

**NORTH CENTRAL LEARNING RESOURCE CENTER COOPERATIVE**

**CASCADE COUNTY  
GREAT FALLS, MONTANA**

**FINANCIAL AND COMPLIANCE REPORT**

**Fiscal years Ended June 30, 2013 & 2014**

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

**PO BOX 1980  
Billings, Montana 59103**

North Central Learning Resource Center Cooperative  
 Cascade County  
 Great Falls, Montana 59401

TABLE OF CONTENTS	Page No
TABLE OF CONTENTS	1
ORGANIZATION - BOARD OF TRUSTEES AND OFFICIALS	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 6
INDEPENDENT AUDITOR'S REPORT	7 - 8
BASIC FINANCIAL STATEMENTS:	
Fiscal Year Ended June 30, 2013	
Statement of Net Position – Fiscal Year 2013	9
Statement of Activities – Fiscal Year 2013	10
Balance Sheet – Governmental Funds and a Reconciliation of the Balance Sheet Governmental Funds to the Statement of Net Position – Fiscal Year 2013	11
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds – Fiscal Year 2013	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities – Fiscal Year 2013	13
Statement of Fiduciary Net Position	14
Fiscal Year Ended June 30, 2014	
Statement of Net Position – Fiscal Year 2014	15
Statement of Activities – Fiscal Year 2014	16
Balance Sheet – Governmental Funds and a Reconciliation of the Balance Sheet Governmental Funds to the Statement of Net Position – Fiscal Year 2014	17
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds – Fiscal Year 2014	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities – Fiscal Year 2014	19
Statement of Fiduciary Net Position	20
Notes to the Financial Statements	21 - 27
INDEPENDENT AUDITOR'S REPORTS:	
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"	28 - 29
Schedule of Findings and Responses	30

North Central Learning Resource Center Cooperative  
Cascade County  
Great Falls, Montana 59401

ORGANIZATION

BOARD OF TRUSTEES FISCAL YEAR 2013

Dean Jardee	Chair
Kathleen Prody	Vice Chair
Dennis Gerke	Trustee
Dave Marzolf	Trustee
LouAnn Gay	Trustee

BOARD OF TRUSTEES FISCAL YEAR 2014

Dean Jardee	Chair
Kathleen Prody	Vice Chair
Dennis Gerke	Trustee
Dave Marzolf	Trustee
Justin Barnes	Trustee
Lori Brown-Chauvet	Trustee

OFFICIALS

Lauri Ingebrigtsen – to Fiscal Year 2013	Director
Jenny Reeves – to Fiscal Year 2014	Director
Sandra Watkins	Clerk
Jamie Bailey/ Betty Kunkel	County Superintendent
John Parker	County Attorney

**MANAGEMENT DISCUSSION AND ANALYSIS  
NORTHCENTRAL LEARNING RESOURCE CENTER  
FOR THE FISCAL YEARS ENDING JUNE 30, 2013, AND JUNE 30, 2014**

**REVENUE and EXPENDITURES:**

Our main source of revenue is from our IDEA (Individuals with Disabilities in Education Act), Part B and Preschool grant; (federal grants for individuals with disabilities) which are administered by the Montana Office of Public Instruction). These grants are used to provide special education services to students in member schools in our cooperative. Member schools include Belt, Centerville, Ulm, Cascade, Deep Creek (currently a nonoperating district), Vaughn, and Sun River Valley Schools. Other funding (Interlocal) is provided from the state and schools we serve, based on number of students that we service, a travel and administrative allotment, a "Match" from the member schools, and an amount for "Quality Educator Payments"—related to the number of qualified staff that we employ. Northcentral also utilizes a Retirement Fund to cover retirement costs of employees paid from the Interlocal Fund—the retirement is funded through a county allocation. Another significant source of funding for Northcentral is Medicaid payments from the state for billable services provided by our professionals to children that are Medicaid eligible. Following is a chart showing the revenues received from our grants and Interlocal Fund for the last ten years:

	IDEA, PART B	IDEA, PRESCHOOL	INTERLOCAL	IDEA ARRA PRESCHOOL & PART B
Fiscal Year 13-14				
Current Alloc.	323,449	10,520	170,506	
Carryover	91,856	7,105	0	
<b>Total</b>	<b>415,305</b>	<b>17,625</b>	<b>170,506</b>	
Fiscal Year 12-13				
Current Alloc.	338,469	11,002	168,046	
Carryover	123,742	7,677	0	
<b>Total</b>	<b>462,211</b>	<b>18,679</b>	<b>168,046</b>	
Fiscal Year 11-12				
Current Alloc.	338,315	11,004	165,662	
Carryover	186,128	8,689	0	
<b>Total</b>	<b>524,443</b>	<b>19,693</b>	<b>165,662</b>	
Fiscal Year 10-11				
Current Alloc.	342,134	11,038	169,675	
Carryover	188,000	5,742	0	
<b>Total</b>	<b>530,134</b>	<b>16,780</b>	<b>169,675</b>	
Fiscal Year 09-10				
Current Alloc.	348,817	11,122	172,143	<i>350,755 Part B*</i>
Carryover	69,906	6,693	0	<i>11,227 Preschool*</i>
<b>Total</b>	<b>418,723</b>	<b>17,815</b>	<b>172,143</b>	
Fiscal Year 08-09				
Current Alloc.	337,303	11,111	175,167	
Carryover	86,558	11,842	0	
<b>Total</b>	<b>423,861</b>	<b>22,953</b>	<b>175,167</b>	
Fiscal Year 07-08				
Current Alloc.	343,213	11,579	172,871	
Carryover	103,832	11,578	0	
<b>Total</b>	<b>447,045</b>	<b>23,157</b>	<b>172,871</b>	
Fiscal Year 06-07				
Current Alloc.	342,726	11,672	161,014	
Carryover	171,085	10,009	0	
<b>Total</b>	<b>513,812</b>	<b>21,682</b>	<b>161,014</b>	
Fiscal Year 05-06				
Current Alloc.	343,638	11,813	148,148	
Carryover	143,802	8,482	0	
<b>Total</b>	<b>487,440</b>	<b>20,295</b>	<b>148,148</b>	
Fiscal Year 04-05				
Current Alloc.	332,924	11,409	145,245	
Carryover	135,949	8,335	0	
<b>Total</b>	<b>468,873</b>	<b>19,744</b>	<b>145,245</b>	

*\*This grant is a two-year grant*

**MANAGEMENT DISCUSSION AND ANALYSIS  
NORTHCENTRAL LEARNING RESOURCE CENTER  
FOR THE FISCAL YEARS ENDING JUNE 30, 2013, AND JUNE 30, 2014**

As you can see from the table shown above, the current allocation of Idea Part B total budget has consistently gone down—in ten years the allocation has decreased \$9,475, but the carryover has decreased by over \$44,000; the Idea Preschool total budget has remained relatively stable, and the Interlocal total budget has increased about \$25,000 in the past two years. Even the casual observer can see funding has not kept pace with increasing operating costs, including salary increases. Also, the Coop has had to discontinue the practice of granting flow-through money to member schools. We always made money available to member schools to cover unanticipated costs on a one-time only basis until they could budget for those costs.

Although a federal grant, IDEA, Part B and Preschool are administered by the Office of Public Instruction (OPI) at the state level. The IDEA, Part B money and Preschool money is requested monthly from the state through E-grants. It is challenging to predict monthly cash flow when requesting money in advance. We have used our Medicaid collections to build up a cash reserve in our Misc. Programs fund of approximately \$200,000. This has served as a cash reserve for us when federal funds are delayed for one reason or another, especially at the beginning of a new fiscal year. During the past two years, we have concentrated on identifying the students who receive speech therapy, occupational therapy, physical therapy, and have personal care paraprofessionals and are Medicaid eligible. We have been aggressively billing for Medicaid services and have significantly increased our annual Medicaid revenue. We are now receiving close to \$50,000/year for Medicaid reimbursements.

The Interlocal money is state and local money and received monthly from the state and once a year from the member schools that pay the “match” which the state requires of them for belonging to the cooperative. We have also been receiving a monthly “Quality Educator” component of funding, which supplements the state funding formula.

The staff was covered by a two-year negotiated contract during the time covered by this audit. The current negotiated contract will not expire until June 30, 2015. Our long-term liability for staff who retires is shown in the long-term liabilities portion of these statements. Currently, our long-term liability has decreased significantly since several long-term staff members have retired in the last five years.

Our child count (the number of special education children served) fluctuates, but corresponds with the overall decrease in student enrollment we are experiencing in our member schools. Although the total count may be less at times, the demand for more extensive services for the students has increased.

**Special Education Child Count**

December 1, 2002	232
December 1, 2003	213
December 1, 2004	209
December 1, 2005	179
December 1, 2006	190
December 1, 2007	181
December 1, 2008	175
October 5, 2009	167
October 4, 2010	166
October 5, 2011	184
October 5, 2012	157
October 7, 2013	159
October 6, 2014	170

In the not too distant past, we provided occupational therapy services through a contract with a licensed Occupational Therapist. The demand for services increased and we hired a part-time Occupational Therapist. The demand continued to grow and we now employ two Occupational Therapist working at .8 FTE (Full Time Equivalent) each. We currently employ 1.0 FTE Psychologist and another working .5 FTE, and are increasing that next fiscal year. We have three Speech Therapists working a total of approximately 2.7 FTE. The Director of the Cooperative works .55 FTE, the secretary is full time, and the clerk works about one day per week. Physical therapy services are provided through a Physical Therapist working as an independent contractor or the local hospital. Her case load has continued to increase. Staff costs and related benefits comprise 65% of our IDEA budget and nearly 100% of our interlocal budget.

**MANAGEMENT DISCUSSION AND ANALYSIS  
NORTHCENTRAL LEARNING RESOURCE CENTER  
FOR THE FISCAL YEARS ENDING JUNE 30, 2013, AND JUNE 30, 2014**

Employees are granted an allowance of \$550/month per full-time equivalent to participate in employer-sponsored health insurance. Two employees have opted to purchase group health insurance. We are a member of Small Schools Alliance Montana Unified School Trust (MUST) health insurance. The coop makes a contribution of \$550/month for a full-time employee to use for health insurance. This group health insurance is an attractive benefit, especially to new employees. Alternatively, if the employee already has health insurance, they may participate in long-term disability insurance, life insurance, long-term care insurance and/or a qualified retirement plan—up to \$475/month per full-time equivalent. We have two 457 Deferred Compensation Plans where the employees money is held in trust by Northcentral Learning Resource Center. On June 30, 2013 in FTJ Fundchoice, LLC, we had a current account value of \$144,237, on June 30, 2014, we had a current account value of \$181,355. On June 30, 2013 Lord Abbett, we had a current account value of \$136,650, on June 30, 2014, we had a current account value of \$100,296.

The cooperative owns one general fixed assets (assets costing over \$5000), a copier purchased with Deferred Maintenance and Energy Efficiency grant money. The copier is being depreciated over seven years, with no salvage value.

Although we don't acknowledge the benefit of computing OPEB for our organization, the computation was easy, considering our limited liability with such small participation in the health insurance plan. We computed an annual contribution of \$364 per month to meet this liability. Our other long-term liability was for compensated absences of \$50,440 on June 30, 2013 and \$23,046 on June 30, 2014. This is the amount that would theoretically be required to pay out all accumulated sick leave and vacation leave on June 30 of the given year. All of this liability was classified as long-term debt since we have no expectations of anyone leaving our employment during the 2015 fiscal year.

**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 Northcentral Learning Resource Center as a Whole**

This report includes two coop-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 of accounting. Activities that are fiduciary in nature are not included in these statements.

- A. The Statement of Net Assets shows the “assets”, “liabilities, and the “net assets” of Northcentral Learning Resource Center. The statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets may be invested in “fixed” or “capital” assets, such as buildings, equipment and other long-lived property, but at this time Northcentral Learning Resource Center has no capital assets; and some assets are available to fund budgets of the following year.
- B. The Statement of Activities shows the amounts of program-specific and general school district revenues used to support Northcentral Learning Resource Center's various functions.

The Statement of Net Assets and the Statement of Activities divide the activities of Northcentral Learning Resource Center into three categories:

Governmental activities—The cooperative functions, including testing instruction, student services, administration, etc. State and federal revenues usually support most of these functions of the cooperative.

Proprietary (business-type) activities—the cooperative has none of these.

Component Units—the cooperative has none of these.

**Reporting the Cooperative Most Significant Funds**

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

**MANAGEMENT DISCUSSION AND ANALYSIS  
NORTHCENTRAL LEARNING RESOURCE CENTER  
FOR THE FISCAL YEARS ENDING JUNE 30, 2013, AND JUNE 30, 2014**

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 Northcentral Learning Resource Center'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 the Interlocal fund. These funds use the modified accrual basis of accounting and represent the majority of the district's activities and programs.

Fund statements include a reconciliation of the governmental fund statements to the district-wide statements. Most significant differences result from the use of different presentation bases. The district-wide statements are presented using the accrual basis of accounting and the fund statements for governmental funds use the modified accrual basis. In addition, general capital assets and general long-term debt (of which Northcentral Learning Resource Center does not have at this time) are reported in the coop-wide statements but not in the fund statements.

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

The district is the trustee, or fiduciary for student extracurricular funds. This report includes the activities in a separate Statement of Fiduciary Net Assets and Changes in Fiduciary Net Assets because the district cannot use these assets to fund its operations. The district is responsible for ensuring these assets are used for their intended purpose.

At this time, Northcentral Learning Resource Center does not have any funds of this type.

**Budget-to-Actual Comparisons**

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

**THE COOPERATIVE AS A WHOLE**

Prior year information is not included in this report, but will be available upon request.

Any questions regarding these statements should be directed to Jenny Reeves, Director or Sandy Watkins, Clerk, at 406-727-6303 or mailed to:

Northcentral Learning Resource Center  
1601 Second Avenue North  
Suite 234  
Great Falls, MT 59401

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

---

INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
North Central Learning Resource Center Cooperative  
Cascade County  
Great Falls, Montana 59401

**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 North Central Learning Resource Center Cooperative (NCLRCC) as of and for the years ended June 30, 2013 and 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 NCLRCC as of June 30, 2013 and 2014, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 - 6) 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2014 on our consideration of NCLRCC'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 NCLRCC internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC  
Great Falls, Montana  
November 24, 2014

North Central Learning Resource Center Cooperative  
Cascade County  
Great Falls, Montana 59401

STATEMENT OF NET POSITION  
as of June 30, 2013

	<u>Governmental Activities 2013</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 215,504
Due From Other Governments	<u>6,317</u>
Total Current Assets	<u>221,821</u>
Noncurrent Assets:	
Net Depreciable Assets	<u>3,299</u>
Total noncurrent assets	<u>3,299</u>
Total Assets	<u>\$ 225,120</u>
LIABILITIES:	
Current Liabilities	
Other Current Liabilities	843
Current Portions Compensated Absences	<u>12,644</u>
Total Current Liabilities	<u>13,487</u>
Noncurrent Liabilities:	
Compensated Absences	<u>37,501</u>
Total noncurrent Liabilities	<u>37,501</u>
Total Liabilities	<u>50,988</u>
NET POSITION:	
Net Investment in Capital Assets	3,299
Restricted	193,264
Unrestricted (deficit)	<u>(22,431)</u>
Total Net Position	<u>174,132</u>
Total Liabilities and Net Position:	<u>\$ 225,120</u>

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

North Central Learning Resource Center Cooperative  
 Cascade County  
 Great Falls, Montana 59401

STATEMENT OF ACTIVITIES  
 as of June 30, 2013

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charge for Services	Operating Grants and Contributions	
<b>GOVERNMENT OPERATIONS</b>				
Support Services	\$ 493,583	\$ -	\$ 493,583	\$ -
Educational Media Services	2,645	-	2,645	-
General Administrative Services	119,495	-	116,441	(3,054)
Total Governmental Activities	<u>615,723</u>	<u>-</u>	<u>612,669</u>	<u>(3,054)</u>
<b>GENERAL REVENUES</b>				
County				22,555
Interest				469
Other				329
Total General Revenues				<u>23,353</u>
Change in Net Position				20,299
<b>Net Position</b>				
Beginning of the Year				<u>153,833</u>
End of the Year				<u>\$ 174,132</u>

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

North Central Learning Resource Center Cooperative  
 Cascade County  
 Great Falls, Montana 59401

BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 as of June 30, 2013

	MAJOR			Total Governmental Funds
	General Fund	Retirement	Miscellaneous Programs	
<b>ASSETS:</b>				
Current Assets:				
Cash and Cash Equivalents	27,714	1,667	186,123	215,504
Due From Other Governments	-	-	6,317	6,317
Total Assets	<u>\$ 27,714</u>	<u>\$ 1,667</u>	<u>\$ 192,440</u>	<u>\$ 221,821</u>
<b>LIABILITIES:</b>				
Current Liabilities				
Other Current Liabilities	-	-	843	843
Total Liabilities	<u>-</u>	<u>-</u>	<u>843</u>	<u>843</u>
<b>FUND BALANCE:</b>				
Fund Balances:				
Restricted	-	1,667	191,597	193,264
Unassigned:	27,714	-	-	27,714
Total Fund Balance	<u>27,714</u>	<u>1,667</u>	<u>191,597</u>	<u>220,978</u>
Total Liabilities and Fund Balance	<u>\$ 27,714</u>	<u>\$ 1,667</u>	<u>\$ 192,440</u>	<u>\$ 221,821</u>

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 220,978
Governmental Capital Assets	3,299
Long-term Liabilities	
Compensated Absences	(50,145)
Net Position of Governmental Activities	<u>\$ 174,132</u>

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

North Central Learning Resource Center Cooperative  
 Cascade County  
 Great Falls, Montana 59401

STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 as of June 30, 2013

	MAJOR			
	General Fund	Retirement	Miscellaneous Programs	Total Governmental Funds
<b>REVENUES:</b>				
Interest	\$ -	\$ -	\$ 469	\$ 469
Other	-	-	329	329
County	-	22,555	-	22,555
State	145,477	-	63,086	208,563
Federal	22,177	-	381,929	404,106
Total Revenues	<u>167,654</u>	<u>22,555</u>	<u>445,813</u>	<u>636,022</u>
<b>EXPENDITURES:</b>				
Current				
Support Services	144,617	21,254	328,412	494,283
Educational Media Services	-	-	2,645	2,645
General Administrative Services	25,970	3,691	88,487	118,148
Total Expenditures	<u>170,587</u>	<u>24,945</u>	<u>419,544</u>	<u>615,076</u>
NET CHANGES IN FUND BALANCES	(2,933)	(2,390)	26,269	20,946
<b>FUND BALANCE:</b>				
Beginning of the Year	30,647	4,057	165,328	200,032
End of the Year	<u>\$ 27,714</u>	<u>\$ 1,667</u>	<u>\$ 191,597</u>	<u>\$ 220,978</u>

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

North Central Learning Resource Center Cooperative  
Cascade County  
Great Falls, Montana 59401

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
as of June 30, 2013

Net Changes in Fund Balance		\$	20,946
Expenses on the Statement of Activity not included in the governmental funds statement:			
Depreciation Expense	(943)		
(Increase) decrease in compensated absence liability	296		(647)
			<u>        </u>
Change in net position reported on the Statement of Activity		\$	<u>20,299</u>

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

North Central Learning Resource Center Cooperative  
Cascade County  
Great Falls, Montana 59401

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
as of June 30, 2013

	<u>Agency Funds</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 1,745
Total Assets	<u>1,745</u>
LIABILITIES:	
Current Liabilities	
Warrants Payable	1,182
Other Current Liabilities	<u>563</u>
Total Liabilities	<u>1,745</u>
NET POSITION:	
Total Net Position	<u>\$ -</u>

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

North Central Learning Resource Center Cooperative  
Cascade County  
Great Falls, MT 59401

STATEMENT OF NET POSITION  
as of June 30, 2014

	<u>Governmental Activities</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 104,156
Due From Other Governments	<u>148,318</u>
Total Current Assets	<u>252,474</u>
Noncurrent Assets:	
Net Depreciable Assets	<u>2,357</u>
Total noncurrent assets	<u>2,357</u>
Total Assets	<u>\$ 254,831</u>
LIABILITIES:	
Current Liabilities	
Current Portions Compensated Absences	<u>12,644</u>
Total Current Liabilities	<u>12,644</u>
Noncurrent Liabilities:	
Compensated Absences	<u>10,402</u>
Total noncurrent Liabilities	<u>10,402</u>
Total Liabilities	<u>23,046</u>
NET POSITION:	
Net Investment in Capital Assets	2,357
Restricted	225,015
Unrestricted (deficit)	<u>4,413</u>
Total Net Position	<u>231,785</u>
Total Liabilities and Net Position:	<u>\$ 254,831</u>

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

North Central Learning Resource Center Cooperative  
 Cascade County  
 Great Falls, MT 59401

STATEMENT OF ACTIVITIES  
 as of June 30, 2014

	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
	Expenses	Operating Charge for Services	
<b>GOVERNMENT OPERATIONS</b>			
Support Services	510,956	-	510,956
Educational Media Services	2,940	-	2,940
General Administrative Services	85,214	-	115,572
Total Governmental Activities	599,110	-	629,468
<b>GENERAL REVENUES</b>			
County			26,402
Interest			270
Other			623
Total General Revenues			27,295
Change in Net Position			57,653
Net Position			
Beginning of the Year			174,132
End of the Year			\$ 231,785

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

North Central Learning Resource Center Cooperative  
 Cascade County  
 Great Falls, MT 59401

BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 as of June 30, 2014

	MAJOR			Total Governmental Funds
	General Fund	Retirement	Miscellaneous	
<b>ASSETS:</b>				
Current Assets:				
Cash and Cash Equivalents	27,459	158	76,539	104,156
Due From Other Governments	-	-	148,318	148,318
Total Assets	<u>\$ 27,459</u>	<u>\$ 158</u>	<u>\$ 224,857</u>	<u>\$ 252,474</u>
<b>LIABILITIES:</b>				
Total Liabilities	-	-	-	-
<b>FUND BALANCE:</b>				
Fund Balances:				
Restricted	-	158	224,857	225,015
Unassigned:	27,459	-	-	27,459
Total Fund Balance	<u>27,459</u>	<u>158</u>	<u>224,857</u>	<u>252,474</u>
Total Liabilities and Fund Balance	<u>\$ 27,459</u>	<u>\$ 158</u>	<u>\$ 224,857</u>	<u>\$ 252,474</u>

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 252,474
Governmental Capital Assets	2,357
Long-term Liabilities	
Compensated Absences	<u>(23,046)</u>
Net Position of Governmental Activities	<u>\$ 231,785</u>

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

North Central Learning Resource Center Cooperative  
 Cascade County  
 Great Falls, MT 59401

STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 as of June 30, 2014

	MAJOR			Total Governmental Funds
	General Fund	Retirement	Miscellaneous	
REVENUES:				
Interest	\$ -	\$ -	\$ 270	\$ 270
Other	-	-	623	623
County	-	26,402	-	26,402
State	147,949	-	40,830	188,779
Federal	23,110	-	417,579	440,689
Total Revenues	<u>171,059</u>	<u>26,402</u>	<u>459,302</u>	<u>656,763</u>
EXPENDITURES:				
Current				
Support Services	163,739	21,105	323,318	508,162
Educational Media Services	-	-	2,940	2,940
General Administrative Services	7,575	6,806	99,784	114,165
Total Expenditures	<u>171,314</u>	<u>27,911</u>	<u>426,042</u>	<u>625,267</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(255)</u>	<u>(1,509)</u>	<u>33,260</u>	<u>31,496</u>
FUND BALANCE:				
Beginning of the Year	<u>27,714</u>	<u>1,667</u>	<u>191,597</u>	<u>220,978</u>
End of the Year	<u>\$ 27,459</u>	<u>\$ 158</u>	<u>\$ 224,857</u>	<u>\$ 252,474</u>

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

North Central Learning Resource Center Cooperative  
Cascade County  
Great Falls, MT 59401

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
as of June 30, 2014

Net Changes in Fund Balance		\$	31,496
Expenses on the Statement of Activity not included in the governmental funds statement:			
Depreciation Expense	(942)		
(Increase) decrease in compensated absence liability	<u>27,099</u>		<u>26,157</u>
Change in net position reported on the Statement of Activity		\$	<u>57,653</u>

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

North Central Learning Resource Center Cooperative  
Cascade County  
Great Falls, MT 59401

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

	<u>Agency Funds</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 26,837
Total Assets	<u>26,837</u>
LIABILITIES:	
Current Liabilities	
Warrants Payable	26,848
Other Current Liabilities	<u>(11)</u>
Total Liabilities	<u>26,837</u>
NET POSITION:	
Total Net Position	<u>\$ -</u>

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

NORTH CENTRAL LEARNING RESOURCE CENTER COOPERATIVE

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The basic financial statements of North Central Learning Resource Center 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 2013 the Cooperative adopted the following:

- GASB Statement No. 61 - The Financial Reporting Entity, which amended GASB Statement No. 14 and No. 34. The amendment amended the criteria for reporting component units. This statement did not represent a change in the Cooperative's reporting entity.
- GASB Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The statement eliminated the need for state and local governments to reference the use of the Financial Accounting Standards Board (FASB) and place all sources of generally accepted accounting principles for state and local governments in a single source.
- GASB Statement No. 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which revised the terminology for financial reporting from “net assets” to “net position” and introduced “deferred outflows/deferred inflows” terminology. There is no effect on the financial statements only a terminology change.
- GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities. This statement made changes in major fund determination and the use of the term “deferred”. For the Cooperative this statement did not require any changes in the financial statement display.

During fiscal years 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. 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. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees. The statement is applicable for fiscal years 2013 and 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 extended any financial guarantees to other parties. This statement has no effect on the financial statements.

The following are a listing of GASB statements which have been issued and the 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. 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 for in administering the school districts' special education programs. It is separate and apart from these school districts for financial reporting purposes. All of the school districts of the Cooperative are represented by a member of the governing board. The Cooperative manages its own operations, personnel, and financial activity.

NORTH CENTRAL LEARNING RESOURCE CENTER COOPERATIVE

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

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 district 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. Grants are recognized when grantor eligibility requirements are met.

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

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

County payments and other revenue sources not properly included with program revenue are reported as general revenues.

1. b. 2 FUND ACCOUNTING

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

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

Revenues from local sources consist primarily membership fees. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Cost reimbursement grant funds are considered to be both measurable and available to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received and the expenditure has not been incurred they are recorded as unearned grant revenues because the revenues are available.

GASB Statement No. 34 requires the general fund be reported as a major fund. Other individual governmental 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:

NORTH CENTRAL LEARNING RESOURCE CENTER COOPERATIVE

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

- 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 membership revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.
- 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.

1. b. 3 OTHER FUND TYPES

Agency Funds – The Agency Funds generally are used to account for assets that the Cooperative holds on behalf of others as their agent in the clearing funds. 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 Cascade 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 so all inventory was included as expenditures at the time of purchase.

1. c. 3 CAPITAL ASSETS

The Cooperative’s property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Historical cost was established at the initial booking of the capital assets by determining actual costs or estimating using standard costing procedures. The 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. Depreciation on capital assets is provided over their estimated useful lives on the straight-line method. The useful lives of these assets have been estimated as follows:

Machinery and Equipment	7 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.

NORTH CENTRAL LEARNING RESOURCE CENTER COOPERATIVE

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

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 \$ 12,644 for fiscal year ended June 30, 2013 and 2014, and it is generally paid out of the general fund.

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.

Fund balance components other than unassigned fund balance consist of the following:

Purpose	June 30, 2013	June 30, 2014
	Restricted	Restricted
Third Party Grantor Restrictions	\$ 191,597	\$ 224,857
Employer Retirement Benefits	1,666	158
Total	<u>\$ 193,264</u>	<u>\$ 225,015</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 the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

1.e. BUDGET

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

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The summary of cash, cash equivalents is as follows:

Account Type	June 30, 2013	June 30, 2014
	Governmental Activities	Governmental Activities
Cash and Cash Equivalents	<u>\$ 215,504</u>	<u>\$ 104,156</u>

Cash resources of the Cooperative are held and managed by the Cascade County treasurer. They are combined with cash resources of other governmental entities within Cascade County to form a pool of cash and cash equivalents. At June 30, 2013 and June 30, 2014 the investments of pooled cash consist primarily of STIP respectively, and are carried at fair value.

NORTH CENTRAL LEARNING RESOURCE CENTER COOPERATIVE

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

NOTE 3. DUE FROM OTHER GOVERNMENTS

<u>Fiscal Year 2013 Fund</u>	<u>Amount</u>	<u>Due From</u>	<u>Reason</u>
Miscellaneous*	\$ <u>6,317</u>	State of Montana	IDEA
<u>Fiscal Year 2014 Fund</u>	<u>Amount</u>	<u>Due From</u>	<u>Reason</u>
Miscellaneous *	\$ <u>148,318</u>	State of Montana	IDEA

\* Denotes Major Funds

NOTE 4. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

4. a. At June 30, 2013, the schedule of changes in general capital assets follows:

<u>Governmental Activities:</u>	<u>Balance</u>			<u>Adjustments/</u>	<u>Balance</u>
	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2013</u>
<u>Depreciable:</u>					
Major Equipment	\$ 6,599	\$ -	\$ -	\$ -	\$ 6,599
<u>Accumulated Depreciation:</u>					
Major Equipment	\$ (2,357)	\$ (943)	\$ -	\$ -	\$ (3,300)
Net Governmental Capital Assets	<u>\$ 4,242</u>	<u>\$ (943)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,299</u>

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

<u>Governmental Activities:</u>	<u>Balance</u>			<u>Adjustments/</u>	<u>Balance</u>
	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2014</u>
<u>Depreciable:</u>					
Major Equipment	\$ 6,599	\$ -	\$ -	\$ -	\$ 6,599
<u>Accumulated Depreciation:</u>					
Major Equipment	\$ (3,300)	\$ (942)	\$ -	\$ -	\$ (4,242)
Net Governmental Capital Assets	<u>\$ 3,299</u>	<u>\$ (942)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,357</u>

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

<u>Function</u>	<u>FY 2013</u>	<u>FY2014</u>
School Administration	\$ <u>943</u>	\$ <u>942</u>

NOTE 5. 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 entities 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 assessed. 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.

NORTH CENTRAL LEARNING RESOURCE CENTER COOPERATIVE

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

NOTE 6. 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.

Both plans issue publicly available annual reports that include financial statements and required supplemental in-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/dao/perb/prb.htm
---	--

For fiscal year ended June 30, 2013 - The PERS rates for employees was 6.9% and for new hires after July 1, 2011, 7.9%. The PERS rate for the State was set at .37%. For the defined contribution plan the rates are the same except only 4.19% of the employer amount is added to the employee account. Employees who elect the defined contribution plan are in control of their investments and the retirement is based upon the cash in their fund. The PERS rate for employers was 6.8%. The TRS rates for employees was 7.15% and the State was set at 2.49%. The TRS rate for employers was 7.47%. The State's contribution to the retirement system qualifies as an on-behalf payment and has not been reported in the Cooperative's financial statements.

For the fiscal year ended June 30, 2014 - The PERS defined benefit contribution rates for employees was 7.9%. The PERS rate for the State was set at .37%. For the defined contribution plan the rates are the same except only 4.19% of the employer amount is added to the employee account. Employees who elect the defined contribution plan are in control of their investments and the retirement is based upon the cash in their fund. The PERS rate for employers was 7.8%. The TRS rates for employees was 8.15% and the State was set at 2.49%. The TRS rate for employers was 8.47%. The State's contribution to the retirement system qualifies as an on-behalf payment and has not been reported in the 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, 2011, 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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
TRS	\$ 64,113	\$ 66,385	\$ 66,273	\$ 71,103
PERS	4,026	3,876	3,890	4,436
Total	<u>\$ 68,139</u>	<u>\$ 70,261</u>	<u>\$ 70,163</u>	<u>\$ 75,539</u>

NOTE 7. CHANGES IN LONG-TERM DEBT

7. a. At June 30, 2013, the schedule of changes in general Long-Term debt follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1, 2012</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, 2013</u>	<u>Due within</u> <u>One Year</u>
Compensated Absences	<u>\$ 50,441</u>	<u>\$</u>	<u>\$ 296</u>	<u>\$ 50,145</u>	<u>\$ 12,644</u>

7. b. 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>
Compensated Absences	<u>\$ 50,145</u>	<u>\$</u>	<u>\$ 27,099</u>	<u>\$ 23,046</u>	<u>\$ 12,644</u>

NORTH CENTRAL LEARNING RESOURCE CENTER COOPERATIVE

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

NOTE 8. OTHER POST EMPLOYMENT BENEFITS

The Cooperative allows retirees to remain on the group health insurance plan. The Cooperative uses a single premium for both active and retired employees resulting in an implicit rate subsidy (the older retiree benefits from the City's blended premium). The Cooperative has not recorded a liability for the implicit rate subsidy as based on an analysis of the cost it is not material to the Cooperative's financial statements. At June 30, 2013 and 2014 the Cooperative had no retired employees on the group insurance plan.

NOTE 9. OPERATING LEASES

The Cooperative has a month by month lease for office space at \$961 per month Total payments and future minimum lease payments are noted below:

Lease Payments	
Year Ending June 30,	
2013 \$	11,532
2014	11,532
2015	8.649

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  
North Central Learning Resource Center Cooperative  
Cascade County  
Great Falls, Montana 59401

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 North Central Learning Resource Center Cooperative (Cooperative) as of and for the years ended June 30, 2013 and 2014, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements and have issued our report thereon dated November 24, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 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 North Central Learning Resource Center 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.

*Strom & Associates, P.C.*

STROM & ASSOCIATES, PC  
Great Falls, Montana  
November 24, 2014

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

---

SCHEDULE OF FINDINGS AND RESPONSES

There were no findings or recommendations in the prior audit report and none for the fiscal years ended June 30, 2013 and 2014.