

**CLINTON ELEMENTARY SCHOOL**  
**DISTRICT NO. 32, MISSOULA COUNTY**  
**CLINTON, MONTANA**

**FINANCIAL AND**  
**COMPLIANCE**  
**REPORT**

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

**RONALD PAUL FOLTZ**  
Certified Public Accountant

**CLINTON ELEMENTARY SCHOOL  
DISTRICT NO.32, MISSOULA COUNTY  
CLINTON, MONTANA**

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JUNE 30, 2014

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**CLINTON ELEMENTARY SCHOOL  
DISTRICT NO.32, MISSOULA COUNTY  
CLINTON, MONTANA**

**ORGANIZATION**

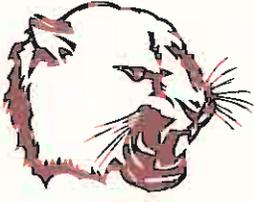
JUNE 30, 2014

**BOARD OF TRUSTEES**

Chairman	Jon Roske
Vice-Chairman	Eric Nystrom
Trustee	Betty Tucker
Trustee	Nick Labbe
Trustee	Ann Halverson

**OFFICIALS**

Superintendent	Tom Stack
Clerk of the Board	Rhonda Decker
County Attorney	Fred Van Valkenburg
County Superintendent of Schools	Erin Lipkind



## CLINTON ELEMENTARY SCHOOL

School District #32  
20397 E. Mullan Road  
P.O. Box 250

Clinton, MT 59825-250  
(406) 825-3113 • (406) 825-3114 FAX

### 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

Expenses exceeded revenues for the year, resulting in a \$138,000 or 7% decrease in net position. Total revenues decreased \$53,000 or 2% and total expenses increased \$209,000 or 9%. 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). Fund financial statements 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, transportation, technology, retirement, and miscellaneous programs funds. There is also summarized financial information about the student activity trust fund 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 inflows 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 outflows of resources and (b) liabilities and deferred inflows 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.

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

	<b>2014</b>	<b>2013</b>	<b>Change</b>	<b>%</b>
Current assets .....	\$1,123,000	\$1,271,000	(\$148,000)	(12)%
Capital assets - net .....	815,000	802,000	13,000	2%
<b>Total assets .....</b>	<b>1,938,000</b>	<b>2,073,000</b>	<b>(135,000)</b>	<b>(7)%</b>
Current liabilities .....	23,000	20,000	3,000	15%
Non-current liabilities .....	109,000	109,000	-	-
<b>Total liabilities .....</b>	<b>132,000</b>	<b>129,000</b>	<b>3,000</b>	<b>2%</b>
<b>Net position .....</b>	<b>\$1,806,000</b>	<b>\$1,944,000</b>	<b>(\$138,000)</b>	<b>(7)%</b>
Net position consist of:				
Net investment in capital assets .....	\$815,000	\$802,000	\$13,000	2%
Restricted .....	653,000	613,000	40,000	7%
Unrestricted .....	338,000	529,000	(191,000)	(36)%
<b>Net position .....</b>	<b>\$1,806,000</b>	<b>\$1,944,000</b>	<b>(\$138,000)</b>	<b>(7)%</b>

Current assets and unrestricted net position decreased with expenses exceeding revenues for the year. Various maintenance projects and capital asset purchases were made in 2014. For more information on capital assets see Note 4 on page 22.

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

	<b>2014</b>	<b>2013</b>	<b>Change</b>	<b>%</b>
Federal grants:				
School food programs .....	\$79,000	\$64,000	\$15,000	23%
Other federal programs .....	144,000	187,000	(43,000)	(23)%
State program funding .....	204,000	195,000	9,000	5%
School food sales .....	28,000	27,000	1,000	4%
County transportation .....	29,000	25,000	4,000	16%
<b>Total program revenue .....</b>	<b>\$484,000</b>	<b>\$498,000</b>	<b>(\$14,000)</b>	<b>(3)%</b>

Other federal program revenues decreased because the 21<sup>st</sup> Century Community Learning grant ended in 2013. Other program revenues remained stable in 2014.

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

	<b>2014</b>	<b>2013</b>	<b>Change</b>	<b>%</b>
School property taxes .....	\$619,000	\$635,000	(\$16,000)	(3)%
State equalization .....	828,000	847,000	(19,000)	(2)%
Other state revenue .....	164,000	163,000	1,000	1%
County property taxes .....	211,000	172,000	39,000	23%
Federal revenue .....		30,000	(30,000)	(100)%
Investment earnings .....	2,000	5,000	(3,000)	(60)%
Other revenue .....	3,000	14,000	(11,000)	(79)%
<b>Total general revenue .....</b>	<b>1,827,000</b>	<b>1,866,000</b>	<b>(39,000)</b>	<b>(2)%</b>
<b>Total program revenue .....</b>	<b>484,000</b>	<b>498,000</b>	<b>(14,000)</b>	<b>(3)%</b>
<b>Total revenue .....</b>	<b>\$2,311,000</b>	<b>\$2,364,000</b>	<b>(\$53,000)</b>	<b>(2)%</b>

The increase in county property tax revenue is primarily due to a increase in the retirement fund budget for increased contribution rates for MTRS and PERS and the retirement of a long serving employee. Additionally, a special education bus route was budgeted for a special needs student. The receipt of an academic achievement award from Title I funding in 2013 and not in 2014 accounts for the decrease in federal funding. Other revenues remained relatively constant.

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

	<b>2014</b>	<b>2013</b>	<b>Change</b>	<b>%</b>
Instruction - regular programs .....	\$969,000	\$816,000	\$153,000	19%
Instruction - other programs .....	393,000	371,000	22,000	6%
Support services .....	204,000	198,000	6,000	3%
Administration .....	322,000	333,000	(11,000)	(3)%
Operation and maintenance .....	175,000	143,000	32,000	22%
Student transportation .....	146,000	134,000	12,000	9%
School food .....	139,000	142,000	(3,000)	(2)%
Other .....	86,000	88,000	(2,000)	(2)%
<b>Total expenses .....</b>	<b>2,434,000</b>	<b>2,225,000</b>	<b>209,000</b>	<b>9%</b>
<b>Less program revenues .....</b>	<b>484,000</b>	<b>498,000</b>	<b>(14,000)</b>	<b>(3)%</b>
<b>Net expenses .....</b>	<b>1,950,000</b>	<b>1,727,000</b>	<b>223,000</b>	<b>13%</b>
<b>Less general revenues .....</b>	<b>1,827,000</b>	<b>1,866,000</b>	<b>(39,000)</b>	<b>(2)%</b>
<b>General revenues over (under) net expenses .....</b>	<b>(123,000)</b>	<b>139,000</b>	<b>(262,000)</b>	<b>(188)%</b>
<b>Gain (loss) on disposal of assets .....</b>	<b>(14,000)</b>		<b>(14,000)</b>	<b>-</b>
<b>Change in net position .....</b>	<b>(\$137,000)</b>	<b>\$139,000</b>	<b>(\$276,000)</b>	<b>(199)%</b>

The majority of the increase in instruction - regular results from a one time payment of \$96,021 made in October 2013 to MTRS (Montana Teacher's Retirement System). 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. Additionally, the School's contribution rates for MTRS and MPERS (Montana Public Employees Retirement System) were increased for 2014. See Note 10 on page 26 for more detailed information.

Operation and maintenance expenses increase due to the completion of several maintenance and repair projects.

Other expenses remained relatively constant

## **FUND FINANCIAL STATEMENTS**

The fund financial statements provide detailed information about the most significant of the School's funds. The School is required to provide detailed information for its "major" funds. Major funds are defined as the general fund and any other fund where the assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures exceed 10% of total government fund amounts. In the 2014 fiscal year the transportation, retirement, miscellaneous programs, and technology funds exceeded at least one of these thresholds. The transportation fund is the student busing program and is funded by a county transportation levy, a district tax levy, and state funding. The retirement fund accounts for the School's contributions to social security, retirement systems, and unemployment insurance. The miscellaneous programs fund accounts primarily for federal and state funds received for a specific purpose. The technology fund is funded by a tax levy and is used to account for costs associated with the purchase, rental, repair, and maintenance of technological equipment and technical training for the School's personnel.

The government fund statements 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, deferred outflows, liabilities, and deferred inflows (receivables and payables) that will soon be converted to cash or will soon be paid with cash. See page 16 for a detailed explanation of the differences between the changes in government fund balances and net position.

All budgeted fund expenditures were within the budget authority and there were no significant variations between budget and actual revenues and expenditures, as detailed on the supplemental schedules on pages 28 and 29. The miscellaneous programs fund is not a budgeted fund.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

The changes in capital assets are primarily the result of building and grounds upgrades, equipment purchases, and related depreciation. Capital asset purchases included \$23,000 for a pick-up truck, \$6,000 for a snow plow, and \$29,000 for upgrades and additions to the camera security system.

Changes in the School's debt is insignificant.

See Note 4 on page 22 for detailed information on the changes in capital assets and Note 5 on page 23 for the changes in long-term debt.

## **THE FUTURE OF THE SCHOOL**

Enrollment continues to decline at Clinton School District #32; the negative impacts on our budget continue to worsen and it will begin to affect the number of staff employed with our district. We continue to do more with less and still provide a quality education to the students of Clinton. We still offer a quality Title I program with one teacher and an aide.

Over the last four years, the fall counts have been 219, 207, 199, and 193. We still have three counts a year and they are averaged with the last two years, for a three year average. We continue to have more students attending out of district schools than we have attending Clinton from other districts. We are in the middle of a two year contract with the certified staff which included a 3% raise for the 2014-2015 school year and a 2% raise for the 2015-2016 school year. For classified staff, the board gave a \$ .30 per hour raise and a \$.25 per hour raise over this year and the next. Fortunately, there were no increases in insurance premiums during the fiscal year 2014-2015.

In conclusion, enrollment drives our budget numbers and if the current trend continues, we will continue to see a decrease in our General Fund budget.

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CERTIFIED PUBLIC ACCOUNTANT

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**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Clinton Elementary School  
District No. 32, Missoula County  
Clinton, 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 Clinton Elementary School, District No. 32, Missoula County, Clinton, 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 Clinton Elementary School, District No. 32, Missoula County, Clinton, 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 Clinton Elementary School's 2013 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated October 28, 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 6 and the schedule of revenues, expenditures, and encumbrances - budget and actual - general, transportation, retirement, and technology funds on pages 28 and 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing 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 applied 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 the Clinton Elementary School's basic financial statements. The schedule of school district enrollment on page 31 and the schedule of revenues, expenditures, and changes in fund balance by student activity on page 32 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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 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 33 and 34, 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 February 16, 2015 on my consideration of Clinton Elementary 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 Clinton Elementary School's control over financial reporting and compliance.

  
February 16, 2015

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**CLINTON ELEMENTARY SCHOOL  
DISTRICT NO. 32, MISSOULA COUNTY  
CLINTON, MONTANA**

**STATEMENT OF NET POSITION**

JUNE 30, 2014

(With comparative amounts for June 30, 2013)

	2014	2013
<b>ASSETS:</b>		
Current Assets:		
Cash and Investments .....	\$974,149	\$1,115,190
Property Taxes Receivable .....	33,013	61,399
Protested Property Taxes Receivable .....	115,983	94,415
Total Current Assets .....	<u>1,123,145</u>	<u>1,271,004</u>
Capital Assets .....	1,552,786	1,496,882
Less Accumulated Depreciation .....	<u>(737,469)</u>	<u>(694,695)</u>
Capital Assets - Net .....	<u>815,317</u>	<u>802,187</u>
Total Assets .....	<u>1,938,462</u>	<u>2,073,191</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
Compensated Absences .....	<u>23,445</u>	<u>20,406</u>
Total Current Liabilities .....	<u>23,445</u>	<u>20,406</u>
Non-current Liabilities:		
Compensated Absences .....	71,328	84,103
Estimated Retiree Health Care Costs .....	<u>37,484</u>	<u>25,078</u>
Total Non-current Liabilities .....	<u>108,812</u>	<u>109,181</u>
Total Liabilities .....	<u>132,257</u>	<u>129,587</u>
<b>NET POSITION:</b>		
Net Invested in Capital Assets .....	815,317	802,187
Restricted .....	652,969	613,029
Unrestricted .....	<u>337,919</u>	<u>528,388</u>
Total Net Position .....	<u>\$1,806,205</u>	<u>\$1,943,604</u>

See Notes to Financial Statements

**CLINTON ELEMENTARY SCHOOL  
DISTRICT NO. 32, MISSOULA COUNTY  
CLINTON, MONTANA**

**STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2014  
(With comparative amounts for the year ended June 30, 2013)

	Expenses	- Program Revenue - Charges for Services	Operating Grants	Net (Expense) Revenue	
				2014	2013
<b>GOVERNMENT OPERATIONS</b>					
Instruction:					
Regular Programs .....	\$968,423			(\$968,423)	(\$815,948)
Other Programs .....	392,992		\$188,071	(204,921)	(122,807)
Support Services .....	204,363	\$111,896	17,650	(74,817)	(89,864)
Administration .....	321,469			(321,469)	(333,067)
Operation and Maintenance ...	175,269			(175,269)	(143,409)
Student Transportation .....	146,229		57,949	(88,280)	(83,592)
School Food .....	139,072	28,253	79,823	(30,996)	(50,897)
Extracurricular .....	21,373			(21,373)	(21,208)
Other .....	376			(376)	
Unallocated Depreciation .....	63,994			(63,994)	(66,497)
Total .....	<u>\$2,433,560</u>	<u>\$140,149</u>	<u>\$343,493</u>	<u>(1,949,918)</u>	<u>(1,727,289)</u>
<b>GENERAL REVENUES</b>					
School Property Taxes .....				618,650	634,895
State Equalization .....				828,175	846,953
Other State Revenue .....				163,927	162,596
County Property Taxes .....				210,767	172,093
Federal Revenue .....					30,040
Investment Earnings .....				2,356	4,873
Other Revenue .....				2,970	14,518
Total General Revenues .....				<u>1,826,845</u>	<u>1,865,968</u>
<b>GENERAL REVENUES OVER (UNDER) NET EXPENSES</b> .....				(123,073)	138,679
Gain (Loss) On Disposal of Assets .....				(14,326)	
<b>CHANGE IN NET POSITION</b> .....				(137,399)	138,679
<b>NET POSITION</b>					
Beginning of the Year .....				1,943,604	1,804,925
End of the Year .....				<u>\$1,806,205</u>	<u>\$1,943,604</u>

See Notes to Financial Statements

**CLINTON ELEMENTARY SCHOOL  
DISTRICT NO. 32, MISSOULA COUNTY  
CLINTON, MONTANA**

**BALANCE SHEET - GOVERNMENT FUNDS**

JUNE 30, 2014

----- MAJOR FUNDS -----							
	General Fund	Transport- ation Fund	Retire- ment Fund	Misc. Programs Fund	Technology Fund	Other Government Funds	Total
<b>ASSETS:</b>							
Cash and Investments .....	\$232,300	\$59,694	\$77,825	\$108,040	\$166,430	\$329,860	\$974,149
Property Taxes Receivable ..	24,306	6,335			2,068	304	33,013
Protested Property Taxes Receivable .....	82,810	23,359			7,337	2,477	115,983
<b>Total Assets .....</b>	<b>\$339,416</b>	<b>\$89,388</b>	<b>\$77,825</b>	<b>\$108,040</b>	<b>\$175,835</b>	<b>\$332,641</b>	<b>\$1,123,145</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>							
Deferred Property Tax Revenue .....	\$107,116	\$29,694			\$9,405	\$2,781	\$148,996
<b>Total Deferred Inflows of Resources .....</b>	<b>107,116</b>	<b>29,694</b>			<b>9,405</b>	<b>2,781</b>	<b>148,996</b>
<b>FUND BALANCE:</b>							
Restricted .....		59,694	\$77,825	\$71,603	166,430	235,537	611,089
Assigned .....	74,328			36,437		94,323	205,088
Unassigned .....	157,972						157,972
<b>Total Fund Balance .....</b>	<b>232,300</b>	<b>59,694</b>	<b>77,825</b>	<b>108,040</b>	<b>166,430</b>	<b>329,860</b>	<b>974,149</b>
<b>Total Deferred Inflows of Resources and Fund Balance</b>	<b>\$339,416</b>	<b>\$89,388</b>	<b>\$77,825</b>	<b>\$108,040</b>	<b>\$175,835</b>	<b>\$332,641</b>	<b>\$1,123,145</b>

**RECONCILIATION TO THE STATEMENT OF NET POSITION**

Total fund balance reported above .....	\$974,149
Add capital assets not reported above .....	\$1,552,786
Less accumulated depreciation .....	(737,469)
Less liabilities not reported above:	
Estimated retiree health care costs .....	(37,484)
Compensated absences .....	(94,773)
Deferred property taxes recognized as revenue in the government-wide statement of net position .....	148,996
<b>Net position .....</b>	<b>\$1,806,205</b>

See Notes to Financial Statements

**CLINTON ELEMENTARY SCHOOL  
DISTRICT NO. 32, MISSOULA COUNTY  
CLINTON, MONTANA**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - GOVERNMENT FUNDS**

FOR THE YEAR ENDED JUNE 30, 2014

-----MAJOR FUNDS-----							
	General Fund	Transport- ation Fund	Retire- ment Fund	Misc. Programs Fund	Tech- nology Fund	Other Government Funds	Total
<b>REVENUES:</b>							
School Property Taxes .....	\$457,816	\$120,921			\$40,616	\$6,115	\$625,468
Intergovernmental:							
County .....		28,975	\$210,767				239,742
State .....	1,011,880	35,218		\$113,819	2,882	31,775	1,195,574
Federal .....				143,768		79,174	222,942
School Food Sales .....						28,253	28,253
Interest and Other .....	1,549	122	200		484	20,350	22,705
Total Revenues .....	1,471,245	185,236	210,967	257,587	43,982	165,667	2,334,684
<b>EXPENDITURES:</b>							
Current:							
Instruction:							
Regular Programs .....	734,528		208,444			22,925	965,897
Other Programs .....	138,822		22,012	144,727	86,624		392,185
Instructional Support .....	81,463		11,003	111,897			204,363
Administration .....	240,666	43,926	34,749			736	320,077
Operation and Maintenance ..	160,084	5,764	6,808			125	172,781
Transportation .....	1,402	144,827					146,229
Food Service .....	26,915		5,420			105,910	138,245
Extracurricular .....	19,359		2,014				21,373
Other .....			376			13,827	14,203
Capital Outlay .....	74,224					26,148	100,372
Total Expenditures .....	1,477,463	194,517	290,826	256,624	86,624	169,671	2,475,725
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES .....</b>	(6,218)	(9,281)	(79,859)	963	(42,642)	(4,004)	(141,041)
Other Sources and (Uses):							
Transfers In (Out) .....	(1,285)	(6,244)				7,529	
<b>CHANGE IN FUND BALANCES .....</b>	(7,503)	(15,525)	(79,859)	963	(42,642)	3,525	(141,041)
<b>FUND BALANCES:</b>							
Beginning of the Year .....	239,803	75,219	157,684	107,077	209,072	326,335	1,115,190
Ending of the Year .....	\$232,300	\$59,694	\$77,825	\$108,040	\$166,430	\$329,860	\$974,149

See Notes to Financial Statements

**CLINTON ELEMENTARY SCHOOL  
DISTRICT NO. 32, MISSOULA COUNTY  
CLINTON, MONTANA**

**RECONCILIATION TO THE  
STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2014

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Change in fund balance on the government funds statement . . . . .		(\$141,041)
Revenues on the government-wide statement of activity not included in the government funds statement:		
Decrease in property tax receivables . . . . .		(6,818)
Expenses on the government-wide statement of activity not included in the government funds statement:		
Depreciation expense . . . . .	(\$72,916)	
Increase in estimated retiree health care costs liability . . . . .	(12,406)	
Decrease in compensated absences liability . . . . .	9,736	
Gain (Loss) on disposal of assets . . . . .	<u>(\$14,326)</u>	(89,912)
Expenditures reported on the government funds statement not included on the government-wide statement of activity:		
Capital outlays . . . . .		<u>100,372</u>
Change in net position reported on the government-wide statement of activity . . . . .		<u><u>(\$137,399)</u></u>

See Notes to Financial Statements

**CLINTON ELEMENTARY SCHOOL  
DISTRICT NO. 32, MISSOULA COUNTY  
CLINTON, MONTANA**

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

**STUDENT ACTIVITY FUND**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

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**FIDUCIARY NET POSITION**

**ASSETS:**

Cash ..... \$42,441

**NET POSITION:**

Held in Trust for Student Activities ..... \$42,441

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**CHANGES IN FIDUCIARY NET POSITION**

**ADDITIONS:**

Revenue from Student Activities ..... \$57,233

**DEDUCTIONS:**

Expenses of Student Activities ..... 50,366

CHANGES IN NET POSITION HELD IN TRUST ..... 6,867

NET POSITION, BEGINNING OF YEAR ..... 35,574

NET POSITION, END OF YEAR ..... \$42,441

See Notes to the Financial Statements

**CLINTON ELEMENTARY SCHOOL  
DISTRICT NO. 32, MISSOULA COUNTY  
CLINTON, 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 a reporting entity (separate legal entity and fiscal or financial dependency on other governments), the School is considered to be an independent reporting entity and has no component units.

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 student activity fund. The statement of net position reflects wording and categories as required by Government Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The student activity fund, which accounts for the extracurricular activities of the School's students, is reported as a private-purpose trust fund 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. Adjustments have been made to eliminate the double recording of internal activities.

The statement of activities present a comparison between direct expenses and program revenues for the functions 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. Program revenues include fees for services (school lunch and Medicaid reimbursements) 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. Generally, the School applies restricted resources to expenses incurred before using unrestricted resources when both types are available.

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

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, liabilities and deferred inflows, revenues, or expenditures exceed 10% or more of each total

Notes to Financial Statements - Clinton Elementary School 2014 (continued)

amount for all government funds also be reported as major funds. Accordingly, the School reports the following major government funds:

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

Transportation Fund - This fund is used to account for student transportation costs.

Retirement Fund - This fund accounts for the School's contributions to social security, retirement systems, and unemployment insurance for its employees.

Miscellaneous Programs Fund - This fund is used to account for federal and state grants and other miscellaneous revenues not accounted for in other funds.

Technology Fund - This fund is used to account for costs associated with the purchase, rental, repair, and maintenance of technological equipment and technical training for the school's personnel.

These funds (except the fiduciary funds which use the total resources focus and accrual basis of accounting) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. State and other government revenues applicable to the current fiscal year and collected soon after year-end are recognized as revenue. Property tax revenues are 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 implementation of GASB Statement 65, *Items Previously Reported as Assets and Liabilities*.

Expenditures are recorded when the related fund liability is incurred, except for payments for compensated absences which are recognized as expenditures when paid. Capital asset acquisitions are reported as expenditures in government funds.

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

- C. Cash and Investments - State law permits investment of school funds in insured savings or time deposits, bank repurchase agreements, direct obligations of the U. S. Government, and the State's unified investment program. Except for the student activity fund, all cash and investments are held by the County Treasurer. Investments are stated at estimated fair value which approximates cost.
- D. Inventories - Inventories are considered to be immaterial and are not recorded.
- E. Property Taxes - Property taxes receivable at June 30 consist primarily of delinquent property taxes from the current and prior year levies. Property taxes receivable 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.

Notes to Financial Statements - Clinton Elementary School 2014 (continued)

Property taxes are levied in August of each fiscal year, based on assessments as of the prior January 1. Real property taxes are usually 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.

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

Land Improvements	15 - 20 Years
Buildings and Improvements	7 - 50 years
Equipment	10 - 15 years

- G. Compensated Absences - Personal leave for certified personnel (teaching employees) is accumulated at the rate of 12 days per year. After completion of two contract years, the certified personnel is entitled to compensation at one fourth of the accumulated leave amount upon departure from the School.

Sick leave is accumulated for classified employees at the rate of 12 working days per year. Vacation leave for administrative and classified (non teaching) employees is earned at 15 to 24 days a year depending on the number of years employed. Part-time classified employees are entitled to prorated benefits upon fulfillment of the qualifying period of time. Classified employees are eligible for compensation at one fourth of the accumulated sick leave amount upon resignation or retirement. Vacation leave, within certain limitations, may be payable to administrative and classified (non teaching) employees on termination.

- 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 Amounts - 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 principals. 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 prior year amounts have been restated to be comparable to 2014 amounts.

**2. CASH AND INVESTMENTS**

The School participates in the Missoula County Treasurer's investment program. Funds deposited with the County Treasurer are pooled and invested in accordance with State law.

Notes to Financial Statements - Clinton Elementary School 2014 (continued)

Funds are withdrawn from the investment program as needed to pay warrants. Earnings are allocated to the School based on average month-end cash balances and distributed monthly.

It is not practical to determine the investment risk, collateral, or insurance coverage for the School's share of these pooled investments. Information about the pooled investments is included in the County's annual financial statements. Student activity trust funds are deposited in FDIC insured, interest bearing, checking accounts.

**3. PROTESTED PROPERTY TAXES RECEIVABLE**

The School resides within an area that contains a high concentration of centrally assessed property, including property belonging to utility and telecommunications companies, some of which have protested the assessed valuations of their property. As of June 30, 2014, the portion of the property taxes held under protest is \$115,983, which is an increase of \$21,568 from the previous year as a result of additional taxpayer protests. Other disputes are in various stages of the appeal process and no decisions have been made on the merits of the protests. Consequently, the School has not provided an allowance for possible uncollectible amounts, which are not expected to be material.

**4. CAPITAL ASSETS - Capital asset activity during 2014 was as follows:**

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
<b>Cost of assets:</b>				
Land .....	\$66,780			\$66,780
Land Improvements .....	307,049			307,049
Buildings and Improvements .....	912,389	\$29,815		942,204
Equipment .....	210,664	70,557	(\$44,468)	236,753
Total .....	<u>1,496,882</u>	<u>100,372</u>	<u>(44,468)</u>	<u>1,552,786</u>
<b>Accumulated Depreciation:</b>				
Land Improvements .....	(108,351)	(22,312)		(130,663)
Building and Improvements .....	(470,149)	(40,163)		(510,312)
Equipment .....	(116,195)	(10,441)	30,142	(96,494)
Total .....	<u>(694,695)</u>	<u>(72,916)</u>	<u>30,142</u>	<u>(737,469)</u>
Net Capital Assets .....	<u>\$802,187</u>	<u>\$27,456</u>	<u>(\$14,326)</u>	<u>\$815,317</u>

Depreciation expense was charged to functions as follows:

Instruction - Regular Programs .....	\$3,408
Operation and Maintenance .....	2,488
Administration .....	1,392
School Food .....	827
Instruction - Special Programs .....	807
Unallocated .....	63,994
Total Depreciation Expense .....	<u>\$72,916</u>

Notes to Financial Statements - Clinton Elementary School 2014 (continued)

**5. LONG-TERM DEBT** - Changes in general long-term debt during 2014 are as follows:

	Balance June 30, 2013	Additions and Other Changes	Balance June 30, 2014	Due Within One Year
Compensated Absences . . . . .	\$104,509	(\$9,736)	\$94,773	\$23,445
Estimated Retiree Health Care Costs . . .	25,078	12,406	37,484	
Total . . . . .	<u>\$129,587</u>	<u>\$2,670</u>	<u>\$132,257</u>	<u>\$23,445</u>

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.

**6. ESTIMATED RETIREE HEALTH CARE COSTS**

*Plan Description.* The School participates in an agent multiple-employer health plan administered by Montana Unified School Trust (MUST), a self-insured trust group providing group health benefits and plan administration for Montana school districts. State law requires the plan to provide healthcare insurance for eligible retirees and their spouses until medicare eligibility. Retirees are allowed to participate at a rate that does not cover all of the related costs. This results in the reporting of an “implied rate” subsidy in the related financial statements and footnotes. While this liability is disclosed for financial statement purposes, it does not represent a legal liability of the School.

*Funding Policy.* The School pays for all of its retiree health care benefits on a pay-as-you-go basis. The Board of Trustees has authority to establish and amend benefit provisions. The valuation was done as of June 30, 2013, and there were 7 retirees and/or spouses enrolled in the plan, with average premium rates of \$6,563 before medicare eligibility and \$3,607 post medicare eligibility. Clinton School District is not required to issue a separate financial report for the plan.

*Annual OPEB Cost and Net OPEB Obligation.* The School’s annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). The School has elected to calculate the ARC using the alternative measurement method permitted for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The next valuation is required to be done for 2016.

*Funded Status and Funding Progress.* The valuation was done as of June 30, 2013, and the actuarial accrued liability for benefits was \$281,751, all of which was unfunded. The covered payroll was \$1,143,504 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 24.6%.

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.

Notes to Financial Statements - Clinton Elementary School 2014 (continued)

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

The following table shows the components of the School's annual OPEB cost for the year:

	2012	2013	2014
Net OPEB Obligation - Beginning of Year . . . . .	\$26,190	\$39,285	\$25,078
Annual Required Contribution . . . . .	13,095	32,928	32,809
Interest and Amortization Adjustment . . . . .		5	9
Adjustment for Estimated Employer Contributions Not Previously Recorded . . . . .		(29,156)	
Employer's Contributions . . . . .		(17,984)	(20,412)
Net OPEB Obligation - End of Year . . . . .	<u>\$39,285</u>	<u>\$25,078</u>	<u>\$37,484</u>

The School's annual OPEB cost and the net OPEB obligation for fiscal year 2014 and the two preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$13,095	0.0%	\$39,285
6/30/2013	\$32,933	54.6%	\$25,078
6/30/2014	\$32,818	62.2%	\$37,484

*Methods and Assumptions.* Projections of benefits for the plan are based on types of benefits provided under the current plan. Calculations reflect a long-term perspective and the methods and assumptions used include techniques that are designed to reduce short-term volatility in the valuation of the accrued liability. The projected unit credit cost method was used for the valuation performed as of June 30, 2013.

In accordance with use of the alternative measurement method, the following simplifying assumptions were made:

- Life expectancies were based on those used by the pension plans that cover the same employees (PERS and TRS).
- Standard turnover assumptions were used per accounting standards.
- The health care cost trend rate of 10% for 2013 decreasing to 5% for 2023 and after.
- The expected long-term payroll growth rate was assumed to equal the rate of inflation, 2.5%.

The discount rate used for the valuation was 4.25 percent and a participation rate of 25% was used. The unfunded actuarial accrued liability is being amortized as a level percent of pay on an open basis over thirty years.

**7. TRANSFERS**

The District made operating transfers of \$6,244 of non-levied funds from the transportation fund to the flexibility fund and \$1,285 from the general fund to the compensated absences fund as permitted by state law.

**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:

Technology Acquisition .....	\$175,835
Building Reserve .....	93,551
Transportation .....	89,388
Self-Insurance .....	83,280
Retirement .....	77,825
Miscellaneous .....	71,603
Tuition .....	23,603
Adult Education .....	17,534
School Food .....	10,305
Compensated Absences .....	10,045
	<hr/>
Total .....	<u>\$652,969</u>

**9. GOVERNMENT FUND BALANCE REPORTING**

Government 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 restricted due to external requirements is \$154,883. The remainder of \$456,206 is restricted by State law. Committed funds must be so designated by the School Board and assigned funds designated by the Superintendent as authorized by the School Board. There were no committed or non-spendable funds at June 30, 2014. 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.

**Restricted** fund balances consist of the following:

Restricted for expenditures related to:

Technology .....	\$166,430
Operation and Maintenance .....	124,128
Self-Insurance .....	83,280
Instruction .....	79,382
Retirement .....	77,825
Transportation .....	59,694
School Food .....	10,305
Compensated Absences .....	10,045
	<hr/>
Total Restricted Fund Balance .....	<u>\$611,089</u>

Notes to Financial Statements - Clinton Elementary School 2014 (continued)

**Assigned** fund balances consist of the following:

Assigned for Encumbrances:	
General Fund .....	\$74,328
Assigned for Instruction .....	78,890
Assigned for Transportation .....	41,196
Assigned for Operation and Maintenance .....	10,674
	<hr/>
Total Assigned Fund Balance .....	<b><u>\$205,088</u></b>

**Unassigned** fund balances consist of the following:

General Fund .....	<b><u>\$157,972</u></b>
<b>Total government fund balance as shown on the Balance Sheet - Government Funds</b> .....	<b><u>\$974,149</u></b>

**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 rates.

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

	<u>Employer</u>	<u>Employee</u>	<u>State</u>	<u>Total</u>
MTRS .....	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%

Notes to Financial Statements - Clinton Elementary School 2014 (concluded)

The amounts contributed by both the School and its employees (including voluntary contribution by employees as permitted by State law) for the years ended June 30, 2012, 2013 and 2014 were as follows:

	2012	2013	2014
MTRS .....	\$196,622	\$133,938	\$289,811
MPERS .....	25,315	27,757	31,273
Total .....	<u>\$221,937</u>	<u>\$161,695</u>	<u>\$321,084</u>

Contributions in 2014 for MTRS includes a one time payment of \$96,021 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 fund to MTRS.

The State's contributions to the plans in 2013 were \$22,925 for MTRS and \$736 for MPERS. These amounts have been included in revenue and expenditures in the other government funds.

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

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

Mt. Public Employees Retirement System  
100 North Park Ave. Suite 200  
Helena, Montana 59620-0131  
Telephone (406) 444-3154

**11. RISK MANAGEMENT**

The School faces a number of risks including (1) loss or damage to property, (2) general liability, (3) workers compensation, and (4) employee medical insurance. Commercial insurance policies are purchased for loss or damage to property, and general liability. There were no changes in how the School managed its risk during the last three years.

The School participates in the Montana Unified School Trust (MUST), a self-insured trust providing group health benefits and plan administration for Montana school districts and the Montana Schools Group Workers Compensation Risk Retention Program (WCRRP) for workers compensation coverage. All school district participants are jointly and severally liable for the liabilities of these public risk pools.

The pools issue audited financial statements. Information about the amount of claim liabilities, changes in claims liabilities, amount of claims paid, operating results and other information is available at 1 South Montana Avenue, Helena, Montana 59601.

**CLINTON ELEMENTARY SCHOOL  
DISTRICT NO. 32, MISSOULA COUNTY  
CLINTON, MONTANA**

**SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES  
BUDGET AND ACTUAL  
GENERAL AND TRANSPORTATION FUNDS**

FOR THE YEAR ENDED JUNE 30, 2014

	General Fund			Transportation Fund		
	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance
<b>REVENUES:</b>						
Property Taxes .....	\$450,755	\$457,816	\$7,061	\$117,019	\$120,921	\$3,902
Intergovernmental:						
County .....				29,981	28,975	(1,006)
State Equalization .....	876,090	876,090				
State Other .....	135,790	135,790		36,226	35,218	(1,008)
Interest and Other .....	1,082	1,549	467		122	122
Total Revenues and Transfers in .....	1,463,717	1,471,245	7,528	183,226	185,236	2,010
<b>EXPENDITURES, ENCUMBRANCES AND TRANSFERS OUT:</b>						
Current Operations:						
Instruction - Regular Programs .....		701,263				
Instruction - Special Programs .....		122,859				
Instruction - Other Programs .....		15,963				
Instructional Support .....		81,463				
Administration .....		245,666			43,926	
Operation and Maintenance .....		191,731			5,764	
Student Transportation .....		1,402			144,827	
School Food .....		32,548				
Extracurricular .....		19,359				
Capital Outlay .....		63,830				
Transfers Out .....		1,285			6,244	
Total Expenditures, Encumbrances and Transfers out .....	\$1,477,422	1,477,369	\$53	\$215,371	200,761	\$14,610
Change in Encumbrances .....		1,379				
<b>CHANGE IN FUND BALANCES</b>		<b>(\$7,503)</b>			<b>(\$15,525)</b>	

See Notes to Budget and Actual Schedule

**CLINTON ELEMENTARY SCHOOL  
DISTRICT NO. 32, MISSOULA COUNTY  
CLINTON, MONTANA**

**SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES  
BUDGET AND ACTUAL  
RETIREMENT AND TECHNOLOGY FUNDS**

FOR THE YEAR ENDED JUNE 30, 2014

	Retirement Fund			Technology Fund		
	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance
<b>REVENUES:</b>						
Property Taxes .....	\$212,294	\$210,767	(\$1,527)	\$40,000	\$40,616	\$616
Intergovernmental:						
State Other .....				2,882	2,882	
Interest .....		200	200		484	484
<b>Total Revenues and Transfers in .....</b>	<b>212,294</b>	<b>210,967</b>	<b>(1,327)</b>	<b>42,882</b>	<b>43,982</b>	<b>1,100</b>
<b>EXPENDITURES AND ENCUMBRANCES:</b>						
Current Operations:						
Instruction - Regular Programs .....		208,444				
Instruction - Special Programs .....		19,535				
Instruction - Other Programs .....		2,477			86,624	
Instructional Support .....		11,003				
Administration .....		34,749				
Operation and Maintenance .....		6,808				
School Food .....		5,420				
Extracurricular .....		2,014				
Other .....		376				
Capital Outlay .....						
<b>Total Expenditures and Encumbrances .....</b>	<b>\$308,315</b>	<b>290,826</b>	<b>\$17,489</b>	<b>\$251,954</b>	<b>86,624</b>	<b>\$165,330</b>
<b>CHANGE IN FUND BALANCES</b>		<b>(\$79,859)</b>			<b>(\$42,642)</b>	

See Notes to Budget and Actual Schedule

**CLINTON ELEMENTARY SCHOOL  
DISTRICT NO. 32, MISSOULA COUNTY  
CLINTON, MONTANA**

**NOTES TO BUDGET AND ACTUAL SCHEDULE**

**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.

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 must approve the final 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. The School's general fund had \$74,328 of obligations outstanding at June 30, 2014 and \$75,707 of obligations outstanding at June 30, 2013.

State law requires only that a fund's total expenditures not exceed total budgeted expenditures. The miscellaneous programs fund is not required to be budgeted.

**CLINTON ELEMENTARY SCHOOL  
DISTRICT NO.32, MISSOULA COUNTY  
CLINTON, MONTANA**

**SCHEDULE OF SCHOOL DISTRICT ENROLLMENT**

FOR THE YEAR ENDED JUNE 30, 2014

	School Records	Enrollment Report	Variance
<b>FALL ENROLLMENT, OCTOBER 2013</b>			
Kindergarten .....	19	19	0
Grades 1 - 6 .....	130	130	0
Grades 7 - 8 .....	49	49	0
Total .....	198	198	0
<b>WINTER ENROLLMENT, DECEMBER 2013</b>			
Kindergarten .....	19	19	0
Grades 1 - 6 .....	127	127	0
Grades 7 - 8 .....	49	49	0
Total .....	195	195	0
<b>SPRING ENROLLMENT, FEBRUARY 2014</b>			
Kindergarten .....	20	20	0
Grades 1 - 6 .....	125	125	0
Grades 7 - 8 .....	53	53	0
Total .....	198	198	0

**CLINTON ELEMENTARY SCHOOL  
DISTRICT NO. 32, MISSOULA COUNTY  
CLINTON, MONTANA**

**STUDENT ACTIVITY 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	Balance June 30, 2014
America Reads . . . . .	\$989			\$989
Close Up . . . . .	72	\$47,361	\$43,545	3,888
Close Up Chaperones . . . . .	4,396	2,337	1,191	5,542
Missoula Electric Cooperative	11,378	2,206		13,584
Student Council . . . . .	124			124
Tee Shirts / Field Trip . . . . .	1,788	416	516	1,688
Uniforms . . . . .	7			7
Amanda Kekitch Memorial . . .	1,626	1		1,627
Greg Knudson Memorial . . . . .	16			16
Playground . . . . .	4,778	2	1,109	3,671
Music Program . . . . .	20	13		33
Scholarship . . . . .	5,758	692		6,450
Science Program . . . . .	30		30	
Walmart . . . . .	704	1		705
8 <sup>th</sup> Grade . . . . .	3,888	4,204	3,975	4,117
<b>Total . . . . .</b>	<b>\$35,574</b>	<b>\$57,233</b>	<b>\$50,366</b>	<b>\$42,441</b>

**CLINTON ELEMENTARY SCHOOL  
DISTRICT NO. 32, MISSOULA COUNTY  
CLINTON, MONTANA**

SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2014

**SCHOOL DISTRICT ENROLLMENT**

School District Number 32 is an elementary school for grades kindergarten through 8th grade. The School District is located just east of the City of Missoula.

The average fall enrollment of students attending the District's schools is as follows:

	Year Ended June 30,				
	2010	2011	2012	2013	2014
Kindergarten - 6th Grade .....	192	170	177	168	149
Grades 7 - 8 .....	48	51	42	39	49
School District Total .....	<u>240</u>	<u>221</u>	<u>219</u>	<u>207</u>	<u>198</u>
Increase (decrease) .....	21	(19)	(2)	(12)	(9)
Percentage Change from Prior Year .....	9%	(9)%	(1)%	(6)%	(5)%

**SCHOOL DISTRICT PROPERTY TAX VALUATIONS**

As of January 1,	Assessed (Market) Valuation	Taxable Valuation	Taxable Value as a % of Assessed Value
2011 .....	\$139,388,693	\$4,240,016	3.042%
2012 .....	\$148,265,897	\$4,431,818	2.989%
2011 .....	\$155,748,260	\$4,500,865	2.890%
2012 .....	\$150,308,643	\$4,888,108	3.252%
2013 .....	\$155,269,954	\$4,723,702	3.042%
2014 .....	\$158,350,792	\$4,646,993	2.935%

**SCHOOL DISTRICT TAX LEVIES (in mills)**

	Year Ended June 30,				
	2011	2012	2013	2014	2015
General .....	104.21	98.73	93.52	95.41	102.32
Transportation .....	26.48	25.38	30.93	24.77	32.57
Technology .....	9.03	8.89	8.18	8.47	8.61
Adult Education .....		1.11	1.02	1.06	
Tuition .....	7.90	1.15			
School District Levies .....	<u>147.62</u>	<u>135.26</u>	<u>133.65</u>	<u>129.71</u>	<u>143.50</u>

**MAXIMUM BONDED INDEBTEDNESS**

State statutes limit the maximum bonded indebtedness to 50% of the School District's taxable valuation or \$2,323,496. However, for school districts that qualify for guaranteed tax base aid, the law permits maximum bonded indebtedness equal to 50% of the statewide taxable valuation per student (average number belonging). Maximum bonded indebtedness under this exception is as follows:

	Statewide Taxable Value Per Student	Average Number Belonging June 30, 2014	Percent Allowed	Maximum Bonded Indebtedness
School District .....	\$33,140	215	50%	<u>\$3,562,550</u>
Bonding Capacity .....				<u>\$3,562,550</u>

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CERTIFIED PUBLIC ACCOUNTANT

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

Board of Trustees  
Clinton Elementary School  
District No. 32, Missoula County  
Clinton, 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 Clinton Elementary School, District No. 32, Missoula County, Clinton, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Clinton Elementary School's basic financial statements, and have issued my report thereon dated February 16, 2015.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the 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, I identified certain deficiencies in internal control that I 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider item **2014-001** described below to be a material weakness.

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 **2014-002** described below to be a significant deficiency.

**COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether Clinton Elementary School's 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 - MATERIAL WEAKNESS:**

**2014-001 Financial Reporting**

Auditing standards require the auditor to determine whether the School's internal control system allows for the reliable reporting of financial data in accordance with generally accepted accounting principles (GAAP). The School does not have the expertise to prepare or to evaluate the auditor prepared financial statements to ensure proper preparation in accordance with GAAP.

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

**FINDING - SIGNIFICANT DEFICIENCY:**

**2014-002 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 Clinton Elementary School.

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

**Prior Year Audit Findings**

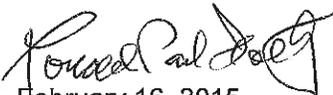
**2013-001** - Financial Reporting - see comment above.

**2013-002** - Segregation of Accounting Duties - Inherent weakness - see comment 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.

State law (MCA 2-7-515) states that the School's Board is required to respond to the Department of Administration concerning audit findings within 30 days after receipt of the final audit report.

  
February 16, 2015