

PRICKLY PEAR SPECIAL EDUCATION COOPERATIVE

**LEWIS & CLARK COUNTY
EAST HELENA, MONTANA**

FINANCIAL AND COMPLIANCE REPORT

Fiscal year Ended June 30, 2014

Strom & Associates, P. C.

**PO BOX 1980
Billings, Montana 59103**

Prickly Pear Special Education Cooperative
 Lewis & Clark County
 East Helena, Montana 59635

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Prickly Pear Special Education Cooperative
Lewis & Clark County
East Helena, Montana 59635

ORGANIZATION

BOARD OF TRUSTEES

Andy Lind	Chair
Maria Pace	Vice Chair
Tim Norbeck	Trustee
Tony Kloker	Trustee
Bruce Dunkle	Trustee
Andrea Johnson	Trustee
Ron Whitmoyer	Trustee
Nate Lant	Trustee
Garry Pace	Trustee
Marsha Davis	Trustee

OFFICIALS

Vaughn Kauffman	Superintendent
Lisa Hufnagel	District Clerk
Marsha Davis	County Superintendent
Leo Gallagher	County Attorney

**Prickly Pear Cooperative
Management Discussion and Analysis (MD&A)
For the Year Ended June 30, 2014**

The Business Manager of the Prickly Pear 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.

Financial Highlights

Prickly Pear's financial position continues to remain stable in 2014. A full time Speech therapist, was hired to replace an SLP that retired the previous year. Revenue from IDEA Part B Grant was down 6.4% and IDEA Preschool funds were down 6.5% from the previous year. The Cooperative paid out \$56,376.31 in leave payouts to retiring employees.

Using This Financial Report

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

Reporting the Cooperative as a Whole

This 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 resources measurement focus, and use the accrual basis accounting.

- A. The Statement of Net Position (page 8) 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 as 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 9) 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 show the activities of the cooperative all in one category:

Governmental activities - The cooperative functions, include instruction, student services, administration, etc. Federal, state and local revenues support these functions of the cooperative.

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 cooperative's 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 IDEA Part B, 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 cooperative-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 cooperative-wide statements but not in the fund statements.

Reporting the Cooperative's Trust and Fiduciary Responsibilities

The cooperative acts as the fiduciary for Region IV CSPD activities. The cooperative is responsible for ensuring these assets are used for their intended purpose.

Budget to Actual Comparison

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

The Cooperative as a Whole

Net Position serves over time as a useful indicator of a cooperative's financial position. In the Prickly Pear Cooperative, assets exceeded liabilities by \$333,701 as of June 30, 2014.

Prickly Pear Cooperative Statement of Net Position Governmental & Interlocal Activities FY 2014

	2014	FY2013	\$ CHANGE	% CHANGE
Current and other assets	\$ 484,385	\$ 570,914	(86,529)	15.16%
Capital assets (net)	<u>23,549</u>	<u>35,086</u>	<u>(11,537)</u>	<u>-32.88%</u>
Total Assets	<u>\$ 507,934</u>	<u>\$ 606,000</u>	(98,066)	-16.18%
Current liabilities	\$ 10,018	\$ 5,956	4,062	68.20%
Non-Current liabilities	<u>164,215</u>	<u>156,049</u>	<u>8,166</u>	<u>5.23%</u>
Total Liabilities	<u>\$ 174,233</u>	<u>\$ 162,005</u>	12,228	7.55%
Net Investment in Capital Assets	\$ 23,549	\$ 35,086	(11,537)	-32.88%
Restricted	354,817	417,116	(62,299)	-14.94%
Unrestricted	<u>(44,665)</u>	<u>(8,207)</u>	<u>(36,458)</u>	<u>444.23%</u>
Total Net Position	<u>\$ 333,701</u>	<u>\$ 443,995</u>	(110,294)	-24.84%

Prickly Pear Cooperative Statement of Activities FY2014

REVENUES	FY2014	FY2013	\$ CHANGE	% CHANGE
Program Revenues:				
Charges for Services	\$ 83,945	\$ 108,140	(24,195)	-22.37%
Operating Grants	978,805	932,093	46,712	5.01%
General Revenues:				
State Equalization	\$ 323,378	\$ 320,103	3,275	1.02%
Other State Revenue	42,497	42,496	1	0.00%
County	56,365	50,913	5,452	10.71%
Investment Earnings	495	1,317	(822)	-62.41%
Other	<u>2,504</u>	<u>43,015</u>	<u>(40,511)</u>	<u>-0.14%</u>
Total Revenues	\$1,487,989	\$1,498,077	(10,088)	-0.67%
PROGRAM EXPENSES				
Instruction	\$ 144,076	\$ 86,381	57,695	66.79%
Support	1,135,076	1,104,947	30,929	2.80%
Administration:	302,209	243,725	58,484	24.00%
O & M	4,585	8,902	(4,317)	-48.49%
Depreciation-unallocated	<u>11,537</u>	<u>14,112</u>	<u>(2,575)</u>	<u>-18.25%</u>
Total Expenses	\$1,598,283	\$1,458,067	140,216	9.62%
CHANGE IN NET POSITION	\$ (110,294)	\$ 40,010	(150,304)	

	FY2014	FY2013
Excess of Revenues over Expenditures and Other Sources over Other Uses	\$ (88,309)	\$ 65,302
RECONCILIATION ITEMS:		
Depreciation Expense	(\$11,537)	(\$14,112)
Increase/decrease in Other Post-Employment Benefits	(20,942)	(20,942)
Increase/decrease in compensated absences liability	10,494	9,762
Change in Net Position	<u>\$(110,294)</u>	<u>\$ 40,010</u>

Capital Assets

As of June 30, 2014, the Cooperative has invested \$23,549 in capital assets including leasehold improvements, machinery and equipment. These assets are reported as actual historical cost. The Cooperative policy is to capitalize assets with a cost of \$5,000 or more 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	\$100,944
Building & Improvements	14,389
Accumulated Depreciation	<u>(91,784)</u>
	\$ 23,549

Contact Information

If you have questions about this report or need additional information, contact the Prickly Pear Cooperative office. Our address is 2525 Lake Helena Drive East Helena, MT 59635, (406)227-7322.

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Prickly Pear Special Education Cooperative
Lewis & Clark County
East Helena, Montana 59635

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 Prickly Pear Special Education Cooperative 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 Prickly Pear Special Education 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 - 5) and the schedule of funding for other post-employment benefits other than pensions (page 21) 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 Prickly Pear Special Education Cooperative's basic financial statements. The schedule of expenditures of federal awards (pages 22 - 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 was 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 23, 2015 on our consideration of Prickly Pear Special Education Cooperative 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 Prickly Pear Special Education Cooperative internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC
Billings, Montana
January 23, 2015

STATEMENT OF NET POSITION
 as of June 30, 2014

	<u>Governmental Activities</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 484,282
Due From Other Governments	<u>103</u>
Total Current Assets	<u>484,385</u>
Noncurrent Assets:	
Net Depreciable Assets	<u>23,549</u>
Total Noncurrent Assets	<u>23,549</u>
Total Assets	<u>\$ 507,934</u>
LIABILITIES:	
Current Liabilities	
Other Current Liabilities	\$ 1,780
Current Portions Compensated Absences	<u>8,238</u>
Total Current Liabilities	<u>10,018</u>
Noncurrent Liabilities:	
Long-Term Obligations	117,466
Compensated Absences	<u>46,749</u>
Total Noncurrent Liabilities	<u>164,215</u>
Total Liabilities	<u>174,233</u>
NET POSITION:	
Net investment in capital assets	23,549
Restricted	354,817
Unrestricted (Deficit)	<u>(44,665)</u>
Total Net Position	<u>333,701</u>
Total Liabilities and Net Position	<u>\$ 507,934</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

	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charge for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>
GOVERNMENT OPERATIONS				
Instructional Services	\$ 144,076	\$ -	\$ 48,239	\$ (95,837)
Support Services	1,135,876	83,945	930,566	(121,365)
General Administrative Services	302,209	-	-	(302,209)
Operation & Maintenance Services	4,585	-	-	(4,585)
Unallocated Depreciation Expense	11,537	-	-	(11,537)
Total Governmental Activities	<u>1,598,283</u>	<u>83,945</u>	<u>978,805</u>	<u>(535,533)</u>
GENERAL REVENUES				
State Equalization				323,378
Other State Revenues				42,497
County				56,365
Interest				495
Other				2,504
Total General Revenues				<u>425,239</u>
Change in Net Position				(110,294)
Net Position				
Beginning of the Year				443,995
End of the Year				<u>\$ 333,701</u>

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	\$ 128,358	\$ 2,419	\$ 353,505	\$ 484,282
Due From Other Governments	-	103	-	103
Total Assets	<u>\$ 128,358</u>	<u>\$ 2,522</u>	<u>\$ 353,505</u>	<u>\$ 484,385</u>
LIABILITIES:				
Current Liabilities				
Other Current Liabilities	570	-	1,210	1,780
Total Liabilities	<u>570</u>	<u>-</u>	<u>1,210</u>	<u>1,780</u>
FUND BALANCE:				
Fund Balances:				
Restricted	-	2,522	352,295	354,817
Unassigned	127,788	-	-	127,788
Total Fund Balance	<u>127,788</u>	<u>2,522</u>	<u>352,295</u>	<u>482,605</u>
Total Liabilities and Fund Balance	<u>\$ 128,358</u>	<u>\$ 2,522</u>	<u>\$ 353,505</u>	<u>\$ 484,385</u>

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 482,605
Governmental Capital Assets	23,549
Long-term Liabilities	
Long-Term Obligations	(117,466)
Compensated Absences	(54,987)
Net Position of Governmental Activities	<u>\$ 333,701</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	\$ 495	\$ -	\$ -	\$ 495
Other	17,873	-	400	18,273
County	-	56,365	-	56,365
State	434,051	-	48,239	482,290
Federal	-	-	930,566	930,566
Total Revenues	<u>452,419</u>	<u>56,365</u>	<u>979,205</u>	<u>1,487,989</u>
EXPENDITURES:				
Current				
Instructional Services	29,434	-	114,255	143,689
Support Services	234,333	33,851	849,938	1,118,122
General Administrative Services	210,077	33,798	66,027	309,902
Operation & Maintenance Services	4,585	-	-	4,585
Total Expenditures	<u>478,429</u>	<u>67,649</u>	<u>1,030,220</u>	<u>1,576,298</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(26,010)</u>	<u>(11,284)</u>	<u>(51,015)</u>	<u>(88,309)</u>
NET CHANGES IN FUND BALANCES				
	(26,010)	(11,284)	(51,015)	(88,309)
FUND BALANCE:				
Beginning of the Year	<u>153,798</u>	<u>13,806</u>	<u>403,310</u>	<u>570,914</u>
End of the Year	<u>\$ 127,788</u>	<u>\$ 2,522</u>	<u>\$ 352,295</u>	<u>\$ 482,605</u>

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

Prickly Pear Special Education Cooperative
Lewis & Clark County
East Helena, Montana 59635

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	\$	(88,309)
Expenses on the Statement of Activity not included in the governmental funds statement:		
Depreciation Expense		(11,537)
(Increase) decrease in Other Post Employment Benefits		(20,942)
(Increase) decrease in compensated absence liability		10,494
		<u>(21,985)</u>
Change in net position reported on the Statement of Activity	\$	<u>(110,294)</u>

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

Prickly Pear Special Education Cooperative
Lewis & Clark County
East Helena, Montana 59635

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

	<u>Agency Funds</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ <u>33,440</u>
Total Assets	<u>33,440</u>
LIABILITIES:	
Current Liabilities	
Warrants Payable	<u>33,440</u>
Total Liabilities	<u>33,440</u>

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

PRICKLY PEAR SPECIAL EDUCATION 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 Prickly Pear Special Education Cooperative (Cooperative) 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 Cooperative applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

During fiscal year 2014 the Cooperative 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 Cooperative.
- 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 Cooperative has not extend any financial guarantees to other parties. This statement has no effect on the financial statements.

The following are a listing of GASB statements which have been issued and the Cooperative 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 Cooperative to expand its pension foot note disclosures. The Cooperative 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 Cooperative is not merging with another Cooperative 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 Cooperative plans to implement this in fiscal year 2015 after the State of Montana provides the required information for reporting and disclosure.

The Cooperative was formed by the school districts of several counties to assist in administering the school districts special education programs. It is separated 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 Cooperative. The Cooperative manages its own operations, personnel and financial activity.

The criteria for including organizations as component units within the Cooperative'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 Cooperative'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 Cooperative. Based on those criteria this Cooperative 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. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

PRICKLY PEAR SPECIAL EDUCATION COOPERATIVE

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

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

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

- Charges for services such as member fees and
- Operating grants that are restricted to a particular functional program.

Investment earnings, and other revenue sources not properly included with program revenue are reported as general revenues.

1. b. 2 FUND ACCOUNTING

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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.

Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Cost reimbursement grant funds are considered to be both measurable and available to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received and the expenditure has not been incurred they are recorded as unearned grant revenues because the revenues are available. All other revenue items are considered to be measurable and available only when cash is received by the government.

Agency fund financial statements report using the economic resources measurement focus and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

GASB Statement No. 34 requires the general fund be reported as a major fund. Other individual governmental should be reported in separate columns as major funds based on these criteria:

- Total assets, liabilities, revenues, or expenditures of that individual governmental 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 that government officials believe is particularly important to financial statement users may be reported as a major fund.

The Cooperative reports the following major governmental funds:

- General Fund – The General Fund is the general operating fund of the Cooperative and accounts for all revenues and expenditures of the Cooperative 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.
- 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 Cooperative 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 Cooperative programs are deposited in this fund.

PRICKLY PEAR SPECIAL EDUCATION COOPERATIVE

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

1. b. 3 OTHER FUND TYPES

Agency Funds – Account for assets that the Cooperative holds on behalf of others as their agent in the payroll and claims clearing funds and employee payroll tax withholdings. Cash is held for warrants which were written but have not been paid by the County Treasurer.

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 Cooperative. 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 Lewis & Clark 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 and supplies inventory at year end was not material. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

1. c. 3 CAPITAL ASSETS

The Cooperative's property, plant, equipment, and infrastructure (e.g. roads, bridges, sidewalks, lighting, and similar items) 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 Cooperative considers capital assets to be items in excess of \$5,000 with a useful life in excess of one year. The costs of normal maintenance and repair are not capitalized. Land and construction in progress are not depreciated. Depreciation on the other capital assets is provided over their estimated useful lives on the straight-line method. The useful lives of these assets have been estimated as follows:

<u>Capital Asset Classes</u>	<u>Lives</u>
Leasehold Improvements	7 years
Machinery and Equipment	5 years

1.c. 4 VACATION AND SICK LEAVE

Cooperative employees accumulate vacation and sick leave for later use or for payment upon termination, death, or retirement. Cooperative 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. Cooperative employees earn sick leave at the rate of one day per month. There is no limit on the accumulation of unused sick leave. However, upon termination, only 25% of accumulated sick leave is paid at the current rate of pay. Certified staff receive three personal days at the beginning of the school year and may accrue up to five days. The Cooperative Director receives five personal days at the beginning of the school year and may accrue up to eight days.

Liabilities incurred because of unused vacation and sick leave accumulated by employees are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds and when accrued on the statement of activities. The amount expected to be paid within one year is \$8,238 and it is generally paid out of the general fund. The accrued liability for sick and vacation leave at June 30, 2014 was \$54,987.

PRICKLY PEAR SPECIAL EDUCATION COOPERATIVE

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

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.

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	352,295
Employer Retirement Benefits	<u>2,522</u>
Total	<u>\$ 354,817</u>

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

1. d. OTHER

1. d. 1 USE OF ESTIMATES

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

1.d. 2 County Provided Services

The Cooperative is provided various financial services by Lewis & Clark County. The Lewis & Clark County also serves as cashier and treasurer for the Cooperative for revenues received by the Lewis & Clark County. The collections made by the Lewis & Clark County on behalf of the Cooperative are accounted for in an agency fund in the Cooperative's name. No service charges have been recorded by the Cooperative or the Lewis & Clark County.

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

Cash resources of the Cooperative are held and managed by the Lewis & Clark County Treasurer pursuant to State Law. They are combined with cash resources of other governmental entities within Lewis & Clark County to form a pool of cash and cash equivalents. Investments of pooled cash consist primarily of U.S. Government Securities, Certificates of Deposits, and STIP and are carried at fair value. The Cooperative's exposure to credit risk is not available to the Cooperative. Risk in the event of loss is unclear in state law, but appears to be the liability of the Lewis & Clark County government. Because of the custodial involvement of the Lewis & Clark County government, and the commingling of cash in County deposits in the name of the Lewis & Clark County Treasurer, full risk classifications according to GASB 40 are available in the Lewis & Clark County's annual report. There is no known maturity and credit rating of the Lewis & Clark County Investment Pool. At June 30, 2014 the carrying amount in the governmental funds was \$484,282 and \$33,440 in the agency funds.

PRICKLY PEAR SPECIAL EDUCATION COOPERATIVE

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

NOTE 3. DUE FROM OTHER GOVERNMENTS

<u>Fund</u>	<u>Amount</u>	<u>Due From</u>	<u>Reason</u>
Retirement *	<u>\$ 103</u>	Lewis & Clark County	FY14 Payment

* Denotes Major Funds

NOTE 4. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

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

<u>Governmental Activities:</u>	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>Depreciable:</u>			
Leasehold Improvements	\$ 14,389	\$ 0	\$ 14,389
Major Equipment	<u>100,944</u>	<u>0</u>	<u>100,944</u>
Total Depreciable	<u>\$ 115,333</u>	<u>\$ 0</u>	<u>\$ 115,333</u>
<u>Accumulated Depreciation:</u>			
Leasehold Improvements	\$ (11,477)	\$ (1,912)	\$ (13,389)
Major Equipment	<u>(68,770)</u>	<u>(9,625)</u>	<u>(78,395)</u>
Total Depreciation	<u>\$ (80,247)</u>	<u>\$ (11,537)</u>	<u>\$ (91,784)</u>
Net Governmental Capital Assets	<u>\$ 35,086</u>	<u>\$ (11,537)</u>	<u>\$ 23,549</u>

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

Unallocated \$ 11,537

NOTE 5. CHANGES IN LONG-TERM DEBT

At June 30, 2014, the schedule of changes in general Long-Term debt follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1, 2013</u>	<u>New Debt</u> <u>and Other</u> <u>Additions</u>	<u>Principal</u> <u>Payments</u> <u>and Other</u> <u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due within</u> <u>One Year</u>
<u>Other Liabilities:</u>					
Compensated Absences	\$ 65,481	\$ 0	\$ (10,494)	\$ 54,987	\$ 8,238
Other Post-Employment Benefits (OPEB)	<u>96,524</u>	<u>20,942</u>	<u>0</u>	<u>117,466</u>	<u>0</u>
Total Other Liabilities	<u>\$ 162,005</u>	<u>\$ 20,942</u>	<u>\$ (10,494)</u>	<u>\$ 172,453</u>	<u>\$ 8,238</u>

NOTE 6. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The Cooperative provides the same health care plan to all of its members. The implicit subsidy is \$7,427 per member. The Cooperative 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 49% of plan participants would elect to continue coverage after retirement.

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

PRICKLY PEAR SPECIAL EDUCATION COOPERATIVE

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

Funding status and progress as of June 30, 2014 was as follows:

Actuarial Accrued Liability (AAL)	\$ 275,658
Actuarial value of plan assets	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>275,658</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 881,263
UAAL as a percentage of covered payroll	31%

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

Annual Required Contribution (ARC)	\$ 20,942
Interest on net OPEB obligation	0
Adjustment to ARC	<u>0</u>
Annual OPEB cost (expense)	20,942
Contribution made	<u>0</u>
Increase in net OPEB obligation	20,942
Net OPEB obligation - beginning of year	<u>96,524</u>
Net OPEB obligation - end of year	<u>\$ 117,466</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)	68
Discount rate (average anticipated rate)	5%
Average Salary Increase	1.5%
Health care cost rate trend	
Year	% Increase
2014 and after	3.0%

NOTE 7. RISK MANAGEMENT

The Cooperative 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 Cooperative has joined with other Cooperatives throughout the state into an interlocal common risk pool to insure workers compensation for all participating Cooperatives 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 Cooperative other than timely payments of premiums. The Cooperative can withdraw from the Workers Compensation Risk Retention Program with 60 days' notice at any time. The Cooperative 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 8. EMPLOYEE RETIREMENT SYSTEM

The Cooperative participates in two state-wide, cost-sharing multiple employer defined benefit retirement plans which cover all Cooperative employees, except certain substitute teachers and part-time, non-teaching employees. The Teachers' Retirement System (TRS) covers teaching employees, including administrators and aides. The Public Employee Retirement System (PERS) covers nonteaching employees. The plans are established under State law and are administered by the State of Montana.

PRICKLY PEAR SPECIAL EDUCATION COOPERATIVE

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

Both plans issue publicly available annual reports that include financial statements and required supplemental information for the plans. Those reports may be obtained from the following:

Teachers Retirement System
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

The PERS defined benefit contribution rates for employees was 7.9%. The PERS rate for the State was set at .10%. 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 8.07%. 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 Cooperative'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, Cooperative 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	\$ 134,786	\$ 143,978	\$ 175,758
PERS	<u>6,941</u>	<u>7,199</u>	<u>8,411</u>
Total	<u>\$ 141,727</u>	<u>\$ 151,176</u>	<u>\$ 184,169</u>

NOTE 9. OFFICE SPACE

The Prickly Pear Cooperative entered into a lease agreement with the East Helena School District in May 2007. The District is providing office space to the Cooperative over a seven year period for \$171/month or \$2,052 in fiscal year 2014. The Cooperative provided the District with \$14,349 in leasehold improvements and the District will offset the monthly charge against the leasehold improvements over the life of the lease. This has resulted in no payments made for the year ending June 30, 2014. East Helena School District is a member District of the Cooperative.

PRICKLY PEAR SPECIAL EDUCATION COOPERATIVE

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) / c]
July 1, 2012	\$0	\$275,658	\$275,658	0%	\$881,263	31%

Prickly Pear Special Education Cooperative
 Lewis & Clark County
 East Helena, Montana 59635

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
U.S. DEPARTMENT OF EDUCATION				
PASSED THROUGH MONTANA OFFICE OF PUBLIC INSTRUCTION:				
Individuals with Disabilities Education Act (IDEA), Part B	84.027	2596977714	\$ 1,192,488	\$ 745,953
Individuals with Disabilities Education Act (IDEA), Part B	84.027	2596977714	\$ 110,000	105,859
Individuals with Disabilities Education Act (IDEA), Part B	84.027	2596977713	\$ 130,000	51,461
Individuals with Disabilities Education Act (IDEA) Preschool	84.173	2596977914	\$ 27,577	27,293
Total U.S. Department of Education				\$ 930,566
Total Federal Financial Assistance				\$ 930,566

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

PRICKLY PEAR SPECIAL EDUCATION COOPERATIVE

NOTES TO THE 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 Prickly Pear Special Education Cooperative 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 Prickly Pear Special Education Cooperative, it is not intended to and does not present the financial position, changes in net assets or cash flows of Prickly Pear Special Education Cooperative.

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, Prickly Pear Special Education Cooperative 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	<u>\$ 75,519</u>

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
Prickly Pear Special Education Cooperative
Lewis & Clark County
East Helena, Montana 59635

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Prickly Pear Special Education Cooperative as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Prickly Pear Special Education Cooperative's basic financial statements and have issued our report thereon dated January 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Prickly Pear Special Education Cooperative'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 Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative'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.

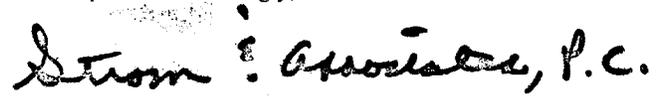
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during 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 Prickly Pear Special Education Cooperative'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.

A handwritten signature in black ink that reads "Strom & Associates, P.C." The signature is written in a cursive, slightly slanted style.

STROM & ASSOCIATES, PC
Billings, Montana
January 23, 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
Prickly Pear Special Education Cooperative
Lewis & Clark County
East Helena, Montana 59635

Report on Compliance for Each Major Federal Program

We have audited Prickly Pear Special Education 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 Prickly Pear Special Education Cooperative's major federal programs for the year ended June 30, 2014. Prickly Pear Special Education Cooperative'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 Prickly Pear Special Education Cooperative'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 Prickly Pear Special Education Cooperative'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 Prickly Pear Special Education Cooperative's compliance.

Opinion on Each Major Federal Program

In our opinion, Prickly Pear Special Education Cooperative'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 Prickly Pear Special Education Cooperative, 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 Prickly Pear Special Education Cooperative'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 Prickly Pear Special Education Cooperative'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 23, 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 Prickly Pear Special Education Cooperative'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 Prickly Pear Special Education Cooperative.
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 Prickly Pear Special Education Cooperative'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 Prickly Pear Special Education Cooperative for the year ended June 30, 2014 was

CFDA Number	Name of Federal Program or Cluster
84.027/84.173	Special Education (IDEA) Cluster
8. The threshold used to distinguish between Type A and type B programs was \$300,000. Prickly Pear Special Education Cooperative has the Special Education (IDEA) Cluster as a Type A program.
9. This Cooperative qualifies 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.