken Hoversland..... | County Attorney |



CHMS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

741 Third Avenue South
Glasgow, Montana 59230
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Richard A. Wiens, CPA
Doris M. Leader, CPA
Diana W. Mattfeldt, CPA

Independent Auditor's Report

Board of Trustees
Scobey Public Schools
P.O. Box 10
Scobey, Montana 59263

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 Scobey Public Schools, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Scobey Public Schools' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Scobey Public Schools' 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 Scobey

OFFICES IN GLASGOW, MALTA, SIDNEY, WOLF POINT AND GLENDIVE

Public Schools, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 4–9 and 29 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 Scobey Public Schools' basic financial statements. The extracurricular fund – statement of revenues collected and expenditures paid – all fund accounts and the schedule of student enrollment are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2015 on our consideration of Scobey Public Schools' 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 Scobey Public Schools' internal control over financial reporting and compliance.

CHMS, P.C.

CHMS, P.C.
Certified Public Accountants
Glasgow, Montana

July 14, 2015

**SCOBEY PUBLIC SCHOOLS DISTRICT #1
DANIELS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The discussion and analysis of Scobey School District #1's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Scobey School District #1 as a financial whole, or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in a single column. For Scobey School District #1, the General Fund is the most significant Fund.

Statement of Net Position and Statement of Activities

While this report contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "how did we do financially during fiscal year 2014?" The statement of net position and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash was received or paid.

These two statements report the School District's net position and changes in those assets. This change in net position is important because it identifies whether the financial position of the School District has improved or diminished for the School District as a whole. The cause of this change may be the result of many factors, some financial, some not. Nonfinancial factors include the School district's property tax base, required educational programs, and other factors.

**SCOBEY PUBLIC SCHOOLS DISTRICT #1
DANIELS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

In the statement of net position and the statement of activities, the School District is divided into two distinct kinds of activities:

Governmental Activities – Most of the School District’s programs and services are reported here including instruction support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

Reporting the School District’s Most Significant Funds

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

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

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

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

**SCOBEY PUBLIC SCHOOLS DISTRICT #1
DANIELS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The School District as a Whole

The perspective of the statement of net position is of the School District as a whole. Table 1 provides a summary of the School District's net position for 2014:

Table 1
Net Position

| | Governmental Activities | |
|-------------------------------------|-------------------------|--------------------|
| | <u>FY 14</u> | <u>FY13</u> |
| Current and Other Assets | \$1,170,527 | \$1,170,898 |
| Capital Assets, Net of depreciation | <u>2,572,969</u> | <u>2,698,490</u> |
| Total Assets | 3,743,496 | 3,869,388 |
| <u>Liabilities:</u> | | |
| Current and Other Liabilities | 194,876 | 191,023 |
| Long-Term Liabilities | <u>372,419</u> | <u>516,660</u> |
| Total Liabilities | 567,295 | 707,683 |
| <u>Net Position:</u> | | |
| Net Investment in Capital Assets | 2,162,969 | 2,168,490 |
| Restricted | 802,552 | 814,660 |
| Unrestricted | <u>210,680</u> | <u>178,555</u> |
| Total Net Position | <u>\$3,176,201</u> | <u>\$3,161,705</u> |

**SCOBAY PUBLIC SCHOOLS DISTRICT #1
DANIELS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Table 2
Change in Net Position

| | Governmental Activities | |
|-------------------------------------|-------------------------|--------------------|
| | <u>FY 14</u> | <u>FY13</u> |
| Revenues: | | |
| District Tax Levies | \$ 983,083 | \$ 858,065 |
| County On- Sch. Trans Reimb | 93,230 | 142,273 |
| County Retirement Distribution | 287,086 | 256,055 |
| State On-Sch Trans Reimb | 87,833 | 130,528 |
| Direct State Aide | 979,615 | 981,375 |
| Quality Educator | 72,257 | 68,454 |
| At Risk Student | 3,937 | 4,363 |
| Indian Education | 5,590 | 5,630 |
| American Indian Achievement GAP | 2,600 | 2,600 |
| State Spec. Ed | 49,199 | 61,379 |
| State Guaranteed Tax Base Aide | 220,564 | 219,830 |
| State School Block Grant | 375,712 | 387,819 |
| Other Revenue and transfers | 27,994 | 37,823 |
| Title & Grant | 216,530 | 210,931 |
| Investment Earnings | 7,404 | 7,673 |
| Food Sales | 61,049 | 44,369 |
| Federal Food Reimb | <u>33,254</u> | <u>29,410</u> |
| Total Revenues | 3,506,937 | 3,448,577 |
| Program Expenses: | | |
| Instruction | 1,761,617 | 1,715,544 |
| Support Services | 66,609 | 57,210 |
| Educational Medial Services | 53,151 | 51,494 |
| General Administration | 377,393 | 345,655 |
| Business Administration | 55,056 | 51,228 |
| Operation & Maintenance | 460,982 | 447,689 |
| Pupil Transportation | 361,205 | 379,305 |
| Interest on General Obligation Bond | 29,305 | 35,515 |
| Food Services | 171,105 | 163,481 |
| Extracurricular Activities | 142,422 | 123,218 |
| Other Current Charges | 2,988 | 2,988 |
| Unallocated Depreciation | <u>10,608</u> | <u>10,608</u> |
| Total Program Expenses | <u>3,492,441</u> | <u>3,383,935</u> |
| Increase in Net Position | 14,496 | 64,642 |
| Net Position, beginning of year | <u>3,161,705</u> | <u>3,097,063</u> |
| Net Position, end of year | <u>\$3,176,201</u> | <u>\$3,161,705</u> |

**SCOBEY PUBLIC SCHOOLS DISTRICT #1
DANIELS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$3.507 Million and expenditures and other financing uses of \$3.492 Million.

General Fund Budgeting Highlights

The School District's budget is prepared according to Montana law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

For the General Fund, final revenues and other financing sources, in the amount of \$2,364,627 were less than the original budgeted revenues and other financing sources, in the amount of \$12,648.

Expenditures and other financing uses were budgeted at \$2,390,588 while actual expenditures were \$2,385,233.

General Fund revenues and other financing sources were less than expenditures and other financing uses by \$20,606. The School Board feels the financial position of the School District is adequate.

Capital Assets

At June 30, 2014, the Board had approximately \$2.573 million invested in capital assets including land, buildings, equipment costing \$5,000 or more. This amount is net of accumulated depreciation to date. Increases during the year represent additions to those categories, while decreases represent retirements of assets during the year and depreciation of depreciable assets for the year.

Table 4 reflects fiscal year 2014 balances:

Table 4
Capital Assets at June 30, 2014
(Net of Depreciation)

| | |
|--------------------------|--------------------|
| Land | \$ 12,262 |
| Land Improvements | 130,115 |
| Buildings & Improvements | 2,130,333 |
| Machinery & Equipment | <u>300,259</u> |
| Totals | <u>\$2,572,969</u> |

**SCOBEY PUBLIC SCHOOLS DISTRICT #1
DANIELS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Debt

At June 30, 2014, the District had \$410,000 in general obligation bonds and \$147,455 in compensated absences. General obligation bonds have an issue date of 4/10/97 with a 20 year term at an interest rate of 4.25% - 5.5%. Compensated absences balance represent vacation and sick leave earned by employees which is payable upon termination. A summary of the District's outstanding long-term debt for the year ended June 30, 2014 is presented below:

| | |
|--------------------------|-------------------|
| General obligation bonds | \$ 410,000 |
| Compensated absences | <u>147,455</u> |
| Total | <u>\$ 557,455</u> |

Current Issues

Scobey School District has steady pupil enrollment. Fortunately, the School Districts entered the recession with a strong cash position and supportive community. If the economy continues to decline and revenues fall, the Administration and Board of Trustees will be faced with challenges to make changes in order to keep the School District solvent.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability of the monies it received. Questions about this report or additional financial information needs should be directed to Colleen Drury, District Clerk/Business Manager, Scobey School District #1, PO Box 10 Scobey, MT 59263.

SCOBEEY PUBLIC SCHOOLS
DANIELS COUNTY
SCOBEEY, MONTANA
STATEMENT OF NET POSITION
JUNE 30, 2014

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| ASSETS | |
| Current Assets | |
| Cash and Investments (Note C) | \$ 1,111,126 |
| Taxes Receivable | 34,628 |
| Intergovernmental Receivable (Note H) | 24,773 |
| Total Current Assets | <u>1,170,527</u> |
| Noncurrent Assets | |
| Capital Assets (Note D) | |
| Land | 12,262 |
| Capital Assets (Net of Accumulated Depreciation, where applicable) | 2,560,707 |
| Total Noncurrent Assets | <u>2,572,969</u> |
| Total Assets | <u>3,743,496</u> |
| | |
| LIABILITIES | |
| Current Liabilities | |
| Accounts Payable | 9,840 |
| Current Portion of Compensated Absences (Note F) | 55,036 |
| Current Portion of Long-Term Liabilities (Note F) | 130,000 |
| Total Current Liabilities | <u>194,876</u> |
| Noncurrent Liabilities (Note F) | |
| Compensated Absences | 92,419 |
| Bonds Payable | 280,000 |
| Total Noncurrent Liabilities | <u>372,419</u> |
| Total Liabilities | <u>567,295</u> |
| | |
| NET POSITION | |
| Net Investment in Capital Assets | 2,162,969 |
| Restricted (Note Q) | 802,552 |
| Unrestricted | 210,680 |
| Total Net Position | <u>\$ 3,176,201</u> |

See notes to the financial statements.

SCOBEE PUBLIC SCHOOLS
DANIELS COUNTY
SCOBEE, MONTANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

| <u>Functions</u> | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense)</u> |
|---|---------------------|-------------------------|----------------------|----------------------|----------------------|
| | | <u>Charges for</u> | <u>Operating</u> | <u>Capital</u> | <u>Revenue and</u> |
| | | <u>Services</u> | <u>Grants and</u> | <u>Grants and</u> | <u>Changes in</u> |
| | | | <u>Contributions</u> | <u>Contributions</u> | <u>Net Position</u> |
| | | | | | <u>Total</u> |
| | | | | | <u>Governmental</u> |
| | | | | | <u>Activities</u> |
| Governmental activities: | | | | | |
| Instruction: | | | | | |
| Regular Programs | \$ 1,302,343 | \$ - | \$ 114,410 | \$ - | \$ (1,187,933) |
| Special Programs | 200,497 | - | 72,260 | - | (128,237) |
| Vocational Programs | 252,670 | - | 5,445 | - | (247,225) |
| Adult Education Programs | 6,107 | - | - | - | (6,107) |
| Supporting services: | | | | | |
| Student | 66,609 | - | - | - | (66,609) |
| Library | 53,151 | - | - | - | (53,151) |
| District administration | 163,224 | - | - | - | (163,224) |
| School administration | 214,169 | - | - | - | (214,169) |
| Business | 55,056 | - | - | - | (55,056) |
| Operation and maintenance | 460,982 | - | - | - | (460,982) |
| Transportation | 361,205 | - | 181,812 | - | (179,393) |
| School food services | 171,105 | 61,049 | 33,254 | - | (76,802) |
| Extracurricular | 142,422 | - | - | - | (142,422) |
| Other Current Charges | 2,988 | - | - | - | (2,988) |
| Depreciation - Unallocated* | 10,608 | - | - | - | (10,608) |
| Interest on long-term liabilities | 29,305 | - | - | - | (29,305) |
| Total school district | <u>\$ 3,492,441</u> | <u>\$ 61,049</u> | <u>\$ 407,181</u> | <u>\$ -</u> | <u>(3,024,211)</u> |
| General revenues: | | | | | |
| District Levies | | | | | 983,083 |
| Penalties and Interest on Taxes | | | | | 4,670 |
| County Retirement Distribution | | | | | 287,086 |
| Federal and state aid not restricted to specific purposes | | | | | 1,719,953 |
| Earnings on investments | | | | | 7,404 |
| Miscellaneous | | | | | 36,511 |
| Total general revenues | | | | | <u>3,038,707</u> |
| Change in net position | | | | | 14,496 |
| Net position - beginning | | | | | <u>3,161,705</u> |
| Net position - ending | | | | | <u>\$ 3,176,201</u> |

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to the financial statements.

SCOBEY PUBLIC SCHOOLS
DANIELS COUNTY
SCOBEY, MONTANA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

| | General Fund | Miscellaneous Programs Fund | Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|--|-------------------|-----------------------------------|-------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Petty Cash | \$ 200 | \$ - | \$ - | \$ - | \$ 200 |
| Cash in County Treasury (Note C) | 344,821 | 494,807 | 11,627 | 259,671 | 1,110,926 |
| Taxes Receivable: | | | | | |
| Real & Personal | 19,347 | - | 4,318 | 6,054 | 29,719 |
| Protested | 2,604 | - | 1,547 | 758 | 4,909 |
| Due From Other Governments (Note H) | - | - | - | 24,773 | 24,773 |
| Total Assets | <u>\$ 366,972</u> | <u>\$ 494,807</u> | <u>\$ 17,492</u> | <u>\$ 291,256</u> | <u>\$ 1,170,527</u> |
| LIABILITIES AND FUND EQUITY | | | | | |
| Liabilities | | | | | |
| Accounts Payable | \$ 8,837 | \$ - | \$ - | \$ - | \$ 8,837 |
| Interfund Payable (Note G) | - | 1,003 | - | - | 1,003 |
| Total Liabilities | <u>8,837</u> | <u>1,003</u> | <u>-</u> | <u>-</u> | <u>9,840</u> |
| Deferred Inflows of Resources (Note R) | | | | | |
| Unavailable Tax Revenue | 21,951 | - | 5,865 | 6,812 | 34,628 |
| Total Deferred Inflows of Resources | <u>21,951</u> | <u>-</u> | <u>5,865</u> | <u>6,812</u> | <u>34,628</u> |
| Fund Equity | | | | | |
| Fund Balance | | | | | |
| Restricted (Note Q) | - | 493,804 | 11,627 | 284,444 | 789,875 |
| Assigned (Note Q) | 89,486 | - | - | - | 89,486 |
| Unassigned | 246,698 | - | - | - | 246,698 |
| Total Fund Equity | <u>336,184</u> | <u>493,804</u> | <u>11,627</u> | <u>284,444</u> | <u>1,126,059</u> |
| Total Liabilities and Fund Equity | <u>\$ 366,972</u> | <u>\$ 494,807</u> | <u>\$ 17,492</u> | <u>\$ 291,256</u> | <u>\$ 1,170,527</u> |

Reconciliation to the Statement of Net Position

| | |
|--|---------------------|
| Total Fund balance reported above | \$ 1,126,059 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$8,378,237 and the accumulated depreciation is \$5,805,268. | 2,572,969 |
| Less Liabilities not reported above: | |
| Compensated Absences | (147,455) |
| Long-term Bonds Payable | (410,000) |
| Unavailable Revenue recognized as revenue in the government-wide statements | |
| Property Taxes | <u>34,628</u> |
| Net Position | <u>\$ 3,176,201</u> |

See notes to the financial statements.

SCOBEY PUBLIC SCHOOLS
DANIELS COUNTY
SCOBEY, MONTANA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

| | General Fund | Miscellaneous Programs Fund | Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------|-------------------|-----------------------------------|-------------------------|--------------------------------|--------------------------------|
| Revenues | | | | | |
| District Levy | \$ 654,171 | \$ - | \$ 140,981 | \$ 205,321 | \$ 1,000,473 |
| Penalty/Interest on Delinquent Taxes | 3,062 | - | 834 | 774 | 4,670 |
| Interest Earnings | 2,351 | 3,332 | 263 | 1,458 | 7,404 |
| Miscellaneous | 1,771 | 26,303 | - | 8,437 | 36,511 |
| County Sources | - | 70,411 | - | 380,316 | 450,727 |
| State Sources | 1,703,342 | 43,631 | 12,049 | 94,993 | 1,854,015 |
| Federal Sources | - | 76,224 | - | 33,254 | 109,478 |
| Lunch Sales | - | - | - | 61,049 | 61,049 |
| Total Revenues | <u>2,364,697</u> | <u>219,901</u> | <u>154,127</u> | <u>785,602</u> | <u>3,524,327</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular Programs | 1,112,181 | 2,323 | - | 179,218 | 1,293,722 |
| Special Programs | 51,443 | 127,280 | - | 21,774 | 200,497 |
| Vocational Programs | 170,637 | 61,156 | - | 20,877 | 252,670 |
| Adult Education Programs | - | - | - | 6,107 | 6,107 |
| Supporting services: | | | | | |
| Student | 59,898 | - | - | 6,711 | 66,609 |
| Library | 47,049 | - | - | 6,102 | 53,151 |
| District Administration | 146,681 | - | - | 16,543 | 163,224 |
| School Administration | 176,951 | - | - | 37,218 | 214,169 |
| Business | 39,757 | - | - | 15,299 | 55,056 |
| Operation and Maintenance | 305,449 | - | - | 15,471 | 320,920 |
| Transportation | - | - | - | 296,255 | 296,255 |
| School Food Services | 67,883 | - | - | 103,222 | 171,105 |
| Extracurricular | 133,120 | - | - | 9,302 | 142,422 |
| Other Current Charges | - | - | 2,988 | - | 2,988 |
| Capital outlay | 28,434 | 78,078 | - | - | 106,512 |
| Debt Service: | | | | | |
| Principal | - | - | 120,000 | - | 120,000 |
| Interest and Fiscal Charges | - | - | 29,305 | - | 29,305 |
| Total Expenditures | <u>2,339,483</u> | <u>268,837</u> | <u>152,293</u> | <u>734,099</u> | <u>3,494,712</u> |
| Net Change in Fund Balances | 25,214 | (48,936) | 1,834 | 51,503 | 29,615 |
| Beginning of Year | 310,970 | 542,740 | 9,793 | 232,941 | 1,096,444 |
| End of Year | <u>\$ 336,184</u> | <u>\$ 493,804</u> | <u>\$ 11,627</u> | <u>\$ 284,444</u> | <u>\$ 1,126,059</u> |

See notes to the financial statements.

SCOBEY PUBLIC SCHOOLS
 DANIELS COUNTY
 SCOBEY, MONTANA
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2014

| | |
|---|-------------------------|
| Change in fund balances as reported in the governmental funds statement | \$ 29,615 |
| <p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$232,033) exceeds capital outlay (\$106,512) in the period.</p> | (125,521) |
| <p>Because some property taxes will not be collected for several months after the district's fiscal year ends, they are not considered "available" revenues and are unavailable in the governmental funds. Unavailable tax revenues decreased by this amount this year.</p> | (17,390) |
| <p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p> | 120,000 |
| <p>In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, these expenditures are measured by the amount of financial resources used. This year, vacation and sick leave used exceeded the amount earned.</p> | <u>7,792</u> |
| Change in net position on the statement of activities | <u><u>\$ 14,496</u></u> |

See notes to the financial statements.

SCOBAY PUBLIC SCHOOLS
DANIELS COUNTY
SCOBAY, MONTANA
STATEMENT OF FIDUCIARY NET POSITION AND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

| FIDUCIARY NET POSITION | <u>Private Purpose Trust Funds</u> |
|--|--|
| ASSETS | |
| Cash in Bank (Note C) | \$ 45,668 |
| Cash in County Treasury (Note C) | 33,430 |
| Interfund Receivable (Note G) | 1,003 |
| Total Assets | <u>80,101</u> |
| NET POSITION | |
| Held in Trust | <u>\$ 80,101</u> |
| | |
| CHANGES IN FIDUCIARY NET POSITION | |
| ADDITIONS | |
| Revenue from Student Activities | \$ 108,817 |
| Investment Earnings | 217 |
| Miscellaneous Revenue | 15 |
| Total Additions | <u>109,049</u> |
| DEDUCTIONS | |
| Expenses of Student Activities | <u>109,603</u> |
| Total Deductions | <u>109,603</u> |
| Change in Net Position | (554) |
| Net Position, Beginning of Year | <u>80,655</u> |
| Net Position, End of Year | <u>\$ 80,101</u> |

See notes to the financial statements.

SCOBEEY PUBLIC SCHOOLS
DANIELS COUNTY
SCOBEEY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Scobey Public Schools, Daniels County, Montana, delivers education services at all levels below the college and university level. The School is managed by a Board of Trustees, elected in a district-wide election, and by a central administration appointed by and responsible to the Board. Effective July 1, 1992, Scobey Public Schools is a K-12 School District. A K-12 School District is a high school district which has an elementary district attached and provides educational services for both elementary and high school programs.

As defined by U.S. generally accepted accounting principles, the financial reporting entity consists of 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. Financial accountability is defined as appointment of a voting majority of the component unit's board and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

The accompanying financial statements present only Scobey Public Schools, as they have no component units that would be included in the financial data of the School.

The county government of Daniels County provides substantial services to the School. Taxes are levied and collected by the County. Cash is maintained and invested by the County Treasurer. County Commissioners have a legal right to review and approve the budget adopted by the School. Yet, the School is not considered to be a component of the County. Management policies and day-to-day control of the School is the sole responsibility of the Board of Trustees. The County does not significantly influence the operations of the school; thus, the School is being treated as a separate and independent unit of local government.

BASIS OF PRESENTATION AND BASIS OF ACCOUNTING

GOVERNMENT-WIDE STATEMENTS - The statement of net position and the statement of activities show information about the overall financial position and activities of the School with the exception of the student activities fund, which accounts for the extracurricular activities of the School's students, the Miscellaneous Trust Fund, which accounts for donated funds used to purchase memorials at a park belonging to the school, and the flex plan fund which is used to report assets held by the school in a custodial capacity. These are reported as private purpose trust and agency funds respectively in the fund financial statements section. Eliminations have been made to minimize the double counting of internal activities of the overall government.

These statements are reported using the economic resources measurement focus and the accrual basis of accounting. The activities of the School are generally financed through property taxes, state equalization funding, and federal and state grants. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. On the accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which eligibility requirements have been met.

The Statement of Activities present a comparison between direct expenses and program revenues for each function of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function. The School does not charge indirect expenses to programs or functions. Program revenues include fees for services and grants and contributions that are restricted

SCOBEY PUBLIC SCHOOLS
DANIELS COUNTY
SCOBEY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
BASIS OF PRESENTATION AND BASIS OF ACCOUNTING (Continued)
GOVERNMENT-WIDE STATEMENTS (Continued)

to a particular program. Revenues that are not classified as program revenue, including all property taxes, are presented as general revenues.

FUND FINANCIAL STATEMENTS - These statements provide information about the school's funds, including a separate statement for the school's fiduciary funds (the student activity fund, miscellaneous trust fund, and flex plan fund). The emphasis of fund financial statements is on major governmental funds. Each major fund is displayed in a separate column. All of the remaining funds are aggregated and reported in a single column as non-major funds.

These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. State and other governmental revenues applicable to the current fiscal year and collected within 60 days after year-end are recognized as revenue. Most property taxes receivable are delinquent at June 30 and amounts collected within 60 days after year-end are not significant. Deferred taxes are recorded in the governmental funds for these receivables.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and payments for compensated absences which are recognized as expenditures when paid. 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.

Under the terms of the School's grant agreements, certain programs are funded by specific cost-reimbursement grants and general revenues. Generally, the School applies cost-reimbursement funds first to finance such programs with remaining costs paid for with general revenue.

GASB Statement No. 34 requires that the general fund be reported as a major fund and that all other governmental funds whose assets, liabilities, revenues or expenditures exceed 10% or more of the total for all governmental funds also be reported as major funds. Accordingly the School reports the following major governmental funds:

General fund - the School's primary operating fund which accounts for all financial resources of the School except those required to be accounted for in other funds.

Miscellaneous Programs fund - accounts for grants of state or federal monies other than monies designated for deposit in a specific fund.

Debt Service fund - accounts for payment of principal and interest on outstanding bonds.

Warrants Payable: The School makes expenditures by means of warrants. These warrants are orders to the County Treasurer to pay a specified sum to the person named. Outstanding warrants are recorded as disbursements in individual funds and cash balances in individual funds are reduced for outstanding warrants.

SCOBEY PUBLIC SCHOOLS
DANIELS COUNTY
SCOBEY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets: Capital assets which includes plant, property, equipment and infrastructure assets, with a cost of \$5,000 or more are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure assets are also capitalized. Depreciation is computed using the straight-line method. The following is a summary of asset classifications and range of depreciable lives.

| | |
|-----------------------------------|-------------|
| Buildings and Improvements | 20-50 Years |
| Improvements Other Than Buildings | 10-20 Years |
| Machinery and Equipment | 5-30 Years |

Encumbrances: Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. Encumbrances are also used to record obligations for grant funding. Encumbrances outstanding at year end are reported as assigned fund balances since they do not constitute expenditures or liabilities. Encumbrances at June 30, 2014 were: General Fund \$89,486.

Inventories: Inventories are valued at cost. The costs of inventories in governmental funds are recorded as expenditures at the time of purchase.

Compensated Absences: Liabilities incurred because of accumulated unused vacation and sick pay which is payable upon termination is included in the financial statements. The liability for vacation pay is recorded as a current liability payable within one year in the government wide financial statements. The liability for unused sick leave is recorded as a non-current liability.

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

Fund Equity: In governmental fund type accounts, fund equity is called "fund balance". Fund balance is reported in the following classifications which reflect the extent to which the School is bound to honor constraints on the purposes for which the amounts can be spent: nonspendable, restricted, committed, assigned, and unassigned.

When resources meeting more than one of the classifications (excluding nonspendable) are comingled in an account, assuming that an expenditure meets the constraints of the classification, the assumed order of spending is restricted first, committed second, and finally assigned.

NOTE B - PROPERTY TAX

All property taxes are collected by the Daniels County, Montana, Treasurer. Property taxes attach as an enforceable lien on property as of January 1, and are levied on the 2nd Monday in August. They are due in two equal installments on November 30th and May 31st, following the levy date.

SCOBEY PUBLIC SCHOOLS
DANIELS COUNTY
SCOBEY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE B - PROPERTY TAX (Continued)

The tax levies for the School for the year ended June 30, 2014 were as follows:

| | Mill Levy |
|------------------------|-----------|
| General Fund | 121.72 |
| Transportation Fund | 27.53 |
| Bus Depreciation Fund | 6.31 |
| Adult Education Fund | 1.13 |
| Technology Fund | 3.68 |
| Debt Service Fund | |
| Scobey Jurisdiction | 43.71 |
| Flaxville Jurisdiction | 1.56 |
| Peerless Jurisdiction | 2.26 |
| Total | 207.90 |

The taxable valuation upon which the above levies were based was \$5,549,449.

NOTE C - CASH AND INVESTMENTS

Cash and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

| | |
|----------------------------|--------------|
| Statement of Net Position | |
| Cash and Investments | \$ 1,111,126 |
| Fiduciary Funds | |
| Cash in Bank | 45,668 |
| Cash in County Treasury | 33,430 |
| Total Cash and Investments | \$ 1,190,224 |

Cash and investments consist of the following as of June 30, 2014:

| | |
|--|--------------|
| Petty Cash | \$ 200 |
| Cash in Banks: | |
| Demand Deposit with Financial Institution | 45,668 |
| Held by Treasurer of Daniels County: | |
| Demand Deposit with Financial Institution | 11,716 |
| Savings Deposit with Financial Institution | 1,132,640 |
| Total | \$ 1,190,224 |

Cash and investments, except those of the Extracurricular Fund and the Petty Cash fund, are held by the County Treasurer. The Board of Trustees may invest money of the School in 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 or in a repurchase agreement. A School may also invest money under the state unified investment program.

SCOBEY PUBLIC SCHOOLS
DANIELS COUNTY
SCOBEY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE C - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Daniels County Commissioners require 100% security on money held in financial institutions by the Treasurer of Daniels County. The County government is considered to have \$250,000 FDIC insurance per financial institution per public unit. Therefore, the School is considered to have \$250,000 FDIC insurance.

As of June 30, 2014, the school's bank balance was exposed to custodial credit risk as follows:

| | |
|--|---------------------|
| Insured | \$ 295,868 |
| Uninsured and collateral held by the pledging financial institution's agent but in the name of the Treasurer of Daniels County | <u>894,356</u> |
| Total | <u>\$ 1,190,224</u> |

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The school had no investments subject to credit risk.

Concentration of Credit Risk

The investment policy of the School contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the Montana Code Annotated. The school has demand and savings deposits in the amount of \$45,868 with Independence Bank which represents 4% of all deposits. The school has \$1,144,356 in demand and savings deposits held by the Treasurer of Daniels County, which represents 96% of all deposits.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rates.

Foreign Currency Risk

The School does not have a formal policy to limit foreign currency risk and does not have any foreign currency risk as the School does not own any foreign currency.

SCOBEY PUBLIC SCHOOLS
DANIELS COUNTY
SCOBEY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE D - CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2014 is as follows:

| | Balance 7-1-13 | Additions | Deletions | Balance 6-30-14 |
|--|---------------------|---------------------|-------------|---------------------|
| Land | \$ 12,262 | \$ - | \$ - | \$ 12,262 |
| Land Improvements | 140,647 | 69,079 | - | 209,726 |
| Buildings and Improvements | 7,065,898 | 19,185 | - | 7,085,083 |
| Machinery and Equipment | 1,052,918 | 18,248 | - | 1,071,166 |
| Total Capital Assets at historical cost | <u>8,271,725</u> | <u>106,512</u> | <u>-</u> | <u>8,378,237</u> |
| Less Accumulated Depreciation for: | | | | |
| Land Improvements | 71,901 | 7,710 | - | 79,611 |
| Buildings and Improvements | 4,816,352 | 138,398 | - | 4,954,750 |
| Machinery and Equipment | 684,982 | 85,925 | - | 770,907 |
| Total Accumulated Depreciation | <u>5,573,235</u> | <u>232,033</u> | <u>-</u> | <u>5,805,268</u> |
| Capital Assets, Net | <u>\$ 2,698,490</u> | <u>\$ (125,521)</u> | <u>\$ -</u> | <u>\$ 2,572,969</u> |

Depreciation expense was charged to functions as follows:

| | |
|----------------------------|-------------------|
| Instruction | \$ 16,413 |
| Operation and maintenance | 140,062 |
| Transportation | 64,950 |
| Unallocated | 10,608 |
| Total depreciation expense | <u>\$ 232,033</u> |

NOTE E - RETIREMENT PLANS

The School participates in two state-wide, cost-sharing, multiple-employer, defined benefit retirement plans which cover all employees, except certain substitute teachers and part-time, non-teaching employees. The Teacher's Retirement System (TRS) covers certified teaching employees, including principals and superintendents. The Public Employee Retirement System (PERS) covers non-teaching employees. The plans are established by State law and are administered by the Department of Administration of the State of Montana. The plans provide retirement, disability, and death benefits to plan members and beneficiaries.

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

Teachers Retirement System
P.O. Box 200139
1500 Sixth Avenue
Helena, MT 59620-0139
Phone: 406-444-3134

Public Employees Retirement System
P.O. Box 200131
1712 Ninth Avenue
Helena, MT 59620-0131
Phone: 406-444-3154

SCOBEY PUBLIC SCHOOLS
DANIELS COUNTY
SCOBEY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE E - RETIREMENT PLANS (CONTINUED)

Contribution rates for both plans are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll, were as follows:

| | Employer | Employee | Total |
|------|----------|----------|--------|
| TRS | 8.47% | 8.15% | 16.62% |
| PERS | 7.80% | 7.90% | 15.70% |

For the year ended June 30, 2014, the State of Montana contributed .37% of the employees' payroll for PERS and 2.49% for TRS. These are considered on-behalf payments. The School does not record these contributions in their financial statements.

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

| | 2012 | 2013 | 2014 |
|-------|------------|------------|------------|
| TRS | \$ 179,422 | \$ 195,600 | \$ 271,879 |
| PERS | 51,666 | 50,985 | 53,862 |
| Total | \$ 231,088 | \$ 246,585 | \$ 325,741 |

NOTE F - LONG-TERM LIABILITIES

General Obligation Bonds Payable

General obligation bonds are payable from amounts available in the Debt Service Fund and from revenues from future years' debt service property tax levies, which are restricted by state law to the payment of general obligation bond principal and interest. The following is a summary of bond transactions of Scobey Public Schools for the year ended June 30, 2014.

| | |
|----------------------------------|------------|
| Bonds Payable, Beginning of Year | \$ 530,000 |
| Bonds Retired | 120,000 |
| Bonds Payable, End of Year | \$ 410,000 |

Bonds payable at June 30, 2014 are comprised of the following individual School Building Bond issues:

| | Date of Issue | Term | Interest Rate | Authorized and Issued | Retired | Outstanding 06/30/14 |
|----------------------|---------------------|----------|------------------|--------------------------|--------------|-------------------------|
| K-12 District | | | | | | |
| | 4-10-97 | 20 years | 4.25%-5.5% | \$ 1,750,000 | \$ 1,340,000 | \$ 410,000 |

The annual requirements to amortize the 1997 issue are as follows:

| | Principal Amount | Interest | Total Debt Service |
|-------|---------------------|-----------|-----------------------|
| Year | | | |
| 2015 | \$ 130,000 | \$ 22,550 | \$ 152,550 |
| 2016 | 135,000 | 15,400 | 150,400 |
| 2017 | 145,000 | 7,975 | 152,975 |
| Total | \$ 410,000 | \$ 45,925 | \$ 455,925 |

SCOBEY PUBLIC SCHOOLS
DANIELS COUNTY
SCOBEY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE F - LONG-TERM LIABILITIES (CONTINUED)

General Obligation Bonds Payable (Continued)

There was \$11,627 available in the Debt Service Fund to service the general obligation bonds.

Compensated Absences Payable

Compensated absences payable, which represent vacation and sick leave earned by employees which is payable upon termination, were as follows:

| | Balance 7-1-13 | Increase (Decrease) | Balance 6-30-14 |
|-------------------------|-------------------|------------------------|--------------------|
| Vacation and Sick Leave | \$ 155,247 | \$ (7,792) | \$ 147,455 |

Compensated absences are liquidated out of the same governmental funds used to pay each individual employee's salary.

NOTE G - INTERFUND BALANCES

There is an interfund balance of \$1,003 owed by the Miscellaneous Programs Fund to the Private Purpose Trust Fund from the annexation of Peerless Schools.

NOTE H - DUE FROM OTHER GOVERNMENTS

The Due From Other Governments consisted of funding to be received for the 2013-2014 traffic education program in the amount of \$1,830, and 2013-2014 transportation payments to be received from OPI of \$22,943.

NOTE I - ENDOWMENT FUND

The Endowment Fund consists of three separate scholarship funds established during the fiscal year ended June 30, 1990 and a scholarship fund established on April 15, 1993. All four of the scholarship funds are to provide funding to a Scobey School Senior or a college student graduating from Scobey School. All four funds also require that the principal amount of the scholarship fund remain intact. All scholarship trust funds established are irrevocable and shall continue as long as Scobey Public Schools exists.

NOTE J - CONTINGENT LIABILITIES

The School is mandated to bring the school up to federal asbestos specifications. The cost of implementing all inspection recommendations cannot be determined at this time. An asbestos management program is regularly monitored, updated, and on file in regards to federal specifications.

NOTE K - JOINT VENTURE

Scobey Public Schools is a participant with three other school districts in the Sheridan Daniels Special Education Cooperative. The Cooperative is governed by a four member advisory council composed of all school superintendents or the designated representative of each of the participating schools. Plentywood School is the host school for the cooperative. The Sheridan Daniels Special Education Cooperative is a joint venture established by interlocal agreement to offer certain special education services to all handicapped students in compliance with State and Federal law. Scobey Public Schools has an ongoing financial responsibility to fund their fair share of the total cooperative budget and Social Security, TRS, PERS, and Unemployment Insurance for Cooperative employees. Complete financial statements for the Sheridan Daniels Special Education Cooperative can be obtained from the Cooperative.

SCOBEEY PUBLIC SCHOOLS
DANIELS COUNTY
SCOBEEY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE L - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Scobey Public Schools implemented GASB 45 for fiscal year 2012. The School allows its retired employees to continue to participate in its group health insurance plan at a premium rate that may or may not cover all of the related health care costs. This may result in an other post employment benefit (OPEB) referred to as an "implicit rate subsidy". OPEB is considered to be a long term liability and is recorded on the modified accrual basis for governmental funds, and on the accrual basis for the government wide statement of net position and activities.

Plan description - The school provides employee medical, dental and vision insurance through a privately administered purchased plan.

Funding Policy - The school provides no direct subsidy to the health insurance premiums for retirees. Retirees pay the entire cost of the health insurance premium. Eligible retired employees include former fulltime and certain other employees. At June 30, 2014 the School had 4 retired participants, spouses, and surviving spouses on their plan, and no employees covered under COBRA insurance coverage. In 2014, retirees contributed \$32,724 towards the cost of the school's annual premium.

Annual OPEB Cost Obligation - The schools other post employment benefit (OPEB) cost (expense) is calculated using the alternative measurement method, and is based on the projected unit credit cost method as of June 30, 2014. The objective under this method is to fund each participant's benefits under the plan as they accrue. Thus, the total benefit to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service. Typically, when this method is introduced, there will be an initial liability for benefits credited for service prior to that date, and to the extent that the liability is not covered by assets of the plan, there is an unfunded liability to be funded over a stipulated period in accordance with an amortization schedule. The schools insurance company provided the policy information for the School to evaluate the potential liability as of June 30, 2014. The School had no liability as of June 30, 2014.

Funded Status and Funding Progress - As of June 30, 2014, there was not an unfunded portion.

Methods and Assumptions - Projection of benefits for financial reporting purposes are based on the substantive plan and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual fund limitations on the pattern of cost sharing between employer and plan members in the future. The methods used are designed to reduce effects of short-term volatility in accrued liabilities and the value of assets, consistent with the long term perspective of the calculations.

The following assumptions were made:

| | |
|-----------------------------|-----------------------|
| Cost Method: | Projected Unit Credit |
| Amortization Method: | Level Percent |
| Inflation Rate: | 4.00% |
| Investment Return: | 4.00% |
| Participation Rate: | 100.00% |
| Projected Salary Increases: | 2.00% |
| Healthcare Cost Trend Rate: | 3.65-6.86% |

SCOBEY PUBLIC SCHOOLS
DANIELS COUNTY
SCOBEY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE L - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS(CONTINUED)

For valuation purposes, health care cost increases are assumed to apply at the end of the plan year.

NOTE M - RISK MANAGEMENT

The School 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 is used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, employee medical costs, and professional liabilities. The School participates in one state-wide public risk pool operated by the Workers' Compensation Risk Retention Program for workers' compensation coverage. And, given the lack of coverage available, the School has no coverage for potential losses from environmental damages.

Coverage limits and the deductibles on the commercial policies have stayed relatively constant for the last several years. The premiums for property and content damage and professional liability are allocated between the school's General Fund and Transportation Fund (a special revenue fund). The premiums for the employee medical plan are allocated to the appropriate funds based on salaries paid from the funds. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

In November 1989, the School joined together with other Montana schools and became a member of the Montana Schools Group Insurance Authority. This is a public entity risk pool which offers workers' compensation coverage under the Workers' Compensation Risk Retention Program. The pool currently operates as a common risk management and insurance program for member schools. The formation of the pool provides that it will be self-sustaining through member premiums.

NOTE N - SUBSEQUENT EVENTS

The School recognizes all effects of subsequent events that provide additional evidence about conditions that existed as of June 30, 2014, including the estimates inherent in the process of preparing financial statements. Subsequent events that provide evidence about conditions that did not exist as of June 30, 2014, but arose after that date and prior to issuance are not recognized in these financial statements other than disclosure. The following are subsequent events that are required to be disclosed as of June 30, 2014. The School evaluates the subsequent events through the date of the audit report.

On October 20, 2014 the board of trustees adopted a resolution to refinance the 1997 bond for the purpose of reducing interest expense. The original bond issue matures in 2017 and has an interest rate that ranges from 4.25% to 5.5%. The refinanced bonds (General Obligation Refunding Bonds, Series 2014B) mature in 2017 and have an interest rate of 1%.

On October 20, 2014 the board of trustees adopted a resolution to issue General Obligation School Building and Refunding Bonds, Series 2014A for the purpose of replacing the school's coal fired heating system with a natural gas system. The face value cost of the bonds is \$2,000,000. The bonds mature on July 1, 2035 and have an interest rate that varies from 1% to 4%.

NOTE O - NEGATIVE CASH BALANCES

The School's Transportation Fund and the Debt Service Fund had negative cash balances while holding investments at June 30, 2014.

SCOBEY PUBLIC SCHOOLS
DANIELS COUNTY
SCOBEY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE P - GOVERNMENTAL FUND BALANCES

The School's governmental fund balances are classified according to the relative constraints that control how amounts can be spent. Classifications include:

Nonspendable

Balances that either are not in spendable form or contractually required to remain intact.

Restricted

Balances that are restricted for specific purposes by the constitution, enabling governing body, or external resource providers such as creditors, grantors, or laws or regulations of other governments.

Committed

Balances that are restricted for specific purposes by the constraints imposed by resolution of the Board of Trustees.

Assigned

Balances that are constrained by encumbrance or resolution of Board of Trustees to be used for specific purposes, but are neither restricted nor committed.

Unassigned

Residual balances that are not contained in the other classifications.

NOTE Q - FUND BALANCES AND RESTRICTED NET POSITION

Fund Balances

Fund balances are classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below.

SCOBEEY PUBLIC SCHOOLS
DANIELS COUNTY
SCOBEEY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE Q - FUND BALANCES AND RESTRICTED NET POSITION (CONTINUED)

Fund Balances for 2014:

| <u>Fund Balances</u> | <u>General</u> | <u>Debt Service</u> | <u>Miscellaneous Programs</u> | <u>Other Funds</u> | <u>Total Governmental Funds</u> |
|----------------------------|-------------------|-------------------------|-----------------------------------|------------------------|---|
| Restricted for: | | | | | |
| Transportation | \$ - | \$ - | \$ - | \$ 31,921 | \$ 31,921 |
| Bus Replacement | - | - | - | 92,763 | 92,763 |
| School Food | - | - | - | 1,630 | 1,630 |
| Retirement | - | - | - | 83,036 | 83,036 |
| Misc. Grants | - | - | 493,804 | - | 493,804 |
| Education | - | - | - | 8,543 | 8,543 |
| Comp Absences | - | - | - | 22,029 | 22,029 |
| Technology Acquisition | - | - | - | 43,313 | 43,313 |
| Debt | - | 11,627 | - | - | 11,627 |
| Facility Improvement | - | - | - | 1,209 | 1,209 |
| Total Restricted | - | 11,627 | 493,804 | 284,444 | 789,875 |
| Assigned for: | | | | | |
| Encumbrances | 89,486 | - | - | - | 89,486 |
| Total Assigned | 89,486 | - | - | - | 89,486 |
| Unassigned | 246,698 | - | - | - | 246,698 |
| Total Fund Balances | \$ 336,184 | \$ 11,627 | \$ 493,804 | \$ 284,444 | \$ 1,126,059 |

The School is required by law or contract that certain assets be restricted for a specific purpose. The School classifies the net position of these funds as restricted net position.

These Funds and their net position at June 30, 2014, are as follows:

| | |
|-------------------------|-------------------|
| Restricted for: | |
| Transportation | \$ 36,041 |
| Bus Replacement | 94,398 |
| School Food | 1,630 |
| Retirement | 83,036 |
| Misc. Grants | 493,804 |
| Education | 8,822 |
| Comp Absences | 22,029 |
| Technology Acquisition | 44,091 |
| Debt | 17,492 |
| Facility Improvement | 1,209 |
| Total Restricted | \$ 802,552 |

SCOBEE PUBLIC SCHOOLS
DANIELS COUNTY
SCOBEE, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE R - DEFERRED INFLOWS AND DEFERRED OUTFLOWS OF RESOURCES

On the Balance Sheet for the governmental funds, taxes levied but not collected are classified as deferred inflows of resources as these funds were not collected and available within the reporting period. This account is eliminated on the Government Wide Financial Statements.

REQUIRED SUPPLEMENTARY INFORMATION

**SCOBEY PUBLIC SCHOOLS
DANIELS COUNTY
SCOBEY, MONTANA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

| | General Fund | | | Variance From Final Budget | Budget to GAAP Differences Over (Under) | Flexibility Fund | Actual Amounts GAAP Basis |
|--|--------------------|--------------------|--------------------|----------------------------------|---|---------------------|---------------------------------|
| | Budgeted Amounts | | Actual Amounts | | | | |
| | Original | Final | Budgetary Basis | | | | |
| Revenues | | | | | | | |
| District Levy | \$ 675,506 | \$ 675,506 | \$ 654,171 | \$ (21,335) | \$ - | \$ - | \$ 654,171 |
| Penalty/Interest on Delinquent Taxes | - | - | 3,062 | 3,062 | - | - | 3,062 |
| Interest Earnings | - | - | 2,281 | 2,281 | - | 70 | 2,351 |
| Miscellaneous | - | - | 1,771 | 1,771 | - | - | 1,771 |
| State Sources | 1,701,769 | 1,701,769 | 1,703,342 | 1,573 | - | - | 1,703,342 |
| Total Revenues | <u>2,377,275</u> | <u>2,377,275</u> | <u>2,364,627</u> | <u>(12,648)</u> | <u>-</u> | <u>70</u> | <u>2,364,697</u> |
| Expenditures | | | | | | | |
| Current: | | | | | | | |
| Instruction: | | | | | | | |
| Regular Programs | 1,153,792 | 1,153,792 | 1,174,515 | (20,723) | 62,334 | - | 1,112,181 |
| Special Programs | 85,000 | 85,000 | 54,798 | 30,202 | 3,355 | - | 51,443 |
| Vocational Programs | 168,202 | 168,202 | 169,062 | (860) | (1,575) | - | 170,637 |
| Supporting services: | | | | | | | |
| Student | 61,502 | 61,502 | 59,898 | 1,604 | - | - | 59,898 |
| Library | 47,636 | 47,636 | 47,049 | 587 | - | - | 47,049 |
| District administration | 131,470 | 131,470 | 146,681 | (15,211) | - | - | 146,681 |
| School administration | 175,093 | 175,093 | 176,951 | (1,858) | - | - | 176,951 |
| Business | 40,907 | 40,907 | 39,757 | 1,150 | - | - | 39,757 |
| Operation and maintenance | 344,149 | 344,149 | 291,982 | 52,167 | (13,467) | - | 305,449 |
| School food services | 55,278 | 55,278 | 67,883 | (12,605) | - | - | 67,883 |
| Extracurricular | 127,559 | 127,559 | 132,408 | (4,849) | (712) | - | 133,120 |
| Capital outlay | - | - | 24,249 | (24,249) | (4,185) | - | 28,434 |
| Total Expenditures | <u>2,390,588</u> | <u>2,390,588</u> | <u>2,385,233</u> | <u>5,355</u> | <u>45,750</u> | <u>-</u> | <u>2,339,483</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ (13,313)</u> | <u>\$ (13,313)</u> | <u>(20,606)</u> | <u>\$ (7,293)</u> | <u>\$ 45,750</u> | <u>70</u> | <u>25,214</u> |
| Fund Balance, Beginning of Year | | | 256,580 | | | 10,654 | 310,970 |
| Fund Balance, End of Year | | | <u>\$ 235,974</u> | | | <u>\$ 10,724</u> | <u>\$ 336,184</u> |

Explanation of differences:

Encumbrances for equipment and supplies ordered but not received are reported in the year the orders are placed for budgetary purposes, but are reported in the year the equipment and supplies are received for GAAP purposes. \$ 45,750

NOTES TO THE BUDGET AND ACTUAL SCHEDULE

A budget is adopted by the Board of Trustees each fiscal year for the General Fund and those other Governmental Fund Types classified by State law as budgeted funds. Each budget is presented on the modified accrual basis of accounting, utilizing encumbrances as described in Note A of the Notes to the Financial Statements, which is not consistent with generally accepted accounting principles. All budgets are formulated in accordance with State law. The General Fund budget is based on the State's Foundation Program, which is designed to equalize taxing effort throughout the State and bases the budget primarily on enrollment. Budgets of other funds are based primarily on estimated expenditures and revenues. Budgeted fund expenditures are limited by State law to budgeted amounts, except that they can be increased for emergencies as defined by State law. Transfers may be made between expenditure objects and/or functions within the same fund.

Budgetary comparison schedules are presented for the General Fund and major Special Revenue Funds legally requiring an adopted budget. These funds that are not legally required to have an adopted budget are not presented in the Budgetary Comparison Schedule. The major fund requiring an adopted budget is the General Fund. The major Special Revenue fund not requiring an adopted budget is the Miscellaneous Programs Fund.

SUPPLEMENTARY INFORMATION

SCOBEE PUBLIC SCHOOLS
 DANIELS COUNTY
 SCOBEE, MONTANA
 EXTRACURRICULAR FUND
 STATEMENT OF REVENUES COLLECTED AND EXPENDITURES PAID
 ALL FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2014

| Fund Account | Beginning Balance | Revenues Collected | Expenditures Paid | Transfers In (Out) | Ending Balance |
|-----------------|----------------------|-----------------------|----------------------|-----------------------|-------------------|
| Art Club | \$ 2,624 | \$ 2,651 | \$ 3,020 | \$ 25 | \$ 2,280 |
| Athletics | 4,217 | 37,483 | 30,138 | (1,158) | 10,404 |
| Band | 299 | 6,545 | 6,469 | - | 375 |
| B.P.A. | 315 | 5,784 | 5,287 | 381 | 1,193 |
| Cheerleaders | 1,838 | 767 | 2,278 | 13 | 340 |
| Chorus | 65 | - | - | - | 65 |
| Class of 2014 | 1,745 | 13 | 1,793 | 35 | - |
| Class of 2015 | 3,733 | 820 | 3,277 | 551 | 1,827 |
| Class of 2016 | 3,461 | 28 | 43 | 313 | 3,759 |
| Class of 2017 | 2,487 | 25 | 108 | 413 | 2,817 |
| Class of 2018 | 2,388 | 124 | 251 | 413 | 2,674 |
| Class of 2019 | - | 2,861 | 1,707 | 752 | 1,906 |
| Close-Up | 1,731 | 10,743 | 11,185 | 374 | 1,663 |
| Drama-Plays | 1,783 | 4 | - | - | 1,787 |
| F.C.C.L.A. | 3,867 | 5,832 | 8,498 | 557 | 1,758 |
| Language Club | 3,263 | 1,360 | 3,691 | 50 | 982 |
| Revolving | - | 10,149 | 10,149 | - | - |
| Spartan | 3,675 | 5,944 | 6,484 | (90) | 3,045 |
| Spartan Imaging | 1,279 | 566 | 519 | 90 | 1,416 |
| Student Council | 5,281 | 17,112 | 13,883 | (3,542) | 4,968 |
| Travel Fund | - | - | 823 | 823 | - |
| Trophy Cabinet | 2,403 | 6 | - | - | 2,409 |
| Total | <u>\$ 46,454</u> | <u>\$ 108,817</u> | <u>\$ 109,603</u> | <u>\$ -</u> | <u>\$ 45,668</u> |

SCOBEE PUBLIC SCHOOLS
 DANIELS COUNTY
 SCOBEE, MONTANA
 SCHEDULE OF STUDENT ENROLLMENT

| | Per District Records | Per Enrollment Report |
|--------------------------------|----------------------------|-----------------------------|
| Fall Enrollment 10/13 | | |
| Elementary School District: | | |
| Kindergarten | 23 | 23 |
| Grades 1 - 6 | 122 | 122 |
| Grades 7 - 8 | 34 | 34 |
| Total Elementary | 179 | 179 |
| High School District: | | |
| Grades 9 - 12 | 87 | 87 |
| Winter Enrollment 12/13 | | |
| Elementary School District: | | |
| Kindergarten | 23 | 23 |
| Grades 1 - 6 | 123 | 123 |
| Grades 7 - 8 | 34 | 34 |
| Total Elementary | 180 | 180 |
| High School District: | | |
| Grades 9 - 12 | 86 | 86 |
| Spring Enrollment 2/14 | | |
| Elementary School District: | | |
| Kindergarten | 22 | 22 |
| Grades 1 - 6 | 123 | 123 |
| Grades 7 - 8 | 34 | 34 |
| Total Elementary | 179 | 179 |
| High School District: | | |
| Grades 9 - 12 | 85 | 85 |

ADDITIONAL REPORTS



CHMS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

741 Third Avenue South
Glasgow, Montana 59230
406-228-9391
FAX: 406-228-2063
1-800-755-2467
E-MAIL: glasgow@chmspc.com

Richard A. Wiens, CPA
Doris M. Leader, CPA
Diana W. Mattfeldt, CPA

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
Scobey Public Schools
P.O. Box 10
Scobey, Montana 59263

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 Scobey Public Schools as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Scobey Public Schools' basic financial statements, and have issued our report thereon dated July 14, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Scobey Public Schools' 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 Scobey Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Scobey Public Schools' internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as Finding #1 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Scobey Public Schools' 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

OFFICES IN GLASGOW, MALTA, SIDNEY, WOLF POINT AND GLENDIVE

audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings as Finding #2.

Scobey Public Schools' Response to Findings

Scobey Public Schools' response to the findings identified in our audit are described on page 36. Scobey Public Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

CHMS, P.C.

CHMS, P.C.
Certified Public Accountants
Glasgow, Montana

July 14, 2015

SCOBEY PUBLIC SCHOOLS
DANIELS COUNTY
SCHEDULE OF FINDINGS
JUNE 30, 2014

Significant Deficiencies

Finding #1 - DEFICIENCIES IN THE INTERNAL CONTROL STRUCTURE DESIGN

Condition

There is an absence of segregation of duties appropriate for a strong system of internal control.

Criteria

Internal controls should be in place segregating the functions of:

1. Authorizing,
2. Recording,
3. Custody of Assets,
4. and Reconciling.

Cause

The size of the entity prevents adequate segregation of duties.

Effect

A material misstatement in the financial statements due to error, abuse, or fraud may not be detected and corrected in a timely manner.

Recommendation

The School has implemented compensating controls to the extent practical, and we are not recommending further action by the Board of Trustees. However, we believe the Trustees should be aware that the condition results in a greater risk of errors occurring and not being identified within a timely manner than would be the case if duties were appropriately segregated.

Response

No response required.

Noncompliance

Finding #2 - NEGATIVE CASH BALANCE

Condition

The cash balances in the Transportation Fund and the Debt Service Fund were negative with positive investment balances.

Criteria

The school should manage its cash and investment accounts to ensure that they do not have a negative balance.

Cause

Cash was allowed to become negative while holding investments in the funds.

Effect

Cash and investment balances could be misstated between funds.

Recommendation

The school should manage its cash and investment balances to ensure that adequate funds are available within each fund.

Response

See page 36

SCOBAY PUBLIC SCHOOLS
DANIELS COUNTY
SCHEDULE OF FINDINGS
JUNE 30, 2014

Status of Prior Year Comments

| Finding | Status |
|-----------------------|-----------------------------|
| Segregation of Duties | No Implementation Necessary |
| Deficit Fund Balance | Implemented |

SCOBEEY PUBLIC SCHOOLS

• TELEPHONE (406) 487-2202
• FAX NO. (406) 487-2204

• SCHOOL DISTRICT NO. 1
205 2nd Ave. E.
P.O. Box 10
Scobey, Montana 59263

LANE DRURY
Chairman, Board of Trustees

DAVE SELVIG
*Superintendent
Elementary Principal*

BRYAN PECHTL
High School Principal

COLLEEN DRURY
Board Clerk/Business Manager

TERESA TURNER
Counselor

MATT GOETTLE
Activities Director

JONNA HANDRAN
Administrative Bkcp./Sec.

JUDY STATES
*Attendance/Records Clerk
H. S./Elem. Secretary*

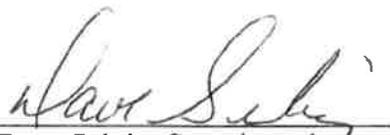
September 18, 2015

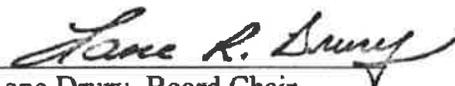
CHMS, P.C.
Doris Leader, CPA
741 Third Avenue South
Glasgow, MT 59230

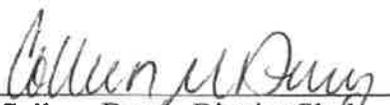
Dear Doris:

In response to your audit findings as outlined in your correspondence dated July 14, 2015:

Finding #2 The District will manage the cash and investment balances to ensure proper fund availability.


Dave Selvig, Superintendent


Lane Drury, Board Chair


Colleen Drury, District Clerk