

**PRAIRIE VIEW
SPECIAL SERVICES COOPERATIVE
GLEN DIVE, MONTANA**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2014

**JAMES J. WOSEPKA, PC
CERTIFIED PUBLIC ACCOUNTANT
BAKER, MONTANA**

**PRAIRIE VIEW SPECIAL SERVICES COOPERATIVE
GLENDIVE, MONTANA
JUNE 30, 2014**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

This management's discussion and analysis provides an overview of the Special Services Cooperative's financial activities for the fiscal year ended June 30, 2014. Please read it, along with the Cooperative's financial statements, which begin on page 4.

FINANCIAL HIGHLIGHTS

In summary, overall volume increased while financial position remained stable. This is reflective of the budget process and aggressive pursuit of grant money.

Net position decreased by \$12,019.

USING THIS ANNUAL REPORT

This annual report consists of financial statements for the Cooperative as a whole with more detailed information for certain Cooperative funds. The Statement of Net Position and the Statement of Activities (pages 4 and 5) provide information about the activities of the Cooperative as a whole and present a long-term view of the Cooperative's finances (they include capital assets and long-term liabilities).

Fund financial statements present a short-term view of the Cooperative's activities (they include only current assets expected to be collected in the very near future and liabilities expected to be paid in the very near future). They present detailed information about the Cooperative's general fund.

THE SPECIAL SERVICES COOPERATIVE AS A WHOLE

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

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

Changes in the Cooperative's net position were as follows:

	<u>2013</u>	<u>2014</u>	<u>Change</u>	<u>%</u>
Total assets	\$ 592,292	\$ 588,564	\$ (3,728)	-1%
Total liabilities	(31,066)	(39,354)	(8,288)	21%
Net Position	<u>\$ 561,226</u>	<u>\$ 549,210</u>	<u>\$ (12,016)</u>	<u>-2%</u>

Net position consists of:

Net investment in capital assets	\$ 102,037	\$ 84,188	\$ (17,849)	-21%
Restricted	36,948	132,578	95,630	72%
Unrestricted	422,241	332,444	(89,797)	-27%
Total Net Position	<u>\$ 561,226</u>	<u>\$ 549,210</u>	<u>\$ (12,016)</u>	<u>-2%</u>

Changes in the Cooperative's revenues were as follows:

	<u>2013</u>	<u>2014</u>	<u>Change</u>	<u>%</u>
Program Revenues:				
Total program revenues	\$ 591,576	\$ 481,966	\$ (109,610)	-23%
General Revenues:				
Interest	5,725	5,331	(394)	-7%
Other	22,545	8,076	(14,469)	-179%
Total General Revenue	<u>28,270</u>	<u>13,407</u>	<u>(14,863)</u>	<u>-111%</u>
Total Revenue	<u>\$ 619,846</u>	<u>\$ 495,373</u>	<u>\$ (124,473)</u>	<u>-25%</u>

Changes in the Cooperative's expenses were as follows:

	<u>2013</u>	<u>2014</u>	<u>Change</u>	<u>%</u>
Support Services:				
Special education	\$ 551,515	\$ 489,540	\$ (61,975)	-13%
Transfers to member districts	5,000	-	(5,000)	-100%
Depreciation	19,545	17,849	(1,696)	-10%
Total Expenses	<u>\$ 576,060</u>	<u>\$ 507,389</u>	<u>\$ (68,671)</u>	<u>-14%</u>

FUND FINANCIAL STATEMENTS

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

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

The governmental funds provide a short-term view of the Cooperative's operations. They are reported using an accounting method called modified accrual accounting which measures amounts using only cash and other short-term assets and liabilities

(receivables and payables) that will soon be converted to cash or will soon be paid with cash.

THE FUTURE OF THE PRAIRIE VIEW SPECIAL SERVICES COOPERATIVE

The number of students served by the Special Services Cooperative has declined slightly at about the same rate as enrollment of the member districts. However, the services required have been more expensive and demand for services relative to student population has increased.

Funding at the federal level will possibly be impacted by federal budget issues. At the state level, it appears that funding will remain stable.

School districts will continue to be required to comply with the mandates of the *Individuals with Disabilities Education Act*.

In summary, it seems that the future of the Prairie View Special Services Cooperative is relatively secure, barring the exodus of member districts.

FINANCIAL CONTACT

The Cooperative's financial statements are designed to present users (citizens, taxpayers, customers, members, and creditors) a general overview of the Cooperative's finances and to demonstrate the Cooperative's accountability.

The narrative is provided to give the readers a general idea of both external and internal forces affecting the Cooperative.

If you have any questions about the report or need additional financial information, please contact the Cooperative's Clerk at 30 Highway 200 S., Glendive, Montana 59330, or telephone (406) 377-5446.

**PRAIRIE VIEW SPECIAL SERVICES COOPERATIVE
GLENDIVE, MONTANA
JUNE 30, 2014**

BOARD MEMBERS

Matt Schriver	Chairman
Casey Klasna	Vice Chairman
Tyler Arlint	Director
Jackie Becker	Director
Steve Engebretson	Director
Gary Fisher	Director
Terry Quintus	Director
Lynne Peterson	Director
Maureen Simonson	Director
Gail Staffanson	Director

OFFICIALS

Deb Linn	Coordinator
Jackie Becker	County Superintendent
Olivia Rieger	Attorney
Lonna Gustafson	Clerk of Board



PO Box 970
41 Central Ave S
Beach, ND 58621-0970
Phone: 701-872-4321
Fax: 701-872-4320

PO Box 602
10 East Montana Ave
Baker, MT 59313-0602
Phone: 406-778-2816
Fax: 406-778-2866

James J. Wosepka, PC – Certified Public Accountant

Licensed in North Dakota and Montana

Independent Auditor's Report

Board Members
Prairie View Special Services Cooperative
Glendive, Montana 59330

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 Prairie View Special Services Cooperative, Glendive, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the Cooperative'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 Prairie View Special Services Cooperative, Glendive, Montana, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

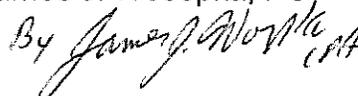
Accounting principles generally accepted in the United States of America require that the management's discussion on pages i - iii be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2014, on our consideration of Prairie View Special Services Cooperative, Glendive, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Prairie View Special Services Cooperative, Glendive, Montana's internal control over financial reporting and compliance.

October 22, 2014
Baker, Montana

James J. Wosepka, PC

By  SA

PRAIRIE VIEW SPECIAL SERVICES COOPERATIVE
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 504,376
Capital assets not being depreciated:	
Land	5,000
Capital assets being depreciated (net of accumulated depreciation)	79,188
Total Assets	588,564
 LIABILITIES	
Noncurrent liabilities:	
Due within one year	16,166
Due in more than one year	23,188
Total Liabilities	39,354
 NET POSITION	
Net investment in capital assets	84,188
Unrestricted	332,444
Restricted for educational purposes	132,578
Total Net Position	\$ 549,210

See accompanying notes to the financial statements.

**PRAIRIE VIEW SPECIAL SERVICES COOPERATIVE
STATEMENT OF ACTIVITIES**

Fiscal Year Ended June 30, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services, Fines, Forfeitures, etc.	Operating Grants and Contributions	
Primary government:				
Instructional services	\$ 1,562	\$ -	\$ -	(1,562)
Supporting services:				
Students	4,513	-	-	(4,513)
Instructional staff	1,349	-	-	(1,349)
District administration	-	-	-	-
School administration	166	-	-	(166)
Business	-	-	-	-
Operation & maintenance of facility	-	-	-	-
Special education	499,799	87,818	394,148	(17,833)
Capital outlay	-	-	-	-
Total governmental activities	\$ 507,389	\$ 87,818	\$ 394,148	(25,423)
General revenues:				
Unrestricted Federal/State shared revenues				-
Unrestricted investment earnings				5,331
Miscellaneous revenues				8,076
Gain on sale of capital assets				-
Total general revenues and transfers				13,407
Change in net position				(12,016)
Total net position - July 1, 2013				561,226
Total net position - June 30, 2014				<u>549,210</u>

See accompanying notes to the financial statements.

**PRAIRIE VIEW SPECIAL SERVICES COOPERATIVE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014**

Description	Major Funds			Total Governmental Funds
	General	Miscellaneous	Retirement	
ASSETS				
Cash and cash equivalents	\$ 371,798	\$ 93,166	\$ 39,412	\$ 504,376
Prepaid expenses	-	-	-	-
Due from other governments	-	-	-	-
Total Assets	371,798	93,166	39,412	504,376
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Accounts payable	-	-	-	-
Total Liabilities	-	-	-	-
Fund balances:				
Nonspendable:	-	-	-	-
Restricted:				
Retirement	-	-	39,412	39,412
Miscellaneous	-	93,166	-	93,166
Unassigned	371,798	-	-	371,798
Total fund balances	371,798	93,166	39,412	504,376
Total liabilities and fund balances	\$ 371,798	\$ 93,166	\$ 39,412	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>84,188</u>
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(39,354)</u>
Total net position - governmental funds	<u><u>\$ 549,210</u></u>

See accompanying notes to the financial statements.

**PRAIRIE VIEW SPECIAL SERVICES COOPERATIVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
June 30, 2014**

Description	Major Funds			Total Governmental Funds
	General	Miscellaneous	Retirement	
REVENUES				
Earnings on investments	\$ 4,078	\$ 892	\$ 361	\$ 5,331
Other local sources	63,024	1,500	31,370	95,894
State revenue	147,635	2,119	-	149,754
Federal aid	-	244,394	-	244,394
Total Revenues	214,737	248,905	31,731	495,373
EXPENDITURES				
Current:				
Instructional services	-	1,562	-	1,562
Supporting services				
Students	-	4,513	-	4,513
Instructional staff	1,349	-	-	1,349
District administration	-	-	-	-
School administration	-	166	-	166
Business	-	-	-	-
Operation & Maintenance of facilities	-	-	-	-
Special education	204,083	240,312	29,267	473,662
Capital outlay	-	-	-	-
Total Expenditures	205,432	246,553	29,267	481,252
Excess of revenues (under) expenditures	9,305	2,352	2,464	14,121
Fund balances - July 1, 2013	362,493	90,814	36,948	490,255
Fund balances - June 30, 2014	\$ 371,798	\$ 93,166	\$ 39,412	\$ 504,376

See accompanying notes to the financial statements.

**PRAIRIE VIEW SPECIAL SERVICES COOPERATIVE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2014**

Net change in fund balances - total governmental funds (page 7)	\$	14,121
Amounts reported for governmental activities in the statement of activities (page 5) are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Depreciation expense		(17,849)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Accrued compensated absences		<u>(8,288)</u>
Change in Net Position in Governmental Activities	\$	<u>(12,016)</u>

See accompanying notes to the financial statements.

**PRAIRIE VIEW SPECIAL SERVICES COOPERATIVE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014**

Description	Trust Funds	Agency Funds
	Private Purpose Trust Funds	Agency Composite
ASSETS		
Cash and cash equivalents	\$ 112,456	\$ 6,995
Total Assets	112,456	6,995
LIABILITIES		
Warrants payable	-	6,995
Total Liabilities	-	6,995
NET POSITION		
Held in trust for Spanish	9,984	
Held in trust for Consortium	102,472	
Held in trust for CSPD	-	
	\$ 112,456	

See accompanying notes to the financial statements.

**PRAIRIE VIEW SPECIAL SERVICES COOPERATIVE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Trust Funds</u>
	Private Purpose
	Trust Funds
<u>Description</u>	
ADDITIONS:	
Local revenue	\$ 105,443
Federal revenue	122,000
Total Additions	<u>227,443</u>
 DEDUCTIONS:	
Educational services	286,199
Total Deductions	<u>286,199</u>
 Change in net position	 (58,756)
Net Position - July 1, 2013	171,212
Net Position - June 30, 2014	<u>\$ 112,456</u>

**PRAIRIE VIEW SPECIAL SERVICES COOPERATIVE
GLENDDIVE, MONTANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Prairie View Special Services Cooperative (the Cooperative) is presented to assist in understanding the Cooperative's financial statements.

Reporting Entity

Prairie View Special Services Cooperative, Glendive, Montana, provides special education services and therapy to 13 school districts. The Cooperative is a legal constituted entity organized under the laws of Montana. The Cooperative is managed by board members representing the school districts and counties within the Cooperative.

McCone County provides substantial services to the Cooperative. Cash is maintained and invested by the County Treasurer. The County does not significantly influence the operations of the Cooperative; thus, the Cooperative is being treated as a separate and independent unit of local government.

Basis of Presentation and Basis of Accounting

Government-wide Statements – The Statement of Net Position and the Statement of Activities show information about the overall financial position and activities of the Cooperative.

These statements are reported using the economic resources measurement focus and the accrual basis of accounting. The activities of the Cooperative are generally financed through state funding and federal and state grants. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. On the accrual basis, revenues from grants, entitlements, and donations are recognized in the fiscal year in which eligibility requirements have been met.

The Statement of Activities presents a comparison between Cooperative expenses and program revenues for each function of the Cooperative's governmental activities. Direct expenses are those that are specifically associated with a program or function. The Cooperative does not charge indirect expenses to programs or functions. Program revenues include fees for services and grants and contributions that are restricted to a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements – These statements provide information about the Cooperative's funds. The emphasis of fund financial statements is on major governmental funds. Each major fund is displayed in a separate column.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont.**
Fund Financial Statements – cont.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. State and other governmental revenues applicable to the current fiscal year and collected soon after year-end are recognized as revenue.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and payments for compensated absences, which are recognized as expenditures when paid. General capital asset acquisitions are reported as expenditures in governmental funds.

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

Major Funds – Generally accepted accounting principles require that the General Fund be reported as a major fund and that all other governmental funds whose assets, liabilities, revenues, or expenditures exceed 10% or more of the total for all government funds also be reported as major funds. Accordingly, the Cooperative reports the following major governmental funds:

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

Miscellaneous Fund – This fund is used for the purpose of accounting for local, state, or federal grants and reimbursements.

Retirement Fund – This fund accounts for the Cooperative's contribution to Social Security, retirement systems, and unemployment compensation for its employees.

Encumbrances

All appropriations, except for construction in progress, lapse at the end of the fiscal year. The Cooperative utilizes a formal encumbrance accounting system. Encumbrance accounting, which is an extension of the budgetary accounting in the General and Special Revenue Funds, enables the Cooperative to record purchase orders, contracts, and other commitments for the expenditure of monies in order to reserve that portion of the applicable appropriation. Encumbrances at year end are shown as expenditures in the budget-to-actual statements and as reservations of fund balance on the balance sheet. The encumbrances have been recorded as expenditures since they meet the "valid obligation criteria" established by the Office of Public Instruction in the Montana School Accounting Manual and as defined in the Administrative Rules of Montana (ARM 10.10.101). The valid obligation criteria are:

1. The costs of personal property including materials, supplies, and equipment ordered, but not received, may be encumbered if a valid purchase order was issued prior to June 30.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont.**
Encumbrances – cont.

2. The cost of commitments related to construction in progress may be encumbered if a legally binding contract was signed and effective or a valid purchase order was issued prior to June 30. If the contract is complete or virtually complete, the entire cost of the contract should be accrued.

As of June 30, 2014, there were \$0 encumbrances.

Cash and Investments

All funds deposited are pooled and invested in accordance with state law. Interest earnings are allocated to the Cooperative based on average month end balances. Funds are withdrawn as needed to pay warrants.

It is not practical for the Cooperative to determine investment risk (including amounts invested in financial derivatives), collateral, or insurance coverage for its share of the County's pooled investments. Information as to the County's investment pool can be obtained from the County's annual financial report.

Warrants Payable

The Cooperative makes expenditures by means of warrants. These warrants are orders to the County Treasurer to pay a specified sum to the person named or to the bearer.

Warrants issued by the Cooperative, but not yet paid by the County Treasurer are in the amount of \$6,995.

Capital Assets

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

Equipment	5 – 8 years
Buildings	50 years
Improvements	10 – 25 years

Inventories

Inventories of materials and supplies are expensed at the time of purchase for the governmental funds statements.

Vacation and Sick Leave

Liabilities incurred because of unused vacation and sick leave accumulated by employees, which is payable upon termination, are reflected in the financial statements. Expenditures for these liabilities are recognized when paid.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings used

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont.**

Net Position – cont.

for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Cooperative or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. The Cooperative applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Interfund Transactions

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are eliminated in the government-wide financial statements.

Fund Balance Reporting

Implementation of GASB 54 is required for fiscal years beginning after June 15, 2010. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Cooperative's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and the principal (corpus) of an endowment fund. The Cooperative has inventories that are considered nonspendable. The Cooperative does not have any prepaid items or nonspendable funds related to endowments.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances based on a hierarchy of spending constraints.

- **Restricted**: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed**: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- **Assigned**: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- **Unassigned**: fund balances of the general fund that is not constrained for any particular purpose.

any particular purpose.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont.**

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Cooperative does not have any of this type of item.

In addition to liabilities, the statement of financial position will sometimes report 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 Cooperative does not have any of this type of item.

2. **Reconciliation of Government-wide and Fund Financial Statements**

Explanation of certain differences between governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds, and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this difference are as follows:

Compensated absences	<u>\$ (39,354)</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position-governmental activities	<u>\$ (39,354)</u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds, and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Depreciation expense	<u>\$ (17,849)</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (17,849)</u>

2. **Reconciliation of Government-wide and Fund Financial Statements – cont.**
 Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this difference are as follows:

Compensated absences	<u>\$ (8,288)</u>
Net adjustment to decrease net changes in fund balances- total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (8,288)</u>

3. **BUDGETS**

A budget is adopted by the Cooperative's Board each fiscal year for all governmental fund types. Each budget is presented in their general ledger on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. Budgets of funds are based primarily on estimated expenditures and revenues and are only used for management purposes. Budgeted fund expenditures are only limited by the respective fund's cash balances. The State of Montana's Office of Public Instruction (OPI) does not approve the Cooperative's budget. Therefore, no budgeted amounts are required to be reported in the Cooperative's financial statements.

4. **CASH AND INVESTMENTS**

Cash and investments are held by the County Treasurer. The Board of Trustees may invest money of the Cooperative in obligations of the United States Government, in savings or time deposits in a state or national bank, building or loan association, savings and loan association, or credit union insured by the FDIC, FSLIC, or NCUA located in the state, or a repurchase agreement, or under the State Unified Investment Program.

The McCone County Commissioners require at least 50% security on money held by the County Treasurer of McCone County. The County government is considered to have \$250,000 FDIC insurance per bank for their demand deposits and \$250,000 FDIC for their time and/or savings deposits. This includes the Cooperative's cash and investments since they are in the County's name. At June 30, 2014, the total amount of cash and investments were in demand deposits.

Concentration of Credit Risk

The investment policy of the Cooperative contains no limitations on the amount that can be invested in any one issuer. All of the deposits either in the Cooperative's name or McCone County Treasurer's name are held as authorized by the State of Montana.

Custodial Credit Risk

The investment policy of the Cooperative does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits other than the provision of state law.

4. **CASH AND INVESTMENTS – cont.**

Custodial risk for deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Montana law requires 50% security of deposits with financial institutions in excess of the depository insurance coverage limits. Governmental entity's money is insured for each "public unit" based on how the account is titled at the financial institution. The McCone County government is considered to have \$250,000 FDIC coverage for demand deposits and \$250,000 FDIC coverage for time and savings deposits in each bank in the state.

All of the Cooperative deposits with financial institutions that are in excess of the federal depository insurance limits are held by the investment counterparty, not in the name of the Cooperative.

Credit, Interest Rate, and Foreign Currency Risk

The Cooperative has no interest rate risk, credit risk, or foreign currency risk of debt securities, as there are no debt securities owned by the Cooperative nor does the Cooperative own any foreign investments.

5. **CAPITAL ASSETS**

A summary of changes in the capital assets for the year ended June 30, 2014 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 5,000	-	-	\$ 5,000
Total capital assets, not being depreciated	5,000	-	-	5,000
Capital assets, being depreciated:				
Buildings and improvements	83,175	-	-	83,175
Furniture and equipment	111,114	-	-	111,114
Total capital assets, being depreciated	194,289	-	-	194,289
Accumulated depreciation for:				
Buildings and improvements	(29,068)	(3,090)	-	(32,158)
Furniture and equipment	(68,184)	(14,759)	-	(82,943)
Total accumulated depreciation	(97,252)	(17,849)	-	(115,101)
Total capital assets, being depreciated, net	97,037			79,188
Governmental activities capital assets, net	\$ 102,037			\$ 84,188

Depreciation expense of \$17,849 is charged to Special Education.

6. **RETIREMENT PLANS**

The Cooperative participates in two statewide, cost sharing, multiple-employer, defined benefit retirement plans which cover all employees except some substitute teachers and part-time nonteaching employees. The Teachers Retirement System (TRS) covers certified teaching employees including principals and superintendents and the Public Employees Retirement System (PERS) covers nonteaching employees. The plans are established by state law and are administered by the Department of Administration of the State of Montana. The plans provide retirement, disability, and death benefits to plan members and beneficiaries.

6. **RETIREMENT PLANS – cont.**

Both plans issue publicly available annual reports that include financial statements and required supplemental information for the plans. The reports for the Teachers Retirement System can be obtained at P.O. Box 200239, 1500 Sixth Ave., Helena, MT 59620-0139. The reports for the Public Employees Retirement System can be obtained at P.O. 200131, 1712 Ninth Ave., Helena, MT 59620-0131. The financial statements for PERS include activity for the Defined Benefit and Defined Contribution Retirement Plans. The Defined Contribution Plan is available to all active members starting July 1, 2003. The assets of one retirement plan cannot be comingled with those of another plan.

Contribution rates are expressed as a percentage of covered payrolls which are determined by State law and are as follows:

	<u>Employer</u>	<u>Employee</u>	<u>Total</u>
TRS	8.47%	8.15%	16.62%
PERS (Before 7/1/11)	6.80%	6.90%	13.70%
PERS (After 6/30/2011)	6.80%	7.90%	14.70%

The State of Montana contributes 0.37% of the employees' wages covered by PERS and 2.49% of the employees' wages covered by TRS, which are considered an on-behalf payment. The Cooperative did not record this contribution in their financial statements as required by generally accepted accounting principles.

The amounts contributed by both the employees and the Cooperative for the prior three years ended June 30, were as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
TRS	\$ 60,710	\$ 51,557	\$ 56,823
PERS	<u>7,132</u>	<u>6,672</u>	<u>9,819</u>
Total	<u>\$ 67,842</u>	<u>\$ 58,229</u>	<u>\$ 66,642</u>

7. **RISK MANAGEMENT**

The Cooperative faces a considerable number of risks of loss including: a) damage to and loss of property and contents, b) employee torts, c) professional liability (i.e. errors and omissions), d) environmental damage, and e) Worker's Compensation (i.e. employee injuries). A variety of 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 content damage, employee torts, and professional liabilities. The Cooperative is insured by Worker's Compensation Risk Retention Program (WCRRP) through Montana Schools Group Insurance Authority coverage and commercial policies for tort liability coverage. And given the lack of coverage available, the Cooperative has no coverage for potential losses from environmental damages.

Coverage limits and deductibles on the commercial policies have stayed relatively constant for the last several years. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

8. **PENDING LITIGATION**

There are no pending or threatened litigation or unasserted claims or assessments against the Cooperative through the date of this audit report for the year ended June 30, 2014.

9. **SUBSEQUENT EVENTS**

The Cooperative has evaluated subsequent events through the date of this report, the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION



PO Box 970
41 Central Ave S
Beach, ND 58621-0970
Phone: 701-872-4321
Fax: 701-872-4320

PO Box 602
10 East Montana Ave
Baker, MT 59313-0602
Phone: 406-778-2816
Fax: 406-778-2866

James J. Wosepka, PC – Certified Public Accountant

Licensed in North Dakota and Montana

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

Board Members
Prairie View Special Services Cooperative
Glendive, Montana 59330

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Prairie View Special Services Cooperative, Glendive, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Prairie View Special Services Cooperative, Glendive, Montana's basic financial statements, and have issued our report thereon dated October 22, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Prairie View Special Services Cooperative, Glendive, Montana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Prairie View Special Services Cooperative, Glendive, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Prairie View Special Services Cooperative, Glendive, Montana'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 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 Prairie View Special Services Cooperative, Glendive, Montana's financial statements are free from 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.

James J. Wosepka, PC

A handwritten signature in black ink, appearing to read 'James J. Wosepka CPA', with a small 'By' written to the left.

October 22, 2014
Baker, Montana