

GREAT DIVIDE EDUCATION SERVICES

DEER LODGE, MONTANA

AUDITED FINANCIAL STATEMENTS

June 30, 2014



GREAT DIVIDE EDUCATION SERVICES
DEER LODGE, MONTANA

JUNE 30, 2014

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GREAT DIVIDE EDUCATION SERVICES
DEER LODGE, MONTANA

JUNE 30, 2014

ORGANIZATION

Executive Council

Rick Duncan, Chairperson
Dr. Glen Johnson, Vice-Chairman
Rick Chrisman
Jules Waber
Linda Marsh
Dr. Blair Wilding
Cathy Maloney

District

Powell County High School Superintendent
Dillon Elementary District Superintendent
Deer Lodge Elementary Principal
Powell County Superintendent of Schools
Beaverhead County Superintendent of Schools
Lima Superintendent
Butte-Silver Bow County Superintendent of Schools

ADMINISTRATION

Sylvia Mangen
Charlene Anderson

Director
Financial Officer/Clerk



INDEPENDENT AUDITOR'S REPORT

Executive Council
Great Divide Education Services
P. O. Box 48
Deer Lodge, Montana 59722

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Great Divide Education Services (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 of 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Cooperative as of June 30, 2014, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Cooperative's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 23, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, reported on pages 5-11, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cooperative's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 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 7, 2015 on our consideration of the Cooperative's internal control over financial reporting and 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 the 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 the Cooperative's internal control over financial reporting and compliance.

Randall, Hensel & Company
Certified Public Accountants

Missoula, Montana
January 7, 2015

GREAT DIVIDE EDUCATION SERVICES
DEER LODGE, MONTANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

The Great Divide Education Services (Cooperative) is a special education cooperative providing special education services to twenty-six member school districts in seven counties in Southwestern Montana. Management's Discussion and Analysis provides an overview of the Cooperative's financial activities for the fiscal years ended June 30, 2014 and June 30, 2013. Comparisons between the prior and current fiscal year financial data in Management's Discussion and Analysis are rounded to the nearest \$1,000.

FINANCIAL HIGHLIGHTS

The Cooperative's net position increase by 7% as assets exceeded its liabilities by \$771,000 for the audit period.

Net position is comprised of the following:

Capital assets, net of related debt and accumulated depreciation, of \$223,000.

Restricted net assets in the Retirement fund of \$47,000, restricted to only paying the Cooperative's share of retirement plan contributions and payroll taxes.

Unrestricted net assets of \$501,000 represent the portion available to maintain the Cooperatives' continuing obligations.

Total revenues decreased by 11% (\$224,000) overall. General revenues increased by \$14,000 and Program revenues decreased by \$238,000.

USING THIS ANNUAL REPORT

This annual report consists of financial statements for the Cooperative as a whole, with more detailed information for the governmental funds. The statement of net position and the statement of activities provide information about the financial position and activities of the Cooperative as a whole and present a long-term view of the Cooperative's finances (they include capital assets and long-term liabilities). The fund financial statements present a short-term view of the Cooperative's activities (they include only current assets expected to be collected in the very near future and liabilities expected to be paid in the very near future).

THE COOPERATIVE AS A WHOLE

One important question asked about the Cooperative's finances is, "Is the Cooperative better or worse off as a result the year's activities?" The information in the government-wide financial statements helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting (and report depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies. The change in net position (the difference between total assets and total liabilities) over time is one indicator of whether the Cooperative's financial health is improving or deteriorating. However, you need to consider other non-financial factors in assessing the Cooperative's health, such as changes in its member school districts, changes in the federal and state funding of special educational costs, etc. to assess the overall health of the Cooperative.

GREAT DIVIDE EDUCATION SERVICES
DEER LODGE, MONTANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

THE COOPERATIVE AS A WHOLE, continued

Changes in the Cooperative's net position (rounded to the nearest \$1,000) were as follows:

	2014	2013	13/14 Difference	%
Cash	\$ 673,000	\$ 557,000	\$ 116,000	21%
Due from Other Governments	-	61,000	(61,000)	-100%
Capital Assets - Net	223,000	209,000	14,000	7%
Total Assets	<u>\$ 896,000</u>	<u>\$ 827,000</u>	<u>\$ 69,000</u>	8%
Current Liabilities	\$ -	\$ 6,000	\$ (6,000)	
Non-Current Liabilities	\$ 125,000	\$ 98,000	\$ 27,000	28%
Total Liabilities	<u>\$ 125,000</u>	<u>\$ 104,000</u>	<u>\$ 21,000</u>	20%
Net Position	<u>\$ 771,000</u>	<u>\$ 723,000</u>	<u>\$ 48,000</u>	7%
Net Position Consist of:				
Invested in Capital Assets	\$ 223,000	\$ 209,000	\$ 14,000	7%
Net of Related Depreciation				
Restricted	47,000	55,000	(8,000)	-15%
Unrestricted	501,000	459,000	42,000	9%
Net Position	<u>\$ 771,000</u>	<u>\$ 723,000</u>	<u>\$ 48,000</u>	7%

Current assets, comprised of cash and receivables, increased by \$55,000, or 8.9% as a result of daily operations, as compared to the prior year.

The \$14,000 increase in net capital assets is comprised of the changes in accumulated depreciation, disposal of one vehicle, and the purchase of two new vehicles. See the schedule on page 21 for further explanation.

The change in current liabilities is the amount received by the Cooperative from OPI during the previous audit period, but not expended until the fiscal year ended June 30, 2014.

Non-current liabilities of \$125,000 are comprised of the Cooperative's liability for Postemployment Benefits Other Than Pensions.

GREAT DIVIDE EDUCATION SERVICES
DEER LODGE, MONTANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

PROGRAM AND GENERAL REVENUES

The revenues of the Cooperative are classified as program or general revenues. Program revenues consist of charges for services, program-specific operating grants and contributions, and program-specific capital grants and contributions. General revenues are made up of all revenues not required to be reported as program revenues.

Changes in the Cooperative's revenues (rounded to the nearest \$1,000) were as follows:

	2014	2013	13/14 Difference	%
Program Revenues				
Federal Grants	\$ 1,044,000	\$ 1,092,000	\$ (48,000)	-4%
State Revenues	581,000	771,000	(190,000)	-25%
Other Income	8,000	8,000	0	0%
Total Program Revenues	<u>\$ 1,633,000</u>	<u>\$ 1,871,000</u>	<u>\$ (238,000)</u>	-13%

Program revenue for the Cooperative decreased by \$238,000 during the audit period due to the responsibility of the AWARE Program being assumed by the Anaconda School District.

	2014	2013	13/14 Difference	%
General Revenues				
State Quality Educator	\$ 37,000	\$ 40,000	\$ (3,000)	-8%
State Special Education Resources	47,000	16,000	31,000	194%
Other Revenues	5,000	2,000	3,000	
Payments by Member				
Districts-Retirement Fund	46,000	63,000	(17,000)	-27%
Payments by Member Districts	95,000	95,000	0	0%
Total General Revenue	<u>230,000</u>	<u>216,000</u>	<u>14,000</u>	6%
Total Program Revenue	<u>\$ 1,633,000</u>	<u>\$ 1,871,000</u>	<u>\$ (238,000)</u>	-13%
Total Revenue	<u>\$ 1,863,000</u>	<u>\$ 2,087,000</u>	<u>\$ (224,000)</u>	-11%

General revenues increased by \$14,000 due to a recalculation of services provided.

GREAT DIVIDE EDUCATION SERVICES
DEER LODGE, MONTANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Changes in the Cooperative's expenses (rounded to the nearest (\$1,000) were as follows:

	2014	2013	13/14 Difference	%
Expenses:				
Instructional Services	\$ 204,000	\$ 545,000	\$ (341,000)	-63%
Supportive Services	644,000	527,000	117,000	22%
Administration	137,000	124,000	13,000	10%
Operations and Maintenance	61,000	73,000	(12,000)	-16%
Subgrants to Member Districts	741,000	772,000	(31,000)	-4%
Unallocated Depreciation	28,000	25,000	3,000	12%
Total Expenses	1,815,000	2,066,000	(251,000)	-12%
Less Program Revenues	1,633,000	1,871,000	(238,000)	-13%
Net Expenses	182,000	195,000	(13,000)	
Less General Revenue	230,000	216,000	14,000	6%
Change in Net Position	\$ 48,000	\$ 21,000	\$ 27,000	

Instructional and Supportive expenses for the Cooperative decreased by \$224,000 due to the loss of the AWARE Program and the staff of five that provided services in that program.

Approximately \$27,000 of Other Postemployment Benefits expense is recognized in the 2014 government-wide financial statements with approximately \$7,000 of that amount attributed to the Administration expense increase of \$13,000.

Overall there was a \$211,000 decrease in instructional, supportive, and administrative services expenses. The decrease was caused by the loss of the AWARE Program.

Pass-through funds to member districts decreased by \$31,000, due to a Federal funding decrease so allotments to schools were less.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant of the Cooperative's funds.

Major funds are defined as the general fund (Interlocal) and other funds where the assets, liabilities, revenues, or expenditures exceed 10% of the corresponding total for all funds of that category and at least 5% of the corresponding total for all governmental funds combined. In fiscal year 2013/2014, the assets of the miscellaneous programs fund exceeded the 10% and 5% thresholds.

GREAT DIVIDE EDUCATION SERVICES
DEER LODGE, MONTANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

FUND FINANCIAL STATEMENTS, continued

The Cooperative determined the retirement fund should also be identified in the fund financial statements as a major fund.

The governmental funds provide a short-term view of the Cooperative's operations. They are reported using an accounting method called modified accrual accounting, which measures amounts using only cash and other short-term assets and liabilities (receivables and payables) that will soon be converted to cash or will soon be paid with cash.

As shown on page 15, total 2013/2014 governmental fund balances increased approximately \$61,000 and increased approximately \$48,000 in the government-wide net assets on page 13. The difference is explained on page 16.

BUDGET TO ACTUAL COMPARISONS

The Cooperative does not have a legal budget requirement, thus a comparison is not required or presented.

CAPITAL ASSETS

The Cooperative's investment in capital assets, net of accumulated depreciation, as of June 30, 2014 is \$223,000.

During 2013/2014, the Cooperative purchased two new vehicles and disposed of one.

	Vehicles/ Equipment	Building/ Improvements	Land	Total
Capital Assets - 07/01/12	\$ 178,000	\$ 138,000	\$ 20,000	\$ 336,000
Additions	21,000	-	-	21,000
Deletions	(29,000)	-	-	(29,000)
Capital Assets -06/30/13	170,000	138,000	20,000	328,000
Additions	46,000	-	-	46,000
Deletions	(18,000)	-	-	(18,000)
Capital Assets -06/30/14	<u>\$ 198,000</u>	<u>\$ 138,000</u>	<u>\$ 20,000</u>	<u>\$ 356,000</u>
Accumulated Depreciation - 07/01/12	\$ (94,000)	\$ (29,000)	\$ -	\$ (123,000)
Additions	(21,000)	(4,000)	-	(25,000)
Deletions	29,000	-	-	29,000
Accumulated Depreciation - 06/30/13	(86,000)	(32,000)	-	(119,000)
Additions	(24,000)	(4,000)	-	(28,000)
Deletions	13,000	-	-	13,000
Accumulated Depreciation - 06/30/14	<u>\$ (97,000)</u>	<u>\$ (36,000)</u>	<u>\$ -</u>	<u>\$ (133,000)</u>

GREAT DIVIDE EDUCATION SERVICES
DEER LODGE, MONTANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

DEBT ADMINISTRATION

The Cooperative has no debt related to capital assets.

The Cooperative is currently maintaining a balance in our general fund and retirement fund to cover an ongoing liability of a retirement payout. The Master Contract for the Professional staff members reflects the following payout at termination:

5 years – 25 days
10 years – 40 days
15 years – 45 days
20 years – 55 days.

The calculation for the funding source used in this benefit is based on the funding used in the previous five years of employment.

The Cooperative implemented GASB Statement 45 and reports an expense and liability for the “other postemployment benefits” it provides. Retirees of the Cooperative may continue to participate in its group health insurance plan at a premium rate that does not cover all of the related health care costs.

The result is a benefit referred to as an “implicit rate subsidy.” The benefit is considered to be a long-term liability and is recorded on the accrual basis of accounting in the Government-Wide Statements.

As of June 30, 2014, the actuarial accrued liability for Other Postemployment Benefits was \$125,000, all of which was unfunded.

THE FUTURE OF THE COOPERATIVE

The Cooperative will continue to provide special education services to its member districts. The Cooperative is established by state statute and will continue to be funded through interlocal agreements with our member districts, state quality educator, special education grants and federal funds through the Individuals with Disabilities Education Act that includes the Pre-School grant. Interlocal funds may continue to decrease based upon enrollment projections. Rural education entities throughout the state are experiencing an aging population with fewer young families.

In the next few years the Cooperative will experience the retirement of several long-term professional employees which will result in the possible reduction of budget needs in salaries and benefits as new staff are hired.

The Cooperative will continue to update technology and testing materials and provide relevant professional development opportunities for staff.

GREAT DIVIDE EDUCATION SERVICES
DEER LODGE, MONTANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

THE FUTURE OF THE COOPERATIVE, continued

A service pattern change has been implemented with instructional services. This school year, due to caseload and travel requirements, the Cooperative hired an additional speech pathologist and discontinued use of two contracted speech pathologists. The Cooperative will continue to monitor service patterns and needs and modify as the need arises.

CONTACTING THE COOPERATIVE'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Cooperative's finances, comply with finance-related laws and regulations, and demonstrate the Cooperative's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the Cooperative's business office at Great Divide Education Services, 511 Main Street, Deer Lodge, Montana, 59722 or call 406-846-2147.

GREAT DIVIDE EDUCATION SERVICES
DEER LODGE, MONTANA

STATEMENT OF NET POSITION
AS OF JUNE 30, 2014

(With comparative amounts for June 30, 2013)

	<u>2014</u>	<u>2013</u>
ASSETS:		
Current Assets:		
Cash and Investments	\$ 673,072	\$ 557,045
Due from Other Governments	<u>0</u>	<u>61,178</u>
Total Current Assets	<u>673,072</u>	<u>618,223</u>
Capital Assets:		
Less Accumulated Depreciation	<u>356,552</u>	<u>327,814</u>
	<u>(133,226)</u>	<u>(118,673)</u>
Capital Assets - Net	<u>223,326</u>	<u>209,141</u>
Total Assets	<u>\$ 896,398</u>	<u>\$ 827,364</u>
LIABILITIES:		
Current Liabilities:		
Due to Other Governments	\$ 0	\$ 5,795
Other Postemployment Benefits Liability	<u>125,293</u>	<u>98,173</u>
Total Liabilities	<u>\$ 125,293</u>	<u>\$ 103,968</u>
NET POSITION:		
Net Invested in Capital Assets	\$ 223,326	\$ 209,141
Restricted	47,167	55,393
Unrestricted	<u>500,612</u>	<u>458,862</u>
Total Net Position	<u>\$ 771,105</u>	<u>\$ 723,396</u>

The accompanying notes are an integral part
of these financial statements.

GREAT DIVIDE EDUCATION SERVICES
DEER LODGE, MONTANA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

(With Comparative Amounts for June 30, 2013, See Note 1 (K))

	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense)/Revenue and Change in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>2014</u>	<u>2013</u>
GOVERNMENT ACTIVITIES					
Instructional Services	\$ 204,274	\$ 0	\$ 204,274	\$ 0	\$ 0
Supportive Services	643,932	0	643,932	0	0
Administration	137,246	0	137,246	0	0
Operations and Maintenance	61,222	8,550	0	(52,672)	(64,792)
Subgrants to Members	741,481	0	639,175	(102,306)	(105,617)
Unallocated Depreciation	<u>27,624</u>	<u>0</u>	<u>0</u>	<u>(27,624)</u>	<u>(25,077)</u>
Totals	<u>\$ 1,815,779</u>	<u>\$ 8,550</u>	<u>\$ 1,624,627</u>	<u>\$ (182,602)</u>	<u>\$ (195,486)</u>
GENERAL REVENUES					
Member School District Payments				\$ 94,846	\$ 94,695
State- Quality Educator				37,328	39,759
State - Special Education Resources				47,186	15,796
Member Payments - Retirement				45,866	63,097
Other				<u>5,085</u>	<u>2,425</u>
Total General Revenues				<u>\$ 230,311</u>	<u>\$ 215,772</u>
CHANGE IN NET POSITION				\$ 47,709	\$ 20,286
NET POSITION					
Beginning of Year				<u>723,396</u>	<u>703,110</u>
End of the Year				<u>\$ 771,105</u>	<u>\$ 723,396</u>

The accompanying notes are an integral part
of these financial statements.

GREAT DIVIDE EDUCATION SERVICES
DEER LODGE, MONTANA

BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2014

	<u>Major Fund</u>	<u>Major Fund</u>	<u>Major Fund</u>	<u>Total</u>
	General Fund	Misc. Programs Fund	Retirement Fund	
ASSETS:				
Cash and Investments	\$ 77,919	\$ 547,986	\$ 47,167	\$ 673,072
Total Assets	\$ 77,919	\$ 547,986	\$ 47,167	\$ 673,072
LIABILITIES:				
Total Liabilities	\$ 0	\$ 0	\$ 0	\$ 0
FUND BALANCES:				
Restricted	\$ 0	\$ 0	\$ 47,167	\$ 47,167
Assigned	0	547,986	0	547,986
Unassigned	77,919	0	0	77,919
Total Fund Balances	\$ 77,919	\$ 547,986	\$ 47,167	\$ 673,072
TOTAL LIABILITIES AND FUND BALANCES	\$ 77,919	\$ 547,986	\$ 47,167	\$ 673,072

Reconciliation to the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Position:

Total fund balance from above	\$ 673,072
Add capital assets not reported in the fund financial statements	356,552
Less accumulated depreciation not reported in the fund financial statements	(133,226)
Less other postemployment benefits not reported in the fund financial statements	(125,293)
Net Position, End of the Year	\$ 771,105

The accompanying notes are an integral part
of these financial statements.

GREAT DIVIDE EDUCATION SERVICES
DEER LODGE, MONTANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Major Fund</u>	<u>Major Fund</u>	<u>Major Fund</u>	
	General	Misc.	Retirement	
	Fund	Programs	Fund	Total
	Fund	Fund	Fund	
REVENUES:				
Federal Grants	\$ 0	\$ 1,044,341	\$ 0	\$ 1,044,341
State Assistance	375,575	50,793	0	426,368
Member School District Payments	94,846	238,432	45,866	379,144
Other Revenue	0	5,085	0	5,085
Rents	<u>8,550</u>	<u>0</u>	<u>0</u>	<u>8,550</u>
 Total Revenues	 \$ 478,971	 \$ 1,338,651	 \$ 45,866	 \$ 1,863,488
 EXPENDITURES:				
Instructional Services	\$ 150,841	\$ 27,101	\$ 19,823	\$ 197,765
Supportive Services	224,646	375,226	30,501	630,373
Administration	29,563	96,864	3,767	130,194
Operations and Maintenance	0	61,222	0	61,222
Subgrants to Member Districts	102,306	639,175	0	741,481
Capital Outlay	<u>0</u>	<u>41,809</u>	<u>0</u>	<u>41,809</u>
 Total Expenditures	 \$ <u>507,356</u>	 \$ <u>1,241,397</u>	 \$ <u>54,091</u>	 \$ <u>1,802,844</u>
 EXCESS /(DEFICIENCY) OF REVENUES OVER EXPENDITURES	 \$ <u>(28,385)</u>	 \$ <u>97,254</u>	 \$ <u>(8,225)</u>	 \$ <u>60,644</u>
 CHANGE IN FUND BALANCE	 \$ (28,385)	 \$ 97,254	 \$ (8,225)	 \$ 60,644
 FUND BALANCE:				
Beginning of the Year	<u>106,304</u>	<u>450,732</u>	<u>55,392</u>	<u>612,428</u>
End of the Year	<u>\$ 77,919</u>	<u>\$ 547,986</u>	<u>\$ 47,167</u>	<u>\$ 673,072</u>

The accompanying notes are an integral part
of these financial statements.

GREAT DIVIDE EDUCATION SERVICES
DEER LODGE, MONTANA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

Change in fund balances as reported on the governmental funds statement	\$	60,644
Capital outlay expenditures not reported on the government-wide statement		41,809
Expense incurred for Other Postemployment Benefits is reported on the government-wide statement, but not on the governmental funds statement		(27,120)
Depreciation expense on the government-wide statement not reported in the governmental funds statement		<u>(27,624)</u>
Change in net assets on the government-wide statement of activity	\$	<u><u>47,709</u></u>

The accompanying notes are an integral part
of these financial statements.

GREAT DIVIDE EDUCATION SERVICES
DEER LODGE, MONTANA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Great Divide Education Services (Cooperative) was formed by an interlocal agreement between twenty-six school districts located in Beaverhead, Deer Lodge, Granite, Lewis and Clark, Madison, Powell, and Silver Bow Counties.

The Cooperative was formed, as authorized in Montana Codes Annotated (Sections 20-7-451 to 20-7-456), to provide special education services for the member school districts. The Cooperative is solely responsible for its financial affairs and is not a component unit of any member school district. The Attorney General of Montana has issued an opinion that such special education cooperatives, generally, have the same rights, duties, and responsibilities as school districts. The Cooperative is governed by an Executive Council consisting of seven members elected by the Management Board. The Management Board consists of a representative of each school district. The financial statements include operations controlled by the Executive Council. The administrative office for the Cooperative is located in Deer Lodge, Montana.

B. Basis of Presentation and Basis of Accounting

Government-wide Statements - The statement of net position and the statement of activities show information about the overall financial position and activities of the Cooperative.

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

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

Fund Financial Statements - These statements provide information about the Cooperative's funds. The emphasis of fund financial statements is on major governmental funds. Each major fund is displayed in a separate column. The Cooperative has three funds and all three are reported as major funds.

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

GREAT DIVIDE EDUCATION SERVICES
DEER LODGE, MONTANA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

B. Basis of Presentation and Basis of Accounting, continued

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

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

The general fund (Interlocal fund) is required to be reported as a major fund and all other governmental funds whose assets, liabilities, revenues, or expenditures exceed 10% or more of the total for all government funds also be reported as major funds. Accordingly, the Cooperative reports the following major governmental funds:

The *Interlocal fund* is the Cooperative's primary operating fund, which accounts for all financial resources of the Cooperative except those required to be accounted for in other funds.

The *Miscellaneous programs fund* is used to account for federal and state grants and reimbursements received and not accounted for elsewhere.

The *Retirement fund* is used to account for funds received from member districts to pay for the Cooperative's share of employee retirement contributions, social security taxes, and unemployment insurance.

Budgetary comparisons are required to be presented for the interlocal fund and for each major special revenue fund, which has a legally adopted annual budget. The Cooperative does not have a legally adopted budget for the above-mentioned funds; therefore, a budget to actual expenditure comparison is not presented.

C. Cash and Investments

Cash is held by the County Treasurer and pooled with other County cash. The County Treasurer invests the pooled cash pursuant to State law Section 20-9-213[4], MCA. Allowable investments include repurchase agreements, direct obligations of the United States Government, saving or time deposits in a state or national bank, building and loan association, savings and loan association, or credit union insured by the FDIC, FSLIC, or NCUA, located in the state. It is also allowable to invest monies under the State Unified Investment Program (STIP) established in Section 17-6-204, MCA.

GREAT DIVIDE EDUCATION SERVICES
DEER LODGE, MONTANA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

D. Inventories

Supplies obtained during the year are recorded as expenditures at the time of purchase. Inventories are considered immaterial and are not recorded.

E. Prepaid Expense

Prepaid expenditures are recorded in the event the Cooperative pays for goods or services during the fiscal year that are applicable to future periods. The Cooperative had no prepaid expenses for the years ended June 30, 2014 and 2013, respectively.

F. Capital Assets

Capital assets are carried at historical cost. Repair and maintenance costs are not capitalized. Major purchases in excess of \$5,000 are recorded as additions to fixed assets. Additions and betterments to existing buildings are capitalized and recorded as additions to fixed assets. Land is not depreciated.

Other capital assets are depreciated and depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	50 years
Vehicles	7 years

G. Compensated Absences / Contingent Liabilities

Non-certified employees earn vacation ranging from 15 to 24 days per year depending on the individual's years of service and pro-rated for less than full-time employment. Sick leave is earned at a rate of one day per month.

Liabilities, incurred because of vacation and sick leave accumulated by non-certified employees, are considered immaterial, and are not reflected in the financial statements. All unused vacation leave is paid to employees annually in June. Compensated absences for vacations, personal leave, and sick leave are recorded as expenditures in the governmental fund financial statements when taken. Upon termination, employees are paid, at the employee's current salary rate, 100% of unused vacation leave, and 25% of unused sick leave. At June 30, 2014 and 2013, the unpaid accrued liability was \$2,948 and \$5,646 respectively.

For the years ended June 30, 2014 and 2013, Great Divide Education Association members (professional staff) earn 15 days of sick leave and 4 days of personal leave annually, accumulative to 120 days. An Association member, who notifies the Cooperative by June 30 of the previous school year of intent to retire, will be entitled to 25% of their accumulated sick leave paid at their current salary rate to a maximum payout of days identified in the Cooperative's Master Contract with the Association.

GREAT DIVIDE EDUCATION SERVICES
DEER LODGE, MONTANA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

G. Compensated Absences / Contingent Liabilities, continued

Because the member has the right to rescind the right to retire, the liability is not recorded in the financial statements. The estimated unrecorded liability for eligible Association members at June 30, 2014 and 2013 was \$31,543 and \$33,304, respectively.

H. Other Postemployment Benefits

The Cooperative recognizes and reports its postemployment health care benefits in accordance with GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*.

I. Unearned Revenue

Unearned revenue in the governmental fund financial statements is a liability account that reports revenues received in advance of providing goods or services.

J. Fund Balance Reporting for Governmental Funds

The Cooperative recognizes and reports fund balances for governmental funds in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

K. Comparative Totals

The government-wide financial statements include prior-year comparative totals and are not at the level of detail required for a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, these totals should be read in conjunction with the government-wide financial statements for the year ended June 30, 2013 from which they have been derived.

L. Deferred Outflows of Resources, Deferred Inflows of Resource, and Net Position

The Cooperative recognizes and reports transactions that result in the consumption or acquisition of net assets in one period that are applicable to future periods as deferred outflows of resources and deferred inflows of resources, respectively, and distinguishes them from assets and liabilities. Additionally, the Cooperative recognizes and reports as the residual of all other elements presented in the statement of financial position as net position. Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* was implemented by the Cooperative on July 1, 2012.

GREAT DIVIDE EDUCATION SERVICES
DEER LODGE, MONTANA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

M. Items Previously Reported as Assets and Liabilities

The Cooperative has early implemented GASB Statement No. 65 *Item Previously Reported as Assets and Liabilities*. This statement properly classifies certain items that were previously reports as assets and liabilities as deferred outflows of resources or deferred inflows of resources. The account formerly referred to as deferred revenues has been renamed “unearned revenues”.

NOTE 2. CASH AND INVESTMENTS

The Cooperative's cash is deposited with the Powell County Treasurer. The Cooperative participates in the County Treasurer’s investment program. All funds deposited with the County Treasurer are pooled and invested in accordance with State law. Funds are withdrawn from the investment program as needed to pay warrants. Interest-earnings are allocated to the Cooperative based on month-end cash balances and are distributed monthly.

It is not practical to determine the investment risk, collateral, or insurance coverage for the Cooperative’s share of these pooled investments. Information about the pooled investments is included in the Powell County’s annual financial statements.

NOTE 3. RECEIVABLES / DUE FROM OTHER GOVERNMENT

Receivables at June 30, 2014 and 2013 was \$0 and \$61,178, respectively

NOTE 4. CAPITAL ASSETS

Changes in capital assets and accumulated depreciation were as follows:

	June 30, 2013	Additions	Deletions	June 30, 2014
Vehicles and Equipment	\$ 169,568	\$ 45,890	\$ (18,300)	\$ 197,158
Buildings and Improvements	138,097	-	-	138,097
Land	20,149	-	-	20,149
Total	<u>\$ 327,814</u>	<u>\$ 45,890</u>	<u>\$ (18,300)</u>	<u>\$ 355,404</u>
Accumulated Depreciation				
Vehicles and Equipment	\$ (86,218)	\$ (23,807)	\$ 13,071	\$ (96,954)
Building and Improvements	(32,455)	(3,817)		(36,272)
Total	<u>(118,673)</u>	<u>(27,624)</u>	<u>13,071</u>	<u>(133,226)</u>
Net Capital Assets	<u>\$ 209,141</u>	<u>\$ 18,266</u>	<u>\$ (5,229)</u>	<u>\$ 222,178</u>

Capital assets are used by all functions and are not allocated to a specific function.

GREAT DIVIDE EDUCATION SERVICES
DEER LODGE, MONTANA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 5. LONG-TERM DEBT

The Cooperative implemented GASB Statement No. 45 and reports an expense and liability for the other postemployment benefits it provides.

Changes in general long-term debt during the fiscal year ended June 30, 2014 were as follows:

	<u>Balance</u> <u>06/30/13</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/14</u>	<u>Due Within</u> <u>One Year</u>
OPEB Liability	\$ 98,173	\$ 27,120	\$ -	\$ 125,293	\$ -

NOTE 6. RETIREMENT PLANS

The Cooperative participates in two statewide mandatory cost-sharing multiple employer defined benefit retirement plans which cover all employees, except certain substitute teachers and part-time, non-teaching employees. The Montana Teacher's Retirement System (MTRS) covers teaching employees. The Montana Public Employees' Retirement Administration (MPERS) covers other non-teaching employees. The plans are established by State law and are administered by the State of Montana. The plans provide retirement, disability, and death benefits to plan members and beneficiaries. . Effective July 1, 2002, the Montana Public Employees Retirement System permits plan members to elect to transfer a portion of their plan entitlement to a defined contribution plan and have their share of plan contributions deposited to a separate account in a defined contribution plan.

Contribution rates for both plans are required and determined by State law.

Cooperative's required contribution rates for the year ended June 30, 2014.

	<u>Employer</u>	<u>Employee</u>	<u>State</u>	<u>Total</u>
MTRS Tier 1	8.47%	8.15%	2.49%	19.11%
MTRS Tier 2	9.85%	8.15%	2.49%	20.49%
MPERS (member hired before 7/1/2011)	6.80%	6.90%	0.37%	14.07%
MPERS (member hired after 7/1/2011)	7.80%	7.90%	0.37%	16.07%

The amounts contributed to MTRS and MPERS during the years ended June 30, 2012, 2013, and 2014 were equal to the required contribution for each year. The amounts contributed by both the Cooperative and its employees (including additional voluntary contributions by employees as permitted by State law) were as follows:

GREAT DIVIDE EDUCATION SERVICES
DEER LODGE, MONTANA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 6. RETIREMENT PLANS, continued

	2012	2013	2014
MTRS	\$ 94,901	\$ 89,267	\$ 75,636
MPERS	10,175	10,176	13,114
Total	\$ 105,076	\$ 99,443	\$ 88,750

The State contribution qualifies as an on-behalf payment. These amounts have not been recorded in the Cooperative's financial statements and were considered immaterial.

Both plans issue a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained from the following:

Montana Teachers Retirement System
P.O. Box 200139, 1500 Sixth Avenue,
Helena, Montana, 59620-0139,
(406) 444-3134

Montana Public Employees Retirement
P.O. Box 200131, 100 N. Park Avenue
Helena, Montana, 59620-0131
(406) 444-3154

NOTE 7. RESTRICTED NET ASSETS

Restricted Component Net Position - The Cooperative classifies the net position of its retirement fund as restricted component net position because the funds are restricted to only paying the Cooperative's share of retirement plan contributions and payroll taxes.

Generally, the Cooperative applies restricted resources first to expenses when both restricted and unrestricted component net positions are available.

NOTE 8. RISK MANAGEMENT

The Cooperative faces a number of risks including loss or damage to property, general and legal liability, and workers compensation. Commercial insurance policies are purchased for loss or damage to property, general and legal liability, and workers compensation.

NOTE 9. USE OF ESTIMATES

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

GREAT DIVIDE EDUCATION SERVICES
DEER LODGE, MONTANA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 10. FUND BALANCE REPORTING FOR GOVERNMENTAL FUND TYPE

Fund balances are reported in governmental funds under the following categories using the definitions provided by GASB Statement No. 54:

Non-Spendable Fund Balance – includes amounts that cannot be spent because they are either; not in spendable form or are legally or contractually required to be maintained intact. For the year ending June 30, 2014, there were no non-spendable fund balances.

Restricted Fund Balance – includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation. For the year ended June 30, 2014, restricted fund balances are as follows:

Retirement Fund - \$47,167 which is restricted to paying for retirement plan contributions or payroll taxes.

Committed Fund Balance – includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Cooperative's Executive Council. For the year ended June 30, 2014, there are no committed fund balances.

Assigned Fund Balance – includes amounts intended to be used for specific purposes, but do not meet the criteria to be classified as restricted or committed. Intent should be expressed by the governing body or a body or individual to which the governing body has delegated authority to assign amounts to be used for specific purposes. The Executive Council, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The board also delegates the power to assign fund balances to the Cooperative Director and Business Manager/Clerk. For the year ended June 30, 2014, assigned fund balances are as follows:

Miscellaneous - \$547,986 which is assigned to fund the general operations of the Cooperative and utilized to provide special education services to member districts.

Unassigned Fund Balance – includes the residual classification for the Cooperative's general fund and includes all spendable amounts not contained in the other classifications. For the year ended June 30, 2014, unassigned fund balances are as follows:

General Fund - \$77,919

If resources from more than one fund balance classification could be spent, the Cooperative will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned.

GREAT DIVIDE EDUCATION SERVICES
DEER LODGE, MONTANA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

The Cooperative has adopted the provisions of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pension Plans*. GASB 45 requires employers to calculate the actuarial liability for future retiree benefits and the annual required contribution (ARC) for Retirees. Retirees of the Cooperative may continue to participate in its group health insurance plan at a premium rate that does not cover all of the related health care costs. The result is a benefit referred to as an “implicit rate subsidy.” The benefit is considered to be a long-term liability and is recorded on the modified accrual basis of accounting for governmental funds, and on the accrual basis of accounting for proprietary funds and the Government-Wide Statement of Net Assets and Activities.

Plan Description: The Cooperative provides defined-benefit health coverage to its employees through the Revised Major Medical Plan provided by the Montana Unified School Trust (MUST). MUST has designated the Montana School Services Foundation (MSSF) as the Plan Administrator to manage the operation and administration of the Plan.

As required by State law (MCA 2-18-704), the Cooperative provides its employees who retire, along with their eligible spouses and dependents, the option to continue to participate in the Cooperative’s group health insurance plan until the retiree becomes eligible for Medicare coverage. To continue the coverage, the retirees are required to pay the full amount of the premium. State law does not require the Cooperative to provide the same premium rates to retirees as it pays for its active employees, nor does it require the Cooperative to pay any portion of the retiree premiums. Premium rates and healthcare benefits may be administratively altered at the end of any contract year.

To receive a copy of the MUST Annual Report, contact MSSF at the following address:

MSSF/MUST
PO Box 4579
Helena, MT 59604-4579

Funding Policy: The Cooperative funds the benefits on a pay-as-you-go basis from the general assets. The Cooperative pays 100% of the health insurance premium for its active employees, spouses, and dependents and nothing to the premium for its retirees. For the fiscal year ended June 30, 2013, the Cooperative contributed \$186,996 to the Plan.

Annual OPEB Cost and Net OPEB Obligation: The Cooperative’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The Cooperative has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The annual OPEB cost (expense) for the year ended June 30, 2014, is \$27,120. There have been no contributions to the plan. The OPEB obligation at June 30, 2014, was \$125,293.

GREAT DIVIDE EDUCATION SERVICES
DEER LODGE, MONTANA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

Funded Status and Funding Progress: The alternative measurement method value date was July 1, 2012. The alternative measurement method accrued liability was \$125,293, which was 24.2% of the 2014 annual covered payroll of \$518,049 and \$98,173, which was 14.1% of the 2013 annual covered payroll of \$699,903. None of the liability was funded.

The projection of future benefit payments for an ongoing plan involves estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subjected to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Cost Method: The actuarial funding method used to determine the cost of the Cooperative's Employee Group Benefits Plan is the projected unit credit funding method. The objective under this method is to fund each participant's benefits under the plan as they accrue. Thus, the total benefit to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credit service. Typically when this method is introduced, there will be an initial liability for benefits credited for service prior to that date, and to the extent that the liability is not covered by assets of the plan, there is an unfunded liability to be funded over a stipulated period in accordance with an amortization schedule.

Actuarial Assumptions

Interest/Discount Rate	4.25%
Projected Payroll Increases	2.50%
Participation	45% of future retirees are assumed to elect medical coverage
Mortality - Healthy	For PERS, Mortality is assumed to follow the RP2000 Healthy Combined Mortality Table projected to 2015 using Scale AA. For MTRS, Mortality is assumed to follow the RP200 Healthy Combined Mortality Table projected to 2008 using Scale AA with a set back of three years for males and two years for females.
Mortality - Disabled	For PERS, Mortality is assumed to follow the RP2000 Healthy Combined Mortality Table with no projections. For MTRS, Mortality is assumed to follow the RP2000 Disabled Mortality Table projected to 2008 using Scale AA with a set back of three years for males and a set forward of three year for females.
Turnover Assumption	Standard turnover assumptions per GASB 45, paragraph 35b.

GREAT DIVIDE EDUCATION SERVICES
DEER LODGE, MONTANA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

Health Care Cost Trend Rates	<u>Plan Year</u>	<u>Medical and Prescription Drugs</u>
	2013	10.0%
	2014	9.5%
	2015	9.0%
	2016	8.5%
	2017	8.0%
	2018	7.5%
	2019	7.0%
	2020	6.5%
	2021	6.0%
	2022	5.5%
	2023+	5.0%

Aging Factors

Aging Factors are used to adjust the per capita claims cost. Percentages shown below age 65 reduce the claims cost. Percentages shown above age 65 increase the claims cost.

<u>Attained Age</u>	<u>Medical</u>
<65	4.0% for each age
65+	3.0% for each age

GREAT DIVIDE EDUCATION SERVICES
DEER LODGE, MONTANA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

Retiree Contributions

The following retiree contributions are a weighted average of all retiree contributions for the period July 1, 2012 to June 30, 2013:

<u>Medical and Prescription Drug</u>	<u>Retiree / Surviving Spouse</u>	<u>Spouse</u>
Before Medicare Eligibility	\$ 9,636	\$ 9,636
After Medicare Eligibility	\$ 5,340	\$ 5,304

Retiree Contributions Increases

<u>Medical and Prescription Drugs</u>	<u>Retiree / Surviving Spouse</u>	<u>Spouse</u>
<u>Plan Year</u>		
2013	10.0%	10.0%
2014	9.5%	9.5%
2015	9.0%	9.0%
2016	8.5%	8.5%
2017	8.0%	8.0%
2018	7.5%	7.5%
2019	7.0%	7.0%
2020	6.5%	6.5%
2021	6.0%	6.0%
2011	5.5%	5.5%
2023+	5.0%	5.0%

There have been two changes to the assumptions since the prior valuation. Mortality rates have been revised per the Public Employees' Retirement System and Teachers Retirement System pension valuations as of July 1, 2012. Also, the service retirement eligibility requirements for members hired on or after July 1, 2011, per MCA 19-3-901 and 19-3-902 have been applied.

SUPPLEMENTAL SCHEDULE

Supplemental Schedule
GREAT DIVIDE EDUCATION SERVICES
Deer Lodge, Montana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

FEDERAL SOURCE Pass-Through Source Cluster Program Name	AWARD AMOUNT	GRANT OR PASS-THROUGH NUMBER	CFDA NUMBER	FEDERAL EXPENDITURES
Department of Education				
Montana Office of Public Instruction				
Special Education Cluster				
IDEA Part B: Handicapped - FY 2013 - 2014	\$ 1,094,700	3997037714ALLO	84.027A	\$ 0
FY 2012 - 2013 Carryover	<u>1,124,230</u>	3997037713ALLO		<u>994,033</u>
Total	<u>2,218,930</u>			<u>994,033</u>
IDEA Preschool - FY 2013 - 2014	\$ 64,773	3997037914ALLO	84.173A	\$ 0
FY 2012 - 2013 Carryover	<u>89,475</u>	3997037913ALLO		<u>50,308</u>
Total	<u>154,248</u>			<u>50,308</u>
Total Department of Education/Special Education Cluster	\$ <u>2,373,178</u>			\$ <u>1,044,341</u>
Total Expenditures of Federal Awards				\$ <u>1,044,341</u>

NOTE 1. BASIS OF ACCOUNTING

Federal Grant funds are accounted for using the modified accrual basis of accounting as described in "Notes to the Financial Statements" , Note 1.B.

NOTE 2. Expenditures for IDEA Part B: Handicapped and IDEA Preschool include subgrants to school districts as shown below:

<u>IDEA Part B</u> <u>CFDA No. 84.027A</u>		
Anaconda Public Schools		\$ 263,000
Deer Lodge Elementary #1		110,222
Dillon Elementary #10		<u>148,743</u>
Total		\$ <u>521,965</u>
<u>IDEA Preschool</u> <u>CFDA No. 84.173A</u>		
Anaconda Public Schools		\$ 12,388
Deer Lodge Elementary #1		7,783
Dillon Elementary #10		<u>7,379</u>
Total		\$ <u>27,550</u>
Total Subgrants		\$ <u>549,515</u>



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

Independent Auditor's Report

Executive Council
Great Divide Education Services
P.O. Box 48
Deer Lodge, Montana 59722

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Great Divide Educational Services (Cooperative), which comprise the financial statements of the governmental activities, each major fund, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements as listed in the table of contents and have issued our report thereon dated January 7, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 Cooperative's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Randall, Hensel & Company
Certified Public Accountants
Missoula, Montana
January 7, 2015



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

Independent Auditor's Report

Executive Council
Great Divide Education Services
P.O. Box 48
Deer Lodge, Montana 59722

Report on Compliance for Each Major Federal Program

We have audited Great Divide Educational Services' (Cooperative) 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 the Cooperative's major federal programs for the year ended June 30, 2014. The 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 the 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 the 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 the Cooperative's compliance.

Opinion on Each Major Federal Program

In our opinion, the Cooperative 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 the 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 the Cooperative's internal control over compliance with the 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 the 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, noncompliance 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.

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.

Randall, Hensel & Company
Certified Public Accountants

Missoula, Montana
January 7, 2015

GREAT DIVIDE EDUCATION SERVICES
Deer Lodge, Montana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2014

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:
• Material weakness (es) identified? _____ yes X no
• Significant deficiency (ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:
• Material weakness (es) identified? _____ yes X no
• Significant deficiency (ies) identified? _____ yes X none reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ yes X no

CFDA Number _____ Name of Federal Program or Cluster _____

Special Education Cluster, Department of Education

84.027A IDEA Part B: Handicapped
84.173A IDEA Preschool

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes _____ no

GREAT DIVIDE EDUCATION SERVICES
Deer Lodge, Montana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2014

SECTION II—Financial Statement Findings

There were no findings required to be reported in the current year.

SECTION III—Federal Award Findings and Questioned Costs

There were no findings required to be reported in the current year.

Status of Prior Year Findings

There were no prior year findings required to be reported.