

DODSON PUBLIC SCHOOLS
PHILLIPS COUNTY, MONTANA
Fiscal Year Ended June 30, 2014

AUDIT REPORT

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

DODSON PUBLIC SCHOOLS
 PHILLIPS COUNTY, MONTANA
 Fiscal Year Ended June 30, 2014

TABLE OF CONTENTS

Organization	1
Management Discussion and Analysis	2-5
Independent Auditor’s Report	6-8
 Financial Statements	
<u>Government-wide Financial Statements</u>	
Statement of Net Position	9
Statement of Activities	10
 <u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Net Position - Fiduciary Fund Types	15
Statement of Changes in Net Position - Fiduciary Fund Types	16
Notes to Financial Statements	17-28
 Required Supplemental Information	
Budgetary Comparison Schedule	29-30
Budgetary Comparison Schedule – Budget-to-GAAP Reconciliation	31
Schedule of Funding Progress – Other Post Employment Benefits Other Than Pensions	32
 Supplemental Information	
Schedule of Enrollment	33-35
Schedule of Revenues and Expenditures – Extracurricular Fund – All Fund Accounts	36
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	37-39
Report on Prior Audit Recommendations	40

DODSON PUBLIC SCHOOLS
PHILLIPS COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2014

BOARD OF TRUSTEES

Iris Killeagle
Bonnie Lankford
Joe Nicholson
Jessica Wilson-Fetter
Mitch Scheffelmaer

Chairperson
Vice Chairperson
Trustee
Trustee
Trustee

DISTRICT OFFICIALS

Debbie Combs
Connie Jones
Vivian Taylor
Edwards Amestoy

District Superintendent
District Clerk
County Superintendent
County Attorney

**DODSON PUBLIC SCHOOLS
DISTRICT NO. 2
P.O. Box 278
Dodson, MT 59524
(406)383-4361
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**MANAGEMENT'S DISCUSSION & ANALYSIS
For the Year Ended June 30, 2014**

This section of the Dodson School District's annual financial report presents the management discussion and analysis of the District's financial performance during the fiscal year that ended June 30, 2014. It is intended to provide a clear and concise analysis of the activities, financial results, and financial position during the fiscal year, and is a required element of the reporting model established by the Governmental Accounting Standards Board (GASB) in Statement Number 34. This management and discussion and analysis (MD&A) should be ready in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2014 are as follows:

- Total net position for the District is \$1,888,900
- Total net position decreased by \$281,951.
- Total revenues increased by \$24,902.
- Total expenses increased by \$116,823.

This management's discussion and analysis provides an overview of the District's financial activities for the fiscal year ended June 30, 2014. Please read it along with the District's financial statements.

USING THIS ANNUAL REPORT

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 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 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). There is also summarized financial information about the student activity trust fund for which the District acts as a trustee.

THE DISTRICT AS A WHOLE

One important question asked about the District's finances is, "Is the District better or worse off as a result of this year's activities?" The information in the government-wide financial statements helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting (and reports depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies.

The change in net position (the difference between total assets and total liabilities) over time is one indicator of whether the District's financial health is improving or deteriorating. However, you need to consider other nonfinancial factors in making an assessment of the District's health, such as changes in enrollment, changes in the State's funding of educational costs, changes in the economy, changes in the District's tax base, etc. to assess the overall health of the District.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant of the District's funds; the District is required to provide detailed information for its "major" funds.

Major funds are defined as the general fund and other funds where the assets, liabilities, revenues, or expenditures exceed 10% of total governmental fund amounts.

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.

ANALYSIS OF FINANCIAL INFORMATION

Dodson School District expenses increased by \$116,823 due to salary increases, additional smart boards being purchased, the purchase of computers and bringing the District's electrical wiring for technology up-to-date.

CAPITAL ASSETS

As of June 30, 2014 the District had \$956,428 net capital assets including land, building, machinery and equipment. Depreciation expense for the year was \$60,429. The District had some additions and retirements in FY 2014.

CHANGES IN FINANCES CAUSED BY ADDITIONAL OPERATING EXPENSES

The District shows a decrease in net position of \$281,951. Those expenses were salary increases, additional smart boards being purchased, the purchase of computers and bringing the District's electrical wiring for technology up-to-date.

The General Fund shows a decrease of \$103,874 because of the expenses mentioned above: asphalt pads, smart boards, math books, flooring, lighting and a commercial stove.

The Miscellaneous Programs Fund shows an increase of \$5,623 due to revenues being \$186,079 and expenditures of \$180,456.

THE FUTURE OF THE DISTRICT

The number of students enrolled in the Dodson School District has remained at an average of 76 students. Taking into consideration the trend of a stable enrollment and moderately increasing taxable values it seems reasonable to expect the District to operate in a stable manner for the near future. The District continues to have no long term debts. The District plans to construct an enclosed lean to for the purpose of housing the school's vehicle and some maintenance equipment. The cost is estimated at \$25,000.00. No other major improvements to our existing facilities are planned.

Dodson Public School, Phillips County, Montana
MD & A Comparisons
June 30, 2014

Table 1 - Net Position

	Governmental Activities		
	<u>FY14</u>	<u>FY13</u>	<u>Change Inc (Dec)</u>
Current and other assets	\$ 1,131,344	\$ 1,310,518	\$ (179,174)
Capital assets	956,428	988,678	(32,250)
Total assets	<u>2,087,772</u>	<u>2,299,196</u>	<u>(211,424)</u>
Long-term debt outstanding	\$ 189,212	\$ 128,345	\$ 60,867
Other liabilities	9,660	-	9,660
Total liabilities	<u>198,872</u>	<u>128,345</u>	<u>70,527</u>
Invested in capital assets, net of debt	956,428	988,678	(32,250)
Restricted	110,448	162,011	(51,563)
Unrestricted (deficit)	822,024	1,020,162	(198,138)
Total net position	<u>\$ 1,888,900</u>	<u>\$ 2,170,851</u>	<u>\$ (281,951)</u>

Table 2 - Changes in Net Position

	Governmental Activities		
	<u>FY14</u>	<u>FY13</u>	<u>Change Inc (Dec)</u>
Revenues			
<i>Program revenues (by major source):</i>			
Charges for services	\$ 6,656	\$ 17,040	\$ (10,384)
Operating grants and contributions	268,538	291,130	(22,592)
<i>General revenues (by major source):</i>			
Property taxes for general purposes	293,385	342,546	(49,161)
State Sources	723,671	621,254	102,417
County Sources	86,694	112,709	(26,015)
Investment earnings	1,434	1,354	80
Penalties and Interest	2,385	2,636	(251)
Miscellaneous (other revenue)	31,003	195	30,808
Total revenues	<u>\$ 1,413,766</u>	<u>\$ 1,388,864</u>	<u>\$ 24,902</u>
Program expenses			
Instructional - regular	\$ 629,835	\$ 671,536	\$ (41,701)
Instructional - special education	\$ 68,089	\$ 61,300	\$ 6,789
Supporting services - operations & maintenance	\$ 215,133	\$ 209,796	\$ 5,337
Supporting services - general	\$ 98,517	\$ 66,075	\$ 32,442
Supporting services - educational media services	\$ 11,914	\$ 9,355	\$ 2,559
Administration - general	\$ 122,376	\$ 115,094	\$ 7,282
Administration - school	\$ 119,258	\$ 71,001	\$ 48,257
Administration - business	\$ 50,427	\$ 44,154	\$ 6,273
Student transportation	\$ 155,784	\$ 117,685	\$ 38,099
Extracurricular	\$ 79,609	\$ 74,619	\$ 4,990
School food	\$ 84,574	\$ 90,591	\$ (6,017)
Unallocated depreciation*	\$ 59,182	\$ 47,688	\$ 11,494
Total expenses	<u>\$ 1,695,717</u>	<u>\$ 1,578,894</u>	<u>\$ 116,823</u>
Excess (deficiency) before special items and transfers	(281,951)	(190,030)	(91,921)
Increase (decrease) in net position	<u>\$ (281,951)</u>	<u>\$ (190,030)</u>	<u>\$ (91,921)</u>

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

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Dodson Public Schools
Phillips County
Dodson, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dodson Public Schools, Phillips County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Dodson Public Schools, Phillips County, Montana, as of and for the year ended 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2014, the Dodson Public Schools, Phillips County, Montana adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding for other post employment benefits other than pensions on pages 2 through 5, 29 through 31, and 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of revenues and expenditures for the extracurricular fund and the schedule of enrollment are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2015, on our consideration of the Dodson Public Schools, Phillips County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dodson Public Schools, Phillips County, Montana's internal control over financial reporting and compliance.

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

June 15, 2015

Dodson Public School, Phillips County, Montana
Statement of Net Position
June 30, 2014

		Governmental Activities
ASSETS		
Current assets:		
Cash and investments	\$	1,119,342
Taxes and assessments receivable, net		12,002
Total current assets	\$	1,131,344
Noncurrent assets		
Capital assets - land	\$	15,094
Capital assets - depreciable, net		941,334
Total noncurrent assets	\$	956,428
Total assets	\$	2,087,772
LIABILITIES		
Current liabilities		
Current portion of compensated absences payable		9,527
Deferred inflows of resources		9,660
Total current liabilities	\$	19,187
Noncurrent liabilities		
Noncurrent portion of long-term liabilities	\$	162,344
Noncurrent portion of compensated absences		17,341
Total noncurrent liabilities	\$	179,685
Total liabilities	\$	198,872
NET POSITION		
Net investment in capital assets	\$	956,428
Restricted for capital projects		637
Restricted for special projects		109,811
Unrestricted		822,024
Total net position	\$	1,888,900

See accompanying Notes to the Financial Statements

Dodson Public School, Phillips County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2014

<u>Functions/Programs</u>			<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>	
<u>Primary government:</u>	<u>Expenses</u>			<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>
Governmental activities:						<u>Governmental Activities</u>
Instructional - regular	\$ 629,835	\$	-	\$	161,500	\$ (468,335)
Instructional - special education	68,089		-		27,942	(40,147)
Instructional - vocational education	1,019		-		1,019	-
Supporting services - operations & maintenance	215,133		6,656		-	(208,477)
Supporting services - general	98,517		-		-	(98,517)
Supporting services - educational media services	11,914		-		-	(11,914)
Administration - general	122,376		-		-	(122,376)
Administration - school	119,258		-		-	(119,258)
Administration - business	50,427		-		-	(50,427)
Student transportation	155,784		-		40,732	(115,052)
Extracurricular	79,609		-		-	(79,609)
School food	84,574		-		37,345	(47,229)
Unallocated depreciation*	59,182		-		-	(59,182)
Total primary government	\$ 1,695,717	\$	6,656	\$	268,538	\$ (1,420,523)
General Revenues:						
						293,385
						723,671
						86,694
						1,434
						2,385
						31,003
						\$ 1,138,572
						\$ (281,951)
						2,170,851
						\$ 1,888,900

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

Dodson Public School, Phillips County, Montana
Balance Sheet
Governmental Funds
June 30, 2014

	General	Transportation Fund	Miscellaneous Programs Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Current assets:					
Cash and investments	\$ 1,012,148	\$ 33,707	\$ 19,892	\$ 53,595	\$ 1,119,342
Taxes and assessments receivable, net	8,748	3,254	-	-	12,002
Total assets	\$ 1,020,896	\$ 36,961	\$ 19,892	\$ 53,595	\$ 1,131,344
 DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources	\$ 8,748	\$ 3,254	\$ 9,660	\$ -	\$ 21,662
 FUND BALANCES					
Restricted	\$ -	\$ 33,707	\$ 10,232	\$ 53,595	\$ 97,534
Unassigned fund balance	1,012,148	-	-	-	1,012,148
Total fund balance	\$ 1,012,148	\$ 33,707	\$ 10,232	\$ 53,595	\$ 1,109,682

See accompanying Notes to the Financial Statements

Dodson Public School, Phillips County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2014

Total fund balances - governmental funds	\$ 1,109,682
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	956,428
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	12,002
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(189,212)
Total net position - governmental activities	\$ <u>1,888,900</u>

See accompanying Notes to the Financial Statements

Dodson Public School, Phillips County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	<u>General</u>	<u>Transportation Fund</u>	<u>Miscellaneous Programs Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Local revenue	\$ 228,950	\$ 78,762	\$ 9,679	\$ 8,672	\$ 326,063
County revenue	-	20,366	-	86,694	107,060
State revenue	716,610	27,317	85,896	266	830,089
Federal revenue	28,405	-	90,504	37,079	155,988
Total revenues	<u>\$ 973,965</u>	<u>\$ 126,445</u>	<u>\$ 186,079</u>	<u>\$ 132,711</u>	<u>\$ 1,419,200</u>
EXPENDITURES					
Instructional - regular	\$ 405,268	\$ -	\$ 94,771	\$ 68,929	\$ 568,968
Instructional - special education	57,689	-	-	10,400	68,089
Instructional - vocational education	-	-	1,019	-	1,019
Supporting services - operations & maintenance	200,126	-	-	13,760	213,886
Supporting services - general	11,911	-	84,666	1,940	98,517
Supporting services - educational media services	10,593	-	-	1,321	11,914
Administration - general	109,561	-	-	12,815	122,376
Administration - school	116,317	-	-	2,941	119,258
Administration - business	45,581	-	-	4,846	50,427
Student transportation	-	155,784	-	-	155,784
Extracurricular	75,170	-	-	4,439	79,609
School food	44,963	-	-	39,611	84,574
Capital outlay	20,270	-	-	7,909	28,179
Total expenditures	<u>\$ 1,097,449</u>	<u>\$ 155,784</u>	<u>\$ 180,456</u>	<u>\$ 168,911</u>	<u>\$ 1,602,600</u>
Net Change in Fund Balance	<u>\$ (123,484)</u>	<u>\$ (29,339)</u>	<u>\$ 5,623</u>	<u>\$ (36,200)</u>	<u>\$ (183,400)</u>
Fund balances - beginning	\$ 1,135,632	\$ 63,046	\$ 4,609	\$ 89,795	\$ 1,293,082
Fund balance - ending	<u>\$ 1,012,148</u>	<u>\$ 33,707</u>	<u>\$ 10,232</u>	<u>\$ 53,595</u>	<u>\$ 1,109,682</u>

See accompanying Notes to the Financial Statements

Dodson Public School, Phillips County, Montana
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds \$ (183,400)

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

- Capital assets purchased	28,179
- Depreciation expense	(60,429)

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

- Long-term receivables (deferred revenue)	(5,434)
--	---------

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

3,658

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

- Post-employment benefits other than retirement liability	(64,525)
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Change in net position - Statement of Activities **\$ (281,951)**

See accompanying Notes to the Financial Statements

Dodson Public School, Phillips County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2014

		<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS			
Cash and short-term investments	\$	<u>23,499</u>	\$ <u>76,545</u>
Total assets	\$	<u>23,499</u>	\$ <u><u>76,545</u></u>
LIABILITIES			
Warrants payable	\$	<u>-</u>	\$ <u>76,545</u>
Total liabilities	\$	<u>-</u>	\$ <u><u>76,545</u></u>
NET POSITION			
Assets held in trust	\$	<u><u>23,499</u></u>	

See accompanying Notes to the Financial Statements

Dodson Public School, Phillips County, Montana
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust Funds
ADDITIONS	
Contributions:	
Student activities	\$ <u>48,714</u>
Investment earnings:	
Interest and change in fair value of investments	\$ <u>135</u>
Total additions	\$ <u><u>48,849</u></u>
 DEDUCTIONS	
Student activities	\$ 60,874
Student scholarships	<u>2,201</u>
Total deductions	\$ <u>63,075</u>
Change in net position	\$ <u><u>(14,226)</u></u>
 Net Position - Beginning of the year	 \$ 37,725
Net Position - End of the year	\$ <u><u>23,499</u></u>

See accompanying Notes to the Financial Statements

DODSON PUBLIC SCHOOLS
PHILLIPS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

GASBS No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard is effective for fiscal year ending June 30, 2014.

Financial Reporting Entity

In determining the financial reporting entity, the District complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, as amended by GASB statement No. 61, *The Financial Reporting Entity: Omnibus*, and includes all component units of which the District appointed a voting majority of the component units' board; the District is either able to impose its' will on the unit or a financial benefit or burden relationship exists. In addition, the District complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the District.

Primary Government

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

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

DODSON PUBLIC SCHOOLS
PHILLIPS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Basis of Presentation, Measurement Focus and Basis of Accounting.

Government-wide Financial Statements:

Basis of Presentation

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

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

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

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

DODSON PUBLIC SCHOOLS
PHILLIPS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Fund Financial Statements:

Basis of Presentation

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

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

Measurement Focus and Basis of Accounting

Governmental Funds

Modified Accrual

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

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

DODSON PUBLIC SCHOOLS
PHILLIPS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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

Major Funds:

The District reports the following major governmental funds:

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

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

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

Fiduciary Funds

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

Private-purpose Trust Funds – To report all other trust arrangements under which the principal and income benefit individuals, private organizations, or other governments.

Agency Funds – To report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). This fund primarily consist of assets held by the District as an agent for individuals, private organizations, other local governmental entities and the District's claims and payroll clearing funds.

DODSON PUBLIC SCHOOLS
PHILLIPS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

The District's cash, except for the Student Extracurricular Fund (an expendable trust) is held by the County Treasurer.

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

The District had no investments either pooled at the County or directed at the County as of June 30, 2014.

Deposits

The District's deposit balance at year end was \$19,152 and the bank balance was \$19,255. The District's bank balance was fully insured by FDIC at year-end.

NOTE 3. RECEIVABLES

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

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

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

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

DODSON PUBLIC SCHOOLS
 PHILLIPS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

NOTE 4. INVENTORIES

The costs of inventories are recorded as expenditures when purchased.

NOTE 5. CAPITAL ASSETS

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

Buildings	20 – 50 years
Improvements other than buildings	5 – 25 years
Machinery and equipment	5 years
Vehicles and heavy equipment	5 – 15 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the District has included the value of all infrastructure into the 2014 Basic Financial Statements. The government has elected not to retroactively report general infrastructure assets.

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

Governmental activities:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>
Capital assets not being depreciated:				
Land	\$ 15,094	\$ -	\$ -	\$ 15,094
Other capital assets:				
Buildings	\$ 2,611,932	\$ -	\$ -	\$ 2,611,932
Machinery and equipment	184,755	28,179	(18,842)	194,092
Total other capital assets at historical cost	\$ 2,796,687	\$ 28,179	\$ (18,842)	\$ 2,806,024
Less: accumulated depreciation	\$ (1,823,103)	\$ (60,429)	\$ 18,842	\$ (1,864,690)
Total	<u>\$ 988,678</u>	<u>\$ (32,250)</u>	<u>\$ -</u>	<u>\$ 956,428</u>

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

Governmental Activities:	
Supporting services – operations and maintenance	\$ 1,247
Unallocated	<u>59,182</u>
Total governmental activities depreciation expense	<u>\$ 60,429</u>

DODSON PUBLIC SCHOOLS
 PHILLIPS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

NOTE 6. LONG TERM DEBT OBLIGATIONS

In the governmental-wide financial statements, outstanding debt is reported as liabilities.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2014, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance			Balance	Due Within
	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>	<u>One Year</u>
Compensated absences	\$ 30,526	\$ -	\$ (3,658)	\$ 26,868	\$ 9,527
Other post-employment benefits*	97,819	64,525	-	162,344	-
Total	<u>\$ 128,345</u>	<u>\$ 64,525</u>	<u>\$ (3,658)</u>	<u>\$ 189,212</u>	<u>\$ 9,527</u>

*See Note 7

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

Compensated Absences

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

Teaching employees shall be granted ten days of sick leave per year. Unused sick leave may accumulate to a maximum of seventy days. Upon severance, the District shall pay each teacher with five years or more continuous service in the district, all approved leaves, including accumulated sick leave. The amount shall be 25%, derived on the basis of a maximum of 70 days accumulated at the teacher's daily rate of pay.

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

DODSON PUBLIC SCHOOLS
 PHILLIPS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

NOTE 7. POSTEMPLOYMENT HEALTHCARE PLAN

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

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

Funding Status and funding Progress. The funded status of the plan as of June 30, 2014, was as follows:

Actuarial Accrued Liability (AAL)	\$ 470,068
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 470,068
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 397,040
UAAL as a percentage of covered payroll	118.39%

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

Annual Required Contribution (ARC)	\$ 64,525
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost (expense)	\$ 64,525
Contributions made	-
Increase in net OPEB obligation	\$ 64,525
Net OPEB obligation - beginning of year	97,819
Net OPEB obligation - end of year	\$ 162,344

DODSON PUBLIC SCHOOLS
 PHILLIPS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

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

	Unit Credit Cost Method
Actuarial cost method	
Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	1.17%
Average salary increase (Consumer Price Index)	2.00%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	
<u>Year</u>	<u>% Increase</u>
2014	7.8%
2015	6.4%
2016	6.2%
2017	6.0%
2018	6.4%
2019	6.8%
2020	6.9%
2021	6.7%
2022 and after	6.9%

NOTE 8. STATE-WIDE RETIREMENT PLANS

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

Contribution rates are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll for the fiscal year ended June 30, 2014, were:

DODSON PUBLIC SCHOOLS
 PHILLIPS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

	<u>PERS**</u>	<u>TRS</u>
Employer	7.80%	8.47%
Employee	7.90%*	8.15%
State	0.37%	2.49%
* For PERS members hired prior 7/1/2011 that rate is 6.90%		
** For the defined contribution plan all rates are the same except only 4.19% of the employer amount is added to the individuals account		

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

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

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

The District's contributions for the years ended June 30, 2012, 2013, and 2014, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>	<u>TRS</u>
2012	\$ 9,789	\$ 36,482
2013	\$ 9,227	\$ 43,392
2014	\$ 9,080	\$ 41,529

NOTE 9. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

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

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

DODSON PUBLIC SCHOOLS
 PHILLIPS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

Restricted Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Miscellaneous Programs	\$ 10,232	Third party grantor restrictions
Transportation	33,707	Student transportation services
All other aggregate:	1,728	Instructional services
	14,897	School food services
	23,874	Employer costs of benefits
	8,705	Instructional - adult education services
	60	Future technology upgrades
	<u>4,331</u>	Operations and maintenance services
Total	<u>\$ 97,534</u>	

NOTE 10. JOINTLY GOVERNED ORGANIZATIONS

An organization that is jointly controlled but the participants do not have an ongoing financial interest or ongoing financial responsibility.

Dodson School District is a member of the Bear Paw Cooperative. The Cooperative is governed by a five member board composed of school administrators of the 33 participating schools. The Cooperative is a joint venture established by interlocal agreement to offer certain special education services to all handicapped students in compliance with State and Federal law. Complete financial statements for Bear Paw Cooperative can be obtained from the Cooperative.

Special Education Cooperative

The District is a member of the Golden Triangle Cooperative. The Cooperative is comprised of 41 member districts, each of which contributes to the operating costs of providing special education services to the participating districts. Annual membership dues are \$2,750 plus \$10 per student based on February 2014 Student Count. The designated administrators for the project are the Superintendent and the Director of Curriculum, Shelby Public Schools. The purpose of the cooperative is to design curriculum for member districts. Separate financial statements are available from the Golden Triangle Cooperative, 1010 Oilfield Avenue, Shelby, MT 59474.

NOTE 11. RISK MANAGEMENT

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

DODSON PUBLIC SCHOOLS
PHILLIPS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Insurance Policies:

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

Insurance Pools:

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

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

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

**REQUIRED SUPPLEMENTAL
INFORMATION**

Dodson Public School, Phillips County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	General			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	<u>ORIGINAL</u>	<u>FINAL</u>	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Local revenue	\$ 210,478	\$ 210,478	\$ 215,291	\$ 4,813
County revenue	-	-	-	-
State revenue	716,610	716,610	716,610	-
Federal revenue	-	-	-	-
Amounts available for appropriation	<u>\$ 927,088</u>	<u>\$ 927,088</u>	<u>\$ 931,901</u>	<u>\$ 4,813</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 386,054	\$ 386,054	\$ 359,811	\$ 26,243
Instructional - special education	57,589	57,589	54,581	3,008
Instructional - vocational education	-	-	-	-
Supporting services - operations & maintenance	162,866	162,866	185,611	(22,745)
Supporting services - general	11,479	11,479	11,910	(431)
Supporting services - educational media services	12,240	12,240	10,592	1,648
Administration - general	42,028	42,028	41,543	485
Administration - school	80,487	80,487	109,099	(28,612)
Administration - business	29,403	29,403	30,736	(1,333)
Student transportation	-	-	-	-
Extracurricular	77,531	77,531	75,170	2,361
School food	44,883	44,883	39,762	5,121
Capital outlay	22,528	22,528	8,270	14,258
Total charges to appropriations	<u>\$ 927,088</u>	<u>\$ 927,088</u>	<u>\$ 927,085</u>	<u>\$ 3</u>
Net change in fund balance			<u>\$ 4,816</u>	
Fund balance - beginning of the year			<u>\$ 89,241</u>	
Fund balance - end of the year			<u><u>\$ 94,057</u></u>	

Dodson Public School, Phillips County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	Transportation Fund			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Local revenue	\$ 77,547	\$ 77,547	\$ 78,762	\$ 1,215
County revenue	25,106	25,106	20,366	(4,740)
State revenue	32,057	32,057	27,317	(4,740)
Federal revenue	-	-	-	-
Amounts available for appropriation	\$ 134,710	\$ 134,710	\$ 126,445	\$ (8,265)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ -	\$ -	\$ -	\$ -
Instructional - special education	-	-	-	-
Instructional - vocational education	-	-	-	-
Supporting services - operations & maintenance	-	-	-	-
Supporting services - general	-	-	-	-
Supporting services - educational media services	-	-	-	-
Administration - general	-	-	-	-
Administration - school	-	-	-	-
Administration - business	-	-	-	-
Student transportation	164,798	164,798	155,784	9,014
Extracurricular	-	-	-	-
School food	-	-	-	-
Capital outlay	-	-	-	-
Total charges to appropriations	\$ 164,798	\$ 164,798	\$ 155,784	\$ 9,014
Net change in fund balance			\$ (29,339)	
Fund balance - beginning of the year			\$ 63,046	
Fund balance - end of the year			\$ 33,707	

Dodson Public School, Phillips County, Montana
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation

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

	General	Transportation Fund
Sources/Inflows of resources		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 931,901	\$ 126,445
Combined funds (GASBS 54) revenues	42,064	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	\$ 973,965	\$ 126,445
Uses/Outflows of resources		
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 927,085	\$ 155,784
Combined funds (GASBS 54) expenditures	170,364	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 1,097,449	\$ 155,784

Note B

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

Dodson Public Schools, Phillips County, Montana
REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Unit Credit Cost Method (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, 2009	\$ -	\$ 39,036	\$ 39,036	0%	\$ 465,860	8.4%
July 1, 2012	\$ -	\$ 470,068	\$ 470,068	0%	\$ 397,040	118.4%

SUPPLEMENTAL INFORMATION

**Dodson Public Schools
Phillips County, Montana
SCHEDULE OF ENROLLMENT
For the Fiscal Year Ended June 30, 2014**

Fall Enrollment - October, 2013

Elementary School District

	FALL		
	Per Enrollment	Audit Per	
	<u>Reports</u>	<u>District Records</u>	<u>Difference</u>
Kindergarten Full	3	3	0
Grades 1-6	39	39	0
Grades 7-8	14	14	0
Total Elementary	56	56	0

High School District

	FALL		
	Per Enrollment	Audit Per	
	<u>Reports</u>	<u>District Records</u>	<u>Difference</u>
Grades 9-12	17	17	0
19 year-olds	0	0	0
Job Corps students	0	0	0

**Dodson Public Schools
Phillips County, Montana
SCHEDULE OF ENROLLMENT - Continued
For the Fiscal Year Ended June 30, 2014**

Winter Enrollment - December, 2013

Elementary School District

	WINTER Per Enrollment <u>Reports</u>	Audit Per <u>District Records</u>	<u>Difference</u>
Kindergarten Full	4	4	0
Grades 1-6	39	39	0
Grades 7-8	15	15	0
Total Elementary	<u>58</u>	<u>58</u>	<u>0</u>

High School District

	WINTER Per Enrollment <u>Reports</u>	Audit Per <u>District Records</u>	<u>Difference</u>
Grades 9-12	18	18	0
19 year-olds	0	0	0
Job Corps students	0	0	0

**Dodson Public Schools
Phillips County, Montana
SCHEDULE OF ENROLLMENT - Continued
For the Fiscal Year Ended June 30, 2014**

Spring Enrollment - February, 2014

Elementary School District

	SPRING	Audit Per	
	Per Enrollment	District Records	Difference
	<u>Reports</u>	<u>District Records</u>	<u>Difference</u>
Kindergarten - Full	4	4	0
Grades 1-6	38	38	0
Grades 7-8	16	16	0
Total Elementary	58	58	0

High School District

	SPRING	Audit Per	
	Per Enrollment	District Records	Difference
	<u>Reports</u>	<u>District Records</u>	<u>Difference</u>
Grades 9-12	18	18	0
19 year-olds	0	0	0
Early Graduates	0	0	0
Job Corps students	0	0	0

Dodson Public School
Phillips County, Montana
EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS
Fiscal Year Ended June 30, 2014

FUND ACCOUNT	Beginning <u>Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	Transfers <u>In(Out)</u>	Ending <u>Balance</u>
7th Grade	\$ 100	\$ 1	\$ -	\$ -	\$ 101
8th Grade	100	101	-	-	201
Art Club	147	-	-	-	147
Athletics	2,966	18,302	18,433	3,609	6,444
BPOA	189	1	-	-	190
Cheerleaders	324	193	232	-	285
Class of 2012	401	-	231	(170)	-
Class of 2013	168	-	-	(168)	-
Class of 2014	427	502	662	(150)	117
Class of 2015	254	1,097	1,330	-	21
Class of 2016	10	401	-	-	411
Close Up	9,986	19,442	28,126	700	2,002
Community Partners	4,476	1,244	3,687	-	2,033
D Club	755	2	476	-	281
General	6,407	6,907	5,495	(3,759)	4,060
Indian Club	355	1,152	392	(400)	715
Industrial Arts	118	-	99	(1)	18
Music	1,148	3	-	-	1,151
Presidents Club	861	650	1,066	-	445
Skills USA	-	280	55	1	226
Speech & Drama	402	1	-	-	403
Student Council	105	65	76	-	94
Yearbook	1,546	279	519	338	1,644
Total	<u>\$ 31,245</u>	<u>\$ 50,623</u>	<u>\$ 60,879</u>	<u>\$ -</u>	<u>\$ 20,989</u>

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

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

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

Board of Trustees
Dodson Public Schools
Phillips County
Dodson, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dodson Public Schools, Phillips County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Dodson Public Schools' basic financial statements and have issued our report thereon dated June 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dodson Public Schools, Phillips County, Montana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dodson Public Schools, Phillips County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Dodson Public Schools' internal control over financial reporting.

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. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described below to be a material weakness as identified as items 2014-001.

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. We identified a deficiency in internal control that we consider to be a significant deficiency as identified as item 2014-002.

2014-001 Unreported Deferred Grant Revenue

Condition:

District spent less Title I – School wide revenues than received during FY2014 but did not report deferred grant revenues in the Miscellaneous Programs fund on the FY 2014 Financial Statements.

Context:

We compared the Title I – School wide expenditures to the Title I – School wide revenues at the FY14 year-end and noted that revenues received during the year exceeded the expenditures.

Criteria:

GAAP requires that grant revenues be recorded in the year the money is spent. Unspent grant receipts at June 30 which were previously recorded as revenue when received must be removed from current revenue and recorded as a payable to the grantor or as a deferred revenues, which will be spent in the next fiscal year.

Effect:

District materially overstated Federal revenues and understated deferred grant revenues by \$9,660 in the Miscellaneous Programs fund on the FY 2014 Financial Statements. This has been adjusted on the FY14 Financial statements.

Cause:

District failed to make appropriate year-end adjustments to record deferred revenues at year-end.

Recommendation:

The District should develop internal control procedures to review all year-end grant balances for deferred revenues, following by the appropriate year-end adjustment procedures.

Auditee Response:

The School will properly report deferred grant revenues in future years.

2014-002 Payables

Condition:

The School had an amount of \$15,051 of unrecorded accounts payable at June 30, 2014. The School had \$35,778 of unreported accrued payroll at June 30, 2014 for earnings that were earned in FY 2014.

Context:

An accounts payable test was conducted to search for any unrecorded accounts payable for the School.

Criteria:

Generally accepted accounting principals require that expenditures that relate to services/items purchased in a certain fiscal year be recorded in that fiscal year. The gross payroll for the first payroll in July was obtained. Inquiry was completed with the School's business manager regarding what amount was earned in June.

Effect:

The School understated the accounts payable and expenditures by \$15,051 for FY 2014 in the General Fund. Dodson Public School understated its total accrued payroll by \$35,778. Of this amount, \$29,266 has been attributed to the General Fund, \$2,245 has been attributed to the Miscellaneous Programs fund, and \$4,268 has been attributed to the all other aggregate opinion unit.

Cause:

The District did not review for unrecorded accounts payable at year-end and since the amount of payroll payable typically is for limited staff, the payable was not recorded.

Recommendation:

We recommend that the School record expenditures in the proper fiscal year.

Auditee Response:

The School will record expenditures in the proper fiscal year and record the appropriate accounts payable. The School will properly record the accrued payroll in future years.

Compliance and Other Matters

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

Dodson Public Schools's Response to Findings

Dodson Public Schools's response to the findings identified in our audit is described above. Dodson Public Schools's response was not subject 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 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.

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

June 15, 2015

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

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

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Board of Trustees
Dodson Public Schools
Phillips County
Dodson, Montana

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

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

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

June 15, 2015