

**NOXON PUBLIC SCHOOLS
DISTRICT NUMBER 10, SANDERS COUNTY
NOXON, MONTANA**

**FINANCIAL AND
COMPLIANCE
REPORT**

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

RONALD PAUL FOLTZ
Certified Public Accountant

**NOXON PUBLIC SCHOOLS
DISTRICT NO. 10, SANDERS COUNTY
NOXON, MONTANA**

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**NOXON PUBLIC SCHOOLS
DISTRICT NO. 10, SANDERS COUNTY
NOXON, MONTANA**

ORGANIZATION

JUNE 30, 2014

BOARD OF TRUSTEES

Kevin Johnson	Chairperson
Ryan Weltz	Vice-Chairperson
Meggen Fitchett	Trustee
Shannon Chojnacky	Trustee
Sheila Brown	Trustee

OFFICIALS

Josh Patterson	District Superintendent
Dee Haskins	District Clerk/Business Manager
Robert Zimmerman	County Attorney
Carol Turk	County Superintendent of Schools



Home of Noxon Rapids Dam

Noxon Public Schools

NOXON, MONTANA 59853

DISTRICT NO. 10

Office of the Superintendent

300 Noxon Ave

Phone: (406) 847-2442

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MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

This management's discussion and analysis provides an overview of the School's financial activities for the fiscal year ended June 30, 2014. Please read it along with the School's financial statements which begin on page 12.

FINANCIAL HIGHLIGHTS

The School's financial operations in 2014 resulted in a net position increase of \$56,000 as compared to the previous year. Total revenues increased \$12,000 or less than 1% and total expenditures decreased by \$61,000 or 2%. These changes are discussed in more detail below.

USING THIS ANNUAL REPORT

This annual report consists of financial statements for the School as a whole with more detailed information for certain School funds. The Statement of Net Position and the Statement of Activities (pages 12 and 13) provide information about the activities of the School as a whole and present a long-term view of the School's finances (they include capital assets and long-term liabilities).

The fund financial statements (pages 14 through 17) present a short-term view of the School'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). They present detailed information about the School's general fund, the elementary and high school transportation funds, the elementary miscellaneous fund, and the elementary and high school building funds. There is also summarized financial information (page 18) about the student activity, high school endowment, and multi-district interlocal agreement funds for which the School acts as trustee.

THE SCHOOL AS A WHOLE

One important question asked about the School's finances is, "Is the School better or worse off as a result of the year's activities?" The information in the government-wide financial statements helps answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflow of resources using the accrual basis of accounting (and report 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 (a) assets and deferred outflow of resources and (b) liabilities and deferred inflow of resources) over time is one indicator of whether the School's financial health is improving or deteriorating. However, you need to consider other nonfinancial factors in making an assessment of the School's health, such as changes in enrollment, changes in the State's funding of educational costs, changes in the economy, changes in the School's tax base, etc. to assess the overall health of the School.

Changes in the School's net position (rounded to the nearest \$1,000) were as follows:

	2014	2013	Change	%
Current assets	\$1,352,000	\$1,236,000	\$116,000	9%
Capital assets - net	1,659,000	1,673,000	(14,000)	(1)%
Total assets	3,011,000	2,909,000	102,000	4%
Current liabilities	46,000	18,000	28,000	156%
Non-current liabilities	100,000	82,000	18,000	22%
Total liabilities	146,000	100,000	46,000	46%
Net position	\$2,865,000	\$2,809,000	\$56,000	2%
Net position consist of:				
Net investment in capital assets	\$1,640,000	\$1,673,000	(\$33,000)	(2)%
Restricted net position	452,000	462,000	(10,000)	(2)%
Unrestricted net position	773,000	674,000	99,000	15%
Net position	\$2,865,000	\$2,809,000	\$56,000	2%

The majority of the increase in current assets and unrestricted net position is because of revenue received but not spent in 2014. Current and total liabilities increased because of an increase in accounts payable as compared to 2013, minor increases in compensated absences and estimated retiree health care costs, and issuance of debt.

The decrease in capital assets and net investment in capital assets resulted from depreciation expense of \$76,000 exceeding capital asset additions of \$61,000. Additionally, net investment in capital assets decreased due to issuing debt for the purchase of capital assets (\$19,000 balance).

Changes in program revenues (rounded to the nearest \$1,000) were as follows:

	2014	2013	Change	%
Program revenues:				
State funding	\$87,000	\$94,000	(\$7,000)	(7)%
Federal program revenue	254,000	262,000	(8,000)	(3)%
Medicaid reimbursements	98,000	120,000	(22,000)	(18)%
County transportation funding	46,000	59,000	(13,000)	(22)%
Sale of meals and other fees	60,000	86,000	(26,000)	(30)%
Total program revenue	\$545,000	\$621,000	(\$76,000)	(12)%

The decrease in other fees results from a reimbursement of \$31,000 from Thompson Falls School District for a deaf special needs student attending Noxon Public Schools in 2013. Noxon Public Schools was better able to provide services due to better distance learning equipment.

Medicaid reimbursements decreased because the number of students receiving services decreased.

Other program revenue remained relatively consistent.

Changes in general revenues (rounded to the nearest \$1,000) were as follows:

General revenues:	2014	2013	Change	%
District property taxes	\$929,000	\$953,000	(\$24,000)	(3)%
County property taxes	261,000	168,000	93,000	55%
State revenue	1,195,000	1,176,000	19,000	2%
Investment earnings	3,000	5,000	(2,000)	(40)%
Other	11,000	9,000	2,000	22%
Total general revenue	2,399,000	2,311,000	88,000	4%
Total program revenue	545,000	621,000	(76,000)	(12)%
Total revenue	\$2,944,000	\$2,932,000	\$12,000	-

General revenues remained relatively consistent as compared to the previous year. County property taxes increased to fund the transportation and retirement budgets.

Changes in expenses (rounded to the nearest \$1,000) were as follows:

Expenses:	2014	2013	Change	%
Instruction:				
Regular programs	\$1,004,000	\$904,000	\$100,000	11%
Other programs	313,000	349,000	(36,000)	(10)%
Instructional support:				
Regular programs	83,000	207,000	(124,000)	(60)%
Other programs	153,000	180,000	(27,000)	(15)%
Operation and maintenance	262,000	235,000	27,000	11%
Administration	401,000	400,000	1,000	0%
Student transportation	363,000	386,000	(23,000)	(6)%
School food	151,000	138,000	13,000	9%
Extracurricular	91,000	88,000	3,000	3%
Unallocated depreciation	68,000	63,000	5,000	8%
Total expenses	\$2,889,000	\$2,950,000	(\$61,000)	(2)%

	2014	2013	Change	%
Total expenses	\$2,889,000	\$2,950,000	(\$61,000)	(2)%
Less program revenue	545,000	621,000	(76,000)	(12)%
Net expenses	2,344,000	2,329,000	15,000	1%
Less general revenues	2,399,000	2,311,000	88,000	4%
General revenues over (under) net expenses	55,000	(18,000)	73,000	-
Transfer from student activity		9,000	(9,000)	(100)%
Change in net position	<u>\$55,000</u>	<u>(\$9,000)</u>	<u>\$64,000</u>	-

The increase in regular programs instruction was due in part to the purchase of a new science curriculum. Also, teacher salaries increased about \$36,000 in the elementary and \$6,500 in the high school over the prior year. The decrease in other programs instruction was due to a reduction in special education salaries. In the 2012 - 2013 school year we had a hearing impaired student for whom we needed a full-time aide. Because that student did not return for the 2013 - 2014 school year, those expenses were not incurred.

The decrease in regular programs instructional support was due to the fact that we replaced our full-time technical coordinator with an off-site computer monitoring company. We were able to save a considerable amount in salaries and benefits by making this switch. The decrease in other programs instructional support was due to the fact that we did not need additional equipment or services for the hearing impaired student in the 2013 - 2014 school year.

The majority of the increase in operation and maintenance expenses was due to the School's continued maintenance and repairs of the teacherages including residing and continued roof repairs on the School's buildings. Student transportation cost decreased because the Board of Trustees combined two bus routes into one for the 2013 - 2014 school year.

Other expenses remained relatively constant.

CAPITAL ASSET AND DEBT ADMINISTRATION

In 2014 the School purchased a mobile home on Teacherage # 6 at a cost of \$25,000. Additionally, the School had \$15,000 in completed roof repairs and purchased \$22,000 in other various equipment. Details of the changes in capital assets are shown in Note 3 on page 23.

The School also obtained a note payable of \$25,000 to pay for the mobile home purchase noted above. Details of the changes in long-term debt can be found in Note 6 on page 24.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant of the School's funds. Under generally accepted accounting principles, the School is required to provide detailed information for its "major" funds.

Major funds are defined as the general fund and other funds where the assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures exceed 10% of total government fund amounts. In 2014, the assets of the elementary and high school building funds exceeded this 10% threshold.

The government funds provide a short-term view of the School'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.

As shown on page 17, total government fund balances increased \$91,000 in 2014 as compared to a increase of \$55,000 in government-wide net position. The difference is explained on page 17. All budgeted fund expenditures were within authorized budgets.

THE FUTURE OF THE DISTRICT

The following will be major factors in the future of the District:

Enrollment: The pre-enrollment for Kindergarten continues to be very low. It appears we will have around 6 to 8 Kindergarteners beginning in 2014-15, as compared to 6 Kindergarteners in 2013-14. Projections for the fall show K-6 numbers decreasing by about 15 students (a decline of 25 students since 2013). On the bright side, our 7th and 8th grades show an increase of about 7 students. Our High School, however, projects a decrease in ANB of about 5 students. Gender numbers in the Junior High look to be very lopsided with 2/3 of the class represented by girls. As a result, it may be difficult to field Junior High boys' sports teams. Gender numbers in the High School appear to remain fairly stable. As such, co-curricular events should see little impact.

Classified Staff: 2014-2015 will be the third year without a Classified Union. We are negotiating with the Maintenance Supervisor and our two cooks. The District will continue to use its Classified matrix to guide wage increases, which allows for more efficient tracking, calculation, and impact of minimum wage increases and inflation.

The District also expects to add 2 classified aides in 2014-15 (one in Special Education and one as a Technology liaison). The technology liaison will be responsible for assisting Univision (our off-site IT manager) with on-site tasks. The Special Education aide will be transitioned to the Certified matrix upon completion of licensure requirements (anticipated in the spring of 2015) and will take the place of our full time, Coop provided, Special Education teacher.

Teachers Collective Bargaining Unit: During the 2013 bargaining session, the District negotiated a 2 year contract (2014 - 16) with the local teachers' union with a 2% increase in the base each year.

Health Insurance premiums: During the 2013 bargaining session, the District negotiated to no longer extend health insurance but rather replace the employer contribution with an employee stipend of the same value (made possible by the ACA). This move will allow employees the flexibility to purchase health insurance that suits their individual needs. Since this action increases gross wages, it will enhance teacher retirement as well.

Professional Development: Continued Staff training will be very important in the coming years. The No-child-left-behind (NCLB) and Title I regulations will require us to continue to spend funds on professional development. The 2014-15 year will continue to focus on Quantum Learning but

also begin emphasizing the use of technology in education. The educational findings of brain research in Quantum Learning will help staff better understand how students learn as well as techniques that help students retain what they learn. Our Technology committee intends to update our District Technology Plan in 2014-15, which will address teacher professional development and training in "technology for the classroom". Student scores on the SBA and MAP assessments will be used to statistically show whether or not they are grasping the concepts being taught.

2014-15 will be our second year implementing MAPS (Measure of Academic Progress). These assessments will be important for the District as it continues in its School Improvement Plan. MAPS tests compare scores from students in our District with students in participating Districts across our state and country. It allows teachers and administration to see individual students' needs, see the extent of their progress, and allow for more focused instruction in needed areas. Our District goal is to ensure all students graduate prepared for either college or career.

Assets: The District finished its third teacherage (teacher housing) siding project in the summer of 2014 and will continue siding projects on the remaining 3 teacherages in the summer of 2015 (one project per summer if funds are available).

The school van will need to be replaced in the 2014-15 year. The new school van will double as the Driver's Ed vehicle and is much more reliable for the students.

In the spring of 2013, the Elementary and High School Districts agreed to and adopted a multi-district agreement which created an interlocal fund with the notion that monies deposited and accumulated in this account would be expended at the benefit of both districts. In the event of the loss of E-Rate for basic phone service, an anticipated event, the interlocal fund would be instrumental in replacing the lost revenue to cover this shared expense. This agreement expires June 30th, 2016 and will need to be renewed prior to this date.

Staffing: Recruitment and retention of highly qualified teachers and aides (required by NCLB) continues to be a determining factor in the cost of teachers between the Elementary and the High School budgets. Isolation and salaries paid by neighboring districts and states impact the ability of our District to recruit teachers for open positions. With two teachers not returning for 2014-15, we will need to find a Junior High math teacher and a second grade teacher.

Co-curricular Activities and travel: We anticipate 2014-15 participation in the co-op girls' softball team to continue to be very low with the possibility that no girls may play. We expect Girls' volleyball and basketball to have consistent and reasonable participation. Boys' basketball should also continue to have reasonable participation. Our High School football program projects moderate participation; however, numbers in our Junior High football program continue to be low. Our petition to participate in 6 man football rather than 8 man football was declined by MHSA in the spring of 2014 citing High School enrollment as too high for 6 man eligibility. Our High School enrollment would have to drop to 65 students or below to qualify. Current enrollment projections anticipate numbers to continue to decline over the next few years with High School enrollment potentially falling at or below 65 students in 2017-18. If this occurs and interest in High School football remains steady, the District will again petition MHSA to compete in 6 man football.

Cost of fuel and re-districting proposals by the Montana High School Association (MHSA) will impact the cost of running these programs at the local level. We will continue to monitor gender differences in the Junior High and High School in order to keep the equity formula in line with MHSA rules and Federal law.

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Noxon Public Schools
District No. 10, Sanders County
Noxon, 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 Noxon Public Schools, District No. 10, Sanders County, Noxon, 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 U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards 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 my audit opinions.

Audit Opinion

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 Noxon Public Schools, District No. 10, Sanders County, Noxon, Montana, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Report on Summarized Comparative Information

I have previously audited Noxon Public School's 2013 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated December 19, 2013. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 2 through 7, the schedule of revenues, expenditures, and encumbrances - budget and actual - general funds on page 31 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 supplemental information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during the 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 me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

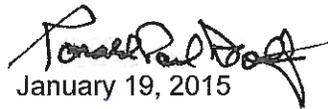
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Noxon Public School's basic financial statements. The schedule of school district enrollment on page 33 and the schedule of revenues, expenditures, and changes in fund balances by student activity for the extracurricular fund on pages 34 and 35 are supplementary information required by the State of Montana. These schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards.

In my opinion, the schedule of school district enrollment and the schedule of revenues, expenditures, and changes in fund balances by student activity for the extracurricular fund 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, and appearing on pages 36 and 37, 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 19, 2015 on my consideration of Noxon Public School's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, 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 Noxon Public School's internal control over financial reporting and compliance.


January 19, 2015

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**NOXON PUBLIC SCHOOLS
DISTRICT NO. 10, SANDERS COUNTY
NOXON, MONTANA**

**STATEMENT OF NET POSITION
JUNE 30, 2014**

(With comparative amounts for the year ended June 30, 2013)

	2014	2013
ASSETS:		
Current Assets:		
Cash and Investments	\$1,322,883	\$1,199,085
Property Taxes Receivable	26,031	20,574
Due from Other Governments	2,999	11,256
Accounts Receivable		4,941
Total Current Assets	1,351,913	1,235,856
Capital Assets	2,798,749	2,737,333
Less Accumulated Depreciation	(1,139,700)	(1,063,713)
Capital Assets - Net	1,659,049	1,673,620
Total Assets	3,010,962	2,909,476
LIABILITIES:		
Current Liabilities:		
Accounts Payable	20,429	438
Current Portion of Compensated Absences	19,447	17,900
Current Portion of Notes Payable	6,000	
Total Current Liabilities	45,876	18,338
Long-term Debt:		
Long-term Portion of Notes Payable	13,000	
Compensated Absences	40,837	41,042
Estimated Retiree Health Care Costs	46,542	40,422
Total Long-term Debt	100,379	81,464
Total Liabilities	146,255	99,802
NET POSITION		
Net Investment in Capital Assets	1,640,049	1,673,620
Restricted Net Position	452,105	462,352
Unrestricted Net Position	772,553	673,702
Total Net Position	\$2,864,707	\$2,809,674

See Notes to Financial Statements

**NOXON PUBLIC SCHOOLS
DISTRICT NO. 10, SANDERS COUNTY
NOXON, MONTANA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

(With comparative net amounts for the year ended June 30, 2013)

	-- Program Revenue --				
	Expenses	Charges for Services	Operating Grants	Net (Expense) Revenue 2014	2013
GOVERNMENT OPERATIONS					
Instruction:					
Regular Programs	\$1,004,188	\$386	\$3,569	(\$1,000,233)	(\$904,091)
Other Programs	312,676	5,492	193,695	(113,489)	(114,389)
Instructional Support:					
Regular Programs	82,491			(82,491)	(207,496)
Other Programs	153,064	97,899	14,520	(40,645)	(38,672)
Administration:					
General	190,927			(190,927)	(259,811)
Schools	36,333			(36,333)	(35,529)
Financial	173,705			(173,705)	(104,651)
Operation and Maintenance	262,004	23,249		(238,755)	(215,257)
School Food	151,260	30,427	83,520	(37,313)	(30,551)
Extracurricular	91,201			(91,201)	(87,956)
Student Transportation	362,985		91,971	(271,014)	(268,208)
Interest Expense and Other					(113)
Unallocated Depreciation	67,911			(67,911)	(62,502)
Totals	\$2,888,745	\$157,453	\$387,275	(2,344,017)	(2,329,226)
GENERAL REVENUES					
District Property Taxes				929,103	953,319
State Assistance				1,194,876	1,176,484
County Property Taxes				260,560	167,767
Investment Earnings				3,403	5,224
Other				11,108	8,255
Total General Revenues				2,399,050	2,311,049
GENERAL REVENUES OVER (UNDER) NET EXPENSES				55,033	(18,177)
Transfer from Student Activity Funds					9,380
CHANGE IN NET POSITION				55,033	(8,797)
NET POSITION					
Beginning of Year				2,809,674	2,818,471
End of the Year				\$2,864,707	\$2,809,674

See Notes to Financial Statements

**NOXON PUBLIC SCHOOLS
DISTRICT NO. 10, SANDERS COUNTY
NOXON, MONTANA**

BALANCE SHEET - GOVERNMENT FUNDS

JUNE 30, 2014

----- Major Funds -----
----- Building Funds -----

	General Fund	Elementary	High School	Other Government Funds	Total Government Funds
ASSETS:					
Cash and Investments	\$261,198	\$141,417	\$180,231	\$740,037	\$1,322,883
Property Taxes Receivable	19,291			6,740	26,031
Due From Other Governments				2,999	2,999
TOTAL ASSETS	\$280,489	\$141,417	\$180,231	\$749,776	\$1,351,913
LIABILITIES:					
Accounts Payable	\$10,894			\$9,535	\$20,429
TOTAL LIABILITIES	10,894			9,535	20,429
DEFERRED INFLOW OF RESOURCES:					
Deferred Property Tax Revenue	19,291			6,740	26,031
TOTAL DEFERRED INFLOW OF RESOURCES	19,291			6,740	26,031
FUND BALANCE:					
Restricted				445,365	445,365
Assigned	54,847	\$141,417	\$180,231	288,136	664,631
Unassigned	195,457				195,457
TOTAL FUND BALANCE	250,304	141,417	180,231	733,501	1,305,453
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	\$280,489	\$141,417	\$180,231	\$749,776	\$1,351,913

See Notes to Financial Statements

**NOXON PUBLIC SCHOOLS
DISTRICT NO. 10, SANDERS COUNTY
NOXON, MONTANA**

**RECONCILIATION OF THE GOVERNMENT FUNDS
BALANCE SHEET TO THE GOVERNMENT-WIDE
STATEMENT OF NET POSITION**

JUNE 30, 2014

Total fund balance reported in the government funds statement	\$1,305,453
Add capital assets not reported in the government funds statement	2,798,749
Less accumulated depreciation	(1,139,700)
Less liabilities not reported in the government funds statement:	
Compensated absences	(60,284)
Estimated retiree health care cost	(46,542)
Note payable	(19,000)
Deferred revenues for property taxes which are recognized as revenue in the government-wide statements	<u>26,031</u>
Net position	<u><u>\$2,864,707</u></u>

See Notes to Financial Statements

**NOXON PUBLIC SCHOOLS
DISTRICT NO. 10, SANDERS COUNTY
NOXON, MONTANA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENT FUNDS
JUNE 30, 2014**

	----- Major Funds -----				Total Government Funds
	General Fund	----- Building Funds -----		Other Government Funds	
		Elementary	High School		
REVENUES:					
District Property Taxes	\$681,770			\$241,876	\$923,646
County Revenues				306,545	306,545
State Revenues	1,159,557			197,904	1,357,461
On Behalf of Payments - Retirement Systems				22,491	22,491
Federal Revenues				254,113	254,113
School Food Sales				30,427	30,427
Interest Income	\$759	\$453	\$576	1,615	3,403
Other	1,566			38,669	40,235
TOTAL REVENUES	1,843,652	453	576	1,093,640	2,938,321
EXPENDITURES:					
Current Operations:					
Instruction:					
Regular Programs	771,570			226,498	998,068
Other Programs	112,646			200,030	312,676
Instructional Support:					
Regular Programs	74,338			8,153	82,491
Other Programs	43,118			109,946	153,064
Administration	369,082			30,541	399,623
Student Transportation	22,291			335,467	357,758
Extracurricular Programs	84,157			7,044	91,201
Operation and Maintenance	235,408	5,941	(5,830)	24,645	260,164
School Food	46,197			104,054	150,251
Debt Service				6,000	6,000
Capital Outlay	19,516	1,500	13,271	27,129	61,416
TOTAL EXPENDITURES	1,778,323	7,441	7,441	1,079,507	2,872,712
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES ..	65,329	(6,988)	(6,865)	14,133	65,609
OTHER SOURCES (USES) OF FUNDS					
Transfers In (Out)	(68,000)			68,000	
Note Payable Proceeds				25,000	25,000
CHANGE IN FUND BALANCE	(2,671)	(6,988)	(6,865)	107,133	90,609
BEGINNING FUND BALANCE	252,975	148,405	187,096	626,368	1,214,844
ENDING FUND BALANCE	\$250,304	\$141,417	\$180,231	\$733,501	\$1,305,453

See Notes to Financial Statements

**NOXON PUBLIC SCHOOLS
DISTRICT NO. 10, SANDERS COUNTY
NOXON, MONTANA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENT FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2014

Change in fund balances as reported on the government funds statement	\$90,609
Increase in property taxes receivable not reflected in revenue in the government funds statement	5,457
Expenses on the government-wide statement not included in the government funds statement:	
Capital asset addition not recorded in prior year	
Depreciation	(75,987)
Increase in estimated retiree health care costs	(6,120)
Increase in compensated absences	(1,342)
Increase in notes payable	(25,000)
Expenditures on the government funds statement not reported as expenses on the government-wide statement:	
Capital outlay	61,416
Principal payments on capital lease	6,000
Change in net position on the government-wide statement of activity	<u><u>\$55,033</u></u>

See Notes to Financial Statements

**NOXON PUBLIC SCHOOLS
DISTRICT NO. 10, SANDERS COUNTY
NOXON, MONTANA**

**STATEMENT OF FIDUCIARY NET POSITION AND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	Elementary Inter-local Fund	High School Endowment Fund	Student Activity Fund	Total Fiduciary Funds
FIDUCIARY NET POSITION				
ASSETS:				
Cash	\$442	\$9,190	\$118,345	\$127,977
NET POSITION HELD IN TRUST:				
Inter-local Agreement	\$442			\$442
Student Activities			\$118,345	118,345
College Scholarships		\$9,190		9,190
Total Net Position	\$442	\$9,190	\$118,345	\$127,977
CHANGE IN FIDUCIARY NET POSITION				
ADDITIONS:				
Student Activity Revenue			\$77,128	\$77,128
Other		\$75		75
Investment Earnings	\$2	31	115	148
Total Additions	2	106	77,243	77,351
DEDUCTIONS:				
Student Activities	565		66,620	67,185
College Scholarships		375		375
Total Deductions	565	375	66,620	67,560
CHANGE IN NET POSITION	(563)	(269)	10,623	9,791
NET POSITION:				
Beginning of the Year	1,005	9,459	107,722	118,186
End of the Year	\$442	\$9,190	\$118,345	\$127,977

See Notes to Financial Statements

**NOXON PUBLIC SCHOOLS
DISTRICT NO. 10, SANDERS COUNTY
NOXON, MONTANA**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

All operations of the School are controlled by a Board of Trustees, elected in school-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. Based on the criteria for determining the reporting entity (separate legal entity, elected governing board, and fiscal or financial dependency on other governments), the School is considered to be an independent reporting entity and has no component units.

Under State law, the School consists of two legally separate districts - high school and elementary. The high school district includes all of the area covered by the elementary district and the Trout Creek elementary district. The elementary district provides education from kindergarten through the eighth grade and the high school provides education from grades nine through twelve and adult education classes.

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

B. 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 fiduciary funds. The statement of net position reflects wording and categories as required by the Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The fiduciary funds, which account for the extracurricular activities of the School's students, a college scholarship fund for graduating seniors, and an extracurricular interlocal agreement fund with Trout Creek School District, are reported as private-purpose trust funds in the fund financial statements section. The government-wide 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 government 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.

Notes to Financial Statements - Noxon Public Schools 2014 (continued)

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

Fund Financial Statements - These statements provide information about the School's funds, including a separate statement for the School's fiduciary funds. The emphasis of fund financial statements is on major government 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 government funds.

These funds (except the fiduciary funds) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. State and other government revenues applicable to the current fiscal year and collected soon after year-end are recognized as revenue. Property tax revenue is reported on the cash basis because most 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 School's early implementation of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The fiduciary funds use total resources focus and accrual basis of accounting.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and payments for compensated absences which are recognized as expenditures when paid. General capital asset acquisitions are reported as expenditures in government funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. There were \$61,416 in capital additions and \$25,000 of debt proceeds in 2014.

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

Generally accepted accounting principles require that the general fund be reported as a major fund and that all other government funds whose assets and deferred outflows of resources, liabilities and deferred inflows of resources, 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 government funds:

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

Elementary Building fund - to account for monies used for repair, remodeling, improvements, purchase, or construction of capital facilities.

High School Building fund - to account for monies used for repair, remodeling, improvements, purchase, or construction of capital facilities.

Notes to Financial Statements - Noxon Public Schools 2014 (continued)

C. Cash and Investments

Except for the extracurricular trust funds, all cash and investments are held by the County Treasurer. Investments are stated at estimated fair value. State law restricts investments to certificates of deposit, repurchase agreements, direct obligations of the United States and the State of Montana's Short-term Investment Pool (STIP).

D. Property Taxes

Most property taxes are levied in August, 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. Property taxes are maintained and collected by the County Treasurer.

Property taxes receivable at June 30 consist primarily of delinquent property taxes from prior year levies and are offset by deferred property tax revenue in the fund financial statements. The School does not record an allowance for uncollectible taxes because it is considered to be immaterial.

E. Inventories

Inventories are considered immaterial and are not recorded but expensed when purchased (purchases method).

F. Capital Assets

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

Buildings	40-80 years
Land improvements	20-50 years
Building improvements	20-50 years
Machinery and equipment	5-30 years

G. Compensated Absences

Vacation leave, within certain limitations, may be payable to the employee. Classified employees (non-teaching 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 accumulated for classified employees (non-teaching employees) at the rate of one day per month (or a proportionate equivalent for part-time employees). Upon retirement or resignation classified employees are eligible for compensation at 25% of the accumulated sick leave amount. Sick leave for certified personnel (teachers) is accumulated at a rate of 12 days per year up to a maximum of 160 days. Upon termination of service, a tenured teacher will be reimbursed for their accumulated sick leave at a rate of \$22.50, \$25.00, or \$32.50 per day depending on the number of years of service to the School.

Notes to Financial Statements - Noxon Public Schools 2014 (continued)

H. 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. 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 health care coverage on a pay-as-you go basis.

I. 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.

J. Comparative Totals

The government-wide financial statements include prior-year comparative totals and are not at the level of detail required for a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, these totals should be read in conjunction with the government-wide financial statements for the year ended June 30, 2013 from which they have been derived. Certain amounts have been restated to conform with 2014 classifications.

2. CASH AND INVESTMENTS

The extracurricular fund cash balances are deposited in interest-bearing checking and saving accounts covered by FDIC insurance.

The School participates in the Sanders County Treasurer's investment program. All of the School's funds, except for student extracurricular cash, are pooled and invested in the County's investment pool. These pooled investments are recorded at cost. Interest earnings from the pooled investments are allocated to the School based on average month-end balances and are distributed monthly. Funds are withdrawn from the investment program as needed to pay warrants. It is not practical for the School to determine the market risk, investment risk, insurance coverage, or collateral for its share of the County's investments. Information about the County Treasurer's investment program can be obtained from the Sanders County annual report.

3. CAPITAL ASSETS - Changes in capital assets were as follows:

	Balance June 30, 2013	Additions	Deletions	Other	Balance June 30, 2014
Cost:					
Land	\$82,982				\$82,982
Land Improvements	413,643				413,643
Buildings and Improvements ...	2,062,099	\$39,900		\$5,577	2,107,576
Machinery and Equipment	173,032	21,516			194,548
Construction In Progress	5,577			(5,577)	
Total	\$2,737,333	\$61,416	\$0	\$0	\$2,798,749

Notes to Financial Statements - Noxon Public Schools 2014 (continued)

	Balance June 30, 2013	Additions	Deletions	Other	Balance June 30, 2014
Accumulated Depreciation:					
Land Improvements	(\$202,829)	(\$16,815)			(\$219,644)
Buildings and Improvements . . .	(781,500)	(42,048)			(823,548)
Machinery and Equipment	(79,384)	(17,124)			(96,508)
Total	(1,063,713)	(75,987)			(1,139,700)
Net Capital Assets	<u>\$1,673,620</u>	<u>(\$14,571)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,659,049</u>

Depreciation expense was allocated to functions in the government-wide financial statements as follows:

Operation and Maintenance	\$1,840
School Food	1,009
Transportation	5,227
Unallocated, primarily building depreciation	<u>67,911</u>
Total depreciation expense	<u>\$75,987</u>

4. DUE FROM OTHER GOVERNMENTS

Due from other governments consists of \$2,999 for education support due from the State of Montana's Office of Public Instruction.

5. INTERFUND TRANSFERS

The School transferred \$68,000 from the general funds to the high school multi-district interlocal agreement fund as allowed by state law.

6. LONG TERM DEBT

Changes in long-term debt were as follows:

	Balance June 30, 2013	Additions	Principal Payments	Other Changes	Balance June 30, 2014	Due Within One Year
Compensated						
Absences	\$58,942	\$1,402		(\$60)	\$60,284	\$19,447
Notes Payable		25,000	(\$6,000)		19,000	6,000
Estimated Retiree						
Health Care Costs . . .	40,422	6,120			46,542	
Total	<u>\$99,364</u>	<u>\$32,522</u>	<u>(\$6,000)</u>	<u>(\$60)</u>	<u>\$125,826</u>	<u>\$25,447</u>

Notes to Financial Statements - Noxon Public Schools 2014 (continued)

Compensated absence payments can be made by the compensated absences fund or by the affected fund, usually the general fund. Vacation pay is classified as compensated absences due within one year, accrued sick leave is classified as non-current.

In July 2013 the School obtained an interest free note payable to purchase a mobile home for use as employee housing. The mobile home is located on school property and designated as Teacherage unit # 6. Payments on the lease are \$500 per month (principal only) for a period of 50 months commencing on July 1, 2013. Payments are made from the high school lease rental fund. The final payment of \$500 in principal is due August 1, 2017.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2015	\$6,000
2016	6,000
2017	6,000
2018	1,000
Total	<u><u>\$19,000</u></u>

7. ESTIMATED RETIREE HEALTH CARE COSTS

In fiscal year 2010 the School implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)*. During teacher contract negotiations in April 2014 the teachers union requested the School discontinue offering health insurance.

Health insurance would be replaced with an employee stipend in the amount of \$719.50 per month (\$8,634 annually) for each employee to obtain their own insurance. This monthly amount is added to gross wages for each employee to use as they see fit.. The Board of Trustees approved to discontinue health insurance including dental and vision insurance effective July 1, 2014. For fiscal year 2015 the estimated retiree health care cost liability will be eliminated since the School will no longer offer health insurance.

The School's health insurance plan is a single employer health insurance plan administered by an insurance company. For retirees to qualify for the School's health insurance plan, an employee must have attained age 50 and have completed 5 years of service (early retirement in accordance with State law).

The health insurance plan has two options, a comprehensive major medical plan (CMM) and a high deductible health plan (HDHP). The CMM plan has a \$1,000 deductible for singles and \$2,000 for families. The annual out-of-pocket maximum is \$2,700 for singles and \$5,400 for families and then the plan covers 80% of eligible medical expenses. The HDHP has a \$4,000 deductible for singles and \$8,000 for families. The annual out-of-pocket maximum is \$4,000 for singles and \$8,000 for families and then the plan covers 100% of eligible medical expenses. The monthly premium cost for medical insurance only is a composite rate of \$1,020 in 2013 and \$972 in 2012 for the CMM plan and \$752 in 2013 and \$717 in 2012 for the HDHP.

Notes to Financial Statements - Noxon Public Schools 2014 (continued)

Retiree premiums are the same. It is the School's policy that retirees must cease participation in the health insurance plan at age 65.

The actuarial valuation was made for the retirees future health care costs as of June 30, 2013. Valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and estimated amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the current plan. The valuation assumed that 20% of plan participants would elect to continue coverage after retirement.

Calculations reflect a long-term perspective and the methods and assumptions used include techniques that are designed to reduce short-term volatility in the determination of the accrued liability. The projected unit credit cost method was used for the valuation performed at July 1, 2012.

Based on the actuarial valuation, the Accrued Actuarial Liability (AAL) at June 30, 2013 was \$134,253 and the Annual Required Contribution (ARC) for retirees was \$15,905. The ARC is a determined rate that represents a level of funding projected to cover the normal cost each year and amortize the unfunded actuarial liabilities over a period of 30 years on a closed basis. For 2013 when the valuation was made, the AAL was 13.7% of total salaries for 2013 of \$982,978. No contributions were made toward these costs. The next valuation is required to be done for 2016.

A schedule of funding progress is not presented because no contributions were made toward these costs.

Assumptions and data used for the actuarial valuation were as follows:

- Assumed discount rate of 4.5%.
- Projected inflation rate of 2.5%.
- Health care cost trend rates of 8.5% for 2012 reducing to 5% for 2018 and after.
- Unfunded liability amortized on a level-dollar amount on a closed basis over a 30 year period.
- Percent of married employees based on the married percentage used to develop the composite premium rates. Additionally, the husband and wife are assumed to be the same age.
- Mortality based on currently published mortality tables.
- Estimated age-adjusted premiums in accordance with GASB Statement 45. The School has less than 100 plan participants and thus qualifies to use this simplifying assumption to determine the OPEB liability.

The change in Net OPEB obligation is as follows:

Net OPEB obligation at June 30, 2012	\$32,719
Annual OPEB Costs	15,376
Estimated Annual Employer Contributions	<u>(7,673)</u>
Net OPEB obligation at June 30, 2013	<u>\$40,422</u>

Notes to Financial Statements - Noxon Public Schools 2014 (continued)

Net OPEB obligation at June 30, 2013	<u>\$40,422</u>
Annual OPEB Costs	15,227
Estimated Annual Employer Contributions	<u>(9,107)</u>
Net OPEB obligation at June 30, 2014	<u><u>\$46,542</u></u>

8. GOVERNMENT-WIDE RESTRICTED NET POSITION

State law authorizes certain funds and establishes the criteria for property tax levies for specific purposes. The School classifies the net position of these funds in the government-wide statements as restricted net position.

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

Elementary District

Retirement	\$79,874
Transportation	57,969
School Food	45,325
Adult Education	26,831
Miscellaneous	3,051
Technology	9,305
Building Reserve	6,774
Compensated Absences	<u>6,695</u>
Total Elementary	<u><u>\$235,824</u></u>

High School District

Retirement	\$81,687
Transportation	57,317
Adult Education	26,889
Miscellaneous	8,132
Technology	9,331
Building Reserve	28,462
Compensated Absences	<u>4,463</u>
Total High school	<u>216,281</u>
Total	<u><u>\$452,105</u></u>

Generally, the School applies restricted resources first to expenses when both restricted and unrestricted net position are available.

9. GOVERNMENT FUND BALANCE REPORTING

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, requires classifying fund balances into specifically defined classifications. Restricted fund balances are reported in the aggregate on the face of the balance sheet. Of the total, the amount that is restricted due to external requirements is \$11,183. The remainder of \$434,182 is restricted by State law.

The School spends restricted amounts first. When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts are available, the School 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 balances consist of the following:

Restricted for expenditures related to:

Retirement	\$161,561
Transportation	109,270
Instruction	64,179
School Food	45,325
Operation and Maintenance	35,236
Technology	18,636
Compensated Absences	11,158
Total Restricted Fund Balance	<u><u>\$445,365</u></u>

Assigned fund balances consist of the following:

Assigned for Encumbrances:

General Funds	\$54,847
Elementary Building Fund	8,230
High School Building Fund	15,629
Non-Major Funds	27,736
Total Encumbrances	106,442
Assigned for Operation and Maintenance	461,196
Assigned for Instruction	96,993
Total Assigned Fund Balance	<u><u>\$664,631</u></u>

Unassigned fund balances consist of the following:

General Funds	<u><u>\$195,457</u></u>
---------------------	--------------------------------

Total government fund balance as shown on the Balance Sheet - Government Funds	<u><u>\$1,305,453</u></u>
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10. 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. The contribution rates for MPERS were increased in 2014 by 1% for employers from 6.8% to 7.8% and for employees hired before July 1, 2011 from 6.9% to 7.9%. There were no changes in the contribution rates for the State and employees hired after July 1, 2011.

The contribution rates for MTRS were increased in 2014 by 1% for employers from 7.47% to 8.47% and for employees from 7.15% to 8.15%. There were no changes in the State contribution rate.

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

	Employer	Employee	State	Total
MTRS	8.47%	8.15%	2.49%	19.11%
MPERS (members hired before 7/1/2011) ..	7.80%	7.90%	0.37%	16.07%
MPERS (members hired after 7/1/2011)	7.80%	7.90%	0.37%	16.07%

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:

	2012	2013	2014
MTRS	\$144,266	\$164,748	\$258,906
MPERS	32,812	32,071	30,113
Total	<u>\$177,078</u>	<u>\$196,819</u>	<u>\$289,019</u>

Contributions in 2014 for MTRS includes a one time payment of \$99,440 made in October 2013. Montana House Bill 377 approved in the 2013 Legislative session contained a provision requiring school districts to remit excess reserves in the retirement funds to MTRS.

The State's contributions to the plans in 2014 were approximately \$21,781 for MTRS and \$710 for MPERS and were recorded as revenue and expenditures in the special revenue funds.

Notes to Financial Statements - Noxon Public Schools 2014 (concluded)

Both plans issue a publicly available financial report that includes financial statements and required supplementary information for the plan.

The reports may be obtained from the following:

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

Montana Public Employees Retirement System
P.O. Box 200131
100 North Park Avenue, Suite 200
Helena, Montana 59620-0131
Telephone (406) 444-3154

11. RISK MANAGEMENT

The School faces a number of risks including loss or damage to property, general and legal liability, and workers compensation. Commercial insurance policies are purchased for loss or damage to property, general liability, and legal liability.

The School participates in two statewide public risk pools, the Montana Schools Group Workers Compensation Risk Retention Program (WCRRP) for workers compensation coverage, and the Montana Schools Unemployment Insurance Program (MSUIP) for unemployment insurance. All school district participants are jointly and severally liable for the liabilities of these public risk pool. Audited financial statements are available from WCRRP and MSUIP.

**NOXON PUBLIC SCHOOLS
DISTRICT NO. 10, SANDERS COUNTY
NOXON, MONTANA**

SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES

BUDGET AND ACTUAL - GENERAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Elementary General Fund ⁴			High School General Fund			Combined Actual
	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance	
REVENUES AND TRANSFERS							
District Property Taxes	\$255,793	\$253,167	(\$2,626)	\$431,799	\$428,603	(\$3,196)	\$681,770
State Payments:							
Equalization	376,411	376,410	(1)	353,919	353,919		730,329
Other	248,395	248,395		180,833	180,833		429,228
Interest Income	474	329	(145)	615	430	(185)	759
Other	430	735	305		831	831	1,566
Total Revenues and Transfers	881,503	879,036	(2,467)	967,166	964,616	(2,550)	1,843,652
EXPENDITURES AND ENCUMBRANCES							
Current Operations:							
Instruction:							
Regular Programs		446,935			315,250		762,185
Other Programs		16,985			90,011		106,996
Instruction Support:							
Regular Programs		21,528			51,068		72,596
Other Programs		26,448			16,670		43,118
Administration:							
Schools					29,434		29,434
General		87,355			93,276		180,631
Financial		91,090			91,772		182,862
Operation and Maintenance		117,389			120,358		237,747
Extracurricular		13,138			71,024		84,162
Transportation		6,625			15,666		22,291
School Food		23,098			22,929		46,027
Capital Outlay		11,008			8,508		19,516
Transfers		25,000			43,000		68,000
Total Expenditures and Encumbrances	890,397	886,599	\$3,798	971,364	968,966	\$2,398	1,855,565
Excess (Deficiency) of Revenues over Expenditures, Transfers, and Encumbrances	(8,894)	(7,563)		(4,198)	(4,350)		(11,913)
Change in Encumbrances		12,734			(3,492)		9,242
Excess (Deficiency) of Revenues over Expenditures	(\$8,894)	\$5,171		(\$4,198)	(\$7,842)		(\$2,671)

See Notes to Budget and Actual Schedules

**NOXON PUBLIC SCHOOLS
DISTRICT NO. 10, SANDERS COUNTY
NOXON, MONTANA**

NOTES TO BUDGET AND ACTUAL SCHEDULES

FOR THE YEAR ENDED JUNE 30, 2014

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, the amounts shown on the budget to actual schedules are the original and final budget amounts.

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 original budget by the fourth Monday in 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 \$54,847 of encumbrances in 2014 and \$45,605 of encumbrances in 2013 in the general funds.

State law requires only that a fund's total expenditures not exceed total budgeted expenditures.

The elementary building and high school building funds are not budgeted funds.

**NOXON PUBLIC SCHOOLS
DISTRICT NO. 10, SANDERS COUNTY
NOXON, MONTANA**

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

	FALL ENROLLMENT OCTOBER 2013			WINTER ENROLLMENT DECEMBER 2013			SPRING ENROLLMENT FEBRUARY 2014		
	School Records	Enroll- ment Report	Variance	School Records	Enroll- ment Report	Variance	School Records	Enroll- ment Report	Variance
Elementary School									
Kindergarten	6	6	0	6	6	0	6	6	0
Grades 1 - 6	74	74	0	74	74	0	73	73	0
Total Elementary	80	80	0	80	80	0	79	79	0
Middle School									
Grades 7 & 8	22	22	0	22	22	0	23	23	0
High School									
Grades 9 - 12	83	83	0	81	81	0	82	82	0
Combined Total	185	185	0	183	183	0	184	184	0
Part Time Enrollment									
Transition 1 st - 6 Grades (enrolled 360-539 hrs per year)	1	1	0			0			0
9-12 Grades (enrolled 540-719 hrs per year)			0			0	1	1	0
Other Student Counts									
MT Youth Challenge			0			0	1	1	0

**NOXON PUBLIC SCHOOLS
DISTRICT NO. 10, SANDERS COUNTY
NOXON, MONTANA**

EXTRACURRICULAR FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE BY STUDENT ACTIVITY**

FOR THE YEAR ENDED JUNE 30, 2014

Student Activity	Balance June 30, 2013	Revenues	Expenditures	Transfers	Balance June 30, 2014
Activity Meal Account		\$2,970	(\$2,970)		
Annual	\$3,372	6,125	(6,365)		\$3,132
Art Club	20				20
Athletic Fund Raisers and Resale	532	1			533
Athletic Uniforms	7,058	3,052	(4,764)		5,346
BPOA	5,260	138			5,398
Cash to Check		259	(161)	(\$98)	
Class of 2013	6			(6)	
Class of 2014	709	1,326	(1,741)	97	391
Class of 2015	1,224	1,802	(2,046)	90	1,070
Class of 2016	847	993	(277)	452	2,015
Class of 2017	2,450	3,980	(1,099)	664	5,995
Class of 2018	986	909	(1,764)	2,110	2,241
Class of 2019		2,384	(1,536)		848
Class of 2020	1				1
DLC Course Funds	229				229
Drama	747	1			748
Elementary Yearbook	221	614	(731)		104
Football Stadium	1,246				1,246
Gate Receipts / Activity Tickets	44,747	8,172	(180)	156	52,895
Grad Funds / PTO	540			6	546
High School Choir / Band	314	1			315
Honor Society	250	65	(49)		266
HOSA	2,150	386	(918)		1,618
High School Boys Basketball	29				29
High School Boys Football		571	(394)	68	245
High School Boys & Girls Track	193	243	(449)	56	43
High School Cheerleaders	156			(156)	
Sub-total	\$73,287	\$33,992	(\$25,444)	\$3,439	\$85,274

(Continued)

**NOXON PUBLIC SCHOOLS
DISTRICT NO. 10, SANDERS COUNTY
NOXON, MONTANA**

EXTRACURRICULAR FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE BY STUDENT ACTIVITY**

FOR THE YEAR ENDED JUNE 30, 2014

Student Activity	Balance June 30, 2013	Revenues	Expenditures	Transfers	Balance June 30, 2014
(Continued)					
Sub-total (from previous page)	\$73,287	\$33,992	(\$25,444)	\$3,439	\$85,274
High School Girls Basketball	338	220	(271)		287
High School Softball Club	1,952	3			1,955
High School Wrestling	654	1	(647)	487	495
Jr. High Band	4				4
Jr. High Boys Basketball	431	1	(129)		303
Jr. High Cheerleaders	2			(2)	
Jr. High Girls Basketball	392	1			393
Jr. High Track				80	80
Jr. High Volleyball	135	1		2	138
Music Scholarship	151				151
N-Club	112				112
NOW Interest	54				54
Pep Band	928	2			930
Pep Club / Concessions	10,964	18,737	(11,530)	(4,861)	13,310
Project Success	2,385	659	(1,283)	93	1,854
Referee		10,686	(11,166)	516	36
Reading Is Fun	41	1,238	(1,238)		41
Science Club	11,530	6,933	(10,263)	180	8,380
Sign	495				495
Special Education Group	324		(138)		186
Sports Entry fees		1,082	(1,082)		
Student Council	1,288	50	(469)		869
Tournament Account	266	1,676	(835)	(500)	607
VICA	1,612	3			1,615
Volleyball Club	377	1,957	(2,124)	566	776
Total	\$107,722	\$77,242	(\$66,619)	\$0	\$118,345

**NOXON PUBLIC SCHOOLS
DISTRICT NO. 10, SANDERS COUNTY
NOXON, MONTANA**

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

STUDENT ENROLLMENT

The fall enrollment of students attending Noxon Public School is as follows:

	Year Ended June 30,				
	2010	2011	2012	2013	2014
Grades 9 - 12	81	77	67	72	83
Grades 7 - 8	24	31	40	28	22
Kindergarten - Grade 6	100	85	71	87	80
Pre-Kindergarten		1			
Total	205	194	178	187	185
Change in Enrollment	10	(11)	(16)	9	(2)
Percentage change	5%	(5)%	(8)%	5%	(1)%

SCHOOL DISTRICT TAXABLE VALUATIONS

As of January 1,	----- ELEMENTARY -----			----- HIGH SCHOOL -----		
	Assessed Value	Taxable Value	As a % of Assessed Value	Assessed Value	Taxable Value	As a % of Assessed Value
2004	\$127,081,777	\$5,327,408	4.19%	\$223,205,837	\$9,411,664	4.22%
2005	\$135,685,859	\$5,558,060	4.10%	\$239,721,098	\$9,886,123	4.12%
2006	\$142,431,598	\$5,721,600	4.02%	\$248,667,606	\$9,946,064	4.00%
2007	\$152,241,052	\$6,123,618	4.02%	\$265,832,606	\$10,634,822	4.00%
2008	\$160,284,992	\$6,631,290	4.14%	\$283,854,232	\$11,702,048	4.12%
2009	\$241,685,699	\$6,685,089	2.77%	\$474,022,736	\$11,825,969	2.49%
2010	\$255,159,525	\$7,184,160	2.82%	\$498,874,478	\$12,675,224	2.54%
2011	\$200,087,027	\$7,611,282	3.80%	\$356,899,009	\$13,405,364	3.76%
2012	\$211,782,405	\$8,023,418	3.79%	\$378,720,500	\$14,178,240	3.74%
2013	\$224,375,938	\$8,413,030	3.75%	\$401,892,406	\$14,814,927	3.69%
2014	\$299,942,688	\$8,432,973	2.81%	\$594,655,688	\$14,705,845	2.47%

SCHOOL DISTRICT TAX LEVIES (in mills)

	Year Ended June 30,				
	2011	2012	2013	2014	2015
Elementary:					
General	35.23	35.80	32.91	30.40	32.16
Transportation	11.36	15.25	14.60	12.81	16.12
Adult Education	1.10	1.62	1.48	1.53	1.26
Total	47.69	52.67	48.99	44.74	49.54
High School:					
General	32.14	30.90	30.17	29.14	29.04
Transportation	6.75	8.77	8.26	7.45	9.44
Adult Education	1.22	1.00	0.81	0.87	0.72
Total	40.11	40.67	39.24	37.46	39.20
Total Tax Levies	87.80	93.34	88.23	82.20	88.74

MAXIMUM BONDED INDEBTEDNESS

State law permits a maximum bonded indebtedness of 50% of the taxable valuation for each school district. Maximum bonded indebtedness per state law is:

	Taxable Value	Percent Allowed	Maximum Bonded Indebtedness
Elementary	\$8,432,973	50%	\$4,216,487
High School	\$14,705,845	50%	7,352,923
Maximum Bonded Indebtedness Available			\$11,569,409

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

Board of Trustees
Noxon Public Schools
School District Number 10
Sanders County
Noxon, Montana

I have audited, in accordance with U.S. generally accepted auditing standards 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 government activities, each major fund, and the aggregate remaining fund information of Noxon Public Schools, District No. 10, Sanders County, Noxon, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Noxon Public Schools' basic financial statements, and have issued my report thereon dated January 19, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or 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 item **2014-001** described below to be a significant deficiency.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Noxon Public Schools' financial statements are free from 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 statements 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 *Governmental Auditing Standards*.

FINDING - SIGNIFICANT DEFICIENCY:

2014-001 Segregation of Accounting Duties

Ideal segregation of accounting duties is not always possible in an organization with a small staff as is the case with Noxon Public Schools.

Accordingly, I recommend the Board continue to monitor the School's activities and transactions.

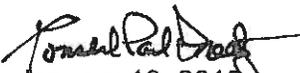
Prior Year Audit Findings

13-001 - Segregation of Accounting Duties - Inherent weakness - see comment **2014-001** above.

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.

In accordance with State law (MCA 2-7-515) the School's Board of Trustees is required to respond to the Department of Administration and the Office of Public Instruction concerning audit findings within 30 days after receipt of the final audit report.


January 19, 2015