

**CIRCLE PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
CIRCLE, MONTANA**

FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2014**

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Certified Public Accountant
Baker, Montana

**CIRCLE PUBLIC SCHOOLS
CIRCLE, MONTANA
JUNE 30, 2014**

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Circle K-12 Schools

Management's Discussion and Analysis

This section of the Circle School District Financial Statements presents the management's discussion and analysis of the district's financial performance during the fiscal year ending June 30, 2014. This narrative overview and analysis of the financial activities of the Circle District includes a comparison of prior year financial statements as per compliance with Governmental Accounting Standards Board Statement #34. Readers of the management's discussion and analysis are encouraged to consider the information presented in this section as well as other areas of the financial statements.

Financial Highlights

- ✦ The financial condition of the Circle District is excellent and improved in FY 2014.
- ✦ The net assets of the district increased 9.64% (\$217,394) during FY 2014.
- ✦ The Circle School District assets exceeded the district liabilities in FY 2014 by \$2,473,174.
- ✦ Total revenue in the district was up 10.3% or \$309,010 while total expenses were up 1.2% or \$34,574 during FY 2014.
- ✦ Unrestricted grants and contributions were the largest sources of revenue for the district at 34.4% followed by property taxes at 32.8% and state/federal aide at 22.1%.
- ✦ Revenue from State and Federal sources was up 62.2% or \$280,798 in FY 2014.
- ✦ The top three categories for district expenses in FY 2014 were instruction at 46.1%, operation & maintenance at 14.9%, and transportation at 9.9%.
- ✦ Special education expenses in the district were down 63% or \$278,499 in FY 2014.
- ✦ The largest source of revenue in the General Fund was State Aid at 62% of the total which was down from 63.6% the previous year.
- ✦ The Circle School District capital assets (land, buildings, machinery, and equipment) decreased 4.88% to \$1,077,258 in FY 2014 mostly due to depreciation.
- ✦ The district has total governmental fund balances of \$1,416,537 which was a 29.8% increase during FY 2014.

Overview of the Circle School Districts Financial Statements

The management's discussion and analysis report is intended to serve as an introduction to the basic financial statements of the Circle K-12 Schools. The basic financial statements comprise three components: 1) government-wide financial statements, 2) governmental fund financial statements, and 3) notes to the financial statements.

The *government-wide financial statements* are designed to provide readers with a broad overview of the Circle School Districts finances in a manner similar to a private-sector business. This broad overview is accomplished using a *statement of net assets* and a *statement of activities*. Each statement distinguishes between governmental and business type activities of the school districts. The *statement of net assets* presents information on all of the assets and liabilities of the Circle School Districts, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Circle School Districts is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. Both of the government-wide financial statements distinguish functions of the Circle School Districts principally supported by taxes and intergovernmental revenues from other

functions intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Most services normally associated with school government fall into the governmental activity. The Circle Districts does not operate any business-type activities.

The main focus of the governmental fund financial statements is on near-term *inflows and outflows of spendable resources* and on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating the district’s near-term financing requirements.

The notes to the financial statements provide additional information that can be very helpful to a full understanding of the data provided in the government-wide and fund financial statements and can be found later in this report.

Net Assets of the Circle School District

The chart below shows that the Circle School District assets exceeded liabilities by \$2,473,174 at the close of FY 2014. The net assets showed a 9.64% increase from the close of FY 2013 mostly due to a 24.5% increase in current and other assets along with a 4.9% decrease in capital assets mostly due to depreciation. Liabilities increased 28.4% during FY 2014 mostly due to an increase in long term liabilities for compensated absence of employees.

NET ASSETS	Governmental Activities		Percent Change
	2013	2014	
Current and Other Assets	\$1,172,611	\$1,459,313	24.45%
Capital Assets	\$1,132,563	\$1,077,258	-4.88%
Total Assets	\$2,305,174	\$2,536,571	10.04%
Liabilities			
Due within one year	\$1,000	\$1,000	0.00%
Noncurrent Liabilities	\$48,394	\$62,397	28.94%
Total Liabilities	\$49,394	\$63,397	28.35%
Net Assets			
Investment in Capital Assets Net of related debt	\$1,132,563	\$1,132,563	0.00%
Restricted	\$675,346	\$721,900	6.89%
Unrestricted	\$447,871	\$618,711	38.14%
Total net assets	\$2,255,780	\$2,473,174	9.64%

The net assets of the Circle District at the close of FY 2014 reflect the investment by the school district in capital assets such as land, buildings, machinery, and equipment. The capital assets of the Circle District have no related debt and are of 45.8% (50.2% in FY 2013) of the district net assets. The Circle School District uses these capital assets to provide educational and related services to students; and as a result, these assets are not available for future spending. Approximately 29.1% (was 29.9% in FY 2013) of the net assets represent resources that are subject to external restrictions on how they may be used (restricted). The remaining balance of *unrestricted net assets* is 25% (was 19.8% in FY 2013) of the total and may be used to meet the ongoing obligations of the school district to citizens and creditors. The unrestricted funds

increased by 38.1% from FY 2013 to FY 2014 while the restricted funds increased by 6.9%. At the end of FY 2014, Circle School District was able to report a positive balance of net assets for both the government as a whole, as well as for governmental activities. The overall financial position of the Circle School District increased 9.6% during FY 2014 and remained in excellent condition overall.

District Wide - Statement of Activities

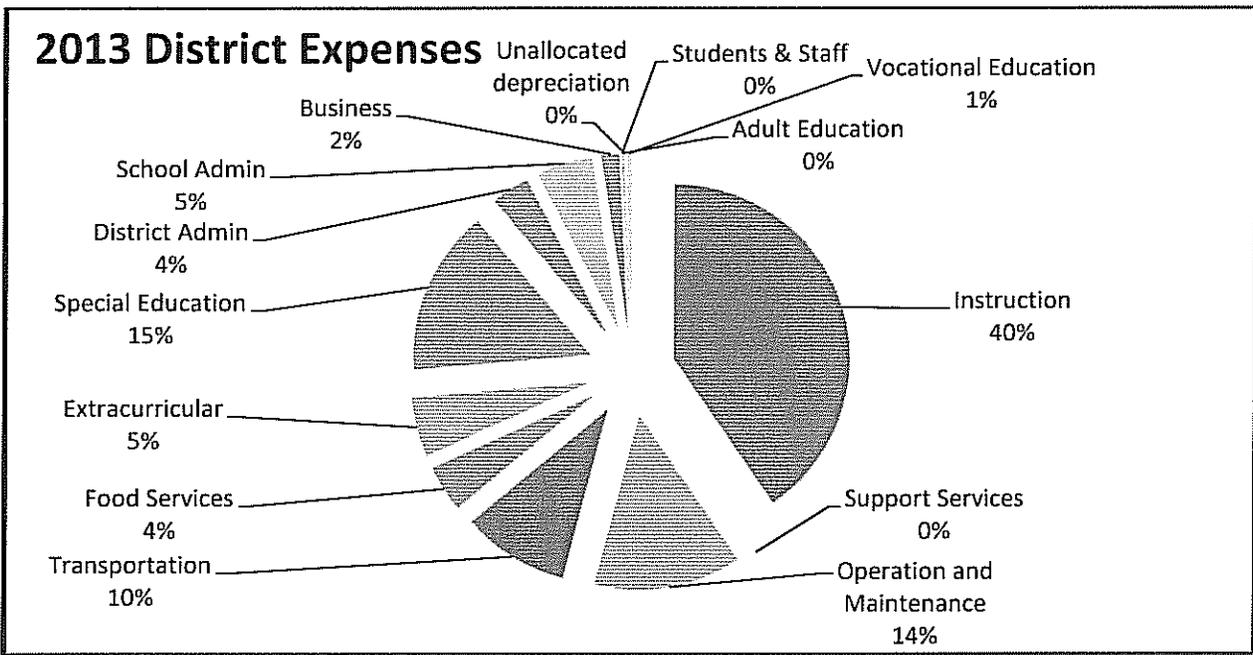
	Governmental Activities		Percent Change
	2013	2014	
Program revenues:			
Operating Grants & Contributions	\$235,161	\$226,906	-3.51%
Charges for Services	\$55,339	\$65,573	18.49%
General revenues			
Property taxes	\$1,076,330	\$1,085,642	0.87%
Interest	\$8,372	\$8,623	3.00%
Federal and State revenue	\$451,212	\$732,010	62.23%
Unrestricted grants & contributions	\$1,124,269	\$1,137,723	1.20%
Miscellaneous	\$48,275	\$51,491	6.66%
Total Revenues	\$2,998,958	\$3,307,968	10.30%
Expenses:			
Instruction	\$1,169,583	\$1,349,223	15.36%
Support Services			
Operation and Maintenance	\$393,210	\$436,911	11.11%
Transportation	\$283,280	\$290,370	2.50%
Food Services	\$125,421	\$135,365	7.93%
Extracurricular	\$159,108	\$163,588	2.82%
Special Education	\$441,665	\$163,166	-63.06%
District Admin	\$101,677	\$107,360	5.59%
School Admin	\$147,409	\$199,429	35.29%
Business	\$46,589	\$62,507	34.17%
Students & Staff	\$2,326	\$972	-58.21%
Adult Education	\$1,620	\$0	-100.00%
Unallocated Depreciation	\$4,990	\$4,990	0.00%
Vocational Education	\$14,622	\$12,191	-16.63%
Total expenses	\$2,891,500	\$2,926,074	1.20%
Transfers of funds	(\$106,000)	(\$164,500)	55.19%
Increase (Decrease) in net assets	\$1,458	\$217,394	14810.43%
Total Net Assets Beginning	\$2,254,322	\$2,255,780	0.06%
Total Net Assets Ending	\$2,255,780	\$2,473,174	9.64%

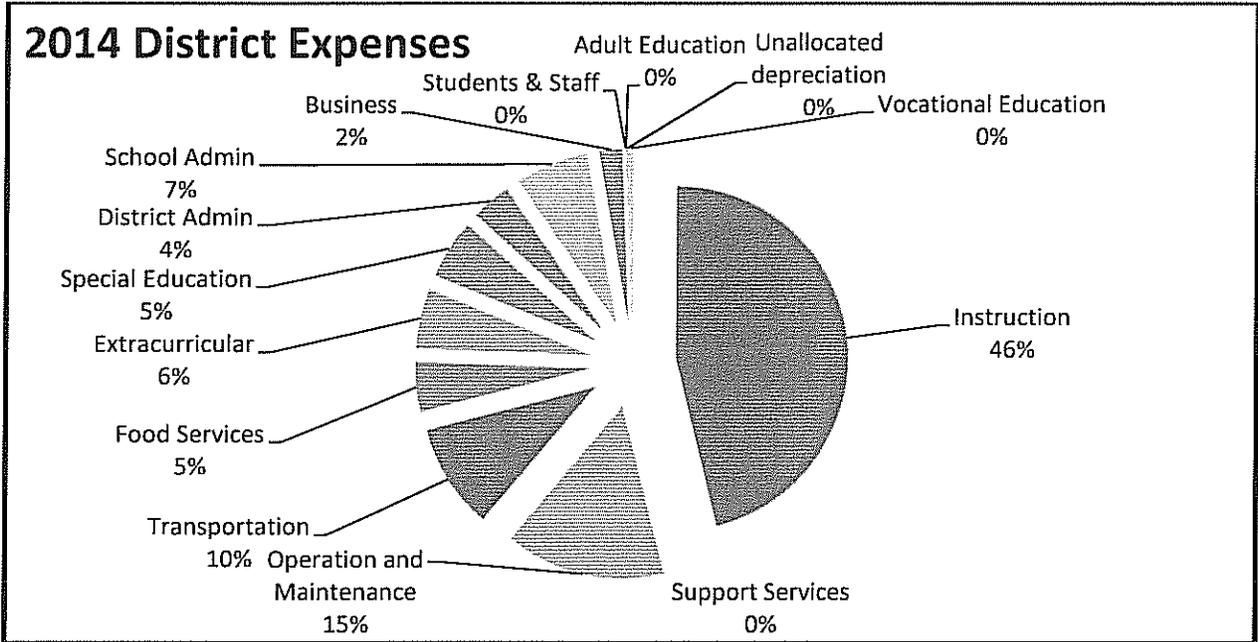
The chart above shows the district wide statement of activities for FY 2013 and FY 2014. Total revenues for the district were up 10.3% from FY 2013 to FY 2014 or \$309,010. The increase in revenue was mostly the result of an increase in revenue from federal and state (up \$280,798). The remaining revenue sources only experienced minor changes. Total expenses for the district were up 1.2% or \$34,574. The area showing the largest decrease was special education at

\$278,499. The areas showing the largest increases were instruction (\$179,640), operation & maintenance (\$43,701), and school administration (\$52,020). The difference in revenues minus expenses and transfers was a positive \$217,394.

Expenditures by Category

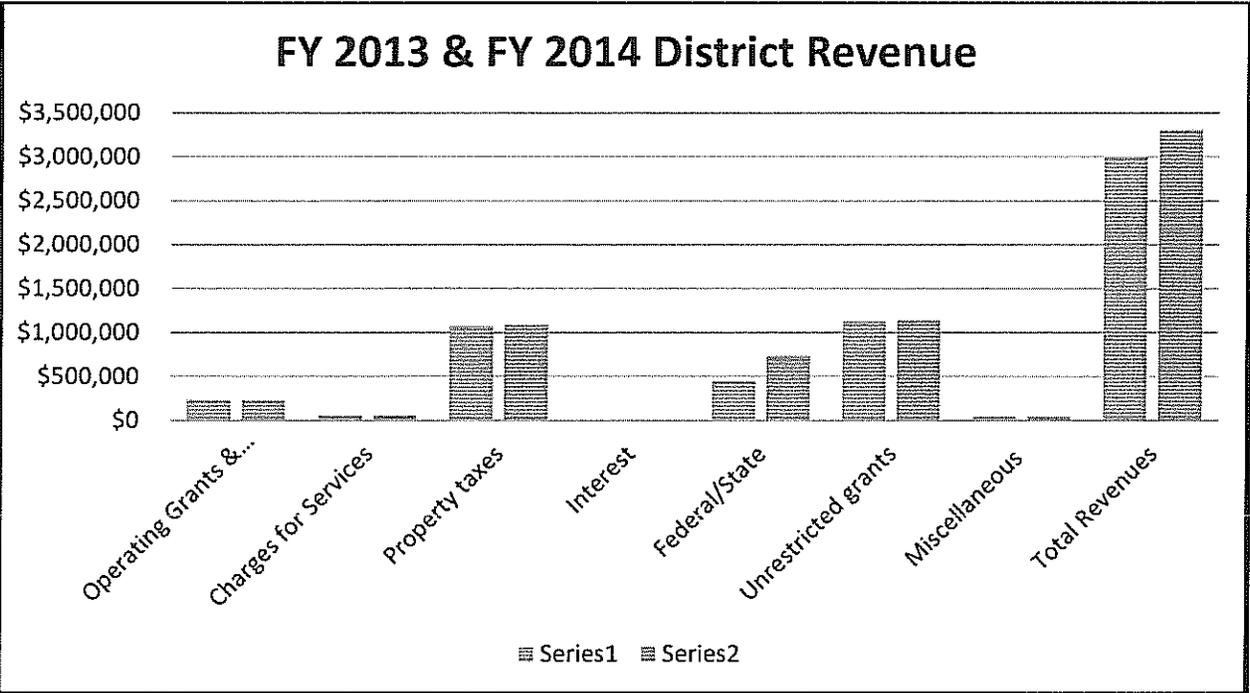
The charts below show the allocation of resources for specific purposes during FY13 and FY14. The graph illustrates the major expenditure areas, with instruction costs accounting for the largest share of the district expenses in FY 13 (40%) and FY 14 (46%). Operation & maintenance expenses are the next the largest share of district expenses at 14% and 15% with special education at 15% and 5%. Transportation services were next in the district at 10% for both years. Major changes showed instruction increasing 6% of the total, special education decreasing 10% of the total expenses, and operation and maintenance down 1% of the total.





Revenue by Category

The bar graph below shows the revenue sources for FY 2013 & FY 2014. Revenue changes from these years show that federal and state revenue along with property taxes, charges for services, unrestricted grants, miscellaneous, and total revenue increased for the district. Operating grants and contributions decreased for the district. Unrestricted grants and contributions remained the largest source of revenue for the district followed by property taxes and federal/state revenue. Total revenue was up for the district in FY 2014.



General Fund and Individual District Funds

The district has two major funds (General Fund and Building Reserve Fund) in FY 2014. The general fund is the main operating fund of the Circle School District. At the end of FY 2013 the General Fund had a balance of \$437,252 and at the close of FY 2014 the balance was \$455,001. The general fund balance increased by 4.1% or \$17,749 during this time. The entire balance of the general fund is unassigned and available to meet the needs of the district. An analysis of the general fund revenues comparing FY 2013 and FY 2014 shows an increase in property tax revenue of \$48,410 or 6.5%. State aid collected in the general fund decreased by \$9,918 during the same time period. Overall the general fund revenues increased by \$39,903 from FY 2013 to FY 2014 mostly due to the increase in property tax revenue. The District general fund budget had expenditures decrease by \$27,556 from FY 2013 to FY 2014. A large portion of the decrease was in special education which was down \$266,702 along with an increase in instruction (\$135,380). Overall the general fund balance was up in FY 2014.

The general fund in FY 2014 only had minor variances in revenue from the original/final budget to actual amounts collected. The difference in actual revenues from the final budget was a positive \$13,492 of which \$11,065 was from more property tax revenue than expected. Actual expenditures were \$122,259 less than in the original/final budget. Instructional services had expenditures that were \$70,939 less than budgeted followed by extracurricular programs at \$22,553 and district administration at \$17,860 less than budgeted. Other areas in the general fund expenditures only had minor differences from what was budgeted to actual expenditures.

The Building Reserve Fund increased by \$184,801 in FY 2014. The reason for the fund balance increase was due to more revenue from the Oil/Gas tax coming from SB175. The Building Reserve Fund had \$227,510 of revenue from state aid, property taxes, and earnings on investments. There was only \$42,709 of expenditures from the Building Reserve Fund for operation and maintenance of facilities. The total governmental funds of the district increased \$322,583 for a balance of \$1,416,537 in FY 2014.

Capital assets

The Circle District did not have any significant capital asset and long-term debt activity during the FY 2014. The District did have capital assets of \$1,077,258 as of June 30, 2014. This investment in capital assets included land, building improvements, buildings, furniture, and equipment. The value of the capital assets for the Circle District showed a 4.88% decrease from FY 2013 TO FY 2014 mainly due to a cost of \$69,169 in depreciation expense and the addition of \$13,864 of purchased assets. At the end of FY 2014 the Circle School District had no bonded debt outstanding. The district did have long-term liabilities of \$63,397 for compensated absences of employees.

District Overview

The overall financial position of the district is excellent and improving. The net assets in the district improved 9.64% or \$217,394 in FY 2014. The district governmental fund balances showed an increase of 29.8% during the last fiscal year along with the overall 9.64% increase in net assets for the district. The district total fund balances increased by \$325,387 to \$1,416,537 in FY 2014. The increase in fund balances and net assets was primarily the result of more revenue than expenditures. During FY 2014 total revenue was up 10.3% while expenditures were only up 1.2%. The district expects the current conditions affecting the financial resources of the district to continue in the near future. The conditions currently affecting the district which are

expected to continue in the near future include oil and gas activity in the area, enrollment of students, and agricultural commodities.

Requests for Information

The information and data included in this management's discussion and analysis report is designed to provide a general overview of the finances of Circle School District for all those with an interest in the government's finances. Questions concerning any of the information contained in this report should be addressed to the Circle administration and business office located in Circle, Montana.

**CIRCLE PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
CIRCLE, MONTANA**

ORGANIZATION

June 30, 2014

BOARD OF TRUSTEES

Sara Moline
John Deming
Gary Gackle
Emily Guldborg
Ty Taylor
Todd Wolff

Chairperson
Vice Chairperson
Trustee
Trustee
Trustee
Trustee

OFFICIALS

Gary Fisher
Della Van Horn
Kendall Link
Jackie Becker

District Superintendent
Clerk of the Board
County Attorney
County Superintendent
of Schools



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James J. Wosepka, PC – Certified Public Accountant

Licensed in North Dakota and Montana

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Circle Public Schools
School District No. 1
Circle, MT 59215

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i - vii and 23 - 26 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 Circle Public Schools, Circle, Montana's basic financial statements. The other supplementary information on pages 27 – 31 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information on pages 27 – 31 is 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 other supplementary information on pages 27 – 31 is 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 September 24, 2014, on our consideration of Circle Public Schools, Circle, 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 Circle Public Schools, Circle, Montana's internal control over financial reporting and compliance.

James J. Wosepka, PC

By  CPA

Baker, Montana
September 24, 2014

**CIRCLE PUBLIC SCHOOLS
STATEMENT OF NET POSITION
June 30, 2014**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,403,013
Taxes/assessments receivable	42,776
Inventories	13,524
Capital assets not being depreciated	
Land	64,934
Capital assets being depreciated (net of accumulated depreciation)	1,012,324
Total Assets	2,536,571
 LIABILITIES	
Noncurrent liabilities:	
Due within one year	1,000
Due in more than one year	62,397
Total Liabilities	63,397
 NET POSITION	
Net investment in capital assets	1,132,563
Unrestricted	618,711
Restricted for:	
Transportation	76,399
Food Service	25,850
Retirement	119,478
Adult Education	7,573
Technology	34,630
Capital Projects	320,294
Other Educational Purposes	137,676
Total Net Position	\$ 2,473,174

The notes to the financial statements are an integral part of this statement.

**CIRCLE PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2014**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services, Fines, Forfeitures, etc.	Operating Grants and Contributions	
Instructional services	\$ 1,349,223	\$ -	\$ 27,912	\$ (1,321,311)
Supporting services:				
Students	-	-	-	-
Instructional staff	972	-	-	(972)
District administration	107,360	-	-	(107,360)
School administration	199,429	-	-	(199,429)
Business	62,507	-	-	(62,507)
Operation & maintenance of facility	436,911	-	-	(436,911)
Transportation	290,370	-	85,510	(204,860)
Special education	163,168	-	64,343	(98,825)
Adult education	-	-	-	-
Vocational education	12,191	-	7,134	(5,057)
Extracurricular programs	163,588	-	-	(163,588)
School lunch services	135,365	65,573	42,007	(27,785)
Unallocated depreciation	4,990	-	-	(4,990)
Total governmental activities	\$ 2,926,074	\$ 65,573	\$ 226,906	(2,633,595)
General revenues:				
Property taxes				1,085,642
Unrestricted Federal/State shared revenues				732,010
Unrestricted grants and contributions				1,137,723
Unrestricted investment earnings				8,623
Miscellaneous				51,491
Transfers				(164,500)
Total general revenues and transfers				2,850,989
Change in net position				217,394
Total net position - July 1, 2013				2,255,780
Total net position - June 30, 2014				\$ 2,473,174

**CIRCLE PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014**

Description	General	Building Reserve	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 455,001	\$ 217,551	\$ 730,461	\$ 1,403,013
Tax/assessment receivable	31,585	1,124	10,067	42,776
Inventories	-	-	13,524	13,524
Total Assets	486,586	218,675	754,052	1,459,313
DEFERRED INFLOWS OF RESOURCES-				
Unavailable revenue - property taxes	31,585	1,124	10,067	42,776
FUND BALANCES				
Non-spendable	-	-	13,524	13,524
Spendable:				
Restricted	-	217,551	475,165	692,716
Assigned	-	-	255,296	255,296
Unassigned	455,001	-	-	455,001
Total fund balances	455,001	217,551	743,985	1,416,537
Total deferred inflows or resources and fund balances	\$ 486,586	\$ 218,675	\$ 754,052	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Certain property tax collections are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the funds. Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

	<u>1,077,258</u>
	<u>42,776</u>
	<u>(63,397)</u>
Total net position of governmental funds	\$ 2,473,174

CIRCLE PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
June 30, 2014

Description	General	Building Reserve	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 795,988	\$ 30,425	\$ 297,914	\$ 1,124,327
Earnings on investments	4,061	499	4,063	8,623
School lunch sales	-	-	65,573	65,573
Other local sources	4,514	-	361,147	365,661
State aid	1,312,241	196,586	144,827	1,653,654
Federal aid	-	-	128,815	128,815
Total Revenues	2,116,804	227,510	1,002,339	3,346,653
EXPENDITURES				
Current:				
Instructional services	1,043,864	-	299,093	1,342,957
Supporting services	-	-	-	-
Students	-	-	-	-
Instructional staff	972	-	-	972
District administration	98,454	-	8,906	107,360
School administration	161,983	-	19,353	181,336
Business services	56,139	-	6,368	62,507
Operation & Maintenance of facilities	344,778	42,709	29,544	417,031
Transportation	21,772	-	268,598	290,370
Special education	86,559	-	76,609	163,168
Adult education	-	-	-	-
Vocational programs	6,744	-	5,447	12,191
Extracurricular programs	135,567	-	13,687	149,254
Food services	24,223	-	108,191	132,414
Capital outlay	-	-	-	-
Total Expenditures	1,981,055	42,709	835,796	2,859,560
Excess (deficiency) of revenues over (under) expenditures	135,749	184,801	166,543	487,093
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(118,000)	-	(46,500)	(164,500)
Total other financing sources (uses)	(118,000)	-	(46,500)	(164,500)
Net change in fund balances	17,749	184,801	120,043	322,593
Fund balances - July 1, 2013	437,252	32,750	621,148	1,091,150
Change in inventory	-	-	2,794	2,794
Fund balances - June 30, 2014	\$ 455,001	\$ 217,551	\$ 743,985	\$ 1,416,537

**CIRCLE PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2014**

Net change in fund balances - total governmental funds (page 8)	\$ 322,593
Amounts reported for governmental activities in the statement of activities (page 6) are different because:	
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	13,864
Depreciation expense	(69,169)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Unavailable property taxes	(38,685)
Adjust for Change in Inventory	2,794
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	
Accrued compensated absences	<u>(14,003)</u>
Change in Net Position in Governmental Activities	<u>\$ 217,394</u>

**CIRCLE PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014**

Description	Trust Funds	Agency Funds
	Private Purpose Trust Funds	Agency Composite
ASSETS		
Cash and cash equivalents	\$ 433,295	\$ 76,892
Total Assets	<u>433,295</u>	<u>76,892</u>
LIABILITIES		
Warrants payable	-	76,892
Total Liabilities	<u>-</u>	<u>\$ 76,892</u>
NET POSITION		
Held for student activities	78,018	
Held for student scholarships	100,750	
Held for interlocal agreement	254,527	
Total Net Position	<u>\$ 433,295</u>	

The notes to the financial statements are an integral part of this statement.

**CIRCLE PUBLIC SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2014**

Description	Trust Funds Private Purpose Trust Funds
ADDITIONS:	
Student activities	\$ 83,216
Investment earnings	1,429
Transfers in	164,500
Donations	100,000
Total Additions	349,145
 DEDUCTIONS:	
Administrative expenses	65,155
Student activities	65,932
Total Deductions	131,087
Change in net position	218,058
Total net position - July 1, 2013	215,237
Total net position - June 30, 2014	\$ 433,295

The notes to the financial statements are an integral part of this statement.

**SCHOOL DISTRICT NO. 1
MCCONE COUNTY
CIRCLE, MONTANA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

1. Summary of Significant Accounting Principles

The financial statements of the Circle Public Schools, School District No. 1 (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting financial reporting principles. The District's significant accounting policies are described below.

Reporting Entity

All operations of the District are controlled by a Board of Trustees, elected in district-wide elections, and responsible for all of the District's activities. The financial statements include all of the District's operations controlled by the Board of Trustees. The District is considered to be an independent reporting entity. The following activity is not controlled by the Board and is not included:

Prairie View Special Services Cooperative - The District and 18 other districts belong to this special education cooperative. The state's contribution for the District's special education students was paid directly to the Co-op and is not included in the District's financial statements.

There are no other organizations that are financially dependent on the District or otherwise could be considered component units of the District.

Under state law, the District consists of two legally separate districts, high school and elementary. The high school district includes all of the area covered by the elementary district. The elementary district provides education from kindergarten through the eighth grade and the high school provides education from grades nine through twelve.

Although the districts are accounted for separately because of differences in funding and legal requirements, the two districts are combined for financial reporting purposes because both districts are managed by a central Board of Trustees and by a central administration appointed by and responsible to the Board. The elementary and high school general funds have been combined and reported as the General Fund in the accompanying financial statements.

Basis of Presentation and Basis of Accounting

Government-wide Statements - The Statements of Net Position and the Statement of Activities show information about the overall financial position and activities of the School District, with the exception of the student activity and endowment funds.

1. **Summary of Significant Accounting Principles - cont.**
Basis of Presentation and Basis of Accounting - cont.

These statements are reported using the economic resources measurement focus and the accrual basis of accounting. The activities of the District 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. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which eligibility requirements have been met.

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. Program revenues include fees for services (primarily school lunch and breakfast charges) and grants and contributions that are restricted to a particular program. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Fund Financial Statements - These statements provide information about the District's funds including a separate statement for the District's fiduciary funds (student activity fund). Each major fund is displayed in a separate column. All of the remaining funds are aggregated and reported in a single column as other governmental funds.

Governmental 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 soon after year end are recognized as revenue.

Most current property taxes receivable are delinquent at June 30 and amounts collected soon after year end are not significant. Deferred revenues are recorded 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.

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

1. **Summary of Significant Accounting Principles - cont.**
Basis of Presentation and Basis of Accounting - cont.

Major Funds - Generally accepted accounting principles require 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 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.

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

The District reports the following fund types:

Trust Funds - The District also has private-purpose trust funds, its student activity fund, which accounts for the extracurricular activities of its students and an insurance fund, which accounts for funds used for insurance premiums for teachers who took an early retirement.

Interlocal Agreement Fund – The Interlocal Agreement Fund is authorized by Sections 20-7-457, 20-9-511, 20-7-801, and 20-9-701, MCA, for the purpose of accounting for revenues and expenditures related to an interlocal agreement between two or more school districts or other local governments.

Cash and Investments

Except for the Extracurricular Fund (a Private Purpose Trust Fund), all cash and investments are held by the County Treasurer. All funds deposited are pooled and invested in accordance with state law. Interest earnings are allocated to the District based on average month end balances. Funds are withdrawn as needed to pay warrants.

It is not practical for the District to determine investment risk (including amounts invested in financial derivatives), collateral, or insurance coverage for its share of the County's pooled investments. Information as to the County's investment pool can be obtained from the County's annual financial report. The extracurricular funds are deposited in interest-bearing checking and savings accounts covered by FDIC insurance.

Warrants Payable

The District makes expenditures by means of warrants. These warrants are orders to the County Treasurer to pay a specified sum to the person named or to the bearer. Outstanding warrants at June 30, 2014 totaled \$76,892.

1. **Summary of Significant Accounting Policies - cont.**

Capital Assets

Capital assets are carried at actual or estimated historical costs based on appraisals. Major additions and betterments with a cost in excess of \$5,000 are recorded as additions to capital assets. Repair and maintenance costs are not capitalized. Depreciation is computed using the straight-line method and the estimated useful lives are as follows:

Buildings and improvements	15-50 years
Equipment	7-25 years

Taxes

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. Management does not believe that the accounting method being used results in any material differences.

Inventories

Inventories of materials and supplies are expensed at the time of purchase. Inventories of materials and supplies on hand as of June 30, 2014 are maintained and are stated at cost, first-in, first-out. Reported inventories are equally offset by a fund balance restriction which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Vacation and Sick Leave

Liabilities incurred because of unused vacation and sick leave accumulated by employees, which is payable upon termination, are reflected in the financial statements. Expenditures for these liabilities are recognized when paid.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all investments of the nonexpendable fund types to be highly liquid investments and therefore, cash equivalents.

Fund Balance Reporting

Implementation of GASB 54 is required for fiscal years beginning after June 15, 2010. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the District's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and the principal (corpus) of an endowment fund. The District does not have any prepaid items.

1. **Summary of Significant Accounting Policies - cont.**

Fund Balance Reporting – cont.

In addition to nonspendable fund balances, GASB 54 has provided a hierarchy of spendable fund balances based on a hierarchy of spending constraints.

- **Restricted**: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed**: fund balances that contain self-imposed constraints by a formal action of the government from its highest level of decision making authority.
- **Assigned**: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- **Unassigned**: fund balance of the General Fund that is not constrained for any particular purpose.

	<u>Major Fund</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Building Reserve</u>		
Nonspendable:				
Inventories	\$ -	\$ -	\$ 13,524	\$ 13,524
Restricted:				
Technology	-	-	34,140	34,140
Transportation	-	-	69,792	69,792
Bus Depreciation	-	-	113,261	113,261
Food Service	-	-	12,326	12,326
Retirement	-	-	119,478	119,478
Adult Education	-	-	7,125	7,125
Traffic Education	-	-	13,550	13,550
Compensated Absences	-	-	4,442	4,442
Lease Rental	-	-	315	315
Tuition	-	-	1,833	1,833
Capital Projects	-	217,551	98,903	316,454
Assigned:				
School Operations	-	-	253,756	253,756
Capital Projects	-	-	1,540	1,540
Unassigned	455,001	-	-	455,001
Total Fund Balance	\$ <u>455,001</u>	\$ <u>217,551</u>	\$ <u>743,985</u>	\$ <u>1,416,537</u>

Assigned fund balances are at the discretion of the Board of Trustees.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there is limitations imposed on their use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted is available.

1. **Summary of Significant Accounting Policies - cont.**

Interfund Transactions

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are eliminated in the government-wide financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any of this type of item.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

2. **Reconciliation of Government-wide and Fund Financial Statements**

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between fund balance-total governmental funds, and net position-governmental activities as reported in the government-wide statements of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds." The details of this difference are as follows:

Compensated absences	<u>\$ 63,397</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position-governmental activities	<u>\$ 63,397</u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total

2. **Reconciliation of Government-wide and Fund Financial Statements – cont.**

governmental funds, and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital outlay	\$	13,864
Depreciation expense		<u>(69,169)</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	\$	<u>(55,305)</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.” The details of this difference are as follows:

Compensated absences	\$	<u>(14,003)</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	\$	<u>(14,003)</u>

3. **Property Taxes**

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

The District is permitted by state statutes to levy taxes for various purposes. The taxes levied by the District for the year ended June 30, 2014 were properly established and were within the legal limits or approved by the voters.

4. **Cash and Investments**

Cash and investments, except for those of the Extracurricular Fund, are held by the County Treasurer in an agency fund. The County Treasurer invests the cash as directed by the District.

Authorized investments allowed by Section 20-9-213, MCA, include direct obligations of the United States government; savings or time deposits in a state or national bank,

4. **Cash and Investments – cont.**

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.

At year end, the carrying amount of the District's bank deposits and bank balance for the Extracurricular Fund was \$78,018. The bank balance was fully covered by Federal Depository Insurance.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. All of the deposits, either in the District's name or McCone County Treasurer's name, are held as authorized by the State of Montana.

Custodial Credit Risk

The investment policy of the District does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits other than the provision of state law.

Custodial risk for deposits is the risk that in the event of 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. Montana law requires 50% security of deposits with financial institutions in excess of the depository insurance coverage limits. Governmental entities' money is insured for each "public unit" based on how the account is titled at the financial institution. The District's certificate of deposit is titled in the name of the County Treasurer as the custodian for the District; therefore, the District has separate FDIC coverage from the other funds under the control of the McCone County Treasurer. The McCone County government is considered to have \$250,000 FDIC coverage for demand deposits and \$250,000 FDIC coverage for time and savings deposits in each bank in the state.

Credit, Interest Rate, and Foreign Currency Risk

The District has no interest rate risk, credit risk, or foreign currency risk of debt securities, as there are no debt securities owned by the District nor does the District own any foreign investments.

5. **Pending Litigation**

There was no pending or threatened litigation or unasserted claims or assessments against the District.

6. **Compensated Absences Payable**

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

		<u>Total</u>
Compensated Absences 6/30/13	\$	49,394
Change		14,003
Compensated Absences 6/30/14	\$	<u>63,397</u>

6. Compensated Absences Payable – cont.

The change in compensated absences is shown as a net change because changes in salary prohibit exact calculation of additions and reductions.

Noncertified employees accrue 12 days sick leave each year without limit and may elect to receive 1/4 of the sick leave accumulated since July 1, 1971 in cash.

7. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 64,934	\$ -	\$ -	\$ 64,934
Total capital assets, not being depreciated	<u>64,934</u>	<u>-</u>	<u>-</u>	<u>64,934</u>
Capital assets, being depreciated:				
Buildings and improvements	1,610,975	-	-	1,610,975
Furniture and equipment	478,988	13,864	-	492,852
Total capital assets, being depreciated	<u>2,089,963</u>	<u>13,864</u>	<u>-</u>	<u>2,103,827</u>
Accumulated depreciation for:				
Buildings and improvements	(730,271)	(22,178)	-	(752,449)
Furniture and equipment	(292,062)	(46,991)	-	(339,053)
Total accumulated depreciation	<u>(1,022,333)</u>	<u>(69,169)</u>	<u>-</u>	<u>(1,091,502)</u>
Total capital assets, being depreciated, net	<u>1,067,630</u>			<u>1,012,325</u>
Governmental activities capital assets, net	<u>\$ 1,132,564</u>			<u>\$ 1,077,259</u>
Depreciation expense was charged to:				
Instruction	\$ 6,127			
School Administration	18,093			
Operations and Maintenance	19,880			
Food Service	5,745			
Extra-curricular	14,334			
Unallocated	4,990			
	<u>\$ 69,169</u>			

8. Statewide Retirement Plans

The District participates in two statewide cost-sharing multiple-employer defined benefit retirement plans which cover all employees, except certain substitute teachers and part time nonteaching employees. The Teachers Retirement System (TRS) covers certified teaching employees. The Public Employees Retirement System (PERS) covers nonteaching 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.

8. **Statewide Retirement Plans – cont.**

Those reports may be obtained from the following:

Teachers Retirement System	Public Employees Retirement System
P.O. Box 200139	P.O. Box 200131
1500 Sixth Avenue	1712 Ninth Avenue
Helena, MT 59620-0139	Helena, MT 59620-0131
Phone: 406-444-3134	Phone: 406-444-3154

The financial statement for PERS includes activity for the Defined Benefit and Defined Contribution Retirement Plans. The Defined Contribution Plan is available to all active members starting July 1, 2002. The assets of one retirement plan cannot be co-mingled with those of another plan.

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

	Employer	Employee	Total
TRS	8.47	8.15	16.62
PERS	6.80	6.90	13.70
PERS hired after 7/1/2011	6.80	7.90	14.70

For the year ended June 30, 2014, the State of Montana contributed .37% of the employees' payroll for PERS and 2.49% for TRS. This is considered an "on-behalf" payment. The District does not record this contribution in their financial statements, which is not in accordance with U.S. generally accepted accounting principles.

The covered payroll for each plan is as follows:

	PERS		TRS	
Covered Payroll	\$	266,148	\$	1,080,900
Employee Contributions	\$	21,026	\$	86,364
Employer Contributions	\$	20,760	\$	91,845

The District's contributions for the years ended June 30, 2012 and 2013 were \$15,687 and \$17,129 for PERS and \$85,270 and \$77,515 for TRS, respectively.

9. **Contracted Services**

The District has contracted with one contractor to provide bus service for the schools. The contract is for a set amount per mile. The contract ends June 30, 2015.

10. **Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District participates in the Montana School Groups Worker's Compensation Risk Retention Program, a statewide public risk pool currently operating as a common risk management and insurance program for member school districts. The District pays quarterly premiums for its employer injury insurance coverage.

10. **Risk Management – cont.**

The agreement for formation of the pool provides that it will be self-sustaining through member premiums. There are no deductibles or maximum coverage limits in the plan.

The District carries commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

11. **Donated Commodities**

The District received donated commodities from the United States Department of Agriculture for use in the food program.

12. **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

13. **Subsequent Events**

The District has evaluated subsequent events through the date of this report.

14. **Commitments**

As of June 30, 2014, the District had committed to three projects. One, to re-roof the main school building in the amount of \$69,276, of which \$69,236 had been paid as of June 30, 2014. Second was to install a new phone system in the amount of \$9,810, \$0 had been paid as of June 30, 2014. Lastly, installing a new fire alarm system in the amount of \$3,775, \$0 had been paid as of June 30, 2014. All projects have been completed as of the date of these financial statements.

**REQUIRED
SUPPLEMENTAL INFORMATION**

CIRCLE PUBLIC SCHOOLS
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
General Fund
Year Ended June 30, 2014

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:				
Property taxes	\$ 784,923	\$ 784,923	\$ 795,988	\$ 11,065
Earnings on investments	4,403	4,403	4,061	(342)
Other local sources	2,760	2,760	4,514	1,754
State aid	1,311,226	1,311,226	1,312,241	1,015
Federal aid	-	-	-	-
Total revenues	<u>2,103,312</u>	<u>2,103,312</u>	<u>2,116,804</u>	<u>13,492</u>
Expenditures:				
Current:				
Instructional services	1,114,803	1,114,803	1,043,864	70,939
Supporting services:				
Instructional staff	1,850	1,850	972	878
District administration	116,314	116,314	98,454	17,860
School administration	149,320	149,320	161,983	(12,663)
Business services	62,244	62,244	56,139	6,105
Operation and maintenance of facilities	355,700	355,700	344,778	10,922
Transportation	33,641	33,641	21,772	11,869
Special education	87,722	87,722	86,559	1,163
Vocational programs	3,500	3,500	6,744	(3,244)
Extracurricular programs	158,120	158,120	135,567	22,553
Food services	20,100	20,100	24,223	(4,123)
Capital outlay	-	-	-	-
Total expenditures	<u>2,103,314</u>	<u>2,103,314</u>	<u>1,981,055</u>	<u>122,259</u>
Excess of revenues over expenditures	<u>(2)</u>	<u>(2)</u>	<u>135,749</u>	<u>135,751</u>
Other Financing Sources (uses):				
Transfers	-	-	(118,000)	(118,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(118,000)</u>	<u>(118,000)</u>
Net change in fund balances	<u>\$ (2)</u>	<u>\$ (2)</u>	<u>17,749</u>	<u>\$ 17,751</u>
Fund balances - beginning - Budget and GAAP basis			<u>437,252</u>	
Fund balances - ending - Budget and GAAP basis			<u>\$ 455,001</u>	

**SCHOOL DISTRICT NO. 1
MCCONE COUNTY
CIRCLE, MONTANA**

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

JUNE 30, 2014

Budgets

An annual appropriated 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. All budgets are formulated in accordance with state law and are prepared on the basis of accounting described above for fund financial statements.

The General Fund budgets are based on the State's Foundation Program which is designed to equalize taxing effort throughout the state and bases the budgets primarily on enrollment. Budgets of other funds are based primarily on estimated revenues and expenditures. 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. The budgeted amounts as shown in the financial statements are as originally adopted or as revised by legal budget transfers, if applicable.

Preliminary budgets must be adopted by August 15 and the final budget on the fourth Monday in August. Budget appropriations not expended or obligated, as described above, lapse at the end of the fiscal year.

Encumbrances

All appropriations, except for construction in progress, lapse at the end of the fiscal year. The District does utilize a formal encumbrance accounting system. Encumbrance accounting, which is an extension of the budgetary accounting in the General, Special Revenue, and Capital Projects Funds, enables the District to record purchase orders, contracts, and other commitments for the expenditure of monies in order to reserve that portion of the applicable appropriation. Encumbrances at year end are shown as expenditures in the budget-to-actual statements and as reservations of fund balance on the balance sheet. The encumbrances have been recorded as expenditures since they meet the "valid obligation criteria" established by the Office of Public Instruction in the Montana School Accounting Manual and as defined in the Administrative Rules of Montana (ARM 10.10.101). The valid obligation criteria are:

1. The costs of personal property including materials, supplies, and equipment ordered, but not received, may be encumbered if a valid purchase order was issued prior to June 30.

Encumbrances - cont.

2. The cost of commitments related to construction in progress may be encumbered if a legally binding contract was signed and effective or a valid purchase order was issued prior to June 30. If the contract is complete or virtually complete, the entire cost of the contract should be accrued.

As of June 30, 2014, there were \$0 encumbrances.

SUPPLEMENTAL INFORMATION

**SCHOOL DISTRICT NO. 1
MCCONE COUNTY
CIRCLE, MONTANA**

**SCHEDULE OF STUDENT ENROLLMENT
FOR THE YEAR ENDED JUNE 30, 2014**

FALL ENROLLMENT 10\13

<u>Elementary Schools</u>	<u>Audit Per District Records</u>	<u>Enrollment Report</u>
Bo Peep School		
Pre-Kindergarten & Kindergarten	18	18
Grades One - Three	52	52
Redwater School		
Grades Four - Six	42	42
Redwater School		
Grades Seven - Eight	34	34
Total	<u>146</u>	<u>146</u>
<u>High School</u>		
Grades Nine - Twelve	<u>85</u>	<u>85</u>

WINTER ENROLLMENT 12\13

<u>Elementary Schools</u>	<u>Audit Per District Records</u>	<u>Enrollment Report</u>
Bo Peep School		
Pre-Kindergarten & Kindergarten	18	18
Grades One - Three	50	50
Redwater School		
Grades Four - Six	42	42
Redwater School		
Grades Seven - Eight	34	34
Total	<u>144</u>	<u>144</u>
<u>High School</u>		
Grades Nine - Twelve	<u>84</u>	<u>84</u>

SPRING ENROLLMENT 2\14

<u>Elementary Schools</u>	<u>Audit Per District Records</u>	<u>Enrollment Report</u>
Bo Peep School		
Pre-Kindergarten & Kindergarten	18	18
Grades One - Three	49	49
Redwater School		
Grades Four - Six	42	42
Redwater School		
Grades Seven - Eight	33	33
Total	<u>142</u>	<u>142</u>
<u>High School</u>		
Grades Nine - Twelve	<u>84</u>	<u>84</u>

CIRCLE PUBLIC SCHOOLS
Schedule of Changes in Assets and Liabilities
Student Activities Fund
Year Ended June 30, 2014

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>June 30, 2014</u>
Athletics	\$ 10,833	\$ 30,465	\$ 22,984	\$ -	\$ 18,314
Speech and Drama	599	1,412	744	(800)	467
FFA	443	1	-	-	444
BPA	-	1,000	895	-	105
Memorial	100	1,292	-	-	1,392
Student Council	5,547	7,478	6,619	-	6,406
FCCLA	784	-	-	-	784
Cheerleaders	2,516	4,331	4,643	800	3,004
National Honor Society	1,921	4,682	2,447	-	4,156
New Annual	3,171	4,028	3,000	-	4,199
Class Play	3,426	988	467	-	3,947
Chorus and Band	36	-	-	-	36
Bus Fund	2,000	-	-	1,550	3,550
Class of 2012	1,193	-	1,193	-	-
Class of 2013	1,774	-	224	(1,550)	-
Class of 2014	64	2,153	649	-	1,568
Class of 2015	4,040	5,243	6,556	-	2,727
Class of 2016	2,700	1,088	2,094	3,171	4,865
Class of 2017	-	9,227	4,026	(3,171)	2,030
Total high school	<u>41,147</u>	<u>73,388</u>	<u>56,541</u>	<u>-</u>	<u>57,994</u>
Annual	1,996	-	-	-	1,996
Tip	71	-	-	-	71
Fund raising	8,842	9,247	8,285	-	9,804
JH Student Council	128	-	-	-	128
Exxon grant	500	-	-	-	500
Coca-Cola Machine	297	491	331	-	457
Box Tops	2,838	90	-	-	2,928
General	4,138	2	-	-	4,140
Total elementary school	<u>18,810</u>	<u>9,830</u>	<u>8,616</u>	<u>-</u>	<u>20,024</u>
Total held for student organizations	<u>\$ 59,957</u>	<u>\$ 83,218</u>	<u>\$ 65,157</u>	<u>\$ -</u>	<u>\$ 78,018</u>

CIRCLE PUBLIC SCHOOLS
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - Non-Major
Budgeted Special Revenue Funds
Year Ended June 30, 2014

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:				
Property taxes	\$ 265,982	\$ 265,982	\$ 267,673	\$ 1,691
Earnings on investments	-	-	3,357	3,357
Other local sources	310,518	310,518	310,533	15
State aid	82,284	82,284	136,061	53,777
Total local sources	<u>658,784</u>	<u>658,784</u>	<u>717,624</u>	<u>58,840</u>
Expenditures:				
Current:				
Instructional services	493,210	493,210	242,081	251,129
Supporting services:				
Instructional staff	-	-	-	-
District administration	-	-	8,906	(8,906)
School administration	-	-	19,353	(19,353)
Business services	-	-	6,368	(6,368)
Operation and maintenance of facilities	-	-	14,968	(14,968)
Transportation	422,138	422,138	264,121	158,017
Special education	-	-	12,267	(12,267)
Adult education	17,500	17,500	-	17,500
Vocational programs	-	-	-	-
Extracurricular	-	-	13,687	(13,687)
Food service program	-	-	10,122	(10,122)
Total expenditures	<u>932,848</u>	<u>932,848</u>	<u>591,873</u>	<u>340,975</u>
Excess of revenues over (under) expenditures	<u>(274,064)</u>	<u>(274,064)</u>	<u>125,751</u>	<u>399,815</u>
Other Financing Sources:				
Transfers	-	-	(46,500)	(46,500)
Total other financing sources	<u>-</u>	<u>-</u>	<u>(46,500)</u>	<u>(46,500)</u>
Net change in fund balances	<u>\$ (274,064)</u>	<u>\$ (274,064)</u>	<u>79,251</u>	<u>\$ 353,315</u>
Fund balance - beginning - Budget and GAAP basis			<u>407,616</u>	
Fund balance - ending - Budget and GAAP basis			<u>\$ 486,867</u>	

CIRCLE PUBLIC SCHOOLS
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Capital Projects Funds
Year Ended June 30, 2014

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Property taxes	\$ 60,000	\$ 60,000	\$ 60,666	\$ 666
Earnings on investments	-	-	1,205	1,205
Other local sources	-	-	-	-
State aid	-	-	196,586	196,586
Total local sources	<u>60,000</u>	<u>60,000</u>	<u>258,457</u>	<u>198,457</u>
Expenditures:				
Current:				
Instructional services	-	-	-	-
Supporting services:				
Students	-	-	-	-
Instructional staff	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Business	-	-	-	-
Operation and maintenance of facilities	175,282	175,282	57,285	117,997
Transportation	-	-	-	-
Special education	-	-	-	-
Adult education	-	-	-	-
Extracurricular	-	-	-	-
Food service program	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>175,282</u>	<u>175,282</u>	<u>57,285</u>	<u>117,997</u>
Excess of revenues over (under) expenditures	<u>(115,282)</u>	<u>(115,282)</u>	<u>201,172</u>	<u>316,454</u>
Net change in fund balances	<u>\$ (115,282)</u>	<u>\$ (115,282)</u>	201,172	<u>\$ 316,454</u>
Fund balance - beginning - Budget and GAAP basis			<u>115,282</u>	
Fund balance - ending - Budget and GAAP basis			<u>\$ 316,454</u>	

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

Board of Trustees
Circle Public Schools
Circle, Montana 59215

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 Circle Public Schools, Circle, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Circle Public Schools, Circle, Montana's basic financial statements, and have issued our report thereon dated September 24, 2014.

Internal Control Over Financial Reporting

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

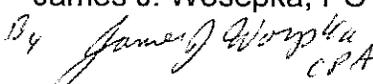
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not 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 Circle Public Schools, Circle, Montana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

James J. Wosepka, PC
By  CPA

Baker, Montana
September 24, 2014