

**SHELBY SCHOOL DISTRICT NO. 14**

**TOOLE COUNTY  
SHELBY, MONTANA**

**FINANCIAL AND COMPLIANCE REPORT**

**Fiscal year Ended June 30, 2014**

**Strom & Associates, P. C.**

**PO BOX 1980  
Billings, Montana 59103**

Shelby School District No. 14  
Toole County  
Shelby, Montana 59474

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Shelby School District No. 14  
Toole County  
Shelby, Montana 59474

ORGANIZATION

BOARD OF TRUSTEES

Brian Aklestad	Chair
Rikki James	Vice Chair
Anna Fretheim	Trustee
Felicia Midboe	Trustee
Mark Cross	Trustee
Jay Hould	Trustee
Richard Jorata	Trustee

OFFICIALS

Matthew Genger	Superintendent
Carmelita Flynn	District Clerk
Boyd Jackson	County Superintendent
Merle Raph	County Attorney

**Shelby Public Schools  
School District No. 14, Toole County  
Shelby, Montana**

**Management Discussion and Analysis (MD&A)**

**June 30, 2014**

The Business Manager of the Shelby School District has provided this management discussion and analysis to give the reader of these statements an overview of the financial position and activities of the school district for the fiscal year ended June 30, 2014.

**Using this Financial Report**

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

**Reporting the School District as a Whole**

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

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

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

The Statement of Net Position and the Statement of Activities divide the activities of the school district into two categories:

Governmental activities - The school functions, including instruction, student services, administration, etc. Property taxes, state and federal revenues usually support most of these functions of the district.

Component Units - The district is the fiscal host for the Golden Triangle Cooperative. Although operated under a separate management board, the school district is fiscally responsible for the operations of the cooperative.

**Reporting the District’s Most Significant Funds**

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

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

The Balance Sheet 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.

**Reporting the District's Trust and Fiduciary Responsibilities**

The district is the trustee, or fiduciary, for the student extracurricular fund. This report includes the activities in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position because the district cannot use these assets to fund its operations. The district is responsible for ensuring these assets are used for their intended purpose.

**Budget – to – Actual Comparisons**

The district's original and final budgets were identical for the year ended June 30, 2014.

The budgetary comparison schedules show how actual expenditures compared to the original and final budgeted expenditures for the general fund.

**THE DISTRICT AS A WHOLE**

Net position may serve over time as a useful indicator of a government's financial position. In the district, assets exceeded liabilities by \$2,984,059.00 as of June 30, 2014.

Condensed Statement of Net Position

	GOVERNMENTAL ACTIVITIES		TOTAL CHANGE	
	FY 14	FY 13	\$ CHANGE	% CHANGE
Current & Other Assets	1,653,397	1,639,556	13,841	0.84%
Capital Assets	5,645,922	5,911,295	-265,373	-4.49%
<b>TOTAL ASSETS</b>	<b>7,299,319</b>	<b>7,550,851</b>	<b>-251,532</b>	<b>-3.33%</b>
<b>TOTAL LIABILITIES</b>	<b>4,315,260</b>	<b>4,421,723</b>	<b>-106,463</b>	<b>-2.41%</b>
Net Investment in capital assets	2,472,564	2,400,304	72,260	3.01%
Unrestricted	-483,149	-167,234	-315,915	-188.91%
Restricted	994,644	1,200,097	-205,453	-17.12%
<b>TOTAL NET POSITION</b>	<b>2,984,059</b>	<b>3,433,167</b>	<b>-419,108</b>	<b>-13.08%</b>

Changes in Net Position

	GOVERNMENTAL ACTIVITIES		TOTAL CHANGE	
	FY 14	FY 13	\$ CHANGE	% CHANGE
<b>Revenues</b>				
Program Revenues				
Charges for Services	86,973	84,446	2,527	2.99%
Operating grants and contributions	772,776	883,879	-161,103	-18.23%
General Revenues:				
Property Taxes	2,379,066	2,328,997	50,069	2.15%
State Equalization	1,512,262	1,519,572	-7,310	-0.48%
Other State Revenue	1,043,470	817,167	226,303	27.69%
County	390,002	499,062	-109,060	-21.85%
Investment Earnings	14,307	-48,644	62,951	-129.41%
Other	151,206	16,778	-134,428	801.22%
Total Revenues	6,300,062	6,101,257	198,805	3.26%
<b>Program expenses</b>				
Instruction	3,977,494	3,531,858	445,636	12.62%
Support	150,113	184,496	-34,383	-18.64%
Media	168,654	152,902	15,752	10.30%
Administration	613,420	535,206	78,214	14.61%
Operations & Maintenance	816,939	774,364	42,575	5.50%
Student Transportation	380,871	363,343	17,528	4.82%
Extracurricular	240,333	212,739	27,594	12.97%
School Food	309,938	292,236	17,702	6.06%
Interest and other charges	107,747	190,974	-83,227	-43.58%
Total Expenses	6,765,509	6,238,118	527,391	8.45%
Gain(Loss) on sale of Capital Assets	-4,454		-4,454	100.00%
Change in Net Position	-469,901	-136,861	-333,040	

The districts total revenues for the fiscal year ended June 30, 2014, were \$6,300,062. The total cost of all programs and services was \$6,765,509 which generated a decrease in net position of approximately \$469,901. District taxpayers paid approximately \$2,379,066 of the \$6,300,062 in revenues. The remainder was financed through charges for services, operating grants and contributions, other state revenues and investment earnings.

Spending Levels Compared to Resource Levels

	FY 2013-2014	FY 2012-2013
Expenditures Supported with General Revenues (from taxes and other sources for general school use)	\$5,955,760 88%	\$5,269,793 84%
Expenditures Supported with Program Revenues	\$809,749 12%	\$968,325 16%
Total Expenditures Related To Governmental Activities	\$6,765,509 100%	\$6,238,118 100%

**ANALYSIS OF FINANCIAL INFORMATION**

**1. What Does the School Do?**

The main purpose of the Shelby Public Schools is to educate children; therefore the costs cover instruction and supporting the instruction of students, transporting children to and from school, providing breakfast and lunch to these students along with some extracurricular activities.

**2. Where Do the Resources Come From?**

38% of Shelby Public Schools' revenues came from property taxes. Shelby Public Schools participates in many federal programs including all of the Elementary and Secondary Education Act programs which are funded based upon free and reduced lunch applications. Shelby High School also receives funding through Carl D. Perkins Vocational and Applied Technology Education Act and the State Vocational Education Grants.

**3. What Does It Cost?**

Shelby Public Schools spent \$6,765,509 to educate 439 students in FY 2014.

**4. What are the Capital Assets and Debt of the District?**

The capital assets of Shelby Public Schools are valued at \$5,645,922. The debt of the district is \$4,195,991.

**5. Fund Deficits**

Shelby Public Schools has fund deficits during the year in the lunch program. All expenditures related to this fund are correctly paid from this fund and at year end the deficit is covered by the general fund. No funds are in deficit status at year end.

**6. What Changes and Trends Affect the District's Future?**

Student enrollment counts are always a concern for school districts. Lower enrollment numbers mean less money for district operations. At this time Shelby Public Schools enrollment appears to be stable. There is some concern in the growth of the poverty rate.

**CONTACTS FOR FURTHER INFORMATION**

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STROM & ASSOCIATES, PC  
Certified Public Accountants  
P.O. Box 1980  
Billings, Montana 59103

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Shelby School District No. 14  
Toole County  
Shelby, Montana 59474

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Shelby School District No. 14 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Shelby School District No. 14 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 (pages 3 - 6) and the schedule of funding for other post-employment benefits other than pensions (pages 26) and budgetary comparison information (pages 27 - 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 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 inquires 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 Shelby School District No. 14's basic financial statements. The accompanying schedule of revenues, expenses and balances student activity funds (page 32) and schedule of reported enrollment (page 33 -34) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying schedule of revenues, expenses and balances student activity funds and schedule of reported 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 accompanying schedule of revenues, expenses and balances student activity funds and schedule of reported 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 February 23, 2015 on our consideration of Shelby School District No. 14 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 Shelby School District No. 14 internal control over financial reporting and compliance.

  
STROM & ASSOCIATES, PC  
Billings, Montana  
February 23, 2015

STATEMENT OF NET POSITION  
 as of June 30, 2014

	Governmental Activities	Component Units
<b>ASSETS:</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 1,367,342	\$ 206,443
Taxes Receivable	233,268	-
Due From Other Governments	52,787	-
<b>Total Current Assets</b>	<u>1,653,397</u>	<u>206,443</u>
Noncurrent Assets:		
Capital Assets:		
Net Depreciable Assets	5,645,922	-
<b>Total Noncurrent Assets</b>	<u>5,645,922</u>	<u>-</u>
<b>Total Assets</b>	<u>\$ 7,299,319</u>	<u>\$ 206,443</u>
<b>LIABILITIES:</b>		
Current Liabilities		
Other Current Liabilities	\$ 378	\$ -
Current Portions Compensated Absences	111,109	-
Current Portion Long-Term Capital Obligations	7,782	-
<b>Total Current Liabilities</b>	<u>119,269</u>	<u>-</u>
Noncurrent Liabilities:		
Long-Term Obligations	819,403	-
Compensated Absences	211,012	-
Long-Term Capital Obligations	3,165,576	-
<b>Total Noncurrent Liabilities</b>	<u>4,195,991</u>	<u>-</u>
<b>Total Liabilities</b>	<u>4,315,260</u>	<u>-</u>
<b>FUND BALANCE:</b>		
Net Investment in Capital Assets	2,472,564	-
Restricted	994,644	206,443
Unassigned:	(483,149)	-
<b>Total Fund Balance</b>	<u>2,984,059</u>	<u>206,443</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 7,299,319</u>	<u>\$ 206,443</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2014

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
	Expenses	Charge for Services	Operating Grants and Contributions	Primary Government	
				Governmental Activities	Component Units
<b>GOVERNMENT OPERATIONS</b>					
Instructional Services	\$ 3,977,494	\$ 9,621	\$ 533,661	\$ (3,434,212)	
Support Services	150,113	5,200	-	(144,913)	
Educational Media Services	168,654	-	-	(168,654)	
General Administrative Services	613,420	-	10,579	(602,841)	
Operation & Maintenance Services	816,939	-	-	(816,939)	
Transportation Services	380,871	-	60,048	(320,823)	
School Food Services	309,938	72,152	118,488	(119,298)	
Extracurricular	240,333	-	-	(240,333)	
Debt Service					
Interest and other charges	107,747	-	-	(107,747)	
Total Governmental Activities	<u>6,765,509</u>	<u>86,973</u>	<u>722,776</u>	<u>(5,955,760)</u>	
Total Primary Government	<u>\$ 6,765,509</u>	<u>\$ 86,973</u>	<u>\$ 722,776</u>	<u>\$ (5,955,760)</u>	
<b>COMPONENT UNITS</b>					
Golden Triangle Curriculum CO-OP	\$ 234,300	\$ 247,632	\$ -		\$ 13,332
Total Component Units	<u>\$ 234,300</u>	<u>\$ 247,632</u>	<u>\$ -</u>		<u>\$ 13,332</u>
<b>GENERAL REVENUES</b>					
District Levies				2,379,066	
State Equalization				1,512,262	
Other State Revenues				1,043,470	
County				390,002	
Interest				14,307	
Other				151,206	
Gain loss on Sale of Assets				(4,454)	
Total General Revenues				<u>5,485,859</u>	-
Change in Net Position				(469,901)	13,332
<b>Net Position</b>					
Beginning of the Year				3,433,167	193,111
Prior Period Adjustments				20,793	-
End of the Year				<u>\$ 2,984,059</u>	<u>\$ 206,443</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 as of June 30, 2014

	MAJOR			Total Governmental Funds
	General	Bus Depreciation (HS)	Other Governmental Funds	
<b>ASSETS:</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 560,057	\$ 197,750	\$ 609,535	\$ 1,367,342
Taxes Receivable	172,572	2,803	57,893	233,268
Due From Other Governments	-	-	52,787	52,787
<b>Total Assets</b>	<b>\$ 732,629</b>	<b>\$ 200,553</b>	<b>\$ 720,215</b>	<b>\$ 1,653,397</b>
<b>LIABILITIES:</b>				
Current Liabilities				
Other Current Liabilities	378	-	-	378
<b>Total Liabilities</b>	<b>378</b>	<b>-</b>	<b>-</b>	<b>378</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Property Taxes Receivable	172,572	2,803	57,893	233,268
<b>Total Deferred Inflows of resources</b>	<b>172,572</b>	<b>2,803</b>	<b>57,893</b>	<b>233,268</b>
<b>FUND BALANCE:</b>				
Fund Balances:				
Restricted	-	197,750	662,322	860,072
Assigned	181,873	-	-	181,873
Unassigned:	377,806	-	-	377,806
<b>Total Fund Balance</b>	<b>559,679</b>	<b>197,750</b>	<b>662,322</b>	<b>1,419,751</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 732,629</b>	<b>\$ 200,553</b>	<b>\$ 720,215</b>	<b>\$ 1,653,397</b>

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 1,419,751
Governmental Capital Assets	5,645,922
Long-term Liabilities	
Long-Term Obligations	(819,403)
Compensated Absences	(322,121)
Long-Term Capital Obligations	(3,173,358)
Unavailable Property Taxes Receivable	233,268
<b>Net Position of Governmental Activities</b>	<b>\$ 2,984,059</b>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 For The Year Ended June 30, 2014

	MAJOR			
	General	Bus Depreciation (HS)	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
District Levies	\$ 1,530,705	\$ 4,301	\$ 837,880	\$ 2,372,886
Interest	6,209	2,638	5,140	13,987
Charges for Services	-	-	82,093	82,093
Other	2,254	-	154,152	156,406
County	-	-	446,095	446,095
State	2,623,530	-	220,091	2,843,621
Federal	-	-	378,794	378,794
<b>Total Revenues</b>	<b>4,162,698</b>	<b>6,939</b>	<b>2,124,245</b>	<b>6,293,882</b>
<b>EXPENDITURES:</b>				
<b>Current</b>				
Instructional Services	2,471,048	-	1,084,782	3,555,830
Support Services	109,895	-	40,218	150,113
Educational Media Services	146,758	-	21,896	168,654
General Administrative Services	470,645	-	111,132	581,777
Operation & Maintenance Services	580,120	-	193,883	774,003
Transportation Services	40,082	-	237,259	277,341
School Food Services	103,769	-	205,656	309,425
Extracurricular	218,857	-	17,424	236,281
Debt Service	-	-	-	-
Principal	-	-	407,633	407,633
Interest and other charges	1,780	-	105,967	107,747
Capital Outlay	42,583	-	38,312	80,895
<b>Total Expenditures</b>	<b>4,185,537</b>	<b>-</b>	<b>2,464,162</b>	<b>6,649,699</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(22,839)</b>	<b>6,939</b>	<b>(339,917)</b>	<b>(355,817)</b>
<b>OTHER FINANCING SOURCES/USES</b>				
Loan Proceeds	-	-	38,646	38,646
Fund Transfers In	-	-	3,856	3,856
Fund Transfers (Out)	(3,856)	-	-	(3,856)
<b>Total Other financial Sources/Uses</b>	<b>(3,856)</b>	<b>-</b>	<b>42,502</b>	<b>38,646</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(26,695)</b>	<b>6,939</b>	<b>(297,415)</b>	<b>(317,171)</b>
<b>FUND BALANCE:</b>				
Beginning of the Year	573,934	190,811	951,384	1,716,129
Prior Period Adjustments	12,440	-	8,353	20,793
<b>End of the Year</b>	<b>\$ 559,679</b>	<b>\$ 197,750</b>	<b>\$ 662,322</b>	<b>\$ 1,419,751</b>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Shelby School District #14  
 Toole County  
 Shelby, MT 59474

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

Net Changes in Fund Balance		\$	(317,171)
Revenues on the Statement of Activities not included in governmental funds statement:			
Increase (decrease) in taxes receivable			6,180
Revenues reported in the governmental funds statement not included in the Statement of Activities			
Bond/Note Proceeds			(70,000)
Expenses on the Statement of Activities not included in the governmental funds statement:			
Depreciation Expense	(341,814)		
(Increase) decrease in Other Post Employment Benefits	(222,615)		
(Increase) decrease in compensated absence liability	<u>(8,555)</u>		(572,984)
Expenditures reported in the governmental funds statement not included in the Statement of Activities			
Capital outlays	80,895		
Gain loss on sale of assets	(4,454)		
Principal payments on bonds	<u>407,633</u>		<u>484,074</u>
Change in net position reported on the Statement of Activities		\$	<u>(469,901)</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 as of June 30, 2014

	Private Purpose	
	Trust Funds	Agency Funds
<b>ASSETS:</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 84,491	\$ 210,500
Total Assets	<u>84,491</u>	<u>210,500</u>
<b>LIABILITIES:</b>		
Current Liabilities		
Warrants Payable	-	210,500
Total Liabilities	-	<u>\$ 210,500</u>
<b>NET POSITION:</b>		
Restricted for Student Activities	84,491	
Total Net Position	<u>\$ 84,491</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 For The Year Ended June 30, 2014

	Private Purpose
	Trust Funds
<b>ADDITIONS:</b>	
Revenues from Student Activities	\$ 124,779
Total Additions	<u>124,779</u>
<b>DEDUCTIONS:</b>	
Expenses of Student Activities	141,228
Total Deductions	<u>141,228</u>
CHANGE IN NET POSITION	(16,449)
<b>NET POSITION:</b>	
Beginning of the Year	100,940
End of the Year	<u>\$ 84,491</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

SHELBY SCHOOL DISTRICT NO. 14

NOTES TO THE FINANCIAL STATEMENTS  
Fiscal Year-Ended June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The basic financial statements of Shelby School District No. 14 (School District) have been prepared on a prescribed basis of accounting that demonstrates compliance with the accounting and budget laws of the State of Montana, which conforms to generally accepted accounting principles (GAAP). The School District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

During fiscal year 2014 the School District adopted the following

- GASB Statement No. 67 – Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The amendment revised existing guidance for financial report of pension systems for state and local government. The statement is applicable for fiscal year 2014. This statement affects the applicable retirement plan administration at the State level and did not have any effect on the School District.
- GASB Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees. The statement is applicable for fiscal year 2014. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The School District has not extend any financial guarantees to other parties. This statement has no effect on the financial statements.

The following are a listing of GASB statements which have been issued and the School District assessment of effects to the financial statements.

- GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. This statement revises and establishes new financial reporting requirement that provide employees with pension benefits. The statement is effective for fiscal year 2015. This statement will require the School District to expand its pension foot note disclosures. The School District plans to implement this in fiscal year 2015 after the State of Montana provides the required information for reporting and disclosure.
- GASB Statement No. 69 – Government Combinations and Disposals of Government Operations. The statement is applicable for fiscal year 2015. The statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The School District is not merging with another School District or ceasing to exist. This statement has no effect on the financial statements.
- GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. This statement amends paragraph 137 of statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The School District plans to implement this in fiscal year 2015 after the State of Montana provides the required information for reporting and disclosure.

The School District consists of two legally separate entities, an elementary district which provides education for kindergarten through eighth grade and a high school district which provides education for ninth through twelfth grade. For financial reporting purposes the two School Districts are combined because they are controlled by the same central board of trustees and managed by the same administration. The board of trustees is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. GAAP requires only one general fund for each reporting entity so the elementary and high school general funds are combined in the accompanying financial statements.

The criteria for including organizations as component units within the School District's reporting entity is set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) "Codification of Government Accounting and Financial Reporting Standards." The basic criteria include appointing a voting majority of an organization's governing body, as well as the School District's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the School District. Based on those criteria this School District has one component unit.

Discretely presented component units: The Golden Triangle Curriculum Cooperative (CO-OP) was established to provide member districts with standardized curriculum and teacher training. The CO-OP is run by a separate board of directors, however, the School District provides accounting services, office space, and includes all of the CO-OP's financial activity within its accounting system. Funds of the CO-OP are collected by the School District and are disbursed through the School District's claims process. The component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government.

SHELBY SCHOOL DISTRICT NO. 14

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

1. b. BASIS OF PRESENTATION AND ACCOUNTING

1. b. 1 GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements include the statement of net position and the statement of activities. The governmental activities column incorporates data from governmental funds. The component unit column incorporates data from certain legally separate component units where the School District is financially accountable. Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The government-wide financial statements report using the economic resource measurement focus and the accrual basis of accounting generally including the elimination of internal activity between or within funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. Expenses which are not directly related to a function, indirect expenses, are not charges to a function. Program revenues include:

- Charges for services such as school lunch fees.
- Operating grants that are restricted to a particular functional program.

Property taxes, investment earnings, state equalization payments, and other revenue sources not properly included with program revenue are reported as general revenues.

1. b. 2 FUND ACCOUNTING

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The student activity fund are displayed as fiduciary funds. Since the resources in the fiduciary funds cannot be used for School District operations, they are not included in the entity-wide statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balance are included on the balance sheet. Operating statement of these funds present net increases and decreases in current assets. Revenues are recorded when they are both measurable and available. Available means collectible within the current period anything collected after June 30 are generally not material. Unavailable income are recorded in governmental funds for delinquent taxes. Expenditures are recorded when the related fund liability is incurred except for principal and interest on general long-term debt and compensated absence payments which are recognized when due. Capital assets are functional expenditures in governmental funds and proceeds from long-term debt or capital leases are reported as other financing sources.

Revenues from local sources consist primarily of property taxes. Property tax revenue and revenues received from the State of Montana are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Cost reimbursement grant funds are considered to be both measurable and available to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received and the expenditure has not been incurred they are recorded as unearned grant revenues because the revenues are available. All other revenue items are considered to be measurable and available only when cash is received by the government.

Trust and agency fund financial statements report using the economic resources measurement focus and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

GASB Statement No. 34 requires the general fund be reported as a major fund and that only one general fund be reported so the elementary and high school general funds have been combined as one major fund. Other individual governmental should be reported in separate columns as major funds based on these criteria:

SHELBY SCHOOL DISTRICT NO. 14

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

- Total assets, liabilities, revenues, or expenditures of that individual governmental are at least 10 percent of the corresponding total (assets, liabilities, and so forth) for all funds of that category or type (that is, total governmental)

In addition to funds that meet the major fund criteria, any other governmental that government officials believe is particularly important to financial statement users may be reported as a major fund.

The School District reports the following major governmental funds:

- General Fund – The General Fund is the general operating fund of the School District and accounts for all revenues and expenditures of the School District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. On the GASB 34 financial statements the general fund also includes the activities of the flexibility funds since the restrictions on those funds are similar to the general fund.
- High School Bus Depreciation Fund – This fund is used to account for financing the replacement of yellow school buses and two-way radio equipment owned by a school. Deposits made to the fund are limited by depreciation percentages of current busses and two-way radio equipment owned by the School District.

1. b. 3 OTHER FUND TYPES

Private-Purpose Trust Funds – Accounts for the receipt and disbursement of monies from student activity organizations, as well as any donated scholarship funds. These organizations exist with the explicit approval of and are subject to revocation by the School District's Board of Trustees. This accounting reflects the School District's trust relationship with the student activity organizations and any scholarship commitments.

Agency Funds – Account for assets that the School District holds on behalf of others as their agent in the payroll and claims clearing funds and employee payroll tax withholdings. Cash is held for warrants which were written but have not been paid by the County Treasurer.

1. c. ASSETS, LIABILITIES AND NET POSITION (FUND BALANCE)

1. c. 1 CASH AND INVESTMENTS

Cash includes amounts in demand deposits, as well as short-term investments as authorized by State statutes. Montana Code Annotated (MCA) allows Montana local governments to invest public money not necessary for immediate use in United States government treasury bills, notes, bonds; certain United States treasury obligations; United States government security money market fund if investments consist of those listed above; time or savings deposits with a bank, savings and loan association, or credit union which is FDIC, FSLIC, or NCUA insured and are located in the state; or in repurchase agreements as authorized by MCA, or Montana Board of Investments Short Term Investment Pool (STIP). Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. Investments are recorded at fair market value.

Information regarding the collateral and security for cash is not available to the School District. However, State statute requires that United State government securities or agencies be held as collateral to secure deposits of public funds in excess of Federal Deposit Insurance Corporation (FDIC) insurance. The external investment pool is audited as part of Toole County's financial statements. This investment pool is not registered with or monitored by the Securities and Exchange Commission (SEC).

1. c. 2 TAXES

Property taxes are collected by the County Treasurer who credits to the School District funds their respective share of the collections. The tax levies are collectible in two installments, which become delinquent after November 30 and May 31. Property taxes are liens upon the property being taxed. After a period of three years, the County may begin foreclosure proceedings and sell the property at auction. The School District receives its share of the sale proceeds of any such auction.

1. c. 3 INVENTORIES

Materials, supplies and food inventory at year end was not material. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

SHELBY SCHOOL DISTRICT NO. 14

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

1. c. 4 CAPITAL ASSETS

The School District's property, plant, equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Historical cost was established at the initial booking of the capital assets by determining actual costs or estimating using standard costing procedures. The School District considers capital assets to be items in excess of \$5,000 with a useful life in excess of one year. The costs of normal maintenance and repair are not capitalized. Land and construction in progress are not depreciated. Depreciation on the other capital assets is provided over their estimated useful lives on the straight-line method. The useful lives of these assets have been estimated as follows:

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings	10 – 50 years
Improvements other than buildings	20 years
Machinery and Equipment	5 – 25 years

1.c. 5 DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable, is reported only in the governmental funds balance sheet. The governmental funds report unavailable from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

1.c. 6 VACATION AND SICK LEAVE

Classified School District employees accumulate vacation and sick leave for later use or for payment upon termination, death, or retirement. Classified School District employees earn vacation leave at the rate of 15 days per year during the first 10 years of employment, and at increasing rates thereafter to a maximum of 24 days per year after 20 years of employment. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is the amount earned in the most recent two-year period. At termination, employees are paid for any accumulated vacation leave at the current rate of pay. Classified School District employees earn sick leave at the rate of one day per month. There is no limit on the accumulation of unused sick leave. However, upon termination, only 25% of accumulated sick leave is paid at the current rate of pay.

Certified staff earn 10 days of sick leave if hired after 2008 and 11 days if hired before 2008. Certified staff receive 25% of sick leave after ten years of service increasing to 33.33% after 20 years.

Liabilities incurred because of unused vacation and sick leave accumulated by employees are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds and when accrued on the statement of activities. The amount expected to be paid within one year is \$111,109 and it is generally paid out of the general fund.

1.c. 7 NET POSITION AND FUND BALANCE

Statement of Net Position include the following:

- Net Investment in Capital Assets – The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvement of these capital assets.
- Restricted – The component of net position that is either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – The difference between the assets and liabilities that is not reported in the other element of net position.

Governmental fund financial statements include the following fund balances:

- Restricted – Includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Assigned – the executing a purchase order for a specific purpose such as an encumbrance.
- Unassigned – Amounts that are available for any purpose; these amounts are reported only in the general fund or funds that have negative fund balances.

SHELBY SCHOOL DISTRICT NO. 14

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

As of June 30, 2014, fund balance components other than unassigned fund balance consist of the following:

<u>Purpose</u>	<u>Restricted</u>	<u>Assigned</u>
Instructional - Regular	\$ 76,049	\$ 181,873
Operations and Maintenance	7,604	-
Student Transportation	463,631	-
School Food	5,238	-
Third Party Grantor Restrictions	116,890	-
Employer Retirement Benefits	88,009	-
Future Technology	12,326	-
Future Capital Costs	63,244	-
Debt Service	27,081	-
Total	<u>\$ 860,072</u>	<u>\$ 181,873</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District considers restricted funds to have been spent first. When an expenditure is incurred for assigned or unassigned fund balances are available, the School District considers amounts to have been spent first out of assigned and then unassigned funds as needed, unless the board of trustees has provided otherwise.

1. d. OTHER  
1. d. 1 USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of 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.

1.d. 2 County Provided Services

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

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2014, the summary of cash, cash equivalents for governmental and fiduciary funds is as follows:

<u>Account Type</u>	<u>Governmental</u> <u>Activities</u>	<u>Fiduciary</u> <u>Funds</u>	<u>Component</u> <u>Units</u>	<u>Total</u>
Cash and Cash Equivalents	<u>\$ 1,367,342</u>	<u>\$ 294,991</u>	<u>\$ 206,443</u>	<u>\$ 1,868,776</u>

The carrying amount of cash on hand, deposits and investments at June 30, 2014, is as follows:

	<u>Amount</u>
Cash on Hand	\$ 1,650
Demand Accounts	84,491
County Investment Pool	<u>1,782,635</u>
Total	<u>\$ 1,868,776</u>

Cash resources of the School District are held and managed by the Toole County Treasurer pursuant to State Law. They are combined with cash resources of other governmental entities within Toole County to form a pool of cash and cash equivalents. Investments of pooled cash consist primarily of repurchase agreements, STIP, and US Government Securities and are carried at fair value. The School District's exposure to credit risk is not available to the School District. Risk in the event of loss is unclear in state law, but appears to be the liability of the Toole County government. Because of the custodial involvement of the Toole County government, and the commingling of cash in County deposits in the name of the Toole County Treasurer, full risk classifications according to GASB 40 are available in the Toole County's annual report. There is no known maturity and credit rating of the Toole County Investment Pool. At June 30, 2014 the carrying amount of cash and cash equivalents held by the county and petty cash was \$ 11,784,285.

SHELBY SCHOOL DISTRICT NO. 14

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

The cash of the extracurricular funds is held separately by the School District, not at the Toole County. As of June 30, 2014, the book value was \$84,491 and was covered by FDIC insurance.

NOTE 3. TAXES RECEIVABLE

The assessed value of the roll as of January 1, 2013, upon which the levy for the 2014 fiscal year was based, was \$9,277,056 for the Elementary School District and \$12,341,784 for the High School District. The tax rates assessed for the year ended June 30, 2014 to finance School District operations and applicable taxes receivable for the elementary and high schools follows:

Elementary Fund	Mill Levies	Taxes	
			Receivable
General*	105.45	\$	98,696
Transportation	9.93		7,235
Bus Depreciation	0.40		2,453
Tuition	0.08		0
Technology	5.39		2,938
Debt Service	32.60		19,385
<u>High School Fund</u>			
General*	47.85		73,876
Transportation	7.97		6,057
Bus Depreciation	0.33		2,803
Adult Education	4.53		3,121
Technology	3.89		3,134
Debt Service	12.88		10,639
Building Reserve	4.05		2,931
Total	<u>235.35</u>	\$	<u>223,268</u>

\* Denotes Major Funds

NOTE 4. DUE FROM OTHER GOVERNMENTS

Elementary Fund	Amount	Due From	Reason
Miscellaneous	\$ 28,540	Department of Education	Title Grant
<u>High School Fund</u>			
School Food Services	692	State of Montana	Food service reimbursement
Miscellaneous	21,124	Department of Education	Title Grants
Traffic Education	2,431	State of Montana	Drivers education reimbursement
Total	<u>\$ 52,787</u>		

\* Denotes Major Funds

NOTE 5. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

5. a. At June 30, 2014, the schedule of changes in general capital assets follows:

Governmental Activities:	Balance			Balance
	July 1, 2013	Additions	Deletions	
<u>Depreciable:</u>				
Land Improvements	\$ 424,322	\$ 0	\$ 0	\$ 424,322
Buildings	8,428,372	0	0	8,428,372
Major Equipment	1,533,109	80,895	(51,848)	1,562,156
Total Depreciable	<u>\$ 10,385,803</u>	<u>\$ 80,895</u>	<u>\$ (51,848)</u>	<u>\$ 10,414,850</u>
<u>Accumulated Depreciation:</u>				
Land Improvements	\$ (194,638)	\$ (20,300)	\$ 0	\$ (214,938)
Buildings	(3,371,274)	(182,393)	0	(3,553,667)
Major Equipment	(908,596)	(139,121)	47,394	(1,000,323)
Total Depreciation	<u>\$ (4,474,508)</u>	<u>\$ (341,814)</u>	<u>\$ 47,394</u>	<u>\$ (4,768,928)</u>
Net Governmental Capital Assets	<u>\$ 5,911,295</u>	<u>\$ (260,919)</u>	<u>\$ (4,454)</u>	<u>\$ 5,645,922</u>

5. b. General capital asset depreciation expense was charged to governmental functions as follows:

SHELBY SCHOOL DISTRICT NO. 14

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

Function	Amount
Instructional	\$ 190,494
School Administration	289
Operation & Maintenance	42,936
Transportation	103,530
School Food	513
Extracurricular	4,052
Total Depreciation Expense	<u>\$ 341,814</u>

NOTE 6. CHANGES IN LONG-TERM DEBT

6. a At June 30, 2014, the schedule of changes in general Long-Term debt follows:

Governmental Activities	Balance July 1, 2013	New Debt and Other Additions	Principal Payments and Other Reductions	Balance June 30, 2014	Due within One Year
<b>Bonds and Notes Payable:</b>					
General Obligation Bonds	\$ 3,450,000	\$ 3,520,000	\$ (3,850,000)	\$ 3,120,000	\$ 0
Intercap Loans	60,991	0	(7,633)	53,358	7,782
Total Bonds and Notes Payable	<u>\$ 3,510,991</u>	<u>\$ 3,520,000</u>	<u>\$ (3,857,633)</u>	<u>\$ 3,173,358</u>	<u>\$ 7,782</u>
<b>Other Liabilities:</b>					
Compensated Absences	\$ 313,566	\$ 8,555	\$ 0	\$ 322,121	\$ 111,109
Other Post-Employment Benefits (OPEB)	596,788	222,615	0	819,403	0
Total Other Liabilities	<u>\$ 910,354</u>	<u>\$ 231,170</u>	<u>\$ 0</u>	<u>\$ 1,141,524</u>	<u>\$ 111,109</u>
Total Governmental Activities- Long-Term Debt	<u>\$ 4,421,345</u>	<u>\$ 3,751,170</u>	<u>\$ (3,857,633)</u>	<u>\$ 4,314,882</u>	<u>\$ 118,891</u>

6. b. GENERAL OBLIGATION BONDS

The School District issued general obligation bonds in prior years for the acquisition and construction of capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. These bonds were issued for the terms and payment schedules indicated in the following schedule:

Description	Issue Date	Interest Rate	Length of Loan	Maturity Date	Amount Issued	Outstanding June 30, 2014
2002 GO HS Building	2002	4.25 to 4.9%	20 years	7/1/2022	\$ 2,000,000	\$ 0
2002 GO ELM Building	2002	4.375 to 4.9%	20 years	7/1/2022	4,000,000	0
2013 GO HS Building	2014	2.0 to 2.375%	8 years	7/1/2022	1,180,000	1,045,000
2013 GO ELM Building	2014	2 to 2.375%	8 years	7/1/2022	2,340,000	2,075,000
					<u>\$ 9,520,000</u>	<u>\$ 3,120,000</u>

Debt service requirements to maturity for principal and interest for all bonded long term obligations are as follows:

For the year ended 6/30:	Elementary		High School	
	Principal	Interest	Principal	Interest
2015	\$ 0	\$ 46,800	\$ 0	\$ 23,600
2016	240,000	41,500	120,000	20,900
2017	245,000	36,700	125,000	18,500
2018	250,000	31,800	125,000	16,000
2019	260,000	26,800	130,000	13,500
2020-2024	1,080,000	56,219	545,000	28,269
Totals	<u>\$ 2,075,000</u>	<u>\$ 239,819</u>	<u>\$ 1,045,000</u>	<u>\$ 120,769</u>

SHELBY SCHOOL DISTRICT NO. 14

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

6.b.1 CURRENT REFUNDING OF DEBT

On May 17, 2013, the Board of Trustees of School District #14, Toole County, Montana and High School District #14, Toole County, Montana adopted resolutions authorizing the issuance, sale and deliver of the Elementary District's General Obligation Refunding Bonds, Series 2013 and the High School District's General Obligation Refunding Bonds, Series 2013 and the District's execution and delivery of a Bond Purchase Agreement. These bonds were used for the purpose of repayment of the 2002 General Obligation High School and Elementary bonds. The new bonds result in an actual interest rate between 2.00% and 2.375% with an overall effective rate of interest of 2.55%. The differences in the cash flows of the refunded and current debt payments is lower cash flows of \$463,203, resulting in an economic gain of \$327,995.

6. c. INTERCAP LOAN

The School District entered into an intercap loan in prior years with the Montana Board of investments for the renovation of its football field and track complex. Total payments made in fiscal year 2014 were \$8,224 which included \$591 of interest. The loan was issued for the terms and payment schedule indicated below.

<u>Description</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Length of Loan</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Outstanding June 30, 2014</u>
Football Field/Track Complex	2010	1 to 1.95%	10 years	8/15/2020	\$ 79,461	\$ 53,358

Debt service requirements to maturity for principal and interest for all Intercap long term obligations are as follows:

For the year ended 6/30:	<u>High School</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 7,782	\$ 534
2016	7,935	456
2017	8,090	376
2018	8,249	296
2019	8,410	213
2020-2024	12,892	172
Totals	\$ 53,358	\$ 2,047

Intercap loans have variable interest rates. Interest rates are subject to change annually. Interest rates to the borrower are adjusted on February 16th of each year and are based on a spread over the interest paid on one-year term, tax-exempt bonds which are sold to fund the loans.

NOTE 7. DEFERRED INFLOWS OF RESOURCES

7. a. PROPERTY TAXES

<u>Elementary Fund</u>	<u>Amount</u>	<u>Reason</u>
General*	\$ 98,696	Taxes Receivable
Transportation	7,235	Taxes Receivable
Bus Depreciation	2,453	Taxes Receivable
Technology	2,938	Taxes Receivable
Debt Service	19,385	Taxes Receivable
<u>High School Fund</u>		
General*	73,876	Taxes Receivable
Transportation	6,057	Taxes Receivable
Bus Depreciation*	2,803	Taxes Receivable
Adult Education	3,121	Taxes Receivable
Technology	3,134	Taxes Receivable
Debt Service	10,639	Taxes Receivable
Building Reserve	2,931	Taxes Receivable
Total	\$ 233,268	

\* Denotes Major Funds

SHELBY SCHOOL DISTRICT NO. 14

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

NOTE 8. PRIOR PERIOD ADJUSTMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>REASON</u>
General*	\$ (1,030)	Cash received for prior write-off of Quality schools grant
Building	1,750	Cash received for prior write-off of Quality schools grant
<u>High School Fund</u>		
General*	13,470	Cash received for prior write-off of Quality schools grant
Lease-Rental	<u>6,603</u>	Cash received for prior write-off of Quality schools grant
Total	<u>\$ 20,793</u>	

\* Denotes Major Funds

NOTE 9. TRANSFERS

<u>Elementary Fund - From</u>	<u>Amount</u>	<u>Elementary Fund - To</u>
General*	\$ 2,061	Compensated absences
<u>High School Fund - From</u>		<u>High School Fund - To</u>
General*	<u>1,795</u>	Compensated absences
Total	<u>\$ 3,856</u>	

\* Denotes Major Funds

NOTE 10. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The School District provides the same health care plan to all of its members. The School District had fewer than 100 plan participants and thus qualified to use an Alternative Measurement Method instead of an actuarial valuation to determine the OPEB liability. Valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and estimated amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the current plan. The valuation assumed that 57% of plan participants would elect to continue coverage after retirement.

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

Funding status and progress as of June 30, 2014 was as follows:

Actuarial Accrued Liability (AAL)	\$ 3,320,216
Actuarial value of plan assets	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>3,320,216</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 4,113,431
UAAL as a percentage of covered payroll	80.7%

Annual OPEB Cost and Net OPEB Obligations - The government's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameter of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed (30) years. The following table shows the components of the government's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the government's net OPEB obligation for the valuation performed at July 1, 2012.

Annual Required Contribution (ARC)	\$ 222,615
Interest on net OPEB obligation	0
Adjustment to ARC	<u>0</u>
Annual OPEB cost (expense)	222,615
Contribution made	<u>0</u>
Increase in net OPEB obligation	222,615
Net OPEB obligation - beginning of year	<u>596,788</u>
Net OPEB obligation - end of year	<u>\$ 819,403</u>

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

SHELBY SCHOOL DISTRICT NO. 14

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

Actuarial Cost Method	Unit Credit Cost Method
Average age of retirement (based on historical data)	67
Discount rate (average anticipated rate)	1.64%
Average Salary Increase	3.00%

Health care cost rate trend	
Year	% Increase
2015	5.90%
2016	6.30%
2017	6.00%
2018	6.00%
2019	6.50%
2020 and after	6.70%

NOTE 11. RISK MANAGEMENT

The School District, including its component units, is exposed to various types of risk 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. Several methods are 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 contents damage, employee torts, professional liabilities, and employee medical insurance. The School District has joined with other School Districts throughout the state into an interlocal common risk pool to insure workers compensation for all participating School Districts in a self-insurance pool. The Workers Compensation Risk Retention Program is managed by a board of directors elected annually. Members are responsible for fully funding the Workers Compensation Risk Retention Program through the payment of annual premiums accessed. There is no other liability to the School District other than timely payments of premiums. The School District can withdraw from the Workers Compensation Risk Retention Program with 60 days' notice at any time. The School District has no coverage for potential losses from environmental damages.

Levels of insurance have not changed materially from the prior year and settlements have not exceeded insurance coverage limits during the current or each of the two previous years.

NOTE 12. EMPLOYEE RETIREMENT SYSTEM

The School District participates in two state-wide, cost-sharing multiple employer defined benefit retirement plans which cover all School District employees, except certain substitute teachers and part-time, non-teaching employees. The Teachers' Retirement System (TRS) covers teaching employees, including administrators and aides. The Public Employee Retirement System (PERS) covers nonteaching employees. The plans are established under State law and are administered by the State of Montana.

Both plans issue publicly available annual reports that include financial statements and required supplemental in-formation for the plans. 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
www.trs.doa.state.mt.us	www.state.mt.us/doa/perb/prb.htm

The PERS defined benefit contribution rates for employees was 7.9%. The PERS rate for the State was set at .37%. For the defined contribution plan the rates are the same except only 4.19% of the employer amount is added to the employee account. Employees who elect the defined contribution plan are in control of their investments and the retirement is based upon the cash in their fund. The PERS rate for employers was 7.8%. The TRS rates for employees was 8.15% and the State was set at 2.49%. The TRS rate for employers was 8.47%. The State's contribution to the retirement system qualifies as an on-behalf payment and has not been reported in the School District's financial statements.

Contribution rates for both plans are required and determined by State law. 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 the State, School District and its employees (including additional voluntary contributions by employees as permitted by State law) were as follows:

SHELBY SCHOOL DISTRICT NO. 14

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

	<u>2012</u>	<u>2013</u>	<u>2014</u>
TRS	\$ 525,670	\$ 388,807	\$ 533,292
PERS	85,896	79,743	98,562
Total	<u>\$ 611,566</u>	<u>\$ 468,550</u>	<u>\$ 631,854</u>

NOTE 13. COOPERATIVE

13. a. SPECIAL EDUCATION

The Shelby School District No. 14 is a member of the Big Sky Special Needs Cooperative, a Special Education Cooperative. The financial records of the Cooperative are prepared and maintained by the Cooperative Clerk. The financial records of the Cooperative are separate from those of Shelby School District No. 14, and the financial statements of the Cooperative are not included in the School Districts' financial statements. The Cooperative's financial statements are audited separately from those of the School District. All revenue received, including Federal, State, or other types of grant payments, and the financial support provided by each of the Cooperative's members are deposited into the Cooperative's funds, which are maintained in the custody of the Toole County Treasurer. The Superintendent of Public Instruction may directly deposit to the Cooperative the State and Federal portion of any participating member School District's budgeted costs for contracted special education services. All capital assets of the Cooperative are included in the Cooperative's financial statements.

A Joint Board of Directors governs the Cooperative. The Joint Board has the power to set policies, enter into contracts, review the performance of the Cooperative annually, review the financial management of the Cooperative annually, and set and approve the annual fiscal budget of the Cooperative.

NOTE 14. OTHER COMMITMENTS

14. a. ENCUMBRANCES

The School District's encumbrance policy is for fiscal year end encumbrances exceeding \$1,000 to be considered significant encumbrances. All encumbrances are classified as assigned or restricted in the funds noted below:

<u>Elementary Fund</u>	<u>Amount</u>
General*	\$ 93,723
Transportation	383
Technology	8,239
Flexibility	12,800
<u>High School Fund</u>	
General*	75,350
Transportation	111
Miscellaneous	3,454
Technology	6,225
Building Reserve	40,383
Total	<u>\$ 240,668</u>

\* Denotes Major Funds

NOTE 15. OPERATING LEASES

The District entered into an operating lease with U.S. Bank for the use of copiers. Total lease payments in fiscal year 2014 were \$13,240.

The District entered into an operating lease with Wells Fargo Financial for the use of a copier. Total lease payments in fiscal year 2014 were \$5,893.

SHELBY SCHOOL DISTRICT NO. 14

SCHEDULE OF FUNDING PROGRESS  
 Other Post-Employment Benefits Other Than Pensions (OPEB)  
 Fiscal Year-Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) / c]
July 1, 2012	0	3,320,216	3,320,216	0%	4,113,431	80.7%

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 (Budget and Actual)  
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS  
 For The Year Ended June 30, 2014

	General (Elem)			General (HS)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>REVENUES:</b>						
District Levies	\$ 978,238	\$ 978,238	\$ 956,926	\$ 590,583	\$ 590,583	\$ 573,779
Interest	1,682	1,682	2,192	2,129	2,129	3,237
Other	8,593	8,593	2,160	1,136	1,136	94
State	1,548,095	1,548,095	1,549,234	996,402	996,402	999,420
<b>Total Revenues</b>	<b>2,536,608</b>	<b>2,536,608</b>	<b>2,510,512</b>	<b>1,590,250</b>	<b>1,590,250</b>	<b>1,576,530</b>
<b>EXPENDITURES:</b>						
<b>Current</b>						
Instructional Services			1,649,633			836,895
Support Services			76,364			33,553
Educational Media Services			69,783			76,975
General Administrative Services			257,063			204,043
Operation & Maintenance Services			322,761			229,943
Transportation Services			9,000			31,082
School Food Services			103,769			-
Extracurricular			45,275			180,299
Interest and other charges			890			890
Capital Outlay			-			-
<b>Total Expenditures</b>	<b>2,536,608</b>	<b>2,536,608</b>	<b>2,534,538</b>	<b>1,595,634</b>	<b>1,595,634</b>	<b>1,593,680</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>(24,026)</b>	<b>(5,384)</b>	<b>(5,384)</b>	<b>(17,150)</b>
<b>OTHER FINANCING SOURCES/USES</b>						
Fund Transfers (Out)			(2,061)			(1,795)
<b>Total Other financial Sources/Uses</b>	<b>-</b>	<b>-</b>	<b>(2,061)</b>	<b>-</b>	<b>-</b>	<b>(1,795)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>(26,087)</b>	<b>(5,384)</b>	<b>(5,384)</b>	<b>(18,945)</b>
<b>FUND BALANCE:</b>						
Beginning of the Year			184,419			166,316
Prior Period Adjustments			(7,052)			-
<b>End of the Year</b>			<b>\$ 151,280</b>			<b>\$ 147,371</b>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 (Budget and Actual)  
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS  
 For The Year Ended June 30, 2014

	Flexability Fund (Elem.)			Flexability Fund (HS)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>REVENUES:</b>						
District Levies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	162	-	-	618
Other	-	-	-	-	-	-
State	9,929	9,929	23,598	13,856	13,856	51,278
<b>Total Revenues</b>	<b>9,929</b>	<b>9,929</b>	<b>23,760</b>	<b>13,856</b>	<b>13,856</b>	<b>51,896</b>
<b>EXPENDITURES:</b>						
<b>Current</b>						
Instructional Services	-	-	-	-	-	-
Support Services	-	-	-	-	-	-
Educational Media Services	-	-	-	-	-	-
General Administrative Services	-	-	-	-	-	-
Operation & Maintenance Services	-	-	-	-	-	-
Transportation Services	-	-	-	-	-	-
School Food Services	-	-	-	-	-	-
Extracurricular	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Capital Outlay	-	-	13,483	-	-	-
<b>Total Expenditures</b>	<b>15,951</b>	<b>15,951</b>	<b>13,483</b>	<b>24,815</b>	<b>24,815</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(6,022)</b>	<b>(6,022)</b>	<b>10,277</b>	<b>(10,959)</b>	<b>(10,959)</b>	<b>51,896</b>
<b>OTHER FINANCING SOURCES/USES</b>						
Fund Transfers (Out)	-	-	-	-	-	-
<b>Total Other financial Sources/Uses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(6,022)</b>	<b>(6,022)</b>	<b>10,277</b>	<b>(10,959)</b>	<b>(10,959)</b>	<b>51,896</b>
<b>FUND BALANCE:</b>						
Beginning of the Year	-	-	-	-	-	-
Prior Period Adjustments	-	-	6,022	-	-	10,960
<b>End of the Year</b>	<b>-</b>	<b>-</b>	<b>\$ 16,299</b>	<b>-</b>	<b>-</b>	<b>\$ 62,856</b>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 (Budget and Actual)  
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS  
 For The Year Ended June 30, 2014

	Bus Depreciation (HS)		
	Original Budget	Final Budget	Actual
<b>REVENUES:</b>			
District Levies	\$ 4,112	\$ 4,112	\$ 4,301
Interest	-	-	2,638
Other	-	-	-
State	-	-	-
<b>Total Revenues</b>	<u>4,112</u>	<u>4,112</u>	<u>6,939</u>
<b>EXPENDITURES:</b>			
Current			
Instructional Services			-
Support Services			-
Educational Media Services			-
General Administrative Services			-
Operation & Maintenance Services			-
Transportation Services			-
School Food Services			-
Extracurricular			-
Interest and other charges			-
Capital Outlay			-
<b>Total Expenditures</b>	<u>194,923</u>	<u>194,923</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(190,811)</u>	<u>(190,811)</u>	<u>6,939</u>
<b>OTHER FINANCING SOURCES/USES</b>			
Fund Transfers (Out)			-
<b>Total Other financial Sources/Uses</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>(190,811)</u>	<u>(190,811)</u>	<u>6,939</u>
<b>FUND BALANCE:</b>			
Beginning of the Year			190,811
Prior Period Adjustments			-
<b>End of the Year</b>			<u>\$ 197,750</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

SHELBY SCHOOL DISTRICT NO. 14

NOTES TO THE BUDGET VS ACTUAL SCHEDULE  
Fiscal Year-Ended June 30, 2014

NOTE 1. BUDGETS

1. a. BUDGETS

Budgets are adopted on a basis consistent with the State of Montana budget laws which are consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are adopted for the general fund, budgeted special revenue funds including (Transportation, Bus Depreciation, Tuition, Retirement, Adult Education, Technology, Flexibility), debt service fund, and budgeted capital project funds (Building Reserve). All annual appropriations lapse at fiscal year-end, unless the School District elects to encumber supplies and personal property ordered but not received at year end.

1. a. 1 General Budget Policies:

The School District's funds are either budgeted or non-budgeted in accordance with State statutes. Budgeted funds are those of which a legal budget must be adopted to have expenditures from such funds and are noted above. All other funds are non-budgeted, meaning a legal budget is not required in order to spend the cash balance of such a fund. The Schedule of Revenues, Expenditures, and Changes in Fund Balances, Budget vs. Actual, has been prepared on the modified accrual basis of accounting and contains financial information for only the major general and special revenue fund budgeted funds.

1. a. 2 Budget Operation:

The School District operates within the budget requirements for School Districts as specified by State law. The financial report reflects the following budgetary standards:

- By the second Monday in July, the County Assessor transmits a statement of the assessed valuation and taxable valuation of all property in the School District's borders.
- Before the fourth Monday in July, the County Superintendent estimates the revenue required for each fund.
- Before the fourth Monday in August, the Board of Trustees must meet to legally adopt the final budget. The final budget for the general fund is fund total only.
- Once adopted, the budget can be amended by subsequent Board action. An increase of the total budget of a given fund requires the adoption of an amended budget in accordance with State statutes.
- According to State statutes, the expenditures of a budgeted fund may not legally exceed the adopted budget.
- At the end of a fiscal year, unencumbered appropriations lapse unless specifically obligated by the School District.

NOTE 2. FUND BALANCE RECONCILIATION

The fund balances of the general fund displayed on the Statement of Revenue, Expenditures, and Changes in Fund Balances is differently displayed on the Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) by \$93,723 in the elementary general fund; \$75,350 in the high school general fund and \$12,800 in the elementary flexibility fund. This is due to the reserve for encumbrances. Encumbrances are not included as expenditures on the first statement as they do not meet the GAAP definition of expenditures. The District reports encumbrances at year end as budgeted expenditures and displays these amounts as assigned or reserve of fund balances, as applicable.

NOTE 3. BUDGET AMENDMENT

The original budget was not amended so the original budget and the final budget are the same, except for in the retirement funds where legal budget amendment occurred.

SHELBY SCHOOL DISTRICT NO. 14

NOTES TO THE BUDGET VS ACTUAL SCHEDULE (continued)  
Fiscal Year-Ended June 30, 2014

NOTE 4. COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ALL SUB-FUNDS OF THE GENERAL FUND

	<u>Sub-fund</u>	<u>Sub-fund</u>	<u>Sub-fund</u>	<u>Sub-fund</u>	<u>Total</u>
	<u>General</u>	<u>General</u>	<u>Flexibility</u>	<u>Flexibility</u>	<u>General</u>
	<u>(Elem)</u>	<u>(HS)</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
	<u>(Elem)</u>	<u>(HS)</u>	<u>(Elem.)</u>	<u>(HS)</u>	<u>Fund</u>
<b>REVENUES:</b>					
District Levies	\$ 956,926	\$ 573,779	\$ -	\$ -	\$ 1,530,705
Interest	2,192	3,237	162	618	6,209
Other	2,160	94	-	-	2,254
State	<u>1,549,234</u>	<u>999,420</u>	<u>23,598</u>	<u>51,278</u>	<u>2,623,530</u>
Total Revenues	<u>2,510,512</u>	<u>1,576,530</u>	<u>23,760</u>	<u>51,896</u>	<u>4,162,698</u>
<b>EXPENDITURES:</b>					
<b>Current</b>					
Instructional Services	1,654,263	814,275	-	2,510	2,471,048
Support Services	76,364	33,531	-	-	109,895
Educational Media Services	69,783	76,975	-	-	146,758
General Administrative Services	267,955	202,690	-	-	470,645
Operation & Maintenance Services	357,390	222,730	-	-	580,120
Transportation Services	9,000	31,082	-	-	40,082
School Food Services	103,769	-	-	-	103,769
Extracurricular	44,637	174,220	-	-	218,857
<b>Debt Service</b>					
Interest and other charges	890	890	-	-	1,780
Capital Outlay	<u>41,900</u>	<u>-</u>	<u>683</u>	<u>-</u>	<u>42,583</u>
Total Expenditures	<u>2,625,951</u>	<u>1,556,393</u>	<u>683</u>	<u>2,510</u>	<u>4,185,537</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	(115,439)	20,137	23,077	49,386	(22,839)
<b>OTHER FINANCING SOURCES/USES</b>					
Fund Transfers (Out)	<u>(2,061)</u>	<u>(1,795)</u>	<u>-</u>	<u>-</u>	<u>(3,856)</u>
Total Other financial Sources/Uses	<u>(2,061)</u>	<u>(1,795)</u>	<u>-</u>	<u>-</u>	<u>(3,856)</u>
	-	-	-	-	-
<b>NET CHANGES IN FUND BALANCES</b>	<u>(117,500)</u>	<u>18,342</u>	<u>23,077</u>	<u>49,386</u>	<u>(26,695)</u>
	-	-	-	-	-
<b>FUND BALANCE:</b>					
Beginning of the Year	369,555	204,379	-	-	573,934
Prior Period Adjustments	<u>(7,052)</u>	<u>-</u>	<u>6,022</u>	<u>13,470</u>	<u>12,440</u>
End of the Year	<u>245,003</u>	<u>222,721</u>	<u>29,099</u>	<u>62,856</u>	<u>559,679</u>

In the reconciliation the general funds and flexibility funds are added together to get to the aggregate general fund shown as a major fund on the Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds. The flexibility funds are maintained as special revenue funds for accounting purposes, however, for external financial reporting they are added to the general fund because they have unassigned fund balance like the general fund.

On the Statement of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) All Budgeted Major Governmental Funds the general fund and flexibility fund are shown because they are reported as major funds and have legally adopted budgets.

Shelby School District No. 14  
Schedule of Revenues, Expenses and Balances  
Student Activity Funds  
Fiscal Year-Ended June 30, 2014

Activity Account Name	Beginning Balance	Revenues	Expenses	Transfers	Ending Balance
Art Club	\$ 1,764	\$ 2,746	\$ 1,239	\$ (1,992)	\$ 1,279
Athletics	694	20,173	24,734	6,350	2,483
Auto/Wood Shop/VICA	6,039	6,289	14,958	2,020	(610)
Band	2,571	3,481	4,012	211	2,251
Band & Choir Uniforms/Travel	1,032	7	-	-	1,039
BPA	1,229	519	203	90	1,635
Cheerleaders	580	1,016	1,016	-	580
Choir	2,055	9,682	8,219	(211)	3,307
Class of 2013	1,982	2	1,665	(319)	-
Class of 2014	2,412	832	1,845	(1,399)	-
Class of 2015	3,633	3,637	3,566	140	3,844
Class of 2016	841	5,351	2,315	(214)	3,663
Class of 2017	-	4,092	2,212	554	2,434
Class of 2018	-	-	-	150	150
Concessions	5,600	25,774	26,463	(3,540)	1,371
District 7 Music Festival	4,906	28	1,829	-	3,105
Drug Testing	-	453	-	-	453
EF Tours	1,393	255	-	-	1,648
Explore America	842	1,597	3,776	1,935	598
FCCLA	1,030	1,383	2,109	(25)	279
FFA	2,757	174	-	-	2,931
Fine Arts	197	1,739	-	-	1,936
French Club	2,518	18	-	85	2,621
Howl	98	-	-	-	98
Middle School Band	1,846	6,733	4,635	-	3,944
Middle School Boys Athletics	4,635	1,901	3,198	(3,330)	8
Middle School Builders Club	1,256	216	31	-	1,441
Middle School Cheerleaders	1,541	1	-	130	1,672
Middle School Choir	129	-	75	-	54
Middle School Drill Team	416	-	-	-	416
Middle School Girls Athletics	2,890	3,873	5,341	(1,332)	90
Middle School Home Ec	687	-	-	-	687
Middle School Industrial Arts	412	1	-	-	413
Middle School Student Council	871	41	150	-	762
Middle School Uniform Maintenance	3,624	896	-	-	4,520
NHS	537	99	30	-	606
React	22	4,001	3,908	-	115
Recognition	4,258	4,634	5,033	723	4,582
Safe Routes To Schools	-	1,167	2,674	1,767	260
School Play	407	871	332	-	946
Science Club	1,228	167	851	-	544
Shelby Elementary	5,575	2,641	5,505	(1,767)	944
Speech & Drama	3,122	1,521	2,014	-	2,629
Student Council	3,695	72	1,728	(43)	1,996
Tournament Funds	772	2	356	-	418
Uniform Maintenance	11,175	983	312	-	11,846
Vo-Ag	3,304	23	-	-	3,327
Yearbook	4,365	5,688	4,894	17	5,176
<b>Total</b>	<b>\$ 100,940</b>	<b>\$ 124,779</b>	<b>\$ 141,228</b>	<b>\$ -</b>	<b>\$ 84,491</b>

SHELBY SCHOOL DISTRICT NO. 14

SCHEDULE OF REPORTED ENROLLMENT  
Fiscal Year-Ended June 30, 2014

FALL ENROLLMENT – OCTOBER 7, 2013

Elementary	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Pre-Kindergarten	0	0	0
Kindergarten Full	36	36	0
Kindergarten Part	0	0	0
Grade 1	31	31	0
Grade 2	29	29	0
Grade 3	38	38	0
Grade 4	33	33	0
Grade 5	29	29	0
Grade 6	40	40	0
Total	<u>236</u>	<u>236</u>	<u>0</u>
Grade 7	31	31	0
Grade 8	32	32	0
Total	<u>63</u>	<u>63</u>	<u>0</u>
Total Elementary	<u>299</u>	<u>299</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	0	0	0
Total	<u>0</u>	<u>0</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9	31	31	0
Grade 10	43	43	0
Grade 11	37	37	0
Grade 12	22	22	0
Total	<u>133</u>	<u>132</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	1	1	0
Less than 719 hours	2	2	0
Total	<u>3</u>	<u>3</u>	<u>0</u>
19 year olds	0	0	0

WINTER ENROLLMENT – December 2, 2013

Elementary	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Pre-Kindergarten	0	0	0
Kindergarten Full	35	35	0
Kindergarten Part	0	0	0
Grade 1	32	32	0
Grade 2	28	28	0
Grade 3	37	37	0
Grade 4	33	33	0
Grade 5	29	29	0
Grade 6	43	43	0
Total	<u>237</u>	<u>237</u>	<u>0</u>
Grade 7	31	31	0
Grade 8	33	33	0
Total	<u>64</u>	<u>64</u>	<u>0</u>
Total Elementary	<u>301</u>	<u>301</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	1	1	0
Less than 719 hours	4	4	0
Total	<u>5</u>	<u>5</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9	30	30	0
Grade 10	42	42	0
Grade 11	37	37	0
Grade 12	21	21	0
Total	<u>130</u>	<u>130</u>	<u>0</u>
Part-time Students			
Less than 181 hours	1	1	0
Less than 359 hours	1	1	0
Less than 539 hours	2	2	0
Less than 719 hours	1	1	0
Total	<u>5</u>	<u>5</u>	<u>0</u>
19 year olds	0	0	0

SHELBY SCHOOL DISTRICT NO. 14

SCHEDULE OF REPORTED ENROLLMENT – (continued)  
 Fiscal Year-Ended June 30, 2014

SPRING ENROLLMENT – FEBRUARY 3, 2014

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Pre-Kindergarten	0	0	0
Kindergarten Full	37	37	0
Kindergarten Part	0	0	0
Grade 1	33	33	0
Grade 2	29	29	0
Grade 3	38	38	0
Grade 4	33	33	0
Grade 5	31	31	0
Grade 6	<u>42</u>	<u>42</u>	<u>0</u>
Total	<u>243</u>	<u>243</u>	<u>0</u>
Grade 7	31	31	0
Grade 8	<u>34</u>	<u>34</u>	<u>0</u>
Total	<u>65</u>	<u>65</u>	<u>0</u>
Total Elementary	<u>308</u>	<u>308</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>3</u>	<u>3</u>	<u>0</u>
Total	<u>3</u>	<u>3</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9	31	31	0
Grade 10	40	40	0
Grade 11	36	36	0
Grade 12	<u>18</u>	<u>18</u>	<u>0</u>
Total	<u>125</u>	<u>125</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	1	1	0
Less than 539 hours	1	1	0
Less than 719 hours	<u>4</u>	<u>4</u>	<u>0</u>
Total	<u>6</u>	<u>6</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

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*

INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Shelby School District No. 14  
Toole County  
Shelby, Montana 59474

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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Shelby School District No. 14 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Shelby School District No. 14's basic financial statements and have issued our report thereon dated February 23, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Shelby School District No. 14'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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 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 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 and responses that we consider to be significant deficiencies as item 1.

**Compliance and Other Matters**

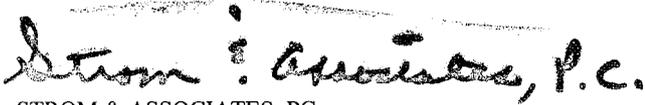
As part of obtaining reasonable assurance about whether Shelby School District No. 14's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2014 - 001.

**Shelby School District No. 14's Response to Findings**

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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



STROM & ASSOCIATES, PC  
Billings, Montana  
February 23, 2015

SCHEDULE OF FINDINGS AND RESPONSES

Finding Number 1-2013-Quality Schools Grant

This finding was resolved in fiscal year 2014.

Finding Number 2014-001-Instructional hours compliance

Criteria:

Fourth grade is required to maintain 1,080 hours of instructional time each school year. The Fourth grade maintained only 1,031, a shortage of 49 hours for fiscal year 2014.

Condition:

The Fourth grade daily schedule and school calendar resulted in only 1,031 instructional hours for fiscal year 2014.

Effect:

The District is out of compliance with instructional hours for the fourth grade.

Cause:

The school calendar and daily schedule for the fourth grade resulted in only 1,031 instructional hours for the fourth grade.

Recommendation:

We recommend that the District immediately evaluate the daily schedule for the fourth grade for fiscal year 2015 to ensure that the current fiscal year ends in compliance with the 1,080 hour requirement.

Auditee Response:

We have already addressed the hours in fourth grade to meet the 1080 hour requirement so we will be compliant in that field next year. We sent letters to parents notifying them of the schedule change which started on November 3, 2014.