

To the Finance and Operations Committee of the Board of Trustees  
Missoula County Public Schools  
Missoula, Montana

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Missoula County Public Schools (the District) for the year ended June 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133 as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 10, 2011. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. The District adopted GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011. The effect was to change the fund balance classifications from reserved, unreserved, designated, and undesignated for governmental funds to nonspendable, restricted, committed, assigned, or unassigned. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

Management's estimate of the actuarial liability for other post-employment benefits (OPEB). We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the OPEB and net asset disclosures.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes the uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 1, 2012.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We wish to thank the District personnel for their hospitality and assistance. We appreciate the accommodations and especially appreciate the time and assistance provided by Dan Parrish, Sam Cole, Trish Kirschten, Stacey Rossmiller, and Pat McHugh.

This information is intended solely for the use of Finance and Operations Committee of the Board of Trustees, the Board of Trustees, and management of Missoula County Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson Zurmuehlen & Co., P.C.*

Missoula, Montana  
March 1, 2012

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**Summary of Uncorrected Differences**  
**Year Ended June 30, 2011**

	<u>Debit</u>	<u>Credit</u>
<b>INTERNAL SERVICE FUND</b>		
Receivable from agency fund	\$280,786	
Revenues/expenses		\$280,786
<b>AGENCY FUNDS</b>		
Assets	\$280,786	
Liability to internal service fund		\$280,786
To segregate retiree amounts from the internal service fund into an agency fund.		