

**DIXON SCHOOL DISTRICT NO. 9
SANDERS COUNTY
DIXON, MONTANA**

FINANCIAL STATEMENTS

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

(with Independent Auditor's Reports Thereon)

TERRY JAMES BURKE
Certified Public Accountant

**DIXON SCHOOL DISTRICT NO. 9
SANDERS COUNTY
DIXON, MONTANA**

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**DIXON SCHOOL DISTRICT NO. 9
SANDERS COUNTY
DIXON, MONTANA**

Organization

June 30, 2014

Board of Trustees

Greg Landon Chairperson
Bob Ranney Vice-Chairperson
D. Boone Cole Trustee
Doyle Von Heeder Trustee
Christopher Sullivan Trustee

District Officials

Kelly Moore District Principal
Charlotte Morigeau District Clerk
Carol Turk County Superintendent
Robert Zimmerman County Attorney

TERRY JAMES BURKE
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Dixon School District No. 9
Sanders County
Dixon, Montana

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dixon School District No. 9, Sanders County, Dixon, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School'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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, I 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.

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

Opinions

In my 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 the Dixon School District No. 9, Sanders County, Dixon, Montana, as of June 30, 2014, and the respective changes in financial position, where applicable, thereof, and the respective budgetary comparisons for the General and Transportation Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4 through 7 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. I 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 I obtained during our audit of the basic financial statements. I 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.

Supplemental and Other Information

My audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the School's basic financial statements. The schedule of school district enrollment on page 26 and the schedule of the student activity on page 27 are supplementary information required by the State of Montana. These schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards.

In my opinion, the schedule of school district enrollment and the schedule of the student activity are fairly stated in all material respects in relation to the basic financial statements as a whole.

The other supplemental information listed in the accompanying table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated January 9, 2015, on my consideration of School's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 the Dixon School's control over financial reporting and compliance.



January 9, 2015



Dixon Elementary School

DISTRICT NO. 9
SANDERS COUNTY
P.O. BOX 10
DIXON, MONTANA 59831

Management Discussion and Analysis (MD&A) For the Year Ended June 30, 2014

This management's discussion and analysis provides an overview of the School's financial activities for the fiscal year ending June 30, 2014. Please read it along with the School's financial statements that begin on page 8.

Financial Highlights

The District's financial position has been relatively stable district-wide despite small enrollment changes. A large part of the financial stability in the District can be tied to the fiscal responsibility, dedication and sacrifices of the District staff. Our continuing philosophy is that successful management of the District resources requires a unified front involving students and staff, administration and trustees, and the community. Dixon School District community continues to strongly support the District with an active parent group and volunteers who donate time and talent.

Using this Financial Report

The general format of this report is required by Statement No.34 of the Governmental Accounting Standards Board (GASB). This annual report consists of financial statements for the District as a whole with more detailed information for certain District funds. The Statement of Net Position and the Statement of Activities (pages 8 and 9) provide information about the activities of the District as a whole and present a long-term view of the District's finances (they include capital assets and long-term liabilities).

Fund financial statements (pages 10 and 11) present a short-term view of the District's activities. They include only current assets expected to be collected in the very near future and liabilities expected to be paid in the very near future. Generally accepted accounting principles require that only major funds be disclosed individually in these financial statements. These statements provide detailed information about the District's general, transportation, and miscellaneous funds, which qualify as major funds. The fund statements report balances and activities of the "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. Also attached are summarized financial reports about the student activity and scholarship trust funds, which the District oversees. The budgetary comparison statement on page 13 shows how actual expenditures compared to the original and final budgeted expenditures for the general and transportation funds.

The District as A Whole

One important question asked by the District's finances is. "Is the District better or worse off as a result of the year's activities?" The change in net assets was not significant. Program revenues and general revenues remained constant over the prior year. The School's expenses decreased 3% over the prior year which is not significant. The information in the government-wide financial statements include all assets and liabilities using the accrual basis of accounting, with the addition of reporting depreciation on capital assets. This is similar to the basis of accounting used by most private-sector companies.

District Net Position

Changes in the School's net position were as follows:

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>%</u>
Current Assets	\$ 2,074,654	\$ 1,518,235	\$ 556,419	37%
Capital Assets - Net	492,107	499,888	(7,781)	-2%
Total Assets	<u>2,566,761</u>	<u>2,018,123</u>	<u>548,638</u>	<u>27%</u>
Liabilities				
Current Liabilities	(4,625)	(3,040)	(1,585)	52%
Non-current Liabilities	<u>(14,696)</u>	<u>(11,439)</u>	<u>(3,257)</u>	<u>28%</u>
Total Liabilities	<u>(19,321)</u>	<u>(14,479)</u>	<u>(4,842)</u>	<u>33%</u>
Net Position	<u>\$ 2,547,440</u>	<u>\$ 2,003,644</u>	<u>\$ 543,796</u>	<u>27%</u>
Net Position				
Net Investment in Capital Assets	492,107	499,888	(7,781)	-2%
Restricted	145,910	164,455	(18,545)	-11%
Unrestricted	<u>1,909,423</u>	<u>1,339,301</u>	<u>570,122</u>	<u>43%</u>
Total Net Position	<u>\$ 2,547,440</u>	<u>\$ 2,003,644</u>	<u>\$ 543,796</u>	<u>27%</u>

The change in net position relates primarily to funds amounting to \$764,999 that our district received from Impact Aid for Heavily Impacted Schools. However, the funds were not spent, which increased our net position.

Changes in program and general revenues were as follows:

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>%</u>
Program Revenues:				
Federal Grants	\$ 304,137	\$ 311,559	\$ (7,422)	-2%
State Program Funding	35,075	35,943	(868)	-2%
Charges for Services	31,863	31,378	485	2%
Other	<u>12,758</u>	<u>12,740</u>	<u>18</u>	<u>0%</u>
Total Program Revenue	<u>383,833</u>	<u>391,620</u>	<u>(7,787)</u>	<u>-2%</u>
General Revenues:				
Property Taxes	68,668	70,252	(1,584)	-2%
State Equalization	198,249	188,276	9,973	5%
Other State Revenue	362,170	299,436	62,734	21%
Federal Impact Aid	764,999	292,641	472,358	161%
County Revenue	73,517	66,579	6,938	10%
Investment Earnings	4,464	6,419	(1,955)	-30%
Other	<u>1,510</u>	<u>8,410</u>	<u>(6,900)</u>	<u>-82%</u>
Total General Revenues	<u>1,473,577</u>	<u>932,013</u>	<u>541,564</u>	<u>58%</u>
Total Revenues	<u>\$ 1,857,410</u>	<u>\$ 1,323,633</u>	<u>\$ 533,777</u>	<u>40%</u>

Increase in revenues relates primarily to an increase in Medicare revenue through our AltaCare program and Heavily Impacted School payment from Impact Aid.

Changes in the School's expenses were as follows:

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>%</u>
Expenses:				
Instruction	\$ 617,016	\$ 557,527	59,489	11%
Support Services	156,419	110,184	46,235	42%
Media Services	31,779	22,398	9,381	42%
Administration	205,173	204,051	1,122	1%
Student Transportation	43,199	48,666	(5,467)	-11%
Operation and Maintenance	119,557	106,911	12,646	12%
School Food	67,791	72,254	(4,463)	-6%
Community Services	66,822	33,508	33,314	99%
Interest	-	12	(12)	-100%
Depreciation - Unallocated	<u>5,858</u>	<u>12,020</u>	<u>(6,162)</u>	<u>-51%</u>
Total Expenses	1,313,614	1,167,531	146,083	13%
Less Program Revenues	<u>383,833</u>	<u>391,620</u>	<u>(7,787)</u>	<u>-2%</u>
Net (Expenses) Revenues	(929,781)	(775,911)	(153,870)	20%
Less General Revenues	<u>1,473,577</u>	<u>932,013</u>	<u>541,564</u>	<u>58%</u>
Change in Net Position	<u>\$ 543,796</u>	<u>\$ 156,102</u>	<u>387,694</u>	<u>248%</u>

Increase in expenses relates primarily to the one-time Indian Ed for All grant our district received, Medicare and the Teacher Retirement payout from fund 114.

Capital Assets and Debt of the District

The District did not make any purchases.

The net effect was a decrease in Capital Assets because of depreciation expense.

Fund Financial Statements

The fund financial statements provide detailed information about the District's major funds and the District's fiduciary funds. Major funds are defined as the general fund and any other fund where the assets, liabilities, revenues, or expenditures/expenses exceed 10% of total government fund amounts or 10% of total enterprise fund amounts and 5% of total government and enterprise fund amounts combined.

The governmental funds provide a short-term view of the District's operations. They are reported using an accounting method called modified accrual accounting which measures amounts using only cash and other short-term assets and liabilities (receivables and payables) that will soon be converted to cash or will soon be paid with cash.

Total governmental fund balances increased by \$557,303 in 2014 as compared to the government-wide increase in net assets of \$543,796 in 2014. The reconciliation between the two is explained on page 12. All budgeted fund expenditures were within authorized budgets.

The Future of the District

With present funding tied to State imposed budget caps and student enrollment, the District finds future choices of increasing revenue with a voted levy limited because of these imposed budget caps as costs of operations do not proportionally decrease as enrollments decline. If other revenue sources are not available, the District will need to consider decreasing expenditures through a variety of avenues including personnel/program reductions or eliminations. The district has taken advantage of available funds to implement some maintenance projects. The district is also seeking grants and donations to update existing playground equipment.

The District will face some financial uncertainties in the coming year when compared to past ones. We face a larger amount owed due to the number of senior members of staff that has remained and the new teacher master contract salary increase. Additionally, classified personnel have received pay increases due to years of experience increase. We did get some relief through a onetime Impact Aid payment. District leaders feel relatively certain they have good community support, but feel the support is not strong enough to pass another levy election to defray these cost increases. We have seen and will continue to see increases in energy costs. As seen in the price of recycled oil which we use to heat our buildings in the winter months and the nearly 9% increase in overall utilities. With the new roofs installed on the main building and gymnasium, the district will attempt to defray some of the energy costs.

The biggest issue that the District will face is the decrease in the enrollment numbers. Due to the lack of employment opportunities and jobs available to our parents it is difficult for them to stay in this area.

Contact for Additional Information

If you have questions about this report or need additional information, contact Kelly Moore, District Principal at Dixon School District No. 9, P.O. Box 10, Dixon, MT 59831 or by phone at (406) 246-3566.

Dixon School District No. 9
Sanders County
Dixon, Montana
Statement of Net Position

June 30, 2014

Assets

Current Assets

Cash and Investments	\$ 2,069,839
Property Taxes Receivable	<u>4,815</u>

Total Current Assets	<u>2,074,654</u>
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Non-Current Assets

Capital Assets, Depreciable - Net	480,607
Capital Assets, Land	<u>11,500</u>

Capital Assets - Net	<u>492,107</u>
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Total Assets	<u>2,566,761</u>
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Liabilities

Current Liabilities

Long-Term Liabilities - Due Within One Year	<u>4,625</u>
Total Current Liabilities	<u>4,625</u>

Non-current Liabilities

Long-Term Liabilities - Due in More Than One Year	<u>14,696</u>
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Total Non-current Liabilities	<u>14,696</u>
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Total Liabilities	<u>19,321</u>
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Net Position

Net Investment in Capital Assets	492,107
Restricted	145,910
Unrestricted	<u>1,909,423</u>

Total Net Position	<u>\$ 2,547,440</u>
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See Notes to Financial Statements.

Dixon School District No. 9
Sanders County
Dixon, Montana
 Statements of Activities
 For the Year Ended June 30, 2014

	-----Program Revenue-----			
	Expenses	Charges For Services	Operating Grants	Net (Expense) Revenue
Government Operations				
Instruction:				
Regular Programs	\$ 310,234			\$ (310,234)
Special Programs	306,586		\$ 284,840	(21,746)
Other Programs	196			(196)
Support Services	156,419			(156,419)
Media Services	31,779			(31,779)
Administration:				
General	117,480			(117,480)
Financial	87,693			(87,693)
Transportation	43,199		25,516	(17,683)
Operation and Maintenance	119,557			(119,557)
School Food	67,791	\$ 1,684	41,614	(24,493)
Community Services	66,822	30,179		(36,643)
Depreciation Expense - Unallocated	5,858			(5,858)
Totals	\$ 1,313,614	\$ 31,863	\$ 351,970	(929,781)
General Revenues				
District Property Taxes				68,668
State Equalization				198,249
Other State Revenue				362,170
Federal Impact Aid				764,999
County Revenue				73,517
Investment Earnings				4,464
Other				1,510
Total General Revenues				1,473,577
Change in Net Position				543,796
Net Position				
Beginning of the Year				2,003,644
End of the Year				\$ 2,547,440

See Notes to Financial Statements.

**Dixon School District No. 9
Sanders County
Dixon, Montana**

Balance Sheet
Governmental Funds
June 30, 2014

	General Fund	Transpor- tation Fund	Miscel- laneous Fund	Other Governmental Funds	Total
Assets					
Cash and Investments	\$ 1,925,131	\$ 19,269	\$ 74,200	\$ 51,239	\$ 2,069,839
Property Taxes	<u>3,398</u>	<u>1,394</u>	<u>-</u>	<u>23</u>	<u>4,815</u>
 Total Assets	 <u>\$ 1,928,529</u>	 <u>\$ 20,662</u>	 <u>\$ 74,200</u>	 <u>\$ 51,262</u>	 <u>\$ 2,074,654</u>
Deferred Inflows of Resources					
Deferred Property Taxes	\$ <u>3,398</u>	\$ <u>1,394</u>	\$ <u>-</u>	\$ <u>23</u>	\$ <u>4,815</u>
 Total Deferred Inflows of Resources	 <u>3,398</u>	 <u>1,394</u>	 <u>-</u>	 <u>23</u>	 <u>4,815</u>
Fund Balance					
Restricted	-	19,269	74,200	51,024	144,493
Assigned	-	-	-	215	215
Unassigned	<u>1,925,131</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,925,131</u>
 Total Fund Balance	 <u>1,925,131</u>	 <u>19,269</u>	 <u>74,200</u>	 <u>51,239</u>	 <u>2,069,839</u>
 Total Deferred Inflows of Resources and Fund Balances	 <u>\$ 1,928,529</u>	 <u>\$ (17,875)</u>	 <u>\$ 74,200</u>	 <u>\$ 51,262</u>	 <u>\$ 2,074,654</u>
Reconciliation to the Statement of Net Position					
Total fund balance reported above					\$ 2,069,839
Add capital assets not reported above				\$ 736,898	
Less accumulated Depreciation				<u>(244,791)</u>	492,107
Less Liabilities not reported above:					
Compensated Absences					(19,321)
Deferred revenues for property taxes receivable recognized as revenue in the government-wide statement of net position					<u>4,815</u>
 Net Position					 <u>\$ 2,547,440</u>

See Notes to Financial Statements.

Dixon School District No. 9
Sanders County
Dixon, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	<u>General</u> <u>Fund</u>	<u>Transpor- tation</u> <u>Fund</u>	<u>Miscel- laneous</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Fund</u>	<u>Total</u>
Revenues					
District Property taxes	\$ 47,179	\$ 22,069	\$ -	\$ 304	\$ 69,552
Intergovernmental:					
County	-	12,758	-	73,516	86,274
State Equalization	198,249	-	-	-	198,249
State Other	225,621	13,726	156,616	1,283	397,246
Federal	764,999	-	262,523	41,614	1,069,136
School Food Sales	-	-	-	1,684	1,684
Interest	4,248	51	-	165	4,464
Other	1,510	-	14,578	15,601	31,689
Total Revenues	<u>1,241,806</u>	<u>48,604</u>	<u>433,717</u>	<u>134,167</u>	<u>1,858,294</u>
Current Operations:					
Instructional - Regular Programs	277,423	-	-	30,111	307,534
Instructional - Special Programs	54,065	-	244,701	7,820	306,586
Instructional - Other Programs	-	-	196	-	196
Support Services	-	-	156,419	-	156,419
Media Services	17,148	-	14,631	-	31,779
Administration - General	100,627	5,486	-	9,225	115,338
Administration - Financial	73,483	3,856	-	10,354	87,693
Transportation	-	38,081	3,195	-	41,276
Operation and Maintenance	105,580	-	-	13,977	119,557
School Food	19,031	-	-	48,760	67,791
Community Services	18,933	-	12,291	35,598	66,822
Total Expenditures	<u>666,290</u>	<u>47,423</u>	<u>431,433</u>	<u>155,845</u>	<u>1,300,991</u>
Excess (Deficiency) of Revenues Over Expenditures	575,516	1,181	2,284	(21,678)	557,303
Fund Balance:					
Beginning of the Year	<u>1,349,615</u>	<u>18,088</u>	<u>71,916</u>	<u>72,917</u>	<u>1,512,536</u>
End of the Year	<u>\$ 1,925,131</u>	<u>\$ 19,269</u>	<u>\$ 74,200</u>	<u>\$ 51,239</u>	<u>\$ 2,069,839</u>

See Notes to Financial Statements.

Dixon School District No. 9
Sanders County
Dixon, Montana

Reconciliation of the
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2014

Excess (Deficiency) of Revenues Over Expenditures as Reported in the Governmental Funds Statement	\$	557,303
Revenues on the Statement of Activity not Included in Governmental Funds Statement:		
Increase in Property Taxes Receivables		(884)
Expenses on the Statement of Activity not Included in the Governmental Funds Statement:		
Depreciation Expense	\$	(7,781)
Decrease in Compensated Absence Liability		(4,842)
		<u>(12,623)</u>
Change in Net Position Reported on the Statement of Activity	\$	<u>543,796</u>

See Notes to Financial Statements.

Dixon School District No. 9
Sanders County
Dixon, Montana
Statement of Revenues and Expenditures
Budget and Actual
For the Year Ended June 30, 2014

	-----General Fund-----		---Transportation Fund---	
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Actual</u>
Revenues				
District Property taxes	\$ 46,747	\$ 47,179	\$ 21,803	\$ 22,069
Intergovernmental:				
County	-	-	14,268	12,758
State Equalization	198,249	198,249	-	-
State Other	225,621	225,621	15,236	13,726
Federal	-	-	-	-
Interest	305	180	-	51
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	470,922	471,229	51,307	48,603
	<hr/>	<hr/>	<hr/>	<hr/>
Current Operations:				
Instruction:				
Regular Programs	-	259,307	-	-
Special Programs	-	46,870	-	-
Other Programs	-	-	-	-
Support Services	-	-	-	-
Media Services	-	5,500	-	-
Administration:	-	41,000	-	-
General	-	31,746	-	5,486
Financial	-	-	-	3,856
Transportation	-	-	-	38,081
Operation and Maintenance	-	52,370	-	-
School Food	-	19,031	-	-
Capital Outlay	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	470,922	455,824	57,870	47,423
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of				
Revenues Over Expenditures	\$ <u>-</u>	\$ <u>15,405</u>	\$ <u>(6,563)</u>	\$ <u>1,181</u>

See Notes to Financial Statements.

**Dixon School District No. 9
Sanders County
Dixon, Montana**

Statement of Fiduciary Net Position and
Statement of Changes in Fiduciary Net Position

	<u>Scholarship Fund</u>	<u>Student Activity Fund</u>	<u>Total Fiduciary Funds</u>
Fiduciary Net Position			
Assets:			
Cash	\$ <u>3,747</u>	\$ <u>28,289</u>	\$ <u>32,036</u>
Net Position Held in Trust:			
Student Activities	-	28,289	28,289
College Scholarships	<u>3,747</u>	-	<u>3,747</u>
Total Net Position	<u>\$ 3,747</u>	<u>\$ 28,289</u>	<u>\$ 32,036</u>
 Changes in Fiduciary Net Position			
Additions:			
Revenue from Student Activities	\$ -	\$ 7,424	\$ 7,424
Investment Earnings	<u>12</u>	<u>-</u>	<u>12</u>
Total Additions	<u>12</u>	<u>7,424</u>	<u>7,437</u>
Deductions:			
Expenses of Student Activities	-	7,635	7,635
Student Scholarships	<u>400</u>	<u>-</u>	<u>400</u>
Total Deletions	<u>400</u>	<u>7,635</u>	<u>8,035</u>
Changes in Net Position Held in Trust	(388)	(211)	(598)
Net Position, Beginning of the Year	<u>4,135</u>	<u>28,499</u>	<u>32,634</u>
Net Position, End of the Year	<u>\$ 3,747</u>	<u>\$ 28,289</u>	<u>\$ 32,036</u>

See Notes to Financial Statements.

**DIXON SCHOOL DISTRICT NO. 9
SANDERS COUNTY
DIXON, MONTANA**

Notes to Financial Statements

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DIXON SCHOOL DISTRICT NO. 9
SANDERS COUNTY
DIXON, MONTANA

Notes to Financial Statements

June 30, 2014

1. Summary of Significant Accounting Policies

A. Compliance with Generally Accepted Accounting Principles

Dixon School District No. 9 complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

B. Reporting Entity

This is a third class district, providing elementary education from kindergarten through the eighth grade. All operations of the School are controlled by a Board of Trustees, elected in district-wide elections, and responsible for all of the School's activities. The financial statements include all of the School's operations controlled by the Board of Trustees. Because the School is controlled by an elected governing board, is a separate legal entity, is not financially or fiscally dependent upon any other local government, or controlled by any other government, it is considered to be an independent reporting entity and has no component units.

C. Basis of Presentation and Basis of Accounting

Government-wide Statements - The statement of net position and the statement of activities show information about the overall financial position and activities of the School with the exception of the student activity fund.

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

The Statement of Activities present a comparison between direct expenses and program revenues for each function of the School's activities. Direct expenses are those that are specifically associated with a program or function. The School does not charge indirect expenses to programs or functions. Program revenues include fees for services (primarily school lunch and breakfast charges) and grants that are restricted to a particular program. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

1. Summary of Significant Accounting Policies (Continued)

Fund Financial Statements - These statements provide information about the School's funds, including a separate statement for the School's fiduciary fund (the student activity fund). The emphasis of fund financial statements is on major governmental funds. Each major fund is displayed in a separate column. All of the remaining funds are aggregated and reported in a single column as other governmental funds. These funds (except the fiduciary funds which use the total resources focus and accrual basis of accounting) 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 property tax revenues are recorded as deferred inflows of resources in the government funds for these receivables. This change from previous years, when deferred property taxes were reported as a liability, results from the District's early implementation of GASB 65, *Items Previously Reported as Assets and Liabilities* in fiscal year 3013. 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 due. General capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

GASB Statement No. 34 requires that the main operating fund of a government 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 government funds also be reported as major funds. Accordingly, the School reports the following major governmental funds:

General fund - This is the School's main operating fund and it accounts for all current financial resources of the School except those required to be accounted for in other funds.

Transportation fund - The fund accounts for the School's student busing program.

Miscellaneous fund - This fund accounts for local, state or federal grants and reimbursements received by the District.

The School also has two private-purpose trust funds, its extracurricular fund, which accounts for the student activities, and a scholarship fund, which provides scholarships to students.

D. Budgets

State law requires the School to prepare budgets for certain funds - generally funds supported by property tax revenues. Budgets are prepared on the modified accrual basis. Budgeted fund expenditures are limited by State law to the total budgeted amount which may be amended as defined by State law. There were no budget amendments in 2014.

1. Summary of Significant Accounting Policies (Continued)

General fund budgets are based on the State of Montana's foundation program which is based primarily on enrollment. Budgets of other funds are based on expected revenues and expenditures. The Board approves the final budget on or before the 15th of August.

State law permits the inclusion of obligations (encumbrances) for construction-in-progress and the purchase of personal property as expenditures for budget purposes. There were no encumbrances in fiscal year 2013 or 2014.

The amounts shown in the budget column of the schedule are the original and final budgeted amounts. State law requires only that a fund's total expenditures not exceed total budgeted expenditures. The miscellaneous fund is not a budgeted fund.

E. Cash and Investments

State law permits investment of school district's funds in insured savings or time deposits, bank repurchase agreements, direct obligations of the U.S. Government, and the State's unified investment program.

Except for the student activity and the scholarship funds, all cash and investments are held by the County Treasurer. Investments are stated at estimated fair value.

F. Property Taxes

Property taxes are levied in August of each fiscal year, based on assessments as of the prior January 1. Real property taxes are billed in October and are payable 50% on November 30 and 50% on May 31. Sanders County, at no charge to the taxing authorities, bills and collects all property taxes.

Property taxes receivable at June 30 consist primarily of delinquent property taxes from prior year levies and are offset by deferred revenue. Uncollectible property taxes are not considered to be material and no allowance for uncollectible receivables is recorded.

G. Inventories

Inventories are valued at specific cost. The cost of inventories is recorded as an expenditure at the time individual inventory items are purchased (purchases method). Inventories on hand at year end, if material, are offset by a fund balance reserve.

H. Capital Assets

Capital assets are carried at cost or estimated cost if actual cost is not available. Fixed asset purchases are recorded as expenditures in the School's funds. Proceeds from the sale of School assets are reported as revenue in other funds. Major additions and betterments are recorded as additions to fixed assets. Repairs, maintenance, and minor additions (equipment costing less than \$5,000) are not capitalized. Depreciation is computed using the straight-line method and the estimated useful lives are as follows:

Buildings	50 – 100 years
Improvements other than Buildings.....	7 - 75 years
Machinery and Equipment.....	5 years

1. Summary of Significant Accounting Policies (Continued)

I. Warrants Payable

Disbursements are made by warrants which are demands for payment drawn on the County Treasurer. Outstanding warrants at June 30, 2014 are recorded as disbursements in individual funds and cash balances in individual funds are reduced for outstanding warrants.

J. Deferred Property Tax Revenue

Deferred property tax revenue, categorized as a deferred inflow of resources in the government fund financial statements, consists of property taxes receivable, as discussed above.

K. Compensated Absences

Non-teaching District employees earn vacation leave ranging from fifteen to twenty-four days per year depending on the employee's years of service. The School's liability for vacation pay is restricted under State statute to a maximum accumulation of two times the amount earned annually. Sick leave is accumulated for district non-teaching employees at the rate of 12 days per year with no limit on the carry-over amount. Upon retirement or resignation, employees are eligible for sick leave compensation at one fourth of the accumulated amount.

At the beginning of each school year, teachers are credited with ten days of sick leave at full salary. Each teacher is allowed to accumulate an unlimited amount of sick leave. Upon termination, a teacher shall receive a lump sum payment for 25% of days accumulated and unused sick leave at their current year salary. In addition, each teacher receives five days of personal leave per year, credited at the beginning of the school year. Unused days are paid at the end of the school year at the daily substitute rate or at \$50 per day, whichever is highest.

Vacation pay is classified as compensated absences due within one year and accrued sick leave is classified as non-current.

L. Estimated Retiree Health Care Costs

A liability and expense is recorded for the cost of allowing retirees to participate in the School's group health insurance plan at the same level premium as is paid for its active employees, if material. The level premium paid by retirees is lower than what age-rated premiums would cost and the difference is subsidized by other plan premium payers and results in an "implicit rate subsidy". The School pays for all of its care coverage on a pay-as-you-go basis.

M. Estimates

The preparation of basic 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.

2. CASH AND INVESTMENTS

The School participates in the Sanders County Treasurer's investment program. All funds deposited with the County Treasurer are pooled and invested in accordance with State law. Interest earnings are distributed monthly and allocated to the School based on month-end cash balances. Funds are withdrawn as needed to pay warrants.

2. CASH AND INVESTMENTS (Continued)

It is not practical for the School to determine investment risk (including amounts invested in financial derivatives), insurance coverage or collateral for its share of the pooled investments in the County Treasurer's program. Information on the County's investment pool can be obtained from the County's annual financial report (Sanders County Treasurer's Office, P.O. Box 519, Thompson Falls, Montana 59873).

Student activity trust and scholarship funds are deposited in FDIC insured bank accounts.

3. CHANGES IN CAPITAL ASSETS

The changes in capital assets during 2014 were as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Cost of Assets				
Land	\$ 11,500	\$ -	\$ -	\$ 11,500
Buildings and Improvements	664,152	-	-	664,152
Equipment and Vehicles	61,246	-	-	61,246
Total	<u>736,898</u>	<u>-</u>	<u>-</u>	<u>736,898</u>
Accumulated Depreciation				
Buildings and Improvements	(190,217)	(4,948)	-	(195,165)
Equipment and Vehicles	(46,793)	(2,833)	-	(49,626)
Total	<u>(237,010)</u>	<u>(7,781)</u>	<u>-</u>	<u>(244,791)</u>
Net capital assets	<u>\$ 499,888</u>	<u>\$ (7,781)</u>	<u>\$ -</u>	<u>\$ 492,107</u>

Depreciation was charged to the District's programs as follows:

Transportation	\$ 1,923
Unallocated, Primarily Building Depreciation	5,858
Total	<u>\$ 7,781</u>

4. LONG-TERM DEBT

Changes in long-term debt during 2014 are as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Compensated absences	\$ 14,479	\$ 4,842	\$ -	\$ 19,321	\$ 4,625

Compensated Absences - The payable represents vacation and sick leave earned by employees which is payable upon termination.

5. GOVERNMENT-WIDE RESTRICTED NET POSITION

Restricted Net Position – Consists of net position with constraints placed on the use either by (a.) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (b.) law through constitutional provisions or enabling legislations. The District applies restricted resources first to expenses when both restricted and unrestricted net position are available.

These funds and their Net Position at June 30, 2014 are as follows:

Transportation	\$	20,663
School Food		14,603
Tuition		3,841
Retirement		22,895
Miscellaneous		74,200
Adult Education		603
Lease-Rental Funds		6,676
Technology		2,429
Total Restricted Net Position	\$	<u>145,910</u>

6. GOVERNMENT FUND BALANCE REPORTING

The District spends restricted amounts first. When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts are available, the District spends committed first, then assigned, and lastly, unassigned funds.

Committed funds must be so designated by the School Board and assigned funds are designated by the Superintendent as authorized by the School Board. There were no committed funds at June 30, 2014.

Restricted Fund Balance consists of:

Restricted for expenditures related to:

Fund		Purpose
Transportation	\$ 19,269	Student Transportation - Voted Levy
School Food	14,603	School Food
Tuition	3,841	Instruction - Voted Levy
Retirement	22,895	Retirement - Voted Levy
Miscellaneous	74,200	Instruction - Grant Proceeds
Adult Education	580	Instruction - Voted Levy
Lease-Rental Funds	6,676	Community Services/Rental Expenses
Technology	2,429	Maintenance of Technology Equipment
Total Restricted Fund Balance	\$ <u>144,493</u>	

Assigned Fund Balance consists of:

Fund		
Flexibility	<u>215</u>	Supplies

Unassigned Fund Balance consists of:

Fund	
General Fund	\$ <u>1,925,131</u>

6. GOVERNMENT FUND BALANCE REPORTING (Continued)

Because the Impact Aid funds are considered primarily general aid to the recipient school district, the Impact Aid Fund was aggregated to the General Fund as follows:

	General Fund	Impact Aid Fund	Total
Revenues			
District Property taxes	\$ 47,179	\$ -	\$ 47,179
Intergovernmental:			
State Equalization	198,249	-	198,249
State Other	225,621	-	225,621
Federal	-	764,999	764,999
Interest	180	4,068	4,248
Other	-	1,510	1,510
Total Revenues	<u>471,229</u>	<u>770,577</u>	<u>1,241,806</u>
Current Operations:			
Instructional - Regular Programs	259,307	18,116	277,423
Instructional - Special Programs	46,870	7,195	54,065
Media Services	5,500	11,648	17,148
Administration - General	41,000	59,627	100,627
Administration - Financial	31,746	41,737	73,483
Operation and Maintenance	52,370	53,210	105,580
School Food	19,031	-	19,031
Community Services	-	18,933	18,933
Total Expenditures	<u>455,824</u>	<u>210,466</u>	<u>666,290</u>
Excess (Deficiency) of Revenues Over Expenditures	15,405	560,111	575,516
Fund Balance:			
Beginning of the Year	<u>39,718</u>	<u>1,309,897</u>	<u>1,349,615</u>
End of the Year	<u>\$ 55,123</u>	<u>\$ 1,870,008</u>	<u>\$ 1,925,131</u>

7. RETIREMENT PLANS

The School participates in two statewide, mandatory, cost-sharing, multiple employer, defined benefit retirement plans which cover all employees, except certain substitute teachers and part-time, non-teaching employees. The Montana Teachers' Retirement System (MTRS) covers teaching employees, including principals and superintendents. The Montana Public Employees' Retirement System (MPERS) covers other non-teaching employees.

The plans are established by State law and are administered by the State of Montana. The plans provide retirement, disability, and death benefits to plan members and beneficiaries. Contribution rates for both plans are required and determined by State law. There were changes to the plans or the required contribution rates in 2014.

7. RETIREMENT PLANS (Continued)

The contribution rates, expressed as a percentage of covered payroll, were as follows:

	<u>Employer</u>	<u>Employee</u>	<u>State</u>	<u>Total</u>
MTRS (Tier 1 Member)	8.470%	8.150%	2.49%	19.110%
MTRS (Tier 2 Member)	8.470%	8.150%	2.49%	19.110%
MPERS	7.800%	7.900%	0.37%	16.070%

MTRS - A “Tier 1 Member” is a person who became a member before July 1, 2013 and who has not withdrawn his/her account balance. A “Tier 2 Member” is a person who, after withdrawing his/her account balance, became a member again on or after July 1, 2013. Effective July 1, 2013, the Tier 1 member supplemental contribution may be decreased, and a Tier 2 member may be required to contribute a supplemental contribution, under circumstances in Section 19-20-608, MCA. Also, the employer supplemental contribution may be decreased under circumstances described in Section 19-20-609, MCA.

MPERS – On January 1 following an actuarial valuation, the employee contribution rate will be reduced to 6.9%, and the additional contributions by the employer (1%) and the State of Montana will terminate, if the actuarial valuation determines that these reductions and terminations would not cause the amortization period to exceed 25 years. Effective July 1, 2013, retired members who return to active service are subject to the above employee, employer, and state contributions. For retired members who return to work in a covered position, but who have not become active members, the employer and state shall contribute the amounts specified in Section 19-3-316 and 319, MCA.

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>
MTRS	\$ 53,920	\$ 65,794	\$ 87,842
MPERS	19,315	17,883	23,066
Total	<u>\$ 73,235</u>	<u>\$ 83,677</u>	<u>\$ 110,908</u>

The FY2013 to FY2014 increase relates primarily to the additional payment of \$24,163 to TRS in order to bring the reserves down per legislative order (House Bill 377).

The State’s contributions to the plans in 2014 were \$9,540 for MTRS and \$544 for MPERS. These amounts have not been included in the District’s financial statements.

Both plans issue a publicly available financial report that includes financial statements and required supplementary information for the plans. Those reports may be obtained from the following:

Mt. Teachers Retirement System
P.O. Box 200139
1500 Sixth Avenue
Helena, Montana 59620-0139
Telephone (406) 444-3134

Mt. Public Employees Retirement System
P.O. Box 200131
1712 Ninth Avenue
Helena, Montana 59620-0131
Telephone (406) 444-3154

8. POST EMPLOYMENT BENEFITS

Terminated employees may remain on the District's health insurance plan for up to 18 months if they pay the monthly premiums. The benefit is required under the federal COBRA law. Retirees may remain on the District's health plan to age 65, provided they pay the monthly premiums. State law requires the District to provide this benefit. No cost can be estimated for the benefits, although there is the probability that there are higher medical costs for retirees that would result in additional costs to the insurance program. The District had fifteen school employees, one board member, two retirees and no terminated employees participating in the plan as of June 30, 2014. The potential cost is considered immaterial to the District's financial statements.

9. JOINT VENTURES

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose.

Special Education Cooperative - Dixon School District is a member of the Missoula Area Education Cooperative. The Cooperative is comprised of 17 districts, each of which contributes to the operating costs of the Cooperative based on an annual fiscal budget adopted by the Cooperative and the benefits derived from the Cooperative's services. Every year each member district appoints a member to the Joint Advisory Board. From this board a four member Management Council is elected to administer the Cooperative.

The County Superintendent of Schools is the prime fiscal agent. The District's payment to the cooperative for fiscal year 2014 was \$27,666. Separate financial statements can be obtained from the Missoula Area Education Cooperative.

10. RISK MANAGEMENT

The School faces a number of risks including (a) loss or damage to 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. Commercial policies, transferring all risks of loss except for relatively small deductible amounts, are purchased for property and content damage, employee torts, professional liabilities, and medical insurance costs of employees. Coverage limits and the deductibles in the commercial policies have stayed relatively constant for the last several years. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. Given the lack of coverage available, the District has no coverage for potential losses from environmental damages. The School participates in the Montana Unified School Trust (MUST), a self-insured trust providing group health benefits and plan administration for Montana school districts. All school district participants in the pool are jointly and severally liable for the liabilities of the public risk pools. Audited financial statements are available from MUST.

11. OPERATING LEASE

The District entered into an operating lease in January 2014 for the use of a copier and two small machines. The non-cancellable operating lease is for a 60 month period with monthly payments of \$389.

12. TRANSPORTATION CONTRACT

The District contracts with Dixon Bus Company for its student transportation needs. Dixon Bus Company provides busses, drivers, and maintenance of the busses for all student transportation needs within the District. In March 2011, the bus contract was approved for fiscal years 2011 through 2015 with amendments for fuel cost adjustments.

**DIXON SCHOOL DISTRICT NO. 9
SANDERS COUNTY
DIXON, MONTANA**

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

	-----Fall-----		-----Winter-----		-----Spring-----	
	School Records	Enrollment Report	School Records	Enrollment Report	School Records	Enrollment Report
Grades K - 5	39	39	37	37	35	35
Grades 6 - 8	<u>10</u>	<u>10</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>
Total	<u><u>49</u></u>	<u><u>49</u></u>	<u><u>48</u></u>	<u><u>48</u></u>	<u><u>46</u></u>	<u><u>46</u></u>

**Dixon School District No. 9
Sanders County
Dixon, Montana**

Extracurricular Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance
By - Student Activity
For the Year Ended June 30, 2014

	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers In/Out</u>	<u>Ending Balance</u>
Student Activity					
7th and 8th Grade	\$ 6,043	\$ 11	\$ 512	\$ -	\$ 5,542
5th and 6th GRade	279	11	-	-	290
3rd and 4th Grade	649	11	330	-	330
1st and 2nd Grade	412	11	-	-	423
Kindergarten	368	11	-	-	379
21st CCLC Activity	228	655	708	-	175
Miscellaneous	4,415	401	573	270	4,513
Student Booster	1,752	904	485	-	2,171
Comsumer/Vocational	2,041	-	-	-	2,041
Student Scholarship	90	1,048	754	-	384
Yearbook Fund	2,541	15	-	-	2,556
Student Projects Fund	4,947	-	-	-	4,947
Student Council	507	-	-	-	507
Ski Club	1,433	1,632	1,680	-	1,385
Student Fundraisers	440	1,997	1,874	(270)	293
Preschool	2,354	717	718	-	2,353
Total	\$ 28,499	\$ 7,424	\$ 7,634	\$ -	\$ 28,289

**DIXON SCHOOL DISTRICT NO. 9
SANDERS COUNTY
DIXON, MONTANA**

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

STUDENT ENROLLMENT

The average fall enrollment of students attending the School is as follows:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Pre-kindergarten	18	19	2	1 *			
Kindergarten	11	5	12	9	8	7	3
Grades 1 - 6	49	45	37	50	46	36	36
Grades 7 - 8	<u>7</u>	<u>14</u>	<u>10</u>	<u>6</u>	<u>6</u>	<u>8</u>	<u>10</u>
Total	<u>85</u>	<u>83</u>	<u>61</u>	<u>66</u>	<u>60</u>	<u>51</u>	<u>49</u>
Change in Enrollment		-2	-22	5	-6	-9	-2
Percentage Change		-2%	-27%	8%	-9%	-15%	-4%

* = Dixon School was serving 13 Pre-K students at the time of the Fall Count of 2009-10. As per request by Achievement in Montana (AIM), only students receiving special education services were entered.

SCHOOL DISTRICT VALUATIONS

<u>As of January 1,</u>	<u>Assessed (Market) Valuations</u>	<u>% Change</u>	<u>Taxable Valuation</u>	<u>% Change</u>	<u>Taxable Valuation as a Percentage of Assessed Valuation</u>
2005	15,926,480	-	461,740	-	3%
2006	15,390,938	-3%	447,322	-3%	3%
2007	15,712,406	2%	449,824	1%	3%
2008	15,222,267	-3%	438,616	-2%	3%
2009	18,000,318	18%	443,634	1%	2%
2010	20,117,023	12%	497,601	12%	2%
2011	17,210,644	-14%	462,600	-7%	3%
2012	16,084,884	-7%	442,821	-4%	3%
2013	16,502,668	3%	442,027	0%	3%
2014	21,051,428	28%	438,013	-1%	2%

SCHOOL DISTRICT TAX LEVIES (in mills)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General	67.65	106.49	106.40	96.55	101.81	102.26	105.72
Transportation	26.00	37.24	21.45	16.45	46.28	54.99	49.32
Adult Education	0.59	0.64	0.98	0.62	0.61	0.70	0.68
Total	<u>94.24</u>	<u>144.37</u>	<u>128.83</u>	<u>113.62</u>	<u>148.70</u>	<u>157.95</u>	<u>155.72</u>

MAXIMUM BONDED INDEBTEDNESS

State statutes (MCA 20-9-406) limit the maximum bonded indebtedness to 50% of the School's taxable valuation at June 30, 2014. However, for school districts that qualify for guaranteed tax base aid, the law permits maximum bonded indebtedness equal to 50% of the statewide taxable valuation per student (average number belonging). Maximum bonded indebtedness under this exception is as follows:

<u>Debt Limit Calculation</u>	<u>Elementary</u>
2014/15 Statewide Taxable Value Per Student	\$ 33,140
x 2014/15 Budget ANB	<u>55</u>
Total	1,822,700
x Debt Limit Rate of 50%	<u>50%</u>
Maximum Debt Capacity	<u>\$ 911,350</u>

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**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***

To the Board of Trustees
Dixon School District No. 9
Sanders County
Dixon, Montana

I 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 Dixon School District No. 9, Sanders County, Dixon, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Dixon School District's basic financial statements and have issued our report thereon dated January 9, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Dixon School District No. 9, Sanders County, Dixon, 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dixon School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Dixon School District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as discussed below, I identified a certain deficiency in internal control over financial reporting that I consider to be a material weakness.

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. I consider the deficiency described below as item 14-2 to be a material weakness.

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. I consider the deficiency described as item 14-1 listed below to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dixon School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

14-1 Lack of Segregation of Accounting Duties

Condition – Ideal segregation of accounting duties is not always possible in an organization with a small staff as is the case with the District. Compensating controls performed by the board are important. However, the minutes did not appear to include all pertinent information. For example, in September 2014, a Pierce Flooring bid was approved but the Board minutes did not include the dollar amount.

Criteria - Internal control procedures require a proper segregation of accounting duties. Because ideal segregation of accounting duties is not always possible, compensating controls performed by the board are important.

Effect – The lack of compensating controls performed by the Board increases the vulnerability for improper disbursements.

Cause – The condition is caused by organizations with a small staff requiring compensating controls to be performed by the Board.

Recommendation - I recommend the Board continue to monitor and approve the School's activities and transactions. The Board approval should include all pertinent information in the Board minutes.

14-2 – Financial Reporting

Condition – The District does not have the expertise to prepare or to evaluate the auditor prepared financial statements to ensure proper preparation in accordance with generally accepted accounting principles (GAAP).

Criteria – Auditing standards that became effective December 15, 2006, require the auditor to determine whether the School's internal control system allows for the reliable reporting of financial data in accordance with GAAP.

Effect – Not having the expertise to prepare or to evaluate the auditor prepared financial statements increases the risk of not preparing financial statements in accordance with GAAP.

Cause – This condition is caused by the lack of funding for the District to retain and train personnel to evaluate or prepare GAAP financial statements.

Recommendation – Although it may not be cost effective for the District to retain and train personnel to evaluate or prepare GAAP financial statements, I recommend the District to consider correcting this material weakness in their internal controls over financial statements preparation by hiring a qualified consultant to evaluate the auditor prepared financial statements. Management should be aware of and continue to evaluate the impact of this deficiency.

Entity's Response to Findings

The District's response to audit findings identified in my audit is described on page 33. The District's response was not subjected to the auditing procedure applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result 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



January 9, 2015

TERRY JAMES BURKE
CERTIFIED PUBLIC ACCOUNTANT

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REPORT ON PRIOR AUDIT RECOMMENDATIONS

To the Board of Trustees
Dixon School District No. 9
Sanders County
Dixon, Montana

The prior audit report contained two audit recommendations. The action taken on the recommendations are as follows:

13-1 – Lack of Segregation of Accounting Duties – Repeated.

13-2 – Financial Reporting – Repeated.

In accordance with state law (MCA 2-7-515), upon receipt of the final audit report, the School's Board of Trustees is required to respond to the audit findings.



January 9, 2015

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Dixon Public Schools

District No. 9
Sanders County



January 14, 2015

Department of Administration
Administrative Financial Services Division
Local Government Services Bureau
301 South Park Avenue, Room 340
Helena, MT 59620-0547

RE: Response to Findings of 2013-14 Audit

Our Audit dated June 30, 2014 had two Financial Statement findings. I have listed below how we will abide to correct these findings.

14-1 – Lack of Segregation of Accounting Duties

The Dixon Board of Trustees will continue to monitor and approve all school activities and transactions as they have done in the past. The Board will evaluate all operations of the school district.

14-2 – Financial Reporting

The Dixon Board of Trustees has considered the hiring of a qualified consultant to evaluate all GAAP financial statements but, due to funding find this to be impossible at this time. They will continue to monitor this material weakness.

Sincerely,

Kelly Moore
Charlotte Morigeau
Kelly Moore, Principal
Charlotte Morigeau, District Clerk