

CENTRAL MONTANA LEARNING RESOURCE CENTER COOPERATIVE

**FERGUS COUNTY
LEWISTOWN, MONTANA**

FINANCIAL AND COMPLIANCE REPORT

Fiscal year Ended June 30, 2014

Strom & Associates, P. C.
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Billings, Montana 59103

Central Montana Learning Resource Center Cooperative
Fergus County
Lewistown, Montana 59457

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Central Montana Learning Resource Center Cooperative
Fergus County
Lewistown, Montana 59457

ORGANIZATION

BOARD OF TRUSTEES

Jason Butcher	Chair
Chad Sealey	Vice Chair
Andrew Begger	Trustee
Denise Chrest	Trustee
Nancy Coleman	Trustee
Kelly Haaland	Trustee
Annette Hart	Trustee
Don Johnson	Trustee
Steven Schwartz	Trustee

OFFICIALS

Chris Rice	Director
Joni Kremer	Clerk
Rhonda Long	County Superintendent
Tom Meissner	County Attorney

**Central Montana Learning Resource Center Cooperative
Management Discussion and Analysis (MD&A)
For The Year Ended June 30, 2014**

The Central Montana Learning Resource Center Cooperative has provided this MD&A to give the reader of these statements an overview of the financial position and activities of the cooperative for the fiscal year ended June 30, 2014.

Using This Financial Report

The general format of the report is required by Statement No. 34 of the Governmental Accounting Standards Board (GASB).

Reporting the Cooperative as a Whole

The report includes two cooperative-wide statements that focus on operations of the cooperative as a whole. These statements measure inputs and outflows using an economic resource measurement focus, and use the accrual basis accounting.

- A. The Statement of Net Position (page 9) shows “assets” (what is owned), “liabilities” (what is owed), and the “net position” (the resources that would remain if all obligations were settled) of the cooperative. 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 equipment and other long-lived property; and some assets are available to fund budgets of the following year.
- B. The Statement of Activities, (page 10) shows the amounts of program-specific and general cooperative revenue used to support the various cooperative functions.

The Statement of Net Position and the Statement of Activities include the activities of the cooperative from two categories:

Governmental activities – The cooperative functions, including instruction, student services, administration, etc. Federal, state and local revenues usually support most of these functions of the cooperative.

Interlocal activities – The cooperative operations are supported by fee-based services such as contracted related services and professional development.

Reporting the Cooperative’s Most Significant Funds

The fund statements provide detailed information about the funds used by the cooperative. State law and Generally Accepted Accounting Procedures (GAAP) established the fund structure.

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 cooperatives operations, and the existence of legal budget requirements.

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance are shown for governmental funds such as the Miscellaneous Programs Fund for IDEA Part B and IDEA Preschool, and the Interlocal fund. These funds use the modified accrual basis of accounting and represent the majority of the cooperative’s activities and programs.

Fund statements include a reconciliation of the governmental fund statements to the cooperative-wide statements. Most significant differences result from the use of different presentation basis. 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 additions, general capital assets and general long-term debt are reported in the district-wide statements but not in the fund statements.

Reporting the Cooperative’s Trust and Fiduciary Responsibilities

The cooperative does not act as trust or fiduciary for any extracurricular or other activity funds.

Budget-to-Actual Comparisons

There were no significant variances between the final approved budgets and the actual revenue received and the expenditures made.

The Cooperative as a Whole

Net position serve over time as a useful indicator of a cooperative’s financial position. In the Central Montana Learning Resource Center Cooperative, assets exceeded liabilities by \$458,569 as of June 30, 2014. Approximately 13% of the Cooperative’s net position reflect its investment in capital assets (e.g. machinery and equipment).

**Central Montana Learning Resource Center Cooperative
Statement of Net Position**

Governmental & Interlocal Activities	FY2013	FY2014
Current and other assets	\$ 374,221	\$ 443,664
Capital assets	39,221	65,727
Total Assets	\$ 413,442	\$ 509,390
Current liabilities	\$ 2,691	\$ 694
Non-current liabilities	47,383	50,127
Total Liabilities	\$ 50,075	\$ 50,821
Invested in Capital Assets, Net of Debt	\$ 39,221	\$ 65,727
Unrestricted	82,985	313,745
Restricted	241,161	79,097
Total Net Position	\$ 363,367	\$ 458,569

CENTRAL MONTANA LEARNING RESOURCE CENTER COOPERATIVE

Statement of Changes in Net Position

	FY2013	FY2014
REVENUES:		
Program Revenues:		
Charges for Services	182,642	195,879
Operating Grants	687,460	1,026,226
General Revenues:		
Other State Revenue	468,851	104,928
County	36,485	74,125
Investment Earnings	2,075	2,651
Other Revenue	44,352	2,174
Total Revenues	\$ 1,421,864	\$ 1,405,982
EXPENDITURES:		
Instructional Services	382,072	172,353
Support Services	671,311	818,846
Educational Media Services	106,528	12,868
General Administration Services	146,814	264,060
Operation & Maintenance Services	14,598	33,020
Capital Outlays	14,000	39,378
Total Expenditures	\$ 1,335,323	\$ 1,340,525
Excess Revenue over Expenditures	\$ 86,541	\$ 65,457
OTHER FINANCING SOURCES/USES:		
Excess of revenues over expenditures and other sources over other uses	86,541	65,457
RECONCILIATION ITEMS:		
Gain on Fixed Assets	4,950	2,730
Depreciation Expense	(14,024)	(15,602)
OPEB	(536)	(536)
Increase in compensated absence liability	(3,973)	(211)
Capital outlays	14,000	39,378
Prior Period Adjustment		
Change in Net Position	\$ 86,959	\$ 91,216
NET POSITION		
7/1/2013	\$ 276,408	\$ 363,367
Prior Period Adjustment		(3,985)
6/30/2014	363,367	458,569
Changes in Net Position	\$ 86,959	\$ 91,216

Capital Assets

As of June 30, 2014, the Cooperative has invested \$181,715 in capital assets including machinery and equipment. These assets are reported at actual historical cost. The Cooperative policy is to capitalize assets with a cost of \$5,000 and a useful life in excess of one year. The following schedule presents capital balances with accumulated depreciation as of June 30, 2014.

Machinery and Equipment	\$181,715
Accumulated Depreciation	<u>(115,988)</u>
	\$ 65,727

Contact for Additional Information

If you have questions about this report or need additional information, contact the Central Montana Learning Resource Center Cooperative office. Our address is 215 7th Avenue South, Lewistown, MT 59457, (406)535-9012, ext. 119.

STROM & ASSOCIATES, PC
Certified Public Accountants
P.O. Box 1980
Billings, Montana 59103

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Central Montana Learning Resource Center Cooperative
Fergus County
Lewistown, Montana 59457

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund information of Central Montana Learning Resource Center Cooperative (CMLRCC) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Coop'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 and each major fund of Central Montana Learning Resource Center Cooperative 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 - 6) and the schedule of funding for other post-employment benefits other than pensions (page 22) 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 CMLRCC's basic financial statements. The schedule of expenditures of federal awards (page 23) is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 expenditures of federal awards is 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 January 16, 2015 on our consideration of CMLRCC 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 CMLRCC internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC
Billings, Montana
January 16, 2015

Central MT Learning Resource Center Coop
 Fergus County
 Lewistown, Montana 59457

STATEMENT OF NET POSITION
 as of June 30, 2014

	<u>Governmental Activities</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	439,043
Due From Other Governments	<u>4,621</u>
Total Current Assets	<u>443,664</u>
Noncurrent Assets:	
Capital Assets:	
Net Depreciable Assets	<u>65,727</u>
Total Noncurrent Assets	<u>65,727</u>
Total Assets	<u>509,390</u>
LIABILITIES:	
Current Liabilities	
Current Portions Compensated Absences	<u>694</u>
Total Current Liabilities	<u>694</u>
Noncurrent Liabilities:	
Long-Term Obligations	1,072
Compensated Absences	<u>49,055</u>
Total Noncurrent Liabilities	<u>50,127</u>
Total Liabilities	<u>50,821</u>
NET POSITION:	
Net investment in capital assets	65,727
Restricted	313,745
Unrestricted (Deficit)	<u>79,097</u>
Total Net Position	<u>458,569</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>509,390</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 Government
GOVERNMENT OPERATIONS				
Instructional Services	\$ 172,889	\$ 88,616	\$ 84,273	\$ 0
Support Services	834,659	107,263	727,397	0
Educational Media Services	12,868	-	12,869	0
General Administrative Services	264,060	-	168,667	(95,392)
Operation & Maintenance Services	33,020	-	33,020	-
Total Governmental Activities	<u>1,317,496</u>	<u>195,879</u>	<u>1,026,226</u>	<u>(95,391)</u>
GENERAL REVENUES				
Other State Revenues				104,928
County				74,125
Interest				2,651
Other				2,174
Gain loss on Sale of Assets				2,730
Total General Revenues				<u>186,608</u>
Change in Net Position				91,216
Net Position				
Beginning of the Year				363,367
Prior Period Adjustments				3,985
End of the Year				<u>\$ 458,569</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
 as of June 30, 2014

	MAJOR			Total Governmental Funds
	General	Retirement	Miscellaneous Programs	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 129,918	21,808	287,317	\$ 439,043
Due From Other Governments	-	-	4,621	4,621
Total Assets	<u>\$ 129,918</u>	<u>\$ 21,808</u>	<u>\$ 291,938</u>	<u>\$ 443,664</u>
LIABILITIES:				
Total Liabilities	-	-	-	-
FUND BALANCE:				
Fund Balances:				
Restricted	-	21,808	291,938	313,745
Unassigned:	<u>129,918</u>	-	-	<u>129,918</u>
Total Fund Balance	<u>129,918</u>	<u>21,808</u>	<u>291,938</u>	<u>443,664</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 129,918</u>	<u>\$ 21,808</u>	<u>\$ 291,938</u>	<u>\$ 443,664</u>

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 443,664
Governmental Capital Assets	65,727
Long-term Liabilities	
Long-Term Obligations	(1,072)
Compensated Absences	<u>(49,749)</u>
Net Position of Governmental Activities	<u>\$ 458,569</u>

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			Total Governmental Funds
	General	Retirement	Miscellaneous Programs	
REVENUES:				
Interest	\$ 1,332	142	1,178	\$ 2,651
Charges for Services	195,879	-	-	195,879
Other	-	-	2,174	2,174
County	-	74,125	-	74,125
State	357,653	-	104,928	462,581
Federal	-	-	668,573	668,573
Total Revenues	554,863	74,266	776,853	1,405,982
EXPENDITURES:				
Current				
Instructional Services	88,616	-	83,737	172,353
Support Services	326,569	77,313	414,964	818,846
Educational Media Services	-	-	12,868	12,868
General Administrative Services	138,385	-	125,675	264,060
Operation & Maintenance Services	-	-	33,020	33,020
Total Current Outlays	553,570	77,313	670,265	1,301,147
Capital Outlay	-	-	39,378	39,378
Total Expenditures	553,570	77,313	709,643	1,340,525
NET CHANGES IN FUND BALANCES	1,293	(3,046)	67,210	65,457
FUND BALANCE:				
Beginning of the Year	128,625	20,869	224,727	374,221
Prior Period Adjustments	-	3,985	-	3,985
End of the Year	\$ 129,918	\$ 21,808	\$ 291,938	\$ 443,664

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

Central MT Learning Resource Center Coop
Fergus County
Lewistown, Montana 59457

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		\$	65,457
Expenses on the Statement of Activity not included in the governmental funds statement:			
Depreciation Expense	(15,602)		
(Increase) decrease in Other Post Employment Benefits	(536)		
(Increase) decrease in compensated absence liability	<u>(211)</u>	(16,349)	
Expenditures reported in the governmental funds statement not included in the Statement of Activity			
Capital outlays	\$ 39,378		
Gain loss on sale of assets	<u>2,730</u>	<u>42,108</u>	
Change in net position reported on the Statement of Activity		\$	<u>91,216</u>

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

Central MT Learning Resource Center Coop
Fergus County
Lewistown, Montana 59457

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
as of June 30, 2014

	<u>Agency Funds</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ <u>2,047</u>
Total Assets	<u>2,047</u>
LIABILITIES:	
Current Liabilities	
Warrants Payable	<u>2,047</u>
Total Liabilities	<u>2,047</u>
NET POSITION:	
Total Net Position	<u>\$ -</u>

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

CENTRAL MONTANA LEARNING RESOURCE CENTER COOPERATIVE

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 Central Montana Learning Resource Center Cooperative (CMLRCC) 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 Coop applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

During fiscal year 2014 CMLRCC 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 Coop.
- 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 Coop has not extended 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 Coop 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 Coop to expand its pension foot note disclosures. The Coop 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 2014. The statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Coop is not merging with another Coop 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 Coop plans to implement this in fiscal year 2015 after the State of Montana provides the required information for reporting and disclosure.

The Coop was formed by the school districts of several counties to assist in administering the school district's special education programs. It is separate and apart from these school districts for financial reporting purposes. Some member of the nine member governing board represent all of the school districts of the Coop. The Coop manages its own operations, personnel, and financial activity.

The criteria for including organizations as component units within the Coop'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 Coop'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 Coop. Based on those criteria this Coop has no component units.

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. These statements report financial information for the Coop as a whole except for the fiduciary funds. The fiduciary funds are reported as agency funds in the fund financial statements.

The government-wide financial statements and fiduciary fund 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. Membership fees are recognized in the year for which they are charged while grants are recognized when grantor eligibility requirements are met.

CENTRAL MONTANA LEARNING RESOURCE CENTER COOPERATIVE

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

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 membership fees and
- Operating grants that are restricted to a particular functional program.

State quality education payments, investment earnings, and other revenue sources not properly included with program revenue are reported as general revenues.

1. b. 2 FUND ACCOUNTING

Fund financial statements provide information on the Coops major governmental funds that include all three of the Coop's funds. The agency clearing funds are displayed as fiduciary funds. Since the resources in the fiduciary funds cannot be used for Coop 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. 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 membership fees. Membership fees 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.

GASB Statement No. 34 requires the general fund be reported as a 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)

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 following funds are major funds of CMLRCC:

General Fund – The General Fund is the general operating fund of the Coop and accounts for all revenues and expenditures of the Coop not encompassed within other funds. All 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. This fund includes membership payments from members of the Cooperative.

- Retirement Fund – This fund is 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 Coop employees. County wide levies to this fund are to be based upon projected salaries for the fiscal year.
- Miscellaneous Fund – This fund is used to account for local, state or federal grants and reimbursements. Donations that allow the expenditure of both principal and interest for support of Coop programs are deposited in this fund.

1. b. 3 OTHER FUND TYPES

Agency Funds – The Agency Funds generally are used to account for assets that the Coop holds on behalf of others as their agent in the payroll and claims clearing funds. Cash is held for warrants which were written but have not been paid by the County Treasurer.

CENTRAL MONTANA LEARNING RESOURCE CENTER COOPERATIVE

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

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 Coop. 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).

1. c. 2 INVENTORIES

Materials, supplies and food inventory at year end was not material so all inventory was included as expenditures at the time of purchase.

1. c. 3 CAPITAL ASSETS

The Coop's property, plant, equipment, and infrastructure 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 Coop 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. Depreciation on 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:

Machinery and Equipment	5 years
-------------------------	---------

1. c. 4 VACATION AND SICK LEAVE

CMLRCC employees accumulate vacation and sick leave for later use or for payment upon termination, death, or retirement. Coop 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. Coop 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. Cooperative employees earn discretionary leave at the rate of 15 days per year. After eight years of consecutive employment, employees are eligible for a payout of sick leave at the rate of 25% of accumulated sick leave up to 165 days. Any amount over 165 days accumulation will be paid at the end of each year at the rate of \$50 per day.

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 \$694 and it is generally paid out of the general fund. The accrued liability for sick and vacation leave at June 30, 2014 was \$49,749.

1. c. 5 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.

CENTRAL MONTANA LEARNING RESOURCE CENTER COOPERATIVE

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

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.

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

<u>Purpose</u>	<u>Restricted</u>
Third Party Grantor Restrictions	\$ 291,938
Employer Retirement Benefits	<u>21,808</u>
Total	<u>\$ 313,745</u>

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

1. d. OTHER

1. d. 1 USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

1.e Budget

Budgets are adopted and approved for each federal grant by the cooperative as a management tool only. Budgets are not legally binding and thus a budget and actual financial statement is not shown.

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 Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ <u>439,043</u>	\$ <u>2,047</u>	\$ <u>441,090</u>

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

	<u>Amount</u>
Cash on Hand	\$ 200
County Investment Pool	<u>440,890</u>
Total	<u>\$ 441,090</u>

Cash resources of the Coop are held and managed by the Fergus County treasurer. 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 repurchase agreements, U.S. government securities, certificates of deposit, and STIP and are carried at fair value.

NOTE 3. DUE FROM OTHER GOVERNMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>Due From</u>	<u>Reason</u>
Miscellaneous*	\$ 3,582	State of MT	IDEA Part B
Miscellaneous*	<u>1,039</u>	State of MT	IDEA Preschool
Total	<u>\$ 4,621</u>		

* Denotes Major Funds

CENTRAL MONTANA LEARNING RESOURCE CENTER COOPERATIVE

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

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</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments/</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>Depreciable:</u>					
Major Equipment	\$ 160,242	41,108	20,635	0	181,715
<u>Accumulated Depreciation:</u>					
Major Equipment	(121,021)	(15,602)	(20,635)	0	(115,988)
Net Governmental Capital As- sets	\$ 39,221	\$ 26,506	\$ 0	\$ 0	\$ 65,727

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

<u>Function</u>	<u>Amount</u>
Support	\$ 15,602

NOTE 5. RISK MANAGEMENT

The Coop 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 Coop has joined with other Coops throughout the state into an interlocal common risk pool to insure workers compensation for all participating Coops 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 Coop other than timely payments of premiums. The Coop can withdraw from the Workers Compensation Risk Retention Program with 60 days' notice at any time. The Coop 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 6. EMPLOYEE RETIREMENT SYSTEM

The Coop participates in two state-wide, cost-sharing multiple employer defined benefit retirement plans which cover all Coop 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 non-teaching 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 in-formation for the plans. Those reports may be obtained from the following:

Teachers Retirement System
P.O. Box 200139
1500 Sixth Avenue
Helena, MT 59620-0139
Phone: 406-444-3134
www.trs.doa.state.mt.us

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

For fiscal year ended June 30, 2013 - The PERS rates for employees was 6.9% and for new hires after July 1, 2011, 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 6.8%. The TRS rates for employees was 7.15% and the State was set at 2.49%. The TRS rate for employers was 7.47%. The State's contribution to the retirement system qualifies as an on-behalf payment and has not been reported in the Coop's financial statements.

CENTRAL MONTANA LEARNING RESOURCE CENTER COOPERATIVE

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

For the fiscal year ended June 30, 2014 - 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 Coop's financial statements.

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, Coop 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	\$ 213,414	\$ 126,954	\$ 118,183
PERS	<u>9,687</u>	<u>11,075</u>	<u>13,377</u>
Total	<u>\$ 223,101</u>	<u>\$ 138,029</u>	<u>\$ 131,560</u>

NOTE 7. CHANGES IN LONG-TERM DEBT

7. 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>		
<u>Other Liabilities:</u>					
Compensated Absences	\$ 49,538	\$ 211	\$ 0	\$ 49,749	\$ 694
Other Post-Employment Benefits (OPEB)	<u>536</u>	<u>536</u>	<u>0</u>	<u>1,072</u>	<u>0</u>
Total Other Liabilities	<u>\$ 50,074</u>	<u>\$ 747</u>	<u>\$ 0</u>	<u>\$ 50,821</u>	<u>\$ 694</u>
Total Governmental Activities - Long-Term Debt:	<u>\$ 50,074</u>	<u>\$ 747</u>	<u>\$ 0</u>	<u>\$ 50,821</u>	<u>\$ 694</u>

NOTE 8. OPERATING LEASES

The Cooperative leases its office space from Lewistown School District for \$7,000 per year. It also leases a storage shed for \$1,264 per year from Al's Mini Storage. These are operating leases that are renewed on a yearly basis. The Lewistown School District is a member of the Cooperative.

NOTE 9. PRIOR PERIOD ADJUSTMENTS

<u>Fund</u>	<u>Amount</u>	<u>REASON</u>
Retirement*	<u>\$ 3,985</u>	Prior year retirement assessment.
* Denotes Major Funds		

NOTE 10. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The Coop provides the same health care plan to all of its members. The implicit subsidy is \$7,592 per member and \$11,325 per member and spouse. The Coop 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 10% of plan participants would elect to continue coverage after retirement.

CENTRAL MONTANA LEARNING RESOURCE CENTER COOPERATIVE

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

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 June 30, 2014 was as follows:

Actuarial Accrued Liability (AAL)	\$	5,254
Actuarial value of plan assets		<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)		<u>5,254</u>
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	\$	775,883
UAAL as a percentage of covered payroll		1%

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, 2013.

Annual Required Contribution (ARC)	\$	536
Interest on net OPEB obligation		0
Adjustment to ARC		<u>0</u>
Annual OPEB cost (expense)		536
Contribution made		<u>0</u>
Increase in net OPEB obligation		536
Net OPEB obligation - beginning of year		<u>536</u>
Net OPEB obligation - end of year	\$	<u>1,072</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)	65
Discount rate (average anticipated rate)	3.0%
Average Salary Increase	2.0%
Health care cost rate trend	
Year	% Increase
2015 and after	3.0%

CENTRAL MONTANA LEARNING RESOURCE CENTER COOPERATIVE

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>
7/1/2013	\$ -	\$ 5,254	\$ 5,254	0%	\$ 775,883	1%

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

CENTRAL MONTANA LEARNING RESOURCE CENTER COOPERATIVE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year-Ended June 30, 2014

Central MT Learning Resource Center Coop
Fergus County
Lewistown, Montana 59457

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Federal Expenditures
PASSED THROUGH MONTANA OFFICE OF PUBLIC INSTRUCTION:				
IDEA Part B	84.027	14-9691-56	1,157,553	645,961
IDEA Preschool	84.173A	14-9691-57	27,114	<u>22,612</u>
Total U.S. Department of Education				\$668,573
Total Federal Financial Assistance				<u>\$668,573</u>

The accompanying notes to the SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS are an integral part of this schedule.

CENTRAL MONTANA LEARNING RESOURCE CENTER COOPERATIVE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year-Ended June 30, 2014

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Central Montana Learning Resource Center Cooperative (CMLRCC) under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of CMLRCC, it is not intended to and does not present the financial position, changes in net assets or cash flows of CMLRCC.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the same basis of accounting as the financial statements. Pass-through entity identifying numbers are presented where available

NOTE 3. SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, CMLRCC provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
84.027	IDEA Part B	\$102,517
Total		

NOTE 4. FOOTNOTES

Fn1 – No separate funds or accounts maintained, the Coop assumes first in first out for program money.
Fn2 – The value of commodities (revenues, expenses or inventory) are noted in the basic financial statements
N/A – Not applicable/ available

STROM & ASSOCIATES, PC
Certified Public Accountants
P.O. Box 1980
Billings, Montana 59103

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
Central Montana Learning Resource Center Cooperative
Fergus County
Lewistown, Montana 59457

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 and each major fund of Central Montana Learning Resource Center Cooperative as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the CMLRCC's basic financial statements and have issued our report thereon dated January 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CMLRCC'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 Coop's internal control. Accordingly, we do not express an opinion on the effectiveness of the Coop's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CMLRCC'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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
January 16, 2015

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY *OMB CIRCULAR A-133*

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Central Montana Learning Resource Center Cooperative
Fergus County
Lewistown, Montana 59457

Report on Compliance for Each Major Federal Program

We have audited Central Montana Learning Resource Center Cooperative's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of CMLRCC's major federal programs for the year ended June 30, 2014. CMLRCC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of CMLRCC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CMLRCC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of CMLRCC's compliance.

Opinion on Each Major Federal Program

In our opinion, CMLRCC's, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014

Report on Internal Control Over Compliance

Management of CMLRCC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CMLRCC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CMLRCC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



STROM & ASSOCIATES, PC
Billings, Montana
January 16, 2015

STROM & ASSOCIATES, PC
Certified Public Accountants
P.O. Box 1980
Billings, Montana 59103

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor, Strom & Associates, PC, has issued an unmodified opinion on CMLRCC's financial statements as of and for the year ended June 30, 2014.
2. Our audit disclosed no significant deficiencies in internal controls and none that are considered to be material weaknesses relating to internal controls over financial reporting and its operation.
3. Our audit disclosed no noncompliance which was material to the financial statements of CMLRCC.
4. Our audit disclosed no significant deficiencies that are considered to be material weaknesses relating to internal controls over major federal awards programs.
5. The auditor, Strom & Associates, PC, has issued an unmodified opinion on CMLRCC's compliance with major federal awards programs as of and for the year ended June 30, 2014.
6. The audit disclosed no audit findings which are required to be reported under section .510 of OMB Circular A-133.
7. The major program for CMLRCC for the year ended June 30, 2014 was IDEA Part B cluster CFDA number's 84.027 and 84.173A.
8. The threshold used to distinguish between Type A and type B programs was \$300,000. CMLRCC has IDEA Part B cluster CFDA number's 84.027 and 84.173A as a type A programs.
9. This Coop does qualify as a low risk audit client.

B. Findings relating to the financial statements which are required to be reported in accordance with "Governmental Auditing Standards."

There were no findings or recommendations.

C. Findings and questioned costs for Federal awards, as defined in section .510 (a) of OMB Circular A-133.

The audit disclosed no findings or questioned costs relating to federal awards as defined in section .510 (a) of OMB Circular A-133.