

**DENTON SCHOOL DISTRICT NO. 84**

**FERGUS COUNTY  
DENTON, MONTANA**

**FINANCIAL AND COMPLIANCE REPORT**

**Fiscal year Ended June 30, 2014**

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

**PO BOX 1980  
Billings, Montana 59103**

Denton School District No. 84  
Fergus County  
Denton, Montana 59430

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Denton School District No. 84  
Fergus County  
Denton, Montana 59430

ORGANIZATION

BOARD OF TRUSTEES

Scott Phelps	Chair
Jeff Schafer	Vice Chair
Kathy Whitaker	Trustee
Rocky Stonehocker	Trustee
Steve Tesarek	Trustee

OFFICIALS

Gerald Krenzke	Superintendent
Stacey Vestal	District Clerk
Rhonda Long	County Superintendent
Tom Meissner	County Attorney

**Denton School District #84**  
**Management Discussion and Analysis (MD&A)**  
**For the Year Ended June 30, 2014**

The Superintendent and Business Manager/Clerk of the Denton Public School District #84 have provided this MD&A to give the reader of these statements an overview of the financial position and activities of the school district for the fiscal year ended June 30, 2014

Certain comparative information between the current year and the prior is required to be presented in the MD&A, however, Statement No. 34 permits the omission of this comparative data in the first year of adoption of the new reporting model. Subsequent reports will include the comparative information.

**Using This Financial Report**

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

**Reporting the School District as a Whole**

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

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

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

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

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

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

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

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

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance are shown for governmental funds such as the general funds, special revenue funds for transportation, school food service, debt service and capital outlay funds. These funds use the modified accrual basis of accounting and represent the majority of the district’s activities and programs.

Fund statements include a reconciliation of the governmental fund statements to the district-wide statements. Most significant differences result from the use of different presentation bases. The district-wide statements are presented using the accrual basis of accounting and the fund statements for governmental funds use the modified accrual basis. In addition, general capital assets and general long-term debt are reported in the district-wide statements but not in the fund statements.

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

The district is the trustee of the student extracurricular fund.

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

**Budget –to-Actual Comparisons**

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

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

**DISTRICT AS A WHOLE**

Net position may serve over time as a useful indicator of a government's financial position. In the District, assets exceeded liabilities by \$879,816 as of June 30, 2014

***Denton Public Schools #84***  
***Condensed Statement of Net Position***  
**Government Activities**

	<u>2013</u>	<u>2014</u>	<u>\$ CHANGE</u>	<u>% CHANGE</u>
Current Assets	\$ 640,441	\$ 673,567	\$ 33,126	5.17%
Capital Assets, net	<u>395,770</u>	<u>355,229</u>	<u>(40,541)</u>	<u>-10.24%</u>
Total Assets	1,036,211	1,028,796	(7,415)	-0.72%
Current Liabilities	7,776	14,505	6,729	86.54%
Long Term Liabilities	<u>1,186,258</u>	<u>134,475</u>	<u>(1,051,783)</u>	<u>-88.66%</u>
Total Liabilities	1,194,034	148,980	(1,045,054)	-87.52%
Net Position:				
Net Investment in Capital Assets	395,770	355,229	(40,541)	-10.24%
Restricted	465,024	516,205	51,181	11.01%
Unrestricted	<u>49,013</u>	<u>8,382</u>	<u>(40,631)</u>	<u>-82.90%</u>
Total Net Position	909,807	879,816	(29,991)	-3.30%

***Condensed Statement of Activities***

	<u>2013</u>	<u>2014</u>	<u>CHANGE</u>	<u>% CHANGE</u>
Revenues				
Program Revenues:				
Charges for Services	28,120	25,259	(2,861)	-10.17%
Operating Grants	215,172	115,940	(99,232)	-46.12%
General Revenues:				
District Levies	582,849	583,679	830	0.14%
State Equalization	435,919	445,127	9,208	2.11%
Other State Revenues	109,175	228,542	119,367	109.34%
County	107,486	102,198	(5,288)	-4.92%
Interest	4,060	4,166	106	2.61%
Gain on Sale of Asset	3,215	71,005	67,790	2108.55%
Other	=	<u>1,668</u>	<u>1,668</u>	
Total Revenues	1,485,996	1,577,584	91,588	6.16%
Program Expenses				
Instructional Services	829,090	888,995	59,905	7.23%
Support Services	26,114	10,742	(15,372)	-58.86%
Educational Media Services	5,211	5,963	752	14.43%
General Administrative Services	230,773	206,466	(24,307)	-10.53%
Operation & Maintenance Services	166,546	205,791	39,245	23.56%
Transportation Services	144,341	116,727	(27,614)	-19.13%
Retirement & Insurance Services	72,856	(966)	(73,822)	-101.33%
School Food Services	72,856	79,723	6,867	9.43%
Extracurricular	53,234	68,431	15,197	28.55%
Unallocated Depreciation Expense *	<u>25,703</u>	<u>25,703</u>	=	0.00%
Total Expenses	<u>1,626,724</u>	<u>1,607,575</u>	<u>(19,149)</u>	<u>-1.18%</u>
Change in Net Position	(140,728)	(29,991)	110,737	

The districts total revenues for the fiscal year ended June 30, 2014 were \$1.577 million. The total cost of all programs and services was \$1.607 million which generated a decrease in net position of approximately \$29,991. District taxpayers paid approximately \$583,679 of the revenue. This was an increase of \$830, which is insignificant and should be expected because the District chose to use existing mills to fund the additional needed in the Elementary General Fund. The remainder was financed through state revenues, program revenues and other revenues and investments. The revenues of governmental funds were less than expenditures by \$31.558. Use of some reserves and more of the federal REAP monies made up the shortfall. Unrestricted assets show a decrease of over \$40,000 which is the result of the 2013 legislature reducing cash reserves in the retirement funds from 35% to 20% and requiring districts to send that money to Teachers' Retirement which was in excess of \$40,000 for Denton in lost capital.

**Capital Assets**

As of June 30, 2014, the District had invested 355,229 in capital assets including land and improvements, buildings and improvements, and machinery and equipment. This represents a net decrease of \$40,541 primarily due to depreciation. The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2014

Land s	\$	588
Buildings and Improvements (Net)	\$	<u>354,641</u>
<b>Total</b>	<b>\$</b>	<b><u>355,229</u></b>

**The District's Future**

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

- The change in the funding formula in the 2014 Legislature had positive effect on the District. However increasing costs and declining enrollment will continue to plague the District and some difficult decisions loom on the horizon.
- The District will be negotiating a Collective Bargaining Agreement with the Denton Education Association including additional costs for salaries and benefits. The will also be increases employer costs for retirement. More than 85% of the current budget goes for salaries and benefits and the percentage will continue to increase.
- Declining enrollment in Denton Public Schools will have the biggest effect on the district's future. Funding based on a per student basis will lead to smaller and smaller budgets which will force the district to cut programs and staff.
- The School Board has been in discussion with the Stanford Board to brain storm so ways to keep both school operating. Currently the two school along with an additional C school are co-oping sports activities and speech and drama.

**Contact for Additional Information**

If you have questions about this report or need additional information, contact the Superintendent of Schools, Gerald Krenzke or District Clerk, Stacey Vestal at 406-567-2270.

INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Denton School District No. 84  
Fergus County  
Denton, Montana 59430

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities each major fund, and the aggregate remaining fund information of Denton School District No. 84 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Denton School District No. 84 as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 - 5) and the schedule of funding for other post-employment benefits other than pensions (page 27) and budgetary comparison information (pages 28 - 33) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Denton School District No. 84's basic financial statements. The accompanying schedule of revenues, expenses and balances student activity funds (page 34) and schedule of reported enrollment (page 35) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2014 on our consideration of Denton School District No. 84 internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Denton School District No. 84 internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC  
Billings, Montana  
June 8, 2014

Denton School District Number 84  
 Fergus County  
 Denton, Montana

STATEMENT OF NET POSITION  
 June 30, 2014

	<u>Governmental Activities</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 665,765
Taxes Receivable	<u>7,802</u>
Total Current Assets	<u>673,567</u>
Noncurrent Assets:	
Capital Assets:	
Land	588
Net Depreciable Assets	<u>354,641</u>
Total Noncurrent Assets	<u>355,229</u>
Total Assets	<u>\$ 1,028,796</u>
LIABILITIES:	
Current Liabilities	
Due to Other Governments	617
Current Portions Compensated Absences	<u>13,888</u>
Total Current Liabilities	<u>14,505</u>
Noncurrent Liabilities:	
Long-Term Obligations	120,230
Compensated Absences	<u>14,245</u>
Total Noncurrent Liabilities	<u>134,475</u>
Total Liabilities	<u>148,980</u>
NET POSITION:	
Net investment in capital assets	355,229
Restricted	516,205
Unrestricted (Deficit)	<u>8,382</u>
Total Net Position	<u>879,816</u>
Total Liabilities and Net Position	<u>\$ 1,028,796</u>

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

STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2014

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charge for Services	Operating Grants and Contributions	Primary Governmental Activities
<b>GOVERNMENT OPERATIONS</b>				
Instructional Services	\$ 888,995	\$ 1,750	\$ 98,489	\$ (788,756)
Support Services	10,742	-	-	(10,742)
Educational Media Services	5,963	-	-	(5,963)
General Administrative Services	206,466	-	-	(206,466)
Operation & Maintenance Services	205,791	247	-	(205,544)
Transportation Services	116,727	-	-	(116,727)
Retirement & Insurance Services	(966)	-	-	966
School Food Services	79,723	23,262	17,451	(39,010)
Extracurricular	68,431	-	-	(68,431)
Unallocated Depreciation Expense *	25,703	-	-	(25,703)
Total Governmental Activities	<u>1,607,575</u>	<u>25,259</u>	<u>115,940</u>	<u>(1,466,376)</u>
<b>GENERAL REVENUES</b>				
District Levies				583,679
State Equalization				445,127
Other State Revenues				228,542
County				102,198
Interest				4,166
Other				1,668
Gain loss on Sale of Assets				71,005
Total General Revenues				<u>1,436,385</u>
Change in Net Position				(29,991)
Net Position				
Beginning of the Year				<u>909,807</u>
End of the Year				<u>\$ 879,816</u>

\* Excludes depreciation included in direct expenses of the various functions

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

BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 June 30, 2014

	MAJOR			
	General	Bus Depreciation (Elem.)	Retirement (Elem.)	Bus Depreciation (HS)
<b>ASSETS:</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 161,373	\$ 86,342	\$ -	\$ 92,427
Taxes Receivable	5,635	139	-	188
<b>Total Assets</b>	<b>\$ 167,008</b>	<b>\$ 86,481</b>	<b>\$ -</b>	<b>\$ 92,615</b>
<b>LIABILITIES:</b>				
Current Liabilities				
Due to Other Governments	-	-	-	-
Cash Overdraft	-	-	2,327	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>2,327</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Property Taxes Receivable	5,635	139	-	188
<b>Total Deferred Inflows of resources</b>	<b>5,635</b>	<b>139</b>	<b>-</b>	<b>188</b>
<b>FUND BALANCE:</b>				
Fund Balances:				
Restricted	-	86,342	-	92,427
Unassigned:	161,373	-	(2,327)	-
<b>Total Fund Balance</b>	<b>161,373</b>	<b>86,342</b>	<b>(2,327)</b>	<b>92,427</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 167,008</b>	<b>\$ 86,481</b>	<b>\$ -</b>	<b>\$ 92,615</b>

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

BALANCE SHEET  
 GOVERNMENTAL FUNDS (continued)  
 June 30, 2014

	MAJOR		Total
	Retirement (HS)	Other Governmental Funds	Governmental Funds
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	\$ -	\$ 333,312	\$ 673,454
Taxes Receivable	-	1,840	7,802
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 335,152</b>	<b>\$ 681,256</b>
<b>LIABILITIES:</b>			
Current Liabilities			
Due to Other Governments	-	617	617
Cash Overdraft	5,362	-	7,689
<b>Total Liabilities</b>	<b>5,362</b>	<b>617</b>	<b>8,306</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Property Taxes Receivable	-	1,840	7,802
<b>Total Deferred Inflows of resources</b>	<b>-</b>	<b>1,840</b>	<b>7,802</b>
<b>FUND BALANCE:</b>			
Fund Balances:			
Restricted	-	332,695	511,464
Unassigned:	(5,362)	-	153,684
<b>Total Fund Balance</b>	<b>(5,362)</b>	<b>332,695</b>	<b>665,148</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ -</b>	<b>\$ 335,152</b>	<b>\$ 681,256</b>

RECONCILIATION TO THE STATEMENT OF NET POSITI

Total fund balance reported above	\$ 665,148
Governmental Capital Assets	355,229
Long-term Liabilities	
Long-Term Obligations	(120,230)
Compensated Absences	(28,133)
Unavailable Property Taxes Receivable	7,802
<b>Net Position of Governmental Activities</b>	<b>\$ 879,816</b>

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

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

	MAJOR			
	General	Bus Depreciation (Elem.)	Retirement (Elem.)	Bus Depreciation (HS)
<b>REVENUES:</b>				
District Levies	\$ 431,182	\$ 10,317	\$ -	\$ 14,105
Interest	1,272	583	139	524
Charges for Services	-	-	-	-
Other	570	-	-	-
County	-	-	46,635	-
State	656,952	3,891	-	4,173
Federal	-	-	-	-
<b>Total Revenues</b>	<b>1,089,976</b>	<b>14,791</b>	<b>46,774</b>	<b>18,802</b>
<b>EXPENDITURES:</b>				
Current				
Instructional Services	662,469	-	63,607	-
Support Services	10,086	-	531	-
Educational Media Services	2,161	-	-	-
General Administrative Services	154,990	-	8,110	-
Operation & Maintenance Services	135,484	-	4,894	-
Transportation Services	22,449	-	1,618	-
School Food Services	37,625	-	4,136	-
Extracurricular	62,618	-	720	-
Capital Outlay	16,946	-	-	-
<b>Total Expenditures</b>	<b>1,104,828</b>	<b>-</b>	<b>83,616</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(14,852)</b>	<b>14,791</b>	<b>(36,842)</b>	<b>18,802</b>
<b>OTHER FINANCING SOURCES/USES</b>				
Sale of Capital Assets	-	-	-	-
Fund Transfers In	31,568	-	-	-
Fund Transfers (Out)	(31,568)	-	-	-
<b>Total Other financial Sources/Uses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(14,852)</b>	<b>14,791</b>	<b>(36,842)</b>	<b>18,802</b>
<b>FUND BALANCE:</b>				
Beginning of the Year	163,512	71,551	34,515	73,625
Prior Period Adjustments	12,713	-	-	-
<b>End of the Year</b>	<b>\$ 161,373</b>	<b>\$ 86,342</b>	<b>\$ (2,327)</b>	<b>\$ 92,427</b>

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

STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS (continued)  
 For the Year Ended June 30, 2014

	<u>MAJOR</u>		
	Retirement (HS)	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
District Levies	\$ -	\$ 133,237	\$ 588,841
Interest	112	1,536	4,166
Charges for Services	-	25,259	25,259
Other	-	1,668	2,238
County	39,933	15,630	102,198
State	-	27,774	692,790
Federal	-	96,249	96,249
<b>Total Revenues</b>	<u>40,045</u>	<u>301,353</u>	<u>1,511,741</u>
<b>EXPENDITURES:</b>			
<b>Current</b>			
Instructional Services	55,541	80,264	861,881
Support Services	125	-	10,742
Educational Media Services	534	3,268	5,963
General Administrative Services	9,504	37,219	209,823
Operation & Maintenance Services	4,002	57,348	201,728
Transportation Services	2,798	61,653	88,518
School Food Services	1,567	35,939	79,267
Extracurricular	5,093	-	68,431
Capital Outlay	-	-	16,946
<b>Total Expenditures</b>	<u>79,164</u>	<u>275,691</u>	<u>1,543,299</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(39,119)</u>	<u>25,662</u>	<u>(31,558)</u>
<b>OTHER FINANCING SOURCES/USES</b>			
Sale of Capital Assets	-	71,005	71,005
Fund Transfers In	-	3,169	34,737
Fund Transfers (Out)	-	(3,169)	(34,737)
<b>Total Other financial Sources/Uses</b>	<u>-</u>	<u>71,005</u>	<u>71,005</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>(39,119)</u>	<u>96,667</u>	<u>39,447</u>
<b>FUND BALANCE:</b>			
Beginning of the Year	33,757	248,741	625,701
Prior Period Adjustments	-	(12,713)	-
<b>End of the Year</b>	<u>\$ (5,362)</u>	<u>\$ 332,695</u>	<u>\$ 665,148</u>

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

Denton School District Number 84  
Fergus County  
Denton, Montana

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2014

Net Changes in Fund Balance		\$	39,447
Revenues on the Statement of Activities not included in governmental funds statement:			
Increase (decrease) in taxes receivable			(5,162)
Expenses on the Statement of Activities not included in the governmental funds statement:			
Depreciation Expense	(57,487)		
(Increase) decrease in Other Post Employment Benefits	(24,046)		
(Increase) decrease in compensated absence liability	<u>311</u>		(81,222)
Expenditures reported in the governmental funds statement not included in the Statement of Activities			
Capital outlays			<u>16,946</u>
Change in net position reported on the Statement of Activities		\$	<u>(29,991)</u>

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

STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 June 30, 2014

	Private Purpose	
	Trust Funds	Agency Funds
<b>ASSETS:</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 75,454	\$ 80,346
Total Assets	<u>75,454</u>	<u>80,346</u>
<b>LIABILITIES:</b>		
Current Liabilities		
Warrants Payable	-	80,346
Total Liabilities	<u>-</u>	<u>80,346</u>
<b>NET POSITION:</b>		
Restricted for Student Activities	75,454	
Total Net Position	<u>\$ 75,454</u>	

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

	Private Purpose
	Trust Funds
<b>ADDITIONS:</b>	
Revenues from Student Activities	\$ 115,308
Total Additions	<u>115,308</u>
<b>DEDUCTIONS:</b>	
Expenses of Student Activities	
Student Scholarships	<u>121,182</u>
Total Deductions	<u>121,182</u>
CHANGE IN NET POSITION	(5,874)
<b>NET POSITION:</b>	
Beginning of the Year	<u>81,328</u>
End of the Year	<u>\$ 75,454</u>

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

DENTON SCHOOL DISTRICT NO. 84

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The basic financial statements of Denton School District No. 84 (School District) have been prepared on a prescribed basis of accounting that demonstrates compliance with the accounting and budget laws of the State of Montana, which conforms to generally accepted accounting principles (GAAP). The School District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

During fiscal year 2014 the School District adopted the following:

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

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

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

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

The Denton School District No. 84 was incorporated under the laws of the State of Montana and as required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Denton School District No. 84 (the primary government) and any component units. The criteria for including organizations as component units within the School District's reporting entity is set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) "Codification of Government Accounting and Financial Reporting Standards." The basic criteria include appointing a voting majority of an organization's governing body, as well as the School District's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the School District. Based on those criteria the School District has no component units.

DENTON SCHOOL DISTRICT NO. 84

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

1. b. BASIS OF PRESENTATION AND ACCOUNTING

1. b. 1 GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements include the statement of net position and the statement of activities. The governmental activities column incorporates data from governmental funds (primary government). Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

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

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

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

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

1. b. 2 FUND ACCOUNTING

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

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

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

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

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

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

DENTON SCHOOL DISTRICT NO. 84

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

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

The School District reports the following major governmental funds:

- General Fund – The General Fund is the general operating fund of the School District and accounts for all revenues and expenditures of the School District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. In the governmental fund financial statements the general fund also includes the activities of the Interlocal agreement fund and the flexibility funds since the restrictions on those funds are similar to the general fund.
- Elementary and High School Bus Depreciation Fund – These funds are used to account for financing the replacement of yellow school buses and two-way radio equipment owned by a school. Deposits made to the fund are limited by depreciation percentages of current buses and two-way radio equipment owned by the School District.
- Elementary and High School Retirement Fund – These funds are used to account for financing the employer's contribution to the Teachers' Retirement System (TRS), the Public Employees' Retirement System (PERS), Unemployment Compensation, Social Security and Medicare benefits for School District employees. County wide levies to these funds are to be based upon projected salaries for the fiscal year.

1. b. 3 OTHER FUND TYPES

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

Agency Funds – Account for assets that the School District holds on behalf of others as their agent in the payroll and claims clearing funds and employee payroll tax withholdings. Cash is held for warrants which were written but have not been paid by the County Treasurer. A warrant is an order by which the drawer (the person with authority to make the order) commands the School District trustee to pay a particular sum of money to a payee (person or entity) from funds in the School District treasury which are or may become available. This fund primarily consists of revenues collected by the County on behalf of other governments.

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

1. c. 1 CASH AND INVESTMENTS

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

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

Cash overdrafts reported in the fund statements are classified as current liabilities in the governmental fund statements. The cash overdrafts are eliminated in the governmental columns of the statement of net position.

1. c. 2 TAXES

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

DENTON SCHOOL DISTRICT NO. 84

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

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

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% per month plus a penalty of 2%. After a period of three years, the County may begin foreclosure proceedings and sell real property at auction. In the case of personal property, the property may be seized and sold after the taxes become delinquent.

1. c. 3 INVENTORIES

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

1. c. 4 CAPITAL ASSETS

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

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings	20 – 75 years
Machinery and Equipment	5 – 30 years

1.c. 5 DEFERRED INFLOWS OF RESOURCES

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

1.c. 6 VACATION AND SICK LEAVE

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

Certified School District employees shall accrue 10 days of sick leave at the beginning of each year. Unused sick leave will be accruable without limit. Up to three (3) days personal leave with pay shall be granted each year. At the end of the school year up to two (2) days of unused personal leave may be carried over to allow a maximum accumulation of five (5) days. Any excess above the five (5) personal leave days shall revert to sick leave. Upon termination, all payments are made at the employee's current salary and the maximum payout of unused sick leave is twenty (20) days.

Liabilities incurred because of unused vacation and sick leave accumulated by employees are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds and when accrued on the statement of activities. The amount expected to be paid within one year is \$13,888 and it is generally paid out of the general fund.

DENTON SCHOOL DISTRICT NO. 84

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

1.c. 7 NET POSITION AND FUND BALANCE

Statement of Net Position include the following:

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

Governmental fund financial statements include the following fund balances:

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

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

<u>Purpose</u>	<u>Nonspendable</u>
Instructional - Regular	\$ 18,771
Operations and Maintenance	7,204
Student Transportation	167,350
School Food	9,858
Third Party Grantor Restrictions	54,948
Employer Retirement Benefits	6,568
Future Technology	24,747
Future Capital Costs	<u>222,018</u>
Total	<u>\$ 511,464</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District considers restricted funds to have been spent first.

1. d. OTHER

1. d. 1 USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1.d.2 COUNTY PROVIDED SERVICES

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

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

<u>Account Type</u>	<u>Governmental</u> <u>Activities</u>	<u>Fiduciary</u> <u>Funds</u>	<u>Total</u>
Cash and Cash Equivalents	<u>\$ 665,765</u>	<u>\$ 155,800</u>	<u>\$ 821,565</u>

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

DENTON SCHOOL DISTRICT NO. 84

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

	<u>Amount</u>
Cash on Hand	\$ 2,000
Demand Accounts	74,554
County Investment Pool	743,076
Unreconciled	<u>1,935</u>
Total	<u>\$ 821,565</u>

Cash resources of the School District are held and managed by the Fergus County Treasurer pursuant to State Law. They are combined with cash resources of other governmental entities within Fergus County to form a pool of cash and cash equivalents. Investments of pooled cash consist primarily of demand, savings, repurchase agreements, and money market accounts and are carried at fair value. The School District's exposure to credit risk is not available to the School District. Risk in the event of loss is unclear in state law, but appears to be the liability of the Fergus County government. Because of the custodial involvement of the Fergus County government, and the commingling of cash in County deposits in the name of the Fergus County Treasurer, full risk classifications according to GASB 40 are available in the Fergus County's annual report. There is no known maturity and credit rating of the Fergus County Investment Pool.

**Custodial credit risk-deposits:** The cash of the extracurricular funds is held separately by the School District, not at Fergus County and the deposits may be subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2014, the deposits in the extracurricular fund were covered by FDIC insurance.

2. a FUND CASH OVERDRAFT

The following funds report overdrawn cash accounts.

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
Elementary Retirement*	2,327	State law changed
High School Retirement*	<u>5,362</u>	State law changed
Total	<u>\$ 7,689</u>	

\* Denotes Major Funds

NOTE 3. TAXES RECEIVABLE

The School District is permitted by State statutes to levy taxes up to certain fixed limits for various purposes. The assessed value of the roll as of January 1, 2013, upon which the levy for the 2014 fiscal year was based, was \$3,935,430 for the Elementary School District and \$4,095,855 for the High School District. The tax rates assessed for the year ended June 30, 2014 to finance School District operations and applicable taxes receivable for the elementary and high schools follows:

<u>Elementary Fund</u>	<u>Mill Levies</u>	<u>Taxes Receivable</u>
General*	59.75	\$ 3,061
Transportation	16.26	833
Bus Depreciation*	2.71	139
Technology	3.81	195
Building Reserve	0.00	94
<u>High School Fund</u>		
General*	48.65	2,574
Transportation	9.91	524
Bus Depreciation*	3.56	188
Technology	<u>3.66</u>	<u>194</u>
Total	<u>148.31</u>	<u>\$ 7,802</u>

\* Denotes Major Funds

NOTE 4. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

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

<u>Governmental Activities:</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Balance June 30, 2014</u>
<u>Non-depreciable:</u>			
Land	<u>\$ 588</u>	<u>\$ 0</u>	<u>\$ 588</u>

DENTON SCHOOL DISTRICT NO. 84

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

<u>Governmental Activities:</u>	<u>Balance</u>		<u>Balance</u>
	<u>July 1, 2013</u>	<u>Additions</u>	<u>June 30, 2014</u>
<u>Depreciable:</u>			
Buildings	\$ 998,045	\$ 0	\$ 998,045
Improvements other than buildings	<u>547,956</u>	<u>16,946</u>	<u>564,902</u>
Total Depreciable	<u>\$ 1,546,001</u>	<u>\$ 16,946</u>	<u>\$ 1,562,947</u>
<u>Accumulated Depreciation:</u>			
Buildings	\$ (704,018)	\$ (25,704)	\$ (729,722)
Improvements other than buildings	<u>(446,801)</u>	<u>(31,783)</u>	<u>(478,584)</u>
Total Depreciation	<u>\$ (1,150,819)</u>	<u>\$ (57,487)</u>	<u>\$ (1,208,306)</u>
Net Depreciable Assets	<u>395,182</u>	<u>(40,541)</u>	<u>354,641</u>
Net General Capital Assets	<u>\$ 395,770</u>	<u>\$ (40,541)</u>	<u>\$ 355,229</u>

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

<u>Function</u>	<u>Amount</u>
Instructional	\$ 2,361
School Administration	1,624
Operation & Maintenance	4,698
Transportation	22,645
School Food	456
Unallocated	<u>25,703</u>
Total Depreciation Expense	<u>\$ 57,487</u>

NOTE 5. CHANGES IN LONG-TERM DEBT

5. a. At June 30, 2014, the schedule of changes in general long-term debt follows:

<u>Governmental Activities</u>	<u>Balance</u>	<u>New Debt</u>	<u>Principal</u>	<u>Balance</u>	<u>Due within</u>
	<u>July 1, 2013</u>	<u>and Other</u>	<u>Payments</u>	<u>June 30, 2014</u>	<u>One Year</u>
		<u>Additions</u>	<u>and Other</u>		
			<u>Reductions</u>		
Compensated Absences	\$ 28,444	\$ 0	\$ (311)	\$ 28,133	\$ 13,888
Other Post-Employment Benefits (OPEB)	<u>96,184</u>	<u>24,046</u>	<u>0</u>	<u>120,230</u>	<u>0</u>
Total Governmental Activities - Long-Term Debt:	<u>\$ 124,628</u>	<u>\$ 24,046</u>	<u>\$ (311)</u>	<u>\$ 148,363</u>	<u>\$ 13,888</u>

NOTE 6. DEFICIT FUND BALANCES

<u>Fund</u>	<u>Amount</u>	<u>How to Correct</u>
Elementary Retirement*	2,327	Future budget process to increase tax levies
High School Retirement*	<u>5,362</u>	Future budget process to increase tax levies
Total	<u>\$ 7,689</u>	

\* Denotes Major Funds

NOTE 7. PRIOR PERIOD ADJUSTMENTS

<u>Fund</u>	<u>Amount</u>	<u>REASON</u>
General*	\$ 12,713	GASB 54 classification of flex fund
Elementary Flexibility*	(6,682)	GASB 54 classification of flex fund
Elementary Flexibility*	(6,031)	GASB 54 classification of flex fund
Total	<u>\$ 0</u>	

\* Denotes Major Funds

DENTON SCHOOL DISTRICT NO. 84

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

NOTE 8. DEFERRED INFLOWS OF RESOURCES

7. a. PROPERTY TAXES

<u>Elementary Fund</u>	<u>Amount</u>	<u>Reason</u>
General*	\$ 3,061	Taxes Receivable
Transportation	833	Taxes Receivable
Bus Depreciation*	139	Taxes Receivable
Technology	195	Taxes Receivable
Building Reserve	94	Taxes Receivable
<u>High School Fund</u>		Taxes Receivable
General*	2,574	Taxes Receivable
Transportation	524	Taxes Receivable
Bus Depreciation*	188	Taxes Receivable
Technology	194	
Total	<u>\$ 7,802</u>	Taxes Receivable
* Denotes Major Funds		Taxes Receivable

NOTE 9. OPERATING TRANSFERS

<u>Elementary Fund - In</u>	<u>Amount</u>	<u>Elementary Fund - Out</u>
Building Reserve	\$ 168	Debt Service
Building Reserve	1,539	Building
Interlocal Agreement	1,284	General
<u>High School Fund - In</u>		<u>High School Fund - Out</u>
Elementary Interlocal Agreement	30,284	General
Building Reserve	163	Debt Service
Building Reserve	1,299	Building
Total	<u>\$ 34,737</u>	
* Denotes Major Funds		

NOTE 10. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The School District provides the same health care plan to all of its members. The implicit subsidy is \$7,500. The School District had fewer than 100 plan participants and thus qualified to use an Alternative Measurement Method instead of an actuarial valuation to determine the OPEB liability. Valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and estimated amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the current plan. The valuation assumed that 12% of plan participants would elect to continue coverage after retirement.

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

Funding status and progress as of July 1, 2012 was as follows:

Actuarial Accrued Liability (AAL)	\$ 147,231
Actuarial value of plan assets	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>0</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 695,010
UAAL as a percentage of covered payroll	21%

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

DENTON SCHOOL DISTRICT NO. 84

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

Annual Required Contribution (ARC)	\$ 24,046
Interest on net OPEB obligation	0
Adjustment to ARC	0
Annual OPEB cost (expense)	24,046
Contribution made	0
Increase in net OPEB obligation	24,046
Net OPEB obligation - beginning of year	96,184
Net OPEB obligation - end of year	<u>\$ 120,230</u>

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

Actuarial Cost Method		Unit Credit Cost Method
Average age of retirement (based on historical data)		67
Discount rate (average anticipated rate)		5.00%
Average Salary Increase		2.00%
Health care cost rate trend		
Year	% Increase	
2014	6.00%	

NOTE 11. RISK MANAGEMENT

The School District is exposed to various types of risk of loss, including: a) damage to and loss of property and contents; b) employee torts; c) professional liability, i.e. errors and omissions; d) environmental damage; e) workers' compensation, i.e. employee injuries and f) medical insurance costs of employees. Several methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and contents damage, employee torts, professional liabilities, and employee medical insurance. The School District has joined with other School Districts throughout the state into an interlocal common risk pool to insure workers compensation for all participating School Districts in a self-insurance pool. The Workers Compensation Risk Retention Program is managed by a board of directors elected annually. Members are responsible for fully funding the Workers Compensation Risk Retention Program through the payment of annual premiums accessed. There is no other liability to the School District other than timely payments of premiums. The School District can withdraw from the Workers Compensation Risk Retention Program with 60 days' notice at any time. The School District has no coverage for potential losses from environmental damages.

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

NOTE 12. EMPLOYEE RETIREMENT SYSTEM

The School District participates in two state-wide, cost-sharing multiple employer defined benefit retirement plans which cover all School District employees, except certain substitute teachers and part-time, non-teaching employees. The Teachers' Retirement System (TRS) covers teaching employees, including administrators and aides. The Public Employee Retirement System (PERS) covers nonteaching employees. The plans are established under State law and are administered by the State of Montana. Both plans issue publicly available annual reports that include financial statements and required supplemental information for the plans. Those reports may be obtained from the following:

Teachers Retirement System	Public Employees Retirement System
P.O. Box 200139	P.O. Box 200131
1500 Sixth Avenue	1712 Ninth Avenue
Helena, MT 59620-0139	Helena, MT 59620-0131
Phone: 406-444-3134	Phone: 406-444-3154
www.trs.doa.state.mt.us	www.state.mt.us/doa/perb/prb.htm

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

DENTON SCHOOL DISTRICT NO. 84

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

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>
TRS	\$ 94,707	\$ 96,138	\$ 115,505
PERS	<u>23,610</u>	<u>18,886</u>	<u>18,873</u>
Total	<u>\$ 118,317</u>	<u>\$ 115,024</u>	<u>\$ 134,378</u>

NOTE 13. COOPERATIVE

13. a. SPECIAL EDUCATION

The Denton School District No. 84 is a member of the Central Montana Learning Resource Center, a Special Education Cooperative. The financial records of the Cooperative are prepared and maintained by the Cooperative Clerk. The financial records of the Cooperative are separate from those of Denton School District No. 84, and the financial statements of the Cooperative are not included in the School Districts' financial statements. The Cooperative's financial statements are audited separately from those of the School District. All revenue received, including Federal, State, or other types of grant payments, and the financial support provided by each of the Cooperative's members are deposited into the Cooperative's funds, which are maintained in the custody of the Fergus County Treasurer. The Superintendent of Public Instruction may directly deposit to the Cooperative the State and Federal portion of any participating member School District's budgeted costs for contracted special education services. All capital assets of the Cooperative are included in the Cooperative's financial statements.

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

NOTE 14. CONTINGENCIES

The government participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

NOTE 15. JOINT VENTURE AGREEMENTS

Joint ventures are legal entities or other organizations that result in a contractual arrangement and that are owned, operated, or governed by two or more participants. Each participant retains both an ongoing financial interest and an ongoing financial responsibility.

Joint ventures are legal entities or other organizations that result in a contractual arrangement and that are owned, operated, or governed by two or more participants. Each participant retains both an ongoing financial interest and an ongoing financial responsibility.

15 a. MULTIDISTRICT COOPERATIVE

Section 20-3-363, MCA allows for the creation of a multidistrict cooperative between any School District and other public entity under Title 20, Chapter 9 Part 7, MCA. The parties in a multidistrict cooperative may mutually agree to perform any services, activities, and undertakings of the participants and provide for the joint funding and operation and maintenance of all participants in the agreement.

DENTON SCHOOL DISTRICT NO. 84

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

15.a.1. TECHNICAL SUPPORT

The School District has entered into an agreement with Lewistown Elementary, Fergus High School, Grass Range Elementary, Grass Range High School, Harlowton Elementary School, Harlowton High School, Ayers Elementary, Roy K-12 Schools, Winifred K-12 Schools, Moore Elementary, Moore High School, Deerfield Elementary, Spring Creek Colony Elementary, King Colony Elementary, Hobson k-12 Schools, Judith Gap Elementary, Judith Gap High School, Stanford K-12 Schools and the Central Montana Learning Resource Center Cooperative to provide technology services to each participating School District.

Fergus High School is the designated prime agency and is responsible for the financial administration of the multidistrict cooperative. The activity of the multidistrict cooperative is accounted for in fund 82 of the Fergus High School. During fiscal year ended June 30, 2014 Denton School District paid Fergus High School \$8,262 for its share of the annual technical support fee.

15.a.2 INTERLOCAL AGREEMENT FUND

The School District has entered into an agreement with Denton Elementary and Denton High School, for the purpose of jointly purchasing/paying for salaries, technology, curriculum, utilities and supplies for the participating districts. Denton High School is the designated prime agency and is responsible for the financial administration of the multidistrict cooperative. The activity of the multidistrict cooperative is accounted for in fund 82 of the Denton High School. During fiscal year ended June 30, 2014 Denton Elementary general fund and Denton High School general fund transferred \$1,284 and \$30,284, respectively into the high school's Interlocal agreement fund.

15.b SPORTS COOPERATIVE

The School District has entered into an Interlocal agreement with Stanford Schools and Geyser Schools for an activities cooperative. The cooperative is to provide a comprehensive and balanced activities program that should provide more comprehensive opportunities and experiences for youth the schools could not provide individually. Each school will be in charge of handling finances for the cooperative for one specific season. Each school will still be in charge of handling their own specific expenses.

DENTON SCHOOL DISTRICT NO. 84

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a) / c]</u>
7/1/2012	\$ -	\$ 147,231	\$ 147,231	0%	\$ 695,010	21%

This schedule is based on the actuarial values as of July 1, 2012. Information for prior years is not available.

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

	General (Elem)			Bus Depreciation (Elem.)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>REVENUES:</b>						
District Levies	\$ 235,169	\$ 235,169	\$ 233,282	\$ 10,671	\$ 10,671	\$ 10,317
Interest	673	673	530	-	-	583
Other	191	191	145	-	-	-
County	-	-	-	-	-	-
State	279,765	279,765	279,765	3,891	3,891	3,891
Total Revenues	<u>515,798</u>	<u>515,798</u>	<u>513,722</u>	<u>14,562</u>	<u>14,562</u>	<u>14,791</u>
<b>EXPENDITURES:</b>						
Current						
Instructional Services			359,674			-
Support Services			4,782			-
Educational Media Services			1,073			-
General Administrative Services			68,029			-
Operation & Maintenance Services			54,071			-
Transportation Services			10,383			-
School Food Services			18,333			-
Extracurricular			8,241			-
Total Expenditures	<u>527,548</u>	<u>527,548</u>	<u>524,586</u>	<u>86,113</u>	<u>86,113</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(11,750)</u>	<u>(11,750)</u>	<u>(10,864)</u>	<u>(71,551)</u>	<u>(71,551)</u>	<u>14,791</u>
<b>OTHER FINANCING SOURCES/USES</b>						
Fund Transfers (Out)			(1,284)			-
Total Other financial Sources/Uses	<u>-</u>	<u>-</u>	<u>(1,284)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(11,750)	(11,750)	(12,148)	(71,551)	(71,551)	14,791
<b>FUND BALANCE:</b>						
Beginning of the Year			64,504			71,551
End of the Year			<u>\$ 52,356</u>			<u>\$ 86,342</u>

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

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

	Retirement (Elem.)			Flexibility Fund (Elem.)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>REVENUES:</b>						
District Levies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	139	-	-	45
Other	-	-	-	-	-	-
County	47,085	47,085	46,635	-	-	-
State	-	-	-	-	-	-
<b>Total Revenues</b>	<u>47,085</u>	<u>47,085</u>	<u>46,774</u>	<u>-</u>	<u>-</u>	<u>45</u>
<b>EXPENDITURES:</b>						
Current						
Instructional Services			63,607			-
Support Services			531			-
Educational Media Services			-			-
General Administrative Services			8,110			-
Operation & Maintenance Services			4,894			-
Transportation Services			1,618			-
School Food Services			4,136			-
Extracurricular			720			-
<b>Total Expenditures</b>	<u>68,000</u>	<u>68,000</u>	<u>83,616</u>	<u>6,682</u>	<u>6,682</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(20,915)</u>	<u>(20,915)</u>	<u>(36,842)</u>	<u>(6,682)</u>	<u>(6,682)</u>	<u>45</u>
<b>OTHER FINANCING SOURCES/USES</b>						
Fund Transfers (Out)			-			-
<b>Total Other financial Sources/Uses</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>(20,915)</u>	<u>(20,915)</u>	<u>(36,842)</u>	<u>(6,682)</u>	<u>(6,682)</u>	<u>45</u>
<b>FUND BALANCE:</b>						
Beginning of the Year			34,515			6,682
End of the Year			<u>\$ (2,327)</u>			<u>\$ 6,727</u>

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

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

	General (HS)			Bus Depreciation (HS)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>REVENUES:</b>						
District Levies	\$ 199,255	\$ 199,255	\$ 197,900	\$ 14,561	\$ 14,561	\$ 14,105
Interest	795	795	658	-	-	524
Other	-	-	425	-	-	-
County	-	-	-	-	-	-
State	377,689	377,689	377,187	4,173	4,173	4,173
Total Revenues	<u>577,739</u>	<u>577,739</u>	<u>576,170</u>	<u>18,734</u>	<u>18,734</u>	<u>18,802</u>
<b>EXPENDITURES:</b>						
Current						
Instructional Services			300,739			-
Support Services			5,304			-
Educational Media Services			1,088			-
General Administrative Services			86,933			-
Operation & Maintenance Services			76,879			-
Transportation Services			12,066			-
School Food Services			19,292			-
Extracurricular			50,174			-
Total Expenditures	<u>585,651</u>	<u>585,651</u>	<u>552,475</u>	<u>92,359</u>	<u>92,359</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>						
	<u>(7,912)</u>	<u>(7,912)</u>	<u>23,695</u>	<u>(73,625)</u>	<u>(73,625)</u>	<u>18,802</u>
<b>OTHER FINANCING SOURCES/USES</b>						
Fund Transfers (Out)			<u>(30,284)</u>			<u>-</u>
Total Other financial Sources/Uses	<u>-</u>	<u>-</u>	<u>(30,284)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>						
	<u>(7,912)</u>	<u>(7,912)</u>	<u>(6,589)</u>	<u>(73,625)</u>	<u>(73,625)</u>	<u>18,802</u>
<b>FUND BALANCE:</b>						
Beginning of the Year			<u>71,241</u>			<u>73,625</u>
End of the Year			<u>\$ 64,652</u>			<u>\$ 92,427</u>

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

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

	Retirement (HS)			Flexibility Fund (HS)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>REVENUES:</b>						
District Levies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	112	-	-	39
Other	-	-	-	-	-	-
County	40,643	40,643	39,933	-	-	-
State	-	-	-	-	-	-
<b>Total Revenues</b>	<b>40,643</b>	<b>40,643</b>	<b>40,045</b>	<b>-</b>	<b>-</b>	<b>39</b>
<b>EXPENDITURES:</b>						
<b>Current</b>						
Instructional Services			55,541			-
Support Services			125			-
Educational Media Services			534			-
General Administrative Services			9,504			-
Operation & Maintenance Services			4,002			-
Transportation Services			2,798			-
School Food Services			1,567			-
Extracurricular			5,093			-
<b>Total Expenditures</b>	<b>62,000</b>	<b>62,000</b>	<b>79,164</b>	<b>6,031</b>	<b>6,031</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(21,357)</b>	<b>(21,357)</b>	<b>(39,119)</b>	<b>(6,031)</b>	<b>(6,031)</b>	<b>39</b>
<b>OTHER FINANCING SOURCES/USES</b>						
Fund Transfers (Out)			-			-
<b>Total Other financial Sources/Uses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(21,357)</b>	<b>(21,357)</b>	<b>(39,119)</b>	<b>(6,031)</b>	<b>(6,031)</b>	<b>39</b>
<b>FUND BALANCE:</b>						
Beginning of the Year			33,757			6,031
End of the Year			<u>\$ (5,362)</u>			<u>\$ 6,070</u>

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

DENTON SCHOOL DISTRICT NO. 84

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

NOTE 1. BUDGETS

I. a. BUDGETS

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

1. a. 1 GENERAL BUDGET POLICIES:

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

1. a. 2 BUDGET OPERATION:

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

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

NOTE 2. BUDGET AMENDMENT

The original budget was not amended so the original budget and the final budget are the same.

NOTE 3. EXCESS EXPENDITURES OVER APPROPRIATIONS

<u>Elementary Fund</u>	<u>Amount</u>	<u>REASON</u>
Retirement *	\$ 15,616	Governing body did not plan to remit any excess money to the State
<u>High School Fund</u>		
Retirement *	<u>17,164</u>	Governing body did not plan to remit any excess money to the State
Total	<u>\$ 32,780</u>	

DENTON SCHOOL DISTRICT NO. 84

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

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

	Sub-fund General (Elem)	Sub-fund Flexibility Fund (Elem.)	Sub-fund General (HS)	Sub-fund Flexibility Fund (HS)	Sub-fund Interlocal Agreement Fund (HS)	Total General Fund
<b>REVENUES:</b>						
District Levies	\$ 233,282	\$ -	\$ 197,900	\$ -	\$ -	\$ 431,182
Interest	530	45	658	39	-	1,272
Other	145	-	425	-	-	570
State	<u>279,765</u>	<u>-</u>	<u>377,187</u>	<u>-</u>	<u>-</u>	<u>656,952</u>
Total Revenues	<u>513,722</u>	<u>45</u>	<u>576,170</u>	<u>39</u>	<u>-</u>	<u>1,089,976</u>
<b>EXPENDITURES:</b>						
Instructional Services	359,674	-	302,795	-	-	662,469
Support Services	4,782	-	5,304	-	-	10,086
Educational Media Services	1,073	-	1,088	-	-	2,161
General Administrative	68,057	-	86,933	-	-	154,990
Operation & Maintenance	54,071	-	81,413	-	-	135,484
Transportation Services	10,383	-	12,066	-	-	22,449
School Food Services	18,333	-	19,292	-	-	37,625
Extracurricular	8,241	-	54,377	-	-	62,618
Capital Outlay	-	-	16,946	-	-	16,946
Total Expenditures	<u>524,614</u>	<u>-</u>	<u>580,214</u>	<u>-</u>	<u>-</u>	<u>1,104,828</u>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>						
OVER EXPENDITURES	<u>(10,892)</u>	<u>45</u>	<u>(4,044)</u>	<u>39</u>	<u>-</u>	<u>(14,852)</u>
<b>OTHER FINANCING SOURCES/USES</b>						
Fund Transfers In	-	-	-	-	31,568	31,568
Fund Transfers (Out)	<u>(1,284)</u>	<u>-</u>	<u>(30,284)</u>	<u>-</u>	<u>-</u>	<u>(31,568)</u>
Total Other financial Sources/Uses	<u>(1,284)</u>	<u>-</u>	<u>(30,284)</u>	<u>-</u>	<u>31,568</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>						
	<u>(12,176)</u>	<u>45</u>	<u>(34,328)</u>	<u>39</u>	<u>31,568</u>	<u>(14,852)</u>
<b>FUND BALANCE:</b>						
Beginning of the Year	64,532	-	98,980	-	-	163,512
Prior Period Adjustments	-	6,682	-	6,031	-	12,713
End of the Year	<u>\$ 52,356</u>	<u>\$ 6,727</u>	<u>\$ 64,652</u>	<u>\$ 6,070</u>	<u>\$ 31,568</u>	<u>\$ 161,373</u>

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

On the Statement of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) All Budgeted Major Governmental Funds display budgeted information for the general and major special revenue funds. The Statement presents budgetary information for the general fund and flexibility fund because they are reported as major funds and have legally adopted budgets. The following major funds are not reported because the Interlocal agreement fund is non-budgeted fund special revenue funds.

DENTON SCHOOL DISTRICT NO. 84

SCHEDULE OF REVENUES, EXPENSES AND BALANCES EXPENDABLE TRUST – STUDENT ACTIVITY FUNDS  
Fiscal Year-Ended June 30, 2014

Activity Account Name	Beginning Balance 7/1/2013	Revenues	Expenses	Transfers	Ending Balance 6/30/2014
KINDERGARTEN - CASH	\$ 4	\$ -	\$ -	\$ -	\$ 4
GRADE 1 - CASH	65	18	96	-	(13)
GRADE 3 - CASH	157	-	147	594	604
GRADE 4 - CASH	167	480	574	-	73
GRADE 5 - CASH	-	-	-	-	-
GRADE 6 - CASH	282	118	206	-	194
CLASS OF 09 - CASH	-	-	-	-	-
CLASS OF 10 - CASH	-	-	-	-	-
CLASS OF 11 - CASH	-	-	-	-	-
CLASS OF 12 - CASH	-	-	-	-	-
CLASS OF 13 - CASH	557	366	823	(100)	-
CLASS OF 14 - CASH	4,560	3,226	5,677	594	2,703
CLASS OF 15 - CASH	8,938	5,532	5,573	900	9,797
CLASS OF 16 - CASH	4,134	206	242	3,015	7,113
CLASS OF 17 - CASH	1,717	2,972	1,676	2,375	5,388
CLASS OF 18 CASH	813	2,593	947	594	3,053
CLASS OF 19 CASH	-	567	315	694	946
ATHLETICS - CASH	7,528	30,431	30,086	-	7,873
GENERAL - CASH	1,469	8,713	3,819	(500)	5,863
HONOR SOCIETY - CASH	37	-	-	-	37
JOURNALISM - CASH	657	-	-	-	657
BPA - CASH	2,454	2,359	2,288	-	2,525
MUSIC - CASH	509	1	-	-	510
STUDENT COUNCIL - CASH	3,247	1,146	1,026	-	3,367
YELLOWSTONE - CASH	897	1	-	-	898
SAF - CASH	1,087	514	510	-	1,091
CHEERLEADERS - CASH	240	-	-	-	240
PEP CLUB - CASH	890	328	131	-	1,087
TROPHY CASE FUND - CASH	-	-	-	-	-
DRILL TEAM - CASH	235	-	-	-	235
CLOSE-UP - CASH	19,328	17,795	36,412	(306)	405
BOOK FAIR - CASH	33	418	446	-	5
CONCESSIONS - CASH	529	20,060	12,508	(7,720)	361
DENTONIAN - CASH	13,686	3,820	3,376	-	14,130
DRAMA - CASH	1,000	1	413	-	588
ELEMENTARY - CASH	2,224	2	-	-	2,226
FFA - CASH	3,884	14,226	13,977	(140)	3,993
Total	<u>\$ 81,328</u>	<u>\$ 115,893</u>	<u>\$ 121,268</u>	<u>\$ -</u>	<u>\$ 75,953</u>

DENTON SCHOOL DISTRICT NO. 84

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

FALL ENROLLMENT - OCTOBER, 2013

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	4	4	0
Grade 1 - 6	22	22	0
Grade 7 - 8	14	14	0
Total	<u>40</u>	<u>40</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>33</u>	<u>33</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	0	0	0
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

WINTER ENROLLMENT - DECEMBER, 2013

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	5	5	0
Grade 1 - 6	22	22	0
Grade 7 - 8	14	14	0
Total	<u>41</u>	<u>41</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>35</u>	<u>35</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	0	0	0
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

SPRING ENROLLMENT - FEBRUARY, 2014

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	5	5	0
Grade 1 - 6	22	22	0
Grade 7 - 8	14	14	0
Total	<u>41</u>	<u>41</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>35</u>	<u>35</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	0	0	0
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Denton School District No. 84  
Fergus County  
Denton, Montana 59430

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Denton School District No. 84 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Denton School District No. 84's basic financial statements and have issued our report thereon dated June 8, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Denton School District No. 84's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses as items 2014-001 and 2014-004.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies as item 2014-003.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Denton School District No. 84's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying as item 2014-002.

### **Denton School District No. 84's Response to Findings**

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

### **Purpose of this Report**

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

*Strom & Associates, P.C.*

STROM & ASSOCIATES, PC  
Billings, Montana  
June 8, 2014

DENTON SCHOOL DISTRICT NO. 84

SCHEDULE OF FINDINGS AND RESPONSES

Fiscal Year-Ended June 30, 2014

FINDING NUMBER 1 - PREPARATION OF THE TRUSTEE'S FINANCIAL SUMMARY (FY 2013):

See below – partially repeated

FINDING NUMBER 2 - DUE FROM OTHER GOVERNMENTS (FY 2013):

Not repeated

FINDING NUMBER 3 - MISCELLANEOUS FUND (FY 2013):

Not repeated

FINDING NUMBER 4 - TRANSPORTATION FUND REIMBURSEMENTS (FY 2013):

Not repeated

FINDING NUMBER 5 - CAPITAL ASSETS ACCUMULATED DEPRECIATION (FY 2013):

Not repeated

FINDING NUMBER 6 - CLEARING FUNDS (FY 2013):

See below

FINDING NUMBER 7 - EXPENDITURE INTERNAL CONTROLS (FY 2013):

Not repeated

FINDING NUMBER 8 - ENROLLMENT COUNT (FY 2013):

Not repeated

2014-001 Preparation of Trustee's Financial Summary (TFS) (repeat and updated - 001-2013)

Criteria: Generally Accepted Accounting Principles requires an Annual Financial Report be derived from the accounting records. Condition: Financial information as reported in the accounting records did not in some cases agree to amounts reported on the TFS. Effect: The Trustee's Financial Summary has not been derived from the school district accounting records. Context: During our review of the Trustee's Financial Summary (TFS) we noted the following elements were not reported or reported in different amounts than the accounting system.

1. The elementary retirement fund budgets indicates the District will remit \$20,915 to the State for maintaining excess retirement fund operating reserves. The excess was coded to expenditure object 2xx on the TFS rather than the 810 as reported in the accounting records.
2. As noted in the prior year, in the elementary miscellaneous fund \$5,059 is shown as due from other governments, however, no amounts are shown in the TFS.
3. In the elementary miscellaneous fund Title I revenues per the accounting system are \$40,601 and the TFS is reporting \$19,531.
4. As noted in the prior year, in the HS miscellaneous \$5,078 is shown as due from other governments and no amounts are reported in the TFS.
5. As noted in the prior year, petty cash accounts are not reported on the TFS.

Cause: Not updating the accounting records for applicable accrual entries. Recommendation: We recommend all transactions be posted in the accounting system and the TFS be derived from those accounting records. Auditee Response: 1. We complied with the state and gave them the money they wanted for retirement. 2. Was quoted as a receipt instead of a receivable. This has been fixed. 3. We combined Title I and Title II monies together last year. 4. Was quoted as a receipt instead of a receivable. This has been fixed. 5. The one petty cash will appear separately on the TFS. The extra-curricular will appear on the Farmers State Bank account.

DENTON SCHOOL DISTRICT NO. 84

SCHEDULE OF FINDINGS AND RESPONSES (continued)

Fiscal Year-Ended June 30, 2014

2014-002 Expenditures exceeding Budget Appropriation

Criteria: Expenditures must be limited to the total amount that is appropriated in each fund's final budget. (MCA 20-9-133(2))  
Condition: The School District did not budget for the expenditures in the retirement funds for excess cash balances being remitted to the State. Effect: Noncompliance with State Law. Context: In the elementary retirement fund expenditures exceed appropriations by \$15,616 and in the high school retirement fund by \$17,164. Cause: Governing body did not plan to remit any excess money to the State. Recommendation: We recommend that for budgeted funds no expenditure be incurred without appropriation authority. Auditee Response: We complied with the state and gave them the money they wanted for retirement.

2014-003 Cash Reconciliation

Criteria: Every month, each school district shall reconcile ending cash, investments (including investment accounts), cash receipts and cash disbursements reported by the county treasurer, and by an investment firm if applicable, with the district's records for all funds. Any differences shall be documented and adjustments to the school district's, investment pool's, or county treasurer's records made as necessary. (ARM 10.10.501, 10.10.615, & 10.10.625) Internal controls are designed to help protect, process and report financial information. One element relating to the internal control process is cash reconciling. Cash reconciling activities confirm that you've recorded transactions correctly. Performing monthly reconciliations of cash receipts to depository accounts provide good checks and balances. Condition: Cash balances reported in the accounting records as reconciled to depository accounts are not reconciled to a zero balances. Effect: Internal controls over cash as preformed increase the chance of misappropriation of assets. Context: The following fund cash balances do not net to zero:

- Elementary General fund by \$396
- Elementary Transportation fund by \$(17)
- Elementary School Food Service Fund by \$(9)
- Elementary Retirement fund by \$94
- Elementary Miscellaneous Fund by \$2,551
- High School General Fund by \$(951)
- High School Transportation Fund by \$(13)
- High School Retirement fund by \$81
- Payroll clearing fund by \$114
- Claims clearing fund by \$291

Cause: This was caused by not following up on differences. Recommendation: We recommend cash balances be reconciled monthly to applicable documents and any differences be documents and adjusted as needed. Auditee Response: We are now reconciling with no discrepancies between the county and the school.

2014-004 Clearing Funds (repeat and updated - 006-2013)

Criteria: Internal controls require reconciliations of cash balances and unredeemed warrants. Condition: During our testing of outstanding warrants we noted the amounts reported on the Trustee's Financial Summary (TFS) did not agree to the subsidiary listing. Effect: Cash and outstanding warrants are materially misstated. Context: The claims fund reports there are \$14,506 of outstanding warrants, however, only \$4,146 could be supported from the subsidiary accounting records. Cause: Not reconciling the clearing accounts. Recommendation: We recommend the clearing accounts be reconciled monthly to the county and be supported by the subsidiary ledger. Auditee Response: We identified the discrepancy and have corrected.