

**The accompanying financial statements and report are intended for the original recipient. They must be presented in their entirety and may not be modified in any manner.**



**MISSOULA COUNTY PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1  
FINANCIAL REPORT  
JUNE 30, 2014**



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MISSOULA COUNTY PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1

2013–2014

ORGANIZATION

BOARD OF TRUSTEES

Board Chair..... Joseph Knapp Jr.  
Vice Chair/Elementary..... Michael Smith  
Vice Chair/Secondary ..... Marcia Holland  
Trustee..... Michael Beers  
Trustee..... Ann Wake  
Trustee..... Debbie Dupree  
Trustee..... Heidi Kendal  
Trustee..... Diane Lorenzen  
Trustee..... Jim Sadler  
Trustee..... Jennifer Newbold  
Trustee..... Julie Tompkins

OFFICERS

District Superintendent ..... Dr. Alex Apostle  
Director, Business Services/Clerk of Board ..... Pat McHugh  
County Superintendent of Schools..... Dr. Erin Lipkind  
County Attorney..... Fred Van Valkenburg

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Missoula County Public Schools  
School District No. 1  
Missoula, Montana

### **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 Missoula County Public Schools, School District No. 1 (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District'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 the Missoula County Public Schools, School District No. 1, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 5–14), employee group benefits plan – other postemployment benefits (page 47) and budgetary comparison – general funds (pages 48–49) information 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 District's basic financial statements. The supplementary information required by the Montana Office of Public Instruction on pages 50-65 and the other supplementary information on pages 66-73 is presented for additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards 74-76 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supplementary information required by the Montana Office of Public Instruction and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing



standards generally accepted in the United States of America. In our opinion, the supplementary information required by the Montana Office of Public Instruction and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Prior-Year Comparative Information*

We have previously audited the District's June 30, 2013, financial statements, and we expressed unmodified opinions in our report dated March 11, 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2015, on our consideration of the District'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 the District's internal control over financial reporting and compliance.

*Anderson Zurmuehlen + Co, P.C.*

Missoula, Montana  
March 13, 2015

MISSOULA COUNTY PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2014

The discussion and analysis of Missoula Public School District, School District No. 1 (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**FINANCIAL HIGHLIGHTS**

During the 2014 fiscal year, the District's General Fund budgets grew by approximately \$1,515,000 or 2.57%. This increase was due to changes in ANB and a 1.71% inflationary increase in the basic and per ANB (student) entitlements. The ANB (student enrollment) increased by 122 in the Elementary District and the General Fund increased by \$1,250,871. The ANB in the High School District, on the other hand, decreased by 37, and the General Fund increased by only \$264,096. With the budgetary increases, the Board adopted maximum budgets of \$33,299,823 in the Elementary District, and \$27,184,691 in the High School District.

During 2014, the District acquired and constructed approximately \$416,000 in capital assets. The District also experienced an unprecedented number of retirements, including nearly 50 certified staff and administrators. The total severance paid from the General Fund, Retirement Fund, and Compensated Absences Fund for both districts totaled more than \$2,000,000.

**USING THIS FINANCIAL REPORT**

**Reporting the District as a Whole**

This report includes two District-wide statements that focus on operations of the District as a whole. These statements measure inflows and outflows using an economic resources measurement focus and the accrual basis of accounting. The *accrual basis of accounting* is similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash was received or paid.

The *Statement of Net Position* (pages 15 and 16) presents the "assets" (what is owned), "liabilities" (what is owed) deferred inflows and the "net position" (the resources that would remain if all obligations were settled) of the District. The statement categorizes assets. 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 are invested in "fixed" or "capital" assets, such as buildings, equipment, and other long-lived property; and some assets are available to fund budgets of the following year. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

MISSOULA COUNTY PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
Year Ended June 30, 2014

The *Statement of Activities* (page 17) presents information showing how the net position of the District changed during the most recent fiscal year.

The Statement of Net Position and the Statement of Activities provide information about the District's school functions, such as instruction, student services, administration, etc. Property taxes, state revenues, and federal revenues support most of these functions of the District. The District has no business-type activities.

**Reporting the District's Most Significant Funds**

Fund financial statements provide detailed information about the funds used by the District. State law and Generally Accepted Accounting Principles (GAAP) establish the fund structure of school districts. State law generally requires school districts to segregate money generated for certain specific purposes, like transportation, retirement, and debt service, in separate funds.

The fund financial statements report balances and activities of the "major" funds separately and combine activities of less significant funds under a single category. Significance of funds is determined by the proportional size of the fund, the relative importance of the activities of the fund to the school district's operations, and the existence of legal budget requirements.

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance are presented for governmental funds, such as the general fund, special revenue funds, debt service funds, and capital projects funds. 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 basis. The District-wide statements are presented using the accrual basis of accounting and the fund statements for governmental funds are presented using the modified accrual basis. In addition, general capital assets and general long-term debt is reported in the District-wide statements but not in the fund statements.

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

The District is the trustee, or fiduciary, for reporting the elementary and high school endowment funds and the elementary and high school student extracurricular funds. This report includes the activities in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position (pages 25 and 26). These activities are reported in this statement 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.

MISSOULA COUNTY PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
Year Ended June 30, 2014

**GENERAL FUND BUDGET**

There were no significant variations between the original budget and the final budget. In addition, there were no significant variations between the final budget and actual expenditures. The District does try to budget certain accounts like utility accounts at a higher than average level so that, in a "worst case" year, adequate budget will be available to cover those excess costs. In a normal year, these accounts will have excess budget, which is then utilized to purchase textbooks and instructional supplies for new curriculum adoptions. The amount of these available excess funds is normally in the range of \$200,000 to \$500,000, and the District always has more needs for the benefit of its students than funds available. This is the main reason for budget transfers, though the transfers are relatively insignificant in relation to the General Fund budget. Fiscal year 2014 was somewhat of an anomaly in that there were no excess funds to purchase textbooks and instructional supplies given the cost of retirements. The District also utilized some "soft money" sources to help cover the retirements. "Soft money" sources are typically deposited into the Miscellaneous Programs Fund, a portion of which has been accumulated and carried over year-to-year for unforeseen obligations.

**THE DISTRICT AS A WHOLE**

Net position may serve as a useful indicator of a district's financial position. It is the amount by which assets exceed liabilities. District assets exceeded liabilities by approximately \$38.4 million at the close of the most recent fiscal year. The District's net position decreased by approximately \$1,400,000 as a result of operations for the fiscal year ended June 30, 2014. The cause of this decline is the result of several items. First, the District used accumulated "soft money" sources to help pay severance for the larger than normal number of retirements.

A second contributing item to the reduction in net position was caused by General Fund expenses exceeding revenues by nearly \$700,000. Part of this was due to tax collections being less than budget by approximately \$179,000 in the Elementary District and \$84,000 in the High School District. Another part of this deficiency had to do with the GAAP adjustment to properly account for the change in obligations outstanding at the end of FY13 and FY14. The change in obligations was approximately \$435,000.

A third item contributing to the reduction in net position was the provision of HB377, approved by the 2013 Montana Legislature compelling school districts to remit excess Retirement Fund reserves to the Teachers' Retirement System (TRS). Excess Retirement Fund reserves resulted from the Legislative reduction of allowable Retirement Fund reserves from 35% to 20%. The funds were remitted just after the first quarter of the 2014 fiscal year. The District remitted approximately \$550,000 to TRS.

A final item contributing to the reduction in net position was the fact that the District's Other Post-Employment Benefits (OPEB) obligation increased by nearly \$700,000. This increase is discussed in a later section.

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(CONTINUED)**  
 Year Ended June 30, 2014

Offsetting or mitigating the reductions in financial position was the operating performance of the District's Health Insurance Trust Fund. The Trust Fund revenues exceeded expenses by approximately \$1,100,000 for fiscal year 2014.

Table 1 summarizes the District's financial position.

*Table 1*

|                                  | <u>2014</u>          | <u>2013</u>          | <u>Variance</u>       |
|----------------------------------|----------------------|----------------------|-----------------------|
| <b>ASSETS</b>                    |                      |                      |                       |
| Current assets                   | \$ 27,427,946        | \$ 28,367,783        | \$ (939,837)          |
| Capital assets                   | 38,763,511           | 39,893,576           | (1,130,065)           |
| Other assets                     | <u>-</u>             | <u>55,554</u>        | <u>(55,554)</u>       |
| Total assets                     | <u>66,191,457</u>    | <u>68,316,913</u>    | <u>(2,125,456)</u>    |
| <b>LIABILITIES</b>               |                      |                      |                       |
| Current liabilities              | 5,893,425            | 5,967,063            | (73,638)              |
| Noncurrent liabilities           | <u>21,464,414</u>    | <u>22,094,877</u>    | <u>(630,463)</u>      |
| Total liabilities                | <u>27,357,839</u>    | <u>28,061,940</u>    | <u>(704,101)</u>      |
| <b>NET POSITION</b>              |                      |                      |                       |
| Net investment in capital assets | 29,665,672           | 29,588,095           | 77,577                |
| Restricted                       | 8,012,571            | 7,450,440            | 562,131               |
| Unrestricted                     | <u>773,243</u>       | <u>2,779,716</u>     | <u>(2,006,473)</u>    |
| Total net position               | <u>\$ 38,451,486</u> | <u>\$ 39,818,251</u> | <u>\$ (1,366,765)</u> |

Current assets are comprised mostly of cash and property taxes receivable. Current assets declined by approximately \$940,000 or 3.3%. This reduction was the result of the aforementioned items, including the higher than normal number of retirements, the General Fund expenses exceeding revenue, the reduction in the Retirement Fund reserves, and the offsetting gain in the Health Insurance Trust Fund. The combination of these four items approximates \$850,000.

Noncurrent assets include all land owned by the District and buildings and equipment costing \$5,000 or more. Noncurrent assets decreased by more than \$1,100,000. This change was the net result of depreciation expense totaling nearly \$1,546,000 and equipment purchases and land and building improvements totaling \$416,000.

Current liabilities consist of non-bond items that are owed as of the financial statement date and are expected to be paid within the next twelve months. Current liabilities remained at the same approximate level in fiscal year 2014 as compared to the prior year.

MISSOULA COUNTY PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
Year Ended June 30, 2014

Noncurrent liabilities consist of all bond liabilities, the compensated absences expected to be paid in more than 12 months, and notes payable. Noncurrent liabilities decreased by approximately \$685,000 in the 2014 fiscal year. This decrease was the combined result of the reclassification of \$1,195,000 in bond principal from noncurrent to current and the increase in the Other Post-Employment Benefits (OPEB) liability of approximately \$687,000.

Some net position is restricted for capital projects and some is restricted for debt service. The Net Investment in Capital Assets portion of net position remained relatively unchanged compared to the prior year. The increase of \$77,000 was due to the fact that the total of principal payments on bonds coupled with the total cost of capital assets purchased were approximately the same in amount as the depreciation expense for the year. Capital Assets purchased during the fiscal year are described in reasonable detail in a later section titled "Capital Asset and Debt Administration."

Restricted net position increased by \$562,000, primarily the result of revenues exceeding expenses in the District's Building Reserve Capital Projects Funds. Approximately \$637,000 of the increase was due to the fact that in the early years of the Building Reserve levies, the District expended a significant amount of funds for the construction of new classrooms as well as deferred maintenance projects. There were reserves in those funds which were used to help carry the projects until the tax levy collections were received. In the later years of the Building Reserve projects, spending is scaled back in order to restore the reserve balance. Those reserves have accumulated over many years and are in place to help in emergency situations where, for example, an old boiler might fail.

Governmental Activities

In Montana, school districts must seek voter approval for additional levy authority to operate the school district over what was approved in prior years and what will be received from the state. The amount that school districts can levy for operating expenses in the General Fund is limited by state law. Overall, local property tax collections made up 39 percent of revenues for governmental activities for Missoula County Public Schools for fiscal year 2014 as well as for 2013.

The major categories of expenses are presented on Table 4 at page 12. Of these expenses, the largest function is instruction, which comprises 57 percent of total District expenses.

Spending Levels Compared to Resource Levels

As shown on page 20, expenses for governmental funds exceeded the total revenues for the District by approximately \$2,077,000 in the 2014 fiscal year.

As shown in Table 2, total general revenue increased in fiscal year 2014 by approximately \$3,000,000 (4%). This increase is primarily the result of the following three factors: First, the growth in Elementary enrollment increased General Fund revenue from state and local sources by approximately \$1,100,000; second, new Technology Fund levies were approved - the increase in levy was approximately \$850,000; and, third, due to growth in staff compensation as well as

MISSOULA COUNTY PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
Year Ended June 30, 2014

increases in the state retirement rates, the retirement budgets grew by nearly \$1,300,000. This increase in Retirement Funds is almost exclusively funded by general revenue in the form of a countywide tax levy.

Program revenue decreased by more than \$740,000 or 3.55% compared to the prior year. One cause for this was the phasing out of the Comprehensive Services for Personnel Development (CSPD) program. This program was a regional program in Montana promoting the in-service/training of staff working in special education. It was a program that was put in place in Missoula County Public Schools through the State of Montana. In the current year, the District requested that this program be placed in the hands of the State. This transition began in the current year, and the revenue was down by around \$140,000 due to this change.

Program revenue was also lower in 2014 compared to 2013 because less money was expended from the Shape P-20 grant. The Shape P-20 grant was awarded to the District and the University of Montana by the Dennis and Phyllis Washington Foundation. The grant is a three year grant totaling more than \$1,500,000. The grant funds are intended to support the District's 21<sup>st</sup> Century School initiatives. Approximately \$130,000 less was received and expended in FY14.

The other major change in program revenue worth noting was the \$200,000 grant from the State of Montana to aid in the installation of a new boiler system at Lewis and Clark Elementary School. That grant was awarded and recognized as program revenue in the 2013 fiscal year. There was no similar grant in the 2014 year.

Table 2

|                         | <u>2014</u>          | <u>2013</u>          | <u>Variance</u>       |
|-------------------------|----------------------|----------------------|-----------------------|
| REVENUES                |                      |                      |                       |
| General revenues        | \$ 74,577,822        | \$ 71,578,830        | \$ 2,998,992          |
| Program revenues        | <u>20,152,517</u>    | <u>20,894,369</u>    | <u>(741,852)</u>      |
| Total revenues          | 94,730,339           | 92,473,199           | 2,257,140             |
| EXPENSES                |                      |                      |                       |
| Governmental activities | <u>96,097,104</u>    | <u>91,114,729</u>    | <u>4,982,375</u>      |
| CHANGE IN NET POSITION  | (1,366,765)          | 1,358,470            | (2,725,235)           |
| BEGINNING NET POSITION  | <u>39,818,251</u>    | <u>39,074,836</u>    | <u>743,415</u>        |
| ENDING NET POSITION     | <u>\$ 38,451,486</u> | <u>\$ 40,433,306</u> | <u>\$ (1,981,820)</u> |

Table 2 reflects the total revenue increase of approximately \$2,257,000 as the result of the changes in program revenues and general revenues.

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(CONTINUED)**  
 Year Ended June 30, 2014

Table 3

|                         | <u>2014</u>          | <u>2013</u>          | <u>Variance</u>     |
|-------------------------|----------------------|----------------------|---------------------|
| <u>General Revenues</u> |                      |                      |                     |
| District tax-levies     | \$ 29,045,326        | \$ 27,986,664        | \$ 1,058,662        |
| Missoula County         | 8,465,062            | 7,615,804            | 849,258             |
| State of Montana        | 37,019,302           | 35,831,709           | 1,187,593           |
| Investment earnings     | 24,623               | 43,484               | (18,861)            |
| Other revenues          | <u>23,509</u>        | <u>101,169</u>       | <u>(77,660)</u>     |
| Total general revenues  | <u>\$ 74,577,822</u> | <u>\$ 71,578,830</u> | <u>\$ 2,998,992</u> |

|                                    | <u>2014</u>          | <u>2013</u>          | <u>Variance</u>     |
|------------------------------------|----------------------|----------------------|---------------------|
| <u>Program Revenues</u>            |                      |                      |                     |
| Charges for services               | \$ 1,650,003         | \$ 1,770,088         | \$ (120,085)        |
| Operating grants and contributions | <u>18,502,514</u>    | <u>19,124,281</u>    | <u>(621,767)</u>    |
| Total program revenues             | <u>\$ 20,152,517</u> | <u>\$ 20,894,369</u> | <u>\$ (741,852)</u> |

**ANALYSIS OF FINANCIAL INFORMATION**

The following analysis is provided to help the reader understand the major operations of the District; where the resources come from; what the resources are used for; and trends, decisions, and events that are expected to affect the District's financial situation in the future.

*What does the District do?* The District provides education for children in grades kindergarten through 12<sup>th</sup> grade, transportation to and from school, hot lunches, athletic and extracurricular activities, and services via various federal programs.

*Where do the resources come from?* The majority of resources utilized by the District come from local property taxes, state aid and state and federal grants. Table 3 shows the components of the general resources (revenues) and the program revenues of the District.

*What does it cost?* The major expenditure functions of the District include instructional services, support services, operations, administration, capital outlay, transportation, and debt service. Table 4 illustrates the costs of major functions as components of total expenditures.



**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(CONTINUED)**  
 Year Ended June 30, 2014

Instructional expenditures increased by approximately \$4,000,000 (approx. 8%) in fiscal year 2014. As previously mentioned, there were numerous instructional staff retirements in 2014. The additional cost of instructional staff retirements amounted to nearly \$1,500,000 in 2014. Additionally, the General Fund increase of \$1,515,000 primarily supported the cost of a 3% salary increase for staff, as well as an increase of ten new teachers. Finally, a large portion of the increase in Retirement Fund costs, more than \$1,300,000, was directly related and coded to instruction.

General Administration expenses were up by \$435,000 or 5.6%. A part of this increase was due to the retirement cost of three long time school principals. This cost was roughly \$120,000 more in 2014 than 2013. Another part of this increase was due to the 3% salary increase totaling approximately \$135,000 in the 2014 fiscal year.

The final function with an expense variation considered to be noteworthy is the increase in student transportation expense by nearly \$230,000 or approximately 4.86%. This increase was caused by two items. First, the negotiated 3% increase in busing costs with the District's two transportation vendors, and second, routes were either added or lengthened as the K-8 District saw an increase in enrollment.

Table 4

|                             | <u>2014</u>          | <u>2013</u>          | <u>Variance</u>     |
|-----------------------------|----------------------|----------------------|---------------------|
| Instruction                 | \$ 55,354,552        | \$ 51,261,762        | \$ 4,092,790        |
| Support services            | 13,267,931           | 13,019,342           | 248,589             |
| General administration      | 8,227,755            | 7,791,920            | 435,835             |
| Operations and maintenance  | 8,320,797            | 8,168,770            | 152,027             |
| Student transportation      | 5,265,667            | 5,036,983            | 228,684             |
| Food services               | 3,117,108            | 3,109,123            | 7,985               |
| Extracurricular activities  | 2,231,068            | 2,152,074            | 78,994              |
| Other                       | 31,608               | 199,431              | (167,823)           |
| Interest and fiscal charges | 280,618              | 375,325              | (94,707)            |
|                             | <u>\$ 96,097,104</u> | <u>\$ 91,114,730</u> | <u>\$ 4,982,374</u> |

Overall, expenditures increased by approximately \$5,000,000 or 5.5%.

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(CONTINUED)**  
 Year Ended June 30, 2014

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

*What are capital assets of the District?* Capital assets of the District are assets purchased for \$5,000 or more and having a useful life of more than one year. The majority of capital assets include buildings and building improvements and equipment. Technology purchases are mainly funded by the Technology Fund. However, because of the \$5,000 capitalization threshold for the District, these purchases are rarely considered capital assets.

Table 5

|  | <u>2014</u>          | <u>2013</u>          |
|--|----------------------|----------------------|
| Land   | \$ 1,755,697         | \$ 1,755,697         |
| Land improvements  | 1,222,194            | 1,216,896            |
| Buildings and improvements                               | 70,304,514           | 70,084,939           |
| Construction in progress                                 | -                    | 17,600               |
| Equipment and other                                      | <u>3,581,858</u>     | <u>3,372,970</u>     |
| Total capital assets                                     | 76,864,263           | 76,448,102           |
| Less accumulated depreciation                            | <u>(38,100,752)</u>  | <u>(36,554,526)</u>  |
| Total capital assets, net of<br>accumulated depreciation | <u>\$ 38,763,511</u> | <u>\$ 39,893,576</u> |

As shown in table 5, the additions to capital assets in 2014 totaled nearly \$420,000. During 2014, the District continued implementation of the new financial ERP system costing approximately \$185,000 in 2014. Also, a new boiler was installed in one of the District's K-5 buildings. This boiler totaled approximately \$195,000. Other fixed asset additions included the purchase of a sound system and a flag pole for the District's stadium, a new large photo printer, new countertops, and a greenhouse at the District's Seeley Swan High School. Please refer to Note 3 for further information on the District's capital assets.

Debt Administration

In the process of the February 2013 Secondary School bond refunding, the Secondary District received a rating of "Aa3." Similarly, in February 2002, the Elementary School refunded its 1993 and 1994 bond issues. In this process the Elementary District received the rating of "A2," which is only a slightly lower rating than the "Aa3" rating of the High School District. The reason for the slightly lower rating was due to the fact that the Elementary District is mainly restricted to the City of Missoula and has substantially lower taxable value than the High School District, which encompasses nearly the entire County of Missoula. Either of the two ratings is considered excellent and gives the District the ability to issue general obligation bonds at some of the lowest bond interest rates available to any government. The purpose of these refundings was to take advantage of lower interest rates. Please refer to Note 4 for further information on the District's debt.

MISSOULA COUNTY PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
Year Ended June 30, 2014

**THE FUTURE OF THE DISTRICT**

The District continues to move forward with its 21<sup>st</sup> Century Model of Education. In recent years the District has added an International Baccalaureate program, a health sciences program, dual language immersion, as well as the Graduation Matters Missoula program. The goal of these programs is to provide the very best education possible for all District students no matter their circumstances. To this end, the District Board of Trustees, administration, staff, and community members have worked hard over multiple years to come up with a comprehensive long range facility plan based upon the new 21<sup>st</sup> Century Model of Education. The District plans to ask voters to support a bond levy in November 2015. A preliminary survey has indicated support for an Elementary District and High School District bond issue. With the bond proceeds, the District plans to update and improve its buildings as well as to complete major renovations to at least one building and to demolish and rebuild at least two others. The final list of projects is yet to be decided on; however, this undertaking will be one of the largest ever done in the state of Montana.

In the 2015 fiscal year, the District's General Fund Budgets increased slightly more than \$1,200,000. Along with the savings in 2015 associated with the many retirements that occurred in 2014, the District was able to provide a 1.5% salary increase to its staff, to add additional classroom and support staff, and to increase discretionary budgets, including \$100,000 for textbooks at the K-8 level.

The Montana Legislature convened its regular biennial session in January 2015. Though the session has not yet ended, the school funding bill proposed the Governor would increase funding rates by nearly 2.7% for each of the funding components. The District's Average Number Belonging (ANB), which is basically the enrollment number multiplied by 187/180, grew by approximately 177 in the K-8 schools, while declining by approximately 35 in grades 9-12. With these changes in ANB and the Governor's proposed funding increases, the District's General Fund budgets are estimated to grow by more than \$2,200,000 for the 2015-2016 fiscal year. Additionally, the District negotiated a two-year contract (FY15 and FY16) with all employee groups, so much of the changes in salaries and benefits are known.

**CONTACT FOR FURTHER INFORMATION**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Executive Director of Business Services, at the District, 915 South Avenue West, Missoula, Montana 59801.

FINANCIAL STATEMENTS

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
 June 30, 2014  
 (With Comparative Totals as of June 30, 2013)

| <u>ASSETS</u>                 | <u>2014</u>          | <u>2013</u>          |
|-------------------------------|----------------------|----------------------|
| <b>CURRENT ASSETS</b>         |                      |                      |
| Cash and cash equivalents     | \$ 20,754,357        | \$ 20,438,338        |
| Property taxes receivable     | 3,187,549            | 2,815,646            |
| Due from other governments    | 2,461,745            | 4,365,348            |
| Inventory                     | 484,293              | 329,768              |
| Prepaid expenses              | 50                   | 12,781               |
| Bond issuance costs           | -                    | 7,936                |
| Other current assets          | <u>539,952</u>       | <u>397,966</u>       |
| Total current assets          | <u>27,427,946</u>    | <u>28,367,783</u>    |
| <b>CAPTIAL ASSETS</b>         |                      |                      |
| Land                          | 1,755,697            | 1,755,697            |
| Land improvements             | 1,222,194            | 1,216,896            |
| Buildings and improvements    | 70,304,514           | 70,084,939           |
| Construction in progress      | -                    | 17,600               |
| Machinery and equipment       | 3,581,858            | 3,372,970            |
| Less accumulated depreciation | <u>(38,100,752)</u>  | <u>(36,554,526)</u>  |
| Total capital assets          | <u>38,763,511</u>    | <u>39,893,576</u>    |
| <b>OTHER ASSETS</b>           |                      |                      |
| Bond issuance costs           | <u>-</u>             | <u>55,554</u>        |
| Total other assets            | <u>-</u>             | <u>55,554</u>        |
| Total assets                  | <u>\$ 66,191,457</u> | <u>\$ 68,316,913</u> |

The Notes to Financial Statements are an integral part of this statement.

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**STATEMENT OF NET POSITION (CONTINUED)**  
**June 30, 2014**  
**(With Comparative Totals as of June 30, 2013)**

|   | <u>2014</u>          | <u>2013</u>          |
|---|----------------------|----------------------|
| <b><u>LIABILITIES AND NET POSITION</u></b>                  |                      |                      |
| <b>CURRENT LIABILITIES</b>                                  |                      |                      |
| Accounts payable and other current liabilities              | \$ 1,906,581         | \$ 2,464,446         |
| Unearned revenue  | 1,890,396            | 1,540,323            |
| Bonds payable - due within one year                         | 1,195,000            | 1,165,000            |
| Capital lease - due within one year                         | 37,187               | 32,181               |
| Current portion special improvement district and other debt | 1,000                | 2,059                |
| Compensated absences - due within one year                  | <u>863,261</u>       | <u>763,054</u>       |
| Total current liabilities                                   | <u>5,893,425</u>     | <u>5,967,063</u>     |
| <b>NONCURRENT LIABILITIES</b>                               |                      |                      |
| Bonds payable   | 7,325,000            | 8,520,000            |
| Special improvement district and other debt                 | 163,505              | 185,093              |
| Capital lease   | 43,434               | 83,033               |
| OPEB liability  | 5,028,657            | 4,342,000            |
| Compensated absences  | <u>8,903,818</u>     | <u>8,964,751</u>     |
| Total noncurrent liabilities                                | <u>21,464,414</u>    | <u>22,094,877</u>    |
| Total liabilities   | <u>27,357,839</u>    | <u>28,061,940</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                        |                      |                      |
| Unamortized bond premium                                    | <u>382,132</u>       | <u>436,722</u>       |
| Total deferred inflows of resources                         | <u>382,132</u>       | <u>436,722</u>       |
| <b>NET POSITION</b>   |                      |                      |
| Net investment in capital assets                            | 29,665,672           | 29,588,095           |
| Restricted  | 8,012,571            | 7,450,440            |
| Unrestricted  | <u>773,243</u>       | <u>2,779,716</u>     |
| Total net position  | <u>38,451,486</u>    | <u>39,818,251</u>    |
| Total liabilities, deferred inflows and net position        | <u>\$ 66,191,457</u> | <u>\$ 68,316,913</u> |

The Notes to Financial Statements are an integral part of this statement.

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**STATEMENT OF ACTIVITIES**  
 Year Ended June 30, 2014  
 (With Comparative Totals as of June 30, 2013)

| <u>Functions/Programs</u>       | <u>Expenses</u>      | <u>Program Revenues</u>     |   | <u>Net (Expense) Revenue and Changes in Net Position</u> |                      |
|---------------------------------|----------------------|-----------------------------|---|--|----------------------|
|                                 |                      | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>2014</u>  | <u>2013</u>          |
| <b>Governmental Activities:</b> |                      |                             |   |  |                      |
| Instruction                     | \$ 55,354,552        | \$ 636,135                  | \$ 11,294,718                             | \$(43,423,699)   | \$(39,611,584)       |
| Support services                | 13,267,931           | 69,228                      | 3,770,884                                 | (9,427,819)  | (8,508,845)          |
| General administration          | 8,227,755            | -                           | 432,183                                   | (7,795,572)  | (7,538,903)          |
| Operations and maintenance      | 8,320,797            | 59,197                      | 1,500                                     | (8,260,100)  | (7,893,252)          |
| Student transportation          | 5,265,667            | -                           | 801,697                                   | (4,463,970)  | (4,262,036)          |
| Food services                   | 3,117,108            | 885,443                     | 2,119,009                                 | (112,656)  | (67,788)             |
| Extracurricular activities      | 2,231,068            | -                           | 45,378                                    | (2,185,690)  | (1,996,569)          |
| Other                           | 31,608               | -                           | 37,145                                    | 5,537  | 33,941               |
| Interest and fiscal charges     | <u>280,618</u>       | <u>-</u>                    | <u>-</u>                                  | <u>(280,618)</u>   | <u>(375,325)</u>     |
| Total governmental activities   | <u>\$ 96,097,104</u> | <u>\$ 1,650,003</u>         | <u>\$ 18,502,514</u>                      | <u>(75,944,587)</u>                                      | <u>(70,220,361)</u>  |
| <b>General revenues:</b>        |                      |                             |   |  |                      |
|                                 |                      |                             |   | 29,045,326   | 27,986,664           |
|                                 |                      |                             |   | 8,465,062  | 7,615,804            |
|                                 |                      |                             |   | 37,019,302   | 35,831,709           |
|                                 |                      |                             |   | 24,623   | 43,484               |
|                                 |                      |                             |   | <u>23,509</u>  | <u>101,169</u>       |
|                                 |                      |                             |   | <u>74,577,822</u>  | <u>71,578,830</u>    |
|                                 |                      |                             |   | (1,366,765)  | 1,358,469            |
|                                 |                      |                             |   | <u>39,818,251</u>  | <u>38,459,782</u>    |
|                                 |                      |                             |   | <u>\$ 38,451,486</u>                                     | <u>\$ 39,818,251</u> |

The Notes to Financial Statements are an integral part of this statement.

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
 June 30, 2014

|   | General Fund        | Elementary<br>Miscellaneous<br>Programs | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|---|------------------------------------|--------------------------------|
| <b><u>ASSETS</u></b>  |                     |   |                                    |                                |
| Cash and investments  | \$ 2,559,779        | \$ 1,512,178                            | \$ 7,866,730                       | \$ 11,938,687                  |
| Property taxes receivable   | 2,289,729           | -                                       | 897,820                            | 3,187,549                      |
| Due from other governments  | 170,033             | 1,436,190                               | 855,522                            | 2,461,745                      |
| Prepaid expenses  | 50                  | -                                       | -                                  | 50                             |
| Inventory   | -                   | -                                       | 50,973                             | 50,973                         |
| Other current assets  | <u>164,177</u>      | <u>58,932</u>                           | <u>34,106</u>                      | <u>257,215</u>                 |
| Total assets  | <u>\$ 5,183,768</u> | <u>\$ 3,007,300</u>                     | <u>\$ 9,705,151</u>                | <u>\$ 17,896,219</u>           |
| <br>  |                     |   |                                    |                                |
| <b><u>LIABILITIES AND FUND BALANCES</u></b>                           |                     |   |                                    |                                |
| <b>LIABILITIES</b>  |                     |   |                                    |                                |
| Due to other governments  | \$ -                | \$ -                                    | \$ 10,232                          | \$ 10,232                      |
| Other current liabilities   | 554,578             | 76,169                                  | 255,242                            | 885,989                        |
| Unearned grant revenue  | <u>-</u>            | <u>100,462</u>                          | <u>64,660</u>                      | <u>165,122</u>                 |
| Total liabilities   | <u>554,578</u>      | <u>176,631</u>                          | <u>330,134</u>                     | <u>1,061,343</u>               |
| <br>  |                     |   |                                    |                                |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                  |                     |   |                                    |                                |
| Uncollected tax revenue   | <u>2,289,729</u>    | <u>-</u>                                | <u>897,820</u>                     | <u>3,187,549</u>               |
| Total deferred inflows of resources                                   | <u>2,289,729</u>    | <u>-</u>                                | <u>897,820</u>                     | <u>3,187,549</u>               |
| <br>  |                     |   |                                    |                                |
| <b>FUND BALANCES</b>  |                     |   |                                    |                                |
| Non-spendable   | 50                  | -                                       | 50,973                             | 51,023                         |
| Restricted  | -                   | -                                       | 7,114,751                          | 7,114,751                      |
| Assigned  | 65,813              | 2,830,669                               | 1,311,473                          | 4,207,955                      |
| Unassigned  | <u>2,273,598</u>    | <u>-</u>                                | <u>-</u>                           | <u>2,273,598</u>               |
| Total fund balances   | <u>2,339,461</u>    | <u>2,830,669</u>                        | <u>8,477,197</u>                   | <u>13,647,327</u>              |
| Total liabilities, deferred inflows<br>of resources and fund balances | <u>\$ 5,183,768</u> | <u>\$ 3,007,300</u>                     | <u>\$ 9,705,151</u>                | <u>\$ 17,896,219</u>           |

The Notes to Financial Statements are an integral part of this statement.



**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
 June 30, 2014

|   |                      |
|---|----------------------|
| Total fund balances - governmental funds  | \$ 13,647,327        |
| Amounts reported for governmental activities in the statement<br>of net position are different because:   |                      |
| Add internal service funds net position not reported in the<br>governmental funds statements.   | 7,116,733            |
| Capital assets used in governmental activities are not financial<br>resources and, therefore, are not reported in the funds. The cost<br>of the assets is \$76,266,861 and the accumulated depreciation is<br>\$37,967,872.     | 38,298,989           |
| Property tax revenue is recognized when earned (and the claim to<br>resources is established) rather than when "available." All of the<br>deferred property tax revenue reported in the governmental funds<br>is not available. | 3,187,549            |
| Long-term liabilities, including bonds payable and compensated<br>absences, and other post employment benefits are not due and<br>payable in the current period and therefore are not reported in the<br>funds.                 | <u>(23,799,112)</u>  |
| Total net position - governmental activities  | <u>\$ 38,451,486</u> |

The Notes to Financial Statements are an integral part of this statement.

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2014**

|  | <u>General Fund</u> | <u>Elementary<br/>Miscellaneous<br/>Programs</u> | <u>Non-Major<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---------------------|--|---|---|
| <b>REVENUES</b>  |                     |  |   |   |
| District levies  | \$ 20,346,917       | \$ -   | \$ 8,380,244                                | \$ 28,727,161                           |
| Investment interest  | 9,643               | -  | 14,980                                      | 24,623                                  |
| Tuition and fees   | 100,494             | -  | 1,404,527                                   | 1,505,021                               |
| County sources   | -                   | -  | 8,859,929                                   | 8,859,929                               |
| State sources  | 39,777,669          | 121,526  | 4,893,011                                   | 44,792,206                              |
| Federal sources  | -                   | 3,765,842  | 5,428,799                                   | 9,194,641                               |
| Other  | <u>11,843</u>       | <u>711,110</u>                                   | <u>584,627</u>                              | <u>1,307,580</u>                        |
| Total revenue  | <u>60,246,566</u>   | <u>4,598,478</u>                                 | <u>29,566,117</u>                           | <u>94,411,161</u>                       |
| <b>EXPENDITURES</b>  |                     |  |   |   |
| Current:   |                     |  |   |   |
| Instruction  | 37,690,385          | 3,945,578  | 13,023,783                                  | 54,659,746                              |
| Support services   | 7,571,510           | 740,712  | 4,859,802                                   | 13,172,024                              |
| Administration   | 6,786,552           | 230,332  | 1,088,349                                   | 8,105,233                               |
| Operations and maintenance                                 | 6,899,135           | 198,652  | 1,103,987                                   | 8,201,774                               |
| Student transportation                                     | 62,640              | 11,829   | 5,252,601                                   | 5,327,070                               |
| Food service   | -                   | 1,485  | 3,109,801                                   | 3,111,286                               |
| Extracurricular  | 1,902,506           | 300  | 270,474                                     | 2,173,280                               |
| Other  | -                   | 31,608   | -   | 31,608                                  |
| Capital outlay   | 6,716               | 207,102  | 32,468                                      | 246,286                                 |
| Debt service:  |                     |  |   |   |
| Special assessments  | -                   | -  | 22,647                                      | 22,647                                  |
| Principal retirement                                       | -                   | -  | 1,165,000                                   | 1,165,000                               |
| Interest and fiscal charges                                | <u>-</u>            | <u>-</u>   | <u>271,718</u>                              | <u>271,718</u>                          |
| Total expenditures   | <u>60,919,444</u>   | <u>5,367,598</u>                                 | <u>30,200,630</u>                           | <u>96,487,672</u>                       |
| Revenues under expenditures                                | (672,878)           | (769,120)  | (634,513)                                   | (2,076,511)                             |
| <b>OTHER FINANCING SOURCES</b>                             |                     |  |   |   |
| Insurance proceeds   | <u>-</u>            | <u>-</u>   | <u>1,013</u>                                | <u>1,013</u>                            |
| Total other financing sources                              | <u>-</u>            | <u>-</u>   | <u>1,013</u>                                | <u>1,013</u>                            |
| Revenues under expenditures<br>financing and other sources | (672,878)           | (769,120)  | (633,500)                                   | (2,075,498)                             |
| Fund balances, beginning of year                           | 3,012,339           | 3,599,789  | 9,110,319                                   | 15,722,447                              |
| Change in inventory  | <u>-</u>            | <u>-</u>   | <u>378</u>                                  | <u>378</u>                              |
| Fund balances, end of year                                 | <u>\$ 2,339,461</u> | <u>\$ 2,830,669</u>                              | <u>\$ 8,477,197</u>                         | <u>\$ 13,647,327</u>                    |

The Notes to Financial Statements are an integral part of this statement.

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
 Year Ended June 30, 2014

Net change in fund balances - total governmental funds \$ (2,075,498)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period. (1,255,695)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 318,165

Governmental funds report purchases of inventory as expenditures. However, in the statement of activities the cost of inventory is expensed as used. 378

The governmental funds report increases in notes payable as revenues and repayment of bond principal as an expenditure. These have no effect on net position and are therefore not shown on the statement of activities. 1,178,747

The current period net increase in compensated absences and other post employment benefits payable did not require the use of current financial resources and, therefore, generated no expenditure to be reported in the governmental funds. (725,724)

Change in net position of internal service funds 1,192,862

Change in net position of governmental activities \$ (1,366,765)

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**BALANCE SHEET – INTERNAL SERVICE FUNDS**  
 June 30, 2014

**ASSETS**

|                               |                     |
|-------------------------------|---------------------|
| Cash and investments          | \$ 8,815,670        |
| Other current assets          | 282,737             |
| Inventory                     | <u>433,320</u>      |
| Total current assets          | <u>9,531,727</u>    |
| <br>                          |                     |
| Capital assets                | 597,402             |
| Less accumulated depreciation | <u>(132,880)</u>    |
| Capital assets, net           | <u>464,522</u>      |
| <br>                          |                     |
| Total assets                  | <u>\$ 9,996,249</u> |

**LIABILITIES**

|   |                  |
|---|------------------|
| Payable to other funds                    | \$ 122,983       |
| Capital lease payable - current portion   | 37,187           |
| Other current liabilities                 | 887,377          |
| Unearned revenue                          | 1,725,274        |
| Compensated absences                      | <u>63,261</u>    |
| Total current liabilities                 | 2,836,082        |
| <br>                                      |                  |
| Capital lease payable - long-term portion | <u>43,434</u>    |
| Total liabilities                         | <u>2,879,516</u> |

**NET POSITION**

|                                    |                     |
|------------------------------------|---------------------|
| Net investment in capital assets   | 433,320             |
| Unrestricted                       | <u>6,683,413</u>    |
| Total net position                 | <u>7,116,733</u>    |
| <br>                               |                     |
| Total liabilities and net position | <u>\$ 9,996,249</u> |

The Notes to Financial Statements are an integral part of this statement.

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**FUND NET POSITION – INTERNAL SERVICE FUNDS**  
**Year Ended June 30, 2014**

|  |                     |
|--|---------------------|
| <b>OPERATING REVENUES</b>                |                     |
| Charges for services                     | \$ 1,269,282        |
| Health insurance premiums                | 8,228,547           |
| Donations by employees                   | 2,477,225           |
| Other local revenue                      | <u>325,013</u>      |
| Total operating revenue                  | <u>12,300,067</u>   |
| <b>OPERATING EXPENSES</b>                |                     |
| Medical claims                           | 9,090,535           |
| Personnel                                | 796,106             |
| Operations                               | 692,143             |
| Stop loss insurance                      | 491,338             |
| Depreciation                             | <u>44,245</u>       |
| Total operating expenses                 | <u>11,114,367</u>   |
| Operating revenues                       | <u>1,185,700</u>    |
| <b>NON-OPERATING REVENUES (EXPENSES)</b> |                     |
| Investment interest                      | 14,381              |
| Interest expense                         | <u>(7,219)</u>      |
| Total non-operating revenues (expenses)  | <u>7,162</u>        |
| Change in net position                   | 1,192,862           |
| Net position, beginning of year          | <u>5,923,871</u>    |
| Net position, end of year                | <u>\$ 7,116,733</u> |

The Notes to Financial Statements are an integral part of this statement.

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUNDS**  
**Year Ended June 30, 2014**

|   |                            |
|---|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                            |
| Health insurance premiums received  | \$ 11,208,773              |
| Cash received for internal services   | 1,291,109                  |
| Medical claims paid   | (9,362,436)                |
| Cash paid to employees  | (795,899)                  |
| Cash paid to suppliers for goods and services   | <u>(1,339,376)</u>         |
| Net cash flows from operating activities  | <u>1,002,171</u>           |
| <br>  |                            |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                         |                            |
| Acquisitions of fixed assets  | (169,876)                  |
| Principle payments on capital lease   | (34,593)                   |
| Interest payments on capital lease  | <u>(7,219)</u>             |
| Net cash flows from capital and related financing activities                            | <u>(211,688)</u>           |
| <br>  |                            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                            |
| Interest earnings   | <u>14,381</u>              |
| Net cash flows from investing activities  | <u>14,381</u>              |
| Net increase in cash and cash equivalents   | 804,864                    |
| Cash and cash equivalents, beginning of year  | <u>8,010,806</u>           |
| Cash and cash equivalents, end of year  | <u><u>\$ 8,815,670</u></u> |
| <br>  |                            |
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                            |
| Operating income  | \$ 1,185,700               |
| Adjustments to reconciled operating income to net cash flows from operating activities: |                            |
| Depreciation  | 44,245                     |
| Change in other assets  | (1,370)                    |
| Change in receivables   | (6,963)                    |
| Change in inventory   | (154,525)                  |
| Change in payables  | (250,075)                  |
| Change in compensated absences  | 208                        |
| Change in deferred revenue  | <u>184,951</u>             |
| Net cash from operating activities  | <u><u>\$ 1,002,171</u></u> |

The Notes to Financial Statements are an integral part of this statement.

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**STATEMENT OF NET POSITION – FIDUCIARY FUNDS**  
 June 30, 2014

|  | <u>Private-Purpose<br/>Trust Funds</u> | <u>Agency Funds</u> |
|--|--|---------------------|
| <b><u>ASSETS</u></b>                           |  |                     |
| Cash and investments                           | \$ 1,353,234                           | \$ 5,291,198        |
| Other current assets                           | <u>1,676</u>                           | <u>151,436</u>      |
| Total assets                                   | <u>\$ 1,354,910</u>                    | <u>\$ 5,442,634</u> |
| <b><u>LIABILITIES</u></b>                      |  |                     |
| Warrants payable and other current liabilities | <u>\$ 6,261</u>                        | <u>\$ 5,442,634</u> |
| Total liabilities                              | <u>6,261</u>                           | <u>5,442,634</u>    |
| <b><u>NET POSITION</u></b>                     |  |                     |
| Restricted for endowment                       | 246,171                                | -                   |
| Restricted for extracurricular                 | 1,084,497                              | -                   |
| Restricted for interlocal                      | <u>17,981</u>                          | -                   |
| Total net position                             | <u>1,348,649</u>                       | -                   |
| Total liabilities and net position             | <u>\$ 1,354,910</u>                    | <u>\$ 5,442,634</u> |

The Notes to Financial Statements are an integral part of this statement.

MISSOULA COUNTY PUBLIC SCHOOLS  
 SCHOOL DISTRICT NO. 1  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 Year Ended June 30, 2014

|                                 | Private-Purpose<br>Trust Funds |
|---------------------------------|--------------------------------|
| <b>ADDITIONS</b>                |                                |
| Investment interest             | \$ 83                          |
| Contributions                   | 23,429                         |
| Student receipts                | 2,066,427                      |
| Total additions                 | 2,089,939                      |
| <br><b>DEDUCTIONS</b>           |                                |
| Community                       | 47,189                         |
| Extracurricular                 | 2,146,112                      |
| Total deductions                | 2,193,301                      |
| Change in net position          | (103,362)                      |
| Net position, beginning of year | 1,452,011                      |
| Net position, end of year       | \$ 1,348,649                   |

The Notes to Financial Statements are an integral part of this statement.



MISSOULA COUNTY PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and practices of the Missoula County Public Schools, School District No. 1 (the District), as reflected in the accompanying financial statements for the fiscal year ended June 30, 2014, conform to accounting principles generally accepted in the United States of America (GAAP) for local government units as prescribed by the Governmental Accounting Standards Board (GASB).

**Reporting Entity**

The District operates under a district-wide elected eleven-member Board of Trustees and provides educational services to approximately 8,600 students in seventeen (K-12) schools throughout Missoula, Montana.

GAAP requires that these financial statements present the District (the primary government) and all component units. Component units, as established by GASB Statement No. 14, are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations for which the District is financially accountable have been considered for inclusion in the basic financial statements. As a result of applying the component unit definition criteria above, it has been determined that the District does not have any component units.

The District consists of two separate legal entities: (1) the high school district, and (2) the elementary district. The high school district includes all of the area covered by the elementary district plus several other elementary districts in Missoula County. The elementary district provides education from kindergarten through eighth grade; the high school district provides education from grades nine through twelve. The District also provides programs for preschoolers and adult and continuing education. Due to differences in funding and the associated tax base, separate accounting records of both entities must be maintained. Both entities are managed by the central Board of Trustees as noted above and by a central administration appointed by and responsible to the Board. Seven of the Board members have voting authority over all District operations; four have voting authority over high school issues only.

**Prior Period Comparative Amounts**

The basic financial statements include certain prior year comparative amounts but the notes to the financial statements do not contain the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2013, from which the comparative information was derived.

**Government-Wide and Fund Financial Statements**

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

MISSOULA COUNTY PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
June 30, 2014

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Government-Wide and Fund Financial Statements (Continued)**

Government-Wide Financial Statements – The statement of net position and statement of activities report information on all of the non-fiduciary activities of the primary government and distinguish between the governmental and business-type activities of the District. All internal activity has been eliminated.

The statement of net position presents the financial condition of the governmental and business-type activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function.

Program revenues include: (1) charges paid by the recipient of the goods or services provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

The District's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

MISSOULA COUNTY PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
June 30, 2014

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes, state and county aid, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The general fund accounts for all revenues and expenditures related to instruction, administration, and other activities, except those required to be accounted for in another fund.

The elementary miscellaneous programs fund accounts for local, state, or federal grants and reimbursements.

Additionally, the government also reports the following fund types:

Internal Service Funds – Used to account for health insurance coverage provided to District employees. They also account for the data processing services, purchasing services, and instructional materials services, which provide services on a cost reimbursement basis.

Fiduciary Funds – The *Private-Purpose Trust Fund* is used to account for resources legally held in trust for student extracurricular activities and student scholarships. All resources of the funds, including any earnings on invested resources, may be used to support the purpose of the fund. *Agency funds* are custodial in nature and do not involve measurement of results of operations.

**Other Postemployment Benefits**

The District recognizes and reports its postemployment health care benefits in accordance with GASB Statement 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*.

MISSOULA COUNTY PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
June 30, 2014

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Governmental Fund Balance Classifications**

The District has adopted Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in government funds.

GASB 54 requires, among other things, that all state and local governmental entities adopt a policy regarding spending priorities of fund balance in governmental funds. The fund balance resources of the District's governmental funds have been categorized as follows:

**RESOURCE CATEGORIES**

- Non-spendable: Resources not in spendable form (i.e. inventory) or those legally required to be maintained intact (i.e., principal portion of permanent trust funds)
- Restricted: Constraint is externally imposed by a third party (grantor, contributor, etc.), State Constitution, or by enabling legislation by the State Legislature
- Committed: Constraint is internally imposed by local government through a resolution
- Assigned: Constraint is internally expressed intent by government body or authorized official through a budget approval process or express assignment
- Unassigned: No constraints and negative fund balance in non-general fund funds.

**EXPENDITURE ORDER FOR RESOURCE CATEGORIES**

**GENERAL FUND AND SPECIAL REVENUE FUNDS:**

First: Restricted  
Second: Committed  
Third: Assigned  
Fourth: Unassigned

**DEBT SERVICE AND CAPITAL PROJECTS FUNDS:**

First: Assigned  
Second: Committed  
Third: Restricted  
Fourth: Unassigned

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**  
 June 30, 2014

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets**

State law requires that the District adopt budgets for certain funds, generally those supported by property taxes. Budgeted and non-budgeted funds are as follows:

| Fund                       | Budgeted | Non-Budgeted |
|----------------------------|----------|--------------|
| General                    | X        |              |
| Special Revenue:           |          |              |
| Transportation             | X        |              |
| School Food                |          | X            |
| Tuition                    | X        |              |
| Retirement                 | X        |              |
| Miscellaneous Programs     |          | X            |
| Comprehensive Insurance    |          | X            |
| Adult Education            | X        |              |
| Traffic Education          |          | X            |
| Lease Rental Agreement     |          | X            |
| Compensated Absences       |          | X            |
| Technology                 | X        |              |
| Flexibility                | X        |              |
| Debt Service               | X        |              |
| Capital Projects:          |          |              |
| Building                   |          | X            |
| Building Reserve           | X        |              |
| Trust and Agency:          |          |              |
| Endowment Trust            |          | X            |
| Interlocal Agreement       |          | X            |
| Extracurricular Activities |          | X            |
| Claims Clearing            |          | X            |
| Payroll Clearing           |          | X            |

The General Fund budget is formulated on basic and per student entitlement amounts and enrollment. Budgets for other funds are based primarily on expected revenues and expenditures. Budgeted fund expenditures are limited by State law to budgeted amounts. However, budgets may be amended for emergencies as defined by State law.

Budget authority may be transferred between expenditure classifications within the same fund. Budgeted amounts shown are the original budgeted amounts and do not reflect line item budget transfers within the funds during the year.

MISSOULA COUNTY PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
June 30, 2014

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets (Continued)**

The budget policy is as follows:

- 1) By August 25 the Board of Trustees must meet to legally adopt the final budget. This budget is adopted consistent with the basis of accounting described in Note 1.
- 2) Upon adoption of the final budget, expenditures are limited to the total fund budget. The District has the right to transfer budgetary authority among the various line items of a fund, but not between funds. Unencumbered appropriations lapse at year-end.

**Property Taxes**

Property taxes are levied in August of each fiscal year, based on assessments as of the prior January 1. Taxes are normally billed in October and payable 50% by November 30 and 50% by May 31. Property taxes are maintained and collected by the County Treasurer; the District records such receipts when reported by the Treasurer. After those dates taxes are considered to be delinquent and a lien is placed upon the property. After three years the County exercises the lien and takes title to the property. Personal property taxes (other than those billed with real estate) are generally due thirty days after billing. Because of the above described collection procedures, estimated uncollectible taxes are minimal and, therefore, not recorded.

Taxes paid under protest are placed in an escrow fund by the County pending settlement of the protest. Under State law (MCA 15-1-402), the School District may demand payment from the protested tax escrow fund of all or part of the protested taxes from the second and subsequent years of the protest. No demand for payment has been made by the District.

**Cash and Investments**

Except for certain student activity funds, petty cash, interim accounts, and endowment funds maintained in separate bank accounts, the District's cash and investments are held in either the investment pool managed by the Missoula County Treasurer or the municipal investment account. The County Treasurer invests the pooled cash pursuant to State law (MCA 20-9-213[4]). Allowable investments include eligible securities as authorized by MCA 7-6-202; savings or time deposits in a state or national bank; building and loan association, savings and loan association, or credit union insured by the Federal Deposit Insurance Corporation (FDIC) or NCUA located in the State; repurchase agreements; and the State Short-Term Investment Pool (STIP) as provided in MCA 17-6-204. Investments are valued at cost, which is immaterially different from fair value.

For purposes of the statement of cash flows, the Internal Service Funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

MISSOULA COUNTY PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
June 30, 2014

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Warrants Payable**

The District makes expenditures by means of warrants. These warrants are orders to the County Treasurer to pay a specified sum to the person named or to the bearer. State law requires that warrants be paid and registered if presented for a budgeted fund with insufficient cash and refused for payment for a non-budgeted fund with insufficient cash. Registered warrants become a liability of the District. Interest accrues thereon until publication of the call for payment. The District has no registered warrants as of June 30, 2014.

**Inventories**

Inventory is valued at cost using the first-in/first-out (FIFO) method.

**Liability for Compensated Absences**

Compensated absences for vacation and sick leave are recorded as expenditures in the government funds when taken. Vacation leave, within certain limitations, may be payable to employees upon termination. Sick leave is accumulated for administrative, certified (teaching) and classified (non-teaching) employees at the rate of 12 working days for each year of service. Part-time employees are entitled to prorated benefits upon fulfillment of the qualifying period of time. Upon termination, classified employees are eligible for compensation at one-fourth of the accumulated sick leave amount. Certified and administrative employees are eligible for compensation at one-half of the accumulated sick leave amount.

Liabilities incurred because of vacation and sick leave accumulated by employees are reported in the long-term debt account group and proprietary fund type to the extent they are vested. Expenditures for unused leave are recorded when paid.

**Capital Assets**

Capital assets, which include land, land improvements, building and improvements, and machinery and equipment is reported in the government-wide financial statements. It is the policy of the District to capitalize all assets with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year.

Capital assets are stated on the basis of historical cost or estimated historical costs when actual costs are not available. Major fixed asset additions are financed primarily through bond proceeds.

Assets acquired through gifts or donations are recorded at their estimated fair market value at the date of acquisition.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

|                            |             |
|----------------------------|-------------|
| Land improvements          | 15–25 years |
| Buildings and improvements | 25–60 years |
| Machinery and equipment    | 5–20 years  |

MISSOULA COUNTY PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
June 30, 2014

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Due from Other Governments**

Due from Other Government balances are composed primarily of: (1) revenue accruals in the General Fund for the state entitlement payment, and (2) revenue accruals for the various reimbursable type grants for which revenue is recognized when expenditures are made. If receipts exceed expenditures, the excess is generally deferred until expenditure of funds, but may be recognized as revenue depending on the terms of the particular grant agreement.

**New Accounting Pronouncements**

The District has adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement defines new financial statement items called deferred inflows of resources and deferred outflows of resources, and reclassifies certain items previously classified as assets or liabilities to deferred outflows or deferred inflows, respectively.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers. This statement establishes standards for measuring and recognizing net pension liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This statement is effective for fiscal years beginning after June 15, 2014. The effect of adopting this statement cannot be determined at this time.

**NOTE 2. CASH AND CASH EQUIVALENTS**

The District participates in the Missoula County Treasurer's investment program. All funds deposited with the County Treasurer are pooled and invested in certificates of deposit, U.S. Treasury bills, and other short-term bank investments and STIP and are reported with cash at market value. Interest earnings are allocated to the individual funds of the District based on average month-end cash balances.

Short-term investments of the pool consist of the State of Montana Unified Investment Program, a daily repurchase agreement with a local bank, United States agencies, and certificates of deposit account for the management of cash temporarily idle during the year. The pool is valued at cost, which approximates fair value. There is no material difference between the value of the pool shares and the fair value. The pool is not SEC registered.



**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**  
 June 30, 2014

**NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)**

Montana law allows the local governing body to require security for the portion of deposits not guaranteed or insured. Deposit insurance is administered by the FDIC. Since the District invests in a cooperative pool, pledged securities for the various individual deposits and repurchase agreements are managed by the County Treasurer. Montana Code allows the County Treasurer to take collateral up to 50% of deposits, if the institution in which the deposit is made has a net worth to total assets ratio of 6% or more and 100% if the ratio is less than 6%.

Information as to the types and amounts of fully insured deposits and collateral for deposit with securities including derivative type investments held in STIP can be obtained from the Missoula County Treasurer. Risk in the event of loss is unclear in State law, but appears to be the liability of the County government. Because of the custodial involvement of the County government, and the commingling of cash in County deposits in the name of the County Treasurer, the risk classification according to GASB 40 is impracticable.

|                           | Credit<br>Risk | Interest<br>Rate Risk |
|---------------------------|----------------|-----------------------|
| Missoula County Treasurer |                |                       |
| External Investment Pool  | Not Rated      | No Maturity           |

The District also has a municipal investment account (MIA) with a financial institution. The District directs the County Treasurer as to the amount of money to be invested with the MIA on a periodic basis. All deposits are collateralized 100% with U.S. Government securities pledged to the District but held in the institution's name. The interest rate was 0.02% at June 30, 2014, and the balance was \$3,439,021.

The District has a community benefit account bearing interest at 0.15% and is fully insured or collateralized with a financial institution. The balance in this account at June 30, 2014, was \$1,263,679.

At June 30, 2014, the District's balances were:

|                                      | Governmental         | Fiduciary           | Total                |
|--------------------------------------|----------------------|---------------------|----------------------|
| Cash in county treasury              | \$ 16,602,535        | \$ 5,673,485        | \$ 22,276,020        |
| Cash in municipal investment account | 2,581,489            | 857,533             | 3,439,022            |
| Cash in certificate of deposit       | 1,263,679            | -                   | 1,263,679            |
| Cash on hand and in banks            | 306,654              | 113,414             | 420,068              |
|                                      | <u>\$ 20,754,357</u> | <u>\$ 6,644,432</u> | <u>\$ 27,398,789</u> |

Certain student activity, petty cash, interim accounts, and endowment funds are deposited in interest-bearing checking and savings accounts covered by FDIC insurance.

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**  
 June 30, 2014

**NOTE 3. CAPITAL ASSETS**

A summary of capital asset activity for the year ended June 30, 2014, follows:

| <u>Governmental activities</u>                           | <u>June 30, 2013</u> | <u>Additions</u>      | <u>Transfers</u> | <u>June 30, 2014</u> |
|--|----------------------|-----------------------|------------------|----------------------|
| Capital assets not subject to depreciation:              |                      |                       |                  |                      |
| Land   | \$ 1,755,697         | \$ -                  | \$ -             | \$ 1,755,697         |
| Construction in process                                  | 17,600               | 195,259               | (212,859)        | -                    |
| Capital assets subject to depreciation:                  |                      |                       |                  |                      |
| Land improvements  | 1,216,896            | 5,298                 | -                | 1,222,194            |
| Buildings and improvements                               | 70,084,939           | 6,716                 | 212,859          | 70,304,514           |
| Equipment and other                                      | <u>3,372,970</u>     | <u>208,888</u>        | <u>-</u>         | <u>3,581,858</u>     |
| Total capital assets                                     | <u>76,448,102</u>    | <u>416,161</u>        | <u>-</u>         | <u>76,864,263</u>    |
| Less accumulated depreciation for:                       |                      |                       |                  |                      |
| Land improvements  | (540,854)            | (46,133)              | -                | (586,987)            |
| Buildings and improvements                               | (33,677,081)         | (1,334,485)           | -                | (35,011,566)         |
| Equipment and other                                      | <u>(2,336,591)</u>   | <u>(165,608)</u>      | <u>-</u>         | <u>(2,502,199)</u>   |
| Total accumulated depreciation                           | <u>(36,554,526)</u>  | <u>(1,546,226)</u>    | <u>-</u>         | <u>(38,100,752)</u>  |
| Total capital assets, net of<br>accumulated depreciation | <u>\$ 39,893,576</u> | <u>\$ (1,130,065)</u> | <u>\$ -</u>      | <u>\$ 38,763,511</u> |

Internal Service Fund capital assets included above:

|  | <u>June 30, 2013</u> | <u>Additions</u>  | <u>Retirements</u> | <u>June 30, 2014</u> |
|--|----------------------|-------------------|--------------------|----------------------|
| Capital assets subject to depreciation:                  |                      |                   |                    |                      |
| Equipment and other                                      | \$ 427,527           | \$ 169,875        | \$ -               | \$ 597,402           |
| Less accumulated depreciation                            | <u>(88,635)</u>      | <u>(44,245)</u>   | <u>-</u>           | <u>(132,880)</u>     |
| Total capital assets, net of<br>accumulated depreciation | <u>\$ 338,892</u>    | <u>\$ 125,630</u> | <u>\$ -</u>        | <u>\$ 464,522</u>    |

Depreciation expense has been charged to functions of the primary government, as follows:

|                            |                     |
|----------------------------|---------------------|
| Instruction                | \$ 882,922          |
| Support services           | 171,645             |
| General administration     | 157,898             |
| Operations and maintenance | 179,534             |
| Student transportation     | 1,598               |
| Food services              | 24,179              |
| Extracurricular activities | 84,205              |
| Internal service funds     | <u>44,245</u>       |
|                            | <u>\$ 1,546,226</u> |

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**  
 June 30, 2014

**NOTE 3. CAPITAL ASSETS (CONTINUED)**

The District leases two of its elementary school buildings to different educational institutions. The Mount Jumbo Elementary school building is leased to Walla Walla University at a rate of \$4,748 per month. The term of the agreement is five years and ends on June 8, 2015, and the monthly rent is adjusted each year by 3%–5% for inflation.

The District also leases the Prescott Elementary school building to the Missoula International School. In August 2011, the lease was renewed for an additional five years until July 31, 2017, at a monthly rate of \$4,583, which increases approximately \$208 per month each year for the first three years. Beginning August 1, 2015, the rate will be adjusted each year up to 3% for inflation.

Both of the lessors also reimburse the District for the cost of utilities and insurance.

The District has office equipment costing \$198,488 under a capital lease. Accumulated depreciation totaled \$49,622.

**NOTE 4. LONG-TERM DEBT**

Changes in general long-term debt during 2014 were as follows:

|  | Balance<br>June 30, 2013 | Additions        | Reductions            | Balance<br>June 30, 2014 | Due Within<br>One Year |
|--|--------------------------|------------------|-----------------------|--------------------------|------------------------|
| General obligation bonds:                      |                          |                  |                       |                          |                        |
| 2010 Refunding issue                           | \$ 5,165,000             | \$ -             | \$ (575,000)          | \$ 4,590,000             | \$ 590,000             |
| 2013 Refunding issue                           | 4,520,000                | -                | (590,000)             | 3,930,000                | 605,000                |
| Deferred amounts:                              |                          |                  |                       |                          |                        |
| Bond premium                                   | 436,722                  | -                | (54,590)              | 382,132                  | 54,590                 |
| Bond issuance costs                            | (63,490)                 | -                | 63,490                | -                        | -                      |
| Total bonds payable                            | 10,058,232               | -                | (1,156,100)           | 8,902,132                | 1,249,590              |
| Special improvements                           | 24,647                   | -                | (22,647)              | 2,000                    | 1,000                  |
| Homevale settlement                            | 162,505                  | -                | -                     | 162,505                  | -                      |
| Capital lease                                  | 115,214                  | -                | (34,593)              | 80,621                   | 37,187                 |
| Compensated absences,<br>internal service fund | 63,054                   | 1,532            | (1,325)               | 63,261                   | 63,261                 |
| Compensated absences                           | 9,664,751                | 39,067           | -                     | 9,703,818                | 800,000                |
| Total  | <u>\$ 20,088,403</u>     | <u>\$ 40,599</u> | <u>\$ (1,214,665)</u> | <u>\$ 18,914,337</u>     | <u>\$ 2,151,038</u>    |

MISSOULA COUNTY PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
June 30, 2014

**NOTE 4. LONG-TERM DEBT (CONTINUED)**

**General Obligation Bonds**

In February 2013, the District issued \$4,785,000 of general obligation refunding bonds, Series 2013, to advance refund the outstanding Series 2005 General Obligation Refunding Bonds and to pay costs associated with the refunding. The Series 2013 Bonds bear interest ranging from 2.0% to 5.0% and mature in the years 2013 through 2020. Proceeds from the sale of the 2013 bonds, including an initial bond premium of \$436,722 together with \$347,000 from the debt service fund, were deposited into an irrevocable escrow to call the outstanding bonds. The advance refunding resulted in a savings of interest and principal repayments approximating \$570,000.

*2010 Refunding Bonds*

In July 2010, the District issued \$6,810,000 of general obligation refunding bonds, Series 2010, to advance refund the outstanding Series 2001 General Obligation Bonds and to pay costs associated with the refunding. The Series 2010 Bonds bear interest ranging from 2.5% to 3.0% and mature in years through 2018. Proceeds from the sale of the 2010 bonds of \$7,000,106, including an original issue premium of \$190,106 together with \$100,000 from the 2001 debt service reserve were deposited in an irrevocable escrow to call the outstanding 2001 bonds on July 1, 2011. The result of the advance refunding was a reduction in total debt service payments of \$655,112 and an economic gain of \$565,364. The difference between the amount placed into escrow and the outstanding refunded bonds was charged to interest expense in the statement of activities.

**Notes Payable**

The District agreed to pay \$162,505 to the University of Montana for its portion of the proceeds from the City of Missoula for easements across the Homevale property when the City realigned the South Avenue and Brooks intersection.

Missoula County issued special improvement obligations with interest rates of 7.5% to 8.25% due in varying amounts through June 2024 to fund miscellaneous improvements for the elementary school.

Debt service principal and interest payments required on the bonds and notes payable are as follows:

| Year Ended<br>June 30, | General Obligation Bonds |                     | SID Payable and Homevale |               | Total               |                     |
|------------------------|--------------------------|---------------------|--------------------------|---------------|---------------------|---------------------|
|                        | Principal                | Interest            | Principal                | Interest      | Principal           | Interest            |
| 2015                   | \$ 1,195,000             | \$ 250,088          | \$ 1,000                 | \$ 200        | \$ 1,196,000        | \$ 250,288          |
| 2016                   | 1,240,000                | 217,338             | 1,000                    | 180           | 1,241,000           | 217,518             |
| 2017                   | 1,275,000                | 189,463             | -                        | -             | 1,275,000           | 189,463             |
| 2018                   | 1,315,000                | 157,613             | -                        | -             | 1,315,000           | 157,613             |
| 2019                   | 1,355,000                | 124,763             | -                        | -             | 1,355,000           | 124,763             |
| 2020-2025              | <u>2,140,000</u>         | <u>93,800</u>       | <u>162,505</u>           | <u>-</u>      | <u>2,302,505</u>    | <u>93,800</u>       |
| Total                  | <u>\$ 8,520,000</u>      | <u>\$ 1,033,063</u> | <u>\$ 164,505</u>        | <u>\$ 380</u> | <u>\$ 8,684,505</u> | <u>\$ 1,033,443</u> |

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**  
 June 30, 2014

**NOTE 4. LONG-TERM DEBT (CONTINUED)**

Compensated absence payments can be made by the compensated absences fund or by the affected fund, usually the general fund. The District records an estimate of compensated absences due within one year based on prior three year history of payments made to retirees.

The District is authorized by state law to issue general obligation bonds up to an amount equal to the greater of (1) 50% of the taxable value of the property within the District or (2) 50% of the statewide average taxable valuation per student times the number of students in the District (calculated separately for the elementary and high school districts).

The District leased office equipment in 2012 at a cost of \$198,488. The capital lease matures in July 2017. Minimum monthly payments are \$3,484. The following schedule presents future minimum lease payments as of June 30, 2014:

| <u>Year Ended June 30,</u>              | <u>Capital Lease<br/>Payments</u> |
|---|-----------------------------------|
| 2015                                    | \$ 41,813                         |
| 2016                                    | 41,813                            |
| 2017                                    | <u>3,481</u>                      |
| Total                                   | 87,107                            |
| Less interest                           | <u>(6,486)</u>                    |
| Present value of minimum lease payments | <u>\$ 80,621</u>                  |

Because of implementing GASB 65, bond issuances costs were written off in the current year and bond premiums were reclassified as deferred inflows of resources.

**NOTE 5. RESERVED FUND BALANCES AND RESTRICTED NET ASSETS**

**Reserved Fund Balances**

State law permits a reserve for operations in certain budgeted funds. The maximum reserve for operations permitted for the School, which is a percentage of the subsequent year's budgeted expenditures, are as follows:

|                      |     |
|----------------------|-----|
| General Fund         | 10% |
| Transportation Fund  | 20% |
| Retirement Fund      | 20% |
| Adult Education Fund | 35% |

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
 NOTES TO FINANCIAL STATEMENTS  
 (CONTINUED)  
 June 30, 2014

**NOTE 5. RESERVED FUND BALANCES AND RESTRICTED NET ASSETS**  
**(CONTINUED)**

**Restricted Fund Balance**

Restricted fund balances under GASB 54 at June 30, 2014, are as follows:

|                        | <u>Elementary</u>   | <u>High School</u>  | <u>Total</u>        |
|------------------------|---------------------|---------------------|---------------------|
| Transportation         | \$ 318,316          | \$ 293,029          | \$ 611,345          |
| Food services          | 97,681              | 202,769             | 300,450             |
| Tuition                | 102,260             | 82,512              | 184,772             |
| Retirement             | 867,753             | 638,720             | 1,506,473           |
| Insurance fund         | -                   | 8,485               | 8,485               |
| Adult education        | 33,261              | 100,517             | 133,778             |
| Traffic education      | -                   | 238,347             | 238,347             |
| Compensated absences   | 637                 | 10,805              | 11,442              |
| Technology acquisition | 43,974              | 219,954             | 263,928             |
| Debt service           | 131,493             | 496,138             | 627,631             |
| Building               | 844,171             | 366,548             | 1,210,719           |
| Building reserve       | <u>1,433,502</u>    | <u>583,879</u>      | <u>2,017,381</u>    |
| Total                  | <u>\$ 3,873,048</u> | <u>\$ 3,241,703</u> | <u>\$ 7,114,751</u> |

State law also permits a reserve for operations in the bond debt service funds equal to the payments required within 17 months after year-end. State law also permits the District to reserve collections of prior year's delinquent and protested property taxes.

**Assigned Fund Balance**

Assigned fund balances under GASB 54 at June 30, 2014, are as follows:

|                         | <u>Elementary</u>   | <u>High School</u>  | <u>Total</u>        |
|-------------------------|---------------------|---------------------|---------------------|
| Encumbrances            | \$ 176,669          | \$ 41,549           | \$ 218,218          |
| Program and instruction | <u>2,846,571</u>    | <u>1,143,166</u>    | <u>3,989,737</u>    |
| Total                   | <u>\$ 3,023,240</u> | <u>\$ 1,184,715</u> | <u>\$ 4,207,955</u> |

**Restricted Net Position**

Restricted net position at June 30, 2014, consists of the following:

|                  |                     |
|------------------|---------------------|
| Capital projects | \$ 3,377,619        |
| Debt service     | 733,014             |
| Program          | <u>3,901,938</u>    |
| Total            | <u>\$ 8,012,571</u> |

MISSOULA COUNTY PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
June 30, 2014

**NOTE 6. RETIREMENT PLANS**

The District participates in two statewide mandatory cost-sharing multi-employer defined benefit retirement plans which cover all employees, except certain substitute teachers and part-time, non-teaching employees. The Teachers' Retirement System (TRS) covers teaching employees, including principals and superintendents. The Public Employees' Retirement System (PERS) covers other non-teaching employees.

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

Teachers Retirement System  
P.O. Box 200139  
1500 East Sixth Avenue  
Helena, MT 59620-0139

Public Employees Retirement System  
P.O. Box 200131  
100 N Park Avenue Suite 200  
Helena, MT 59620-0131

**Public Employees' Retirement System (PERS)**

PERS is a statewide retirement plan established in 1945 and is governed by Title 19, Chapters 2 and 3 of the Montana Code Annotated providing retirement services for substantially all public employees. PERS is a mandatory multiple-employer, cost sharing plan administered by the Montana Public Employees' Retirement Administration (MPERA).

PERS offers retirement, disability and death benefits to plan members and their beneficiaries. Benefit eligibility is age 60 with at least five years of service; age 65 regardless of service; or 30 years of service regardless of age. Actuarial reduced benefits may be taken with 25 years of service or at age 50 with at least five years of service. Monthly retirement benefits are determined by taking 1/56 times the number of years of service times the highest average salary for employees with less than 25 years of service, or 1/50 times the number of years of service times the highest average salary for those employees with at least 25 years of service. A guaranteed annual benefit adjustment (GABA) of 1.5% is provided each January for benefit recipients if they have been receiving a benefit for at least 36 months. Members' rights become vested after five years of service. The authority to establish, amend, and provide cost of living adjustments for the plan is assigned to the State legislature.

The State legislature has the authority to establish and amend contribution rates to the plan. Plan members are required to contribute 7.90% of monthly compensation. Local government entities are required to contribute 7.8% of members' compensation. The state of Montana contributes 0.37% of members' compensation on behalf of local government entities.

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**  
 June 30, 2014

**NOTE 6. RETIREMENT PLANS (CONTINUED)**

Teachers Retirement System (TRS)

TRS is a statewide retirement plan established in 1937 and is governed by Title 19, Chapter 20 of the Montana Code Annotated providing retirement services to persons in Montana employed as teachers or professional staff of any public elementary or secondary school. TRS is a mandatory multiple-employer, cost sharing plan administered by the Teachers' Retirement Board.

TRS offers retirement, disability, and death benefits to plan members and their beneficiaries. Benefit eligibility is age 60 with at least five years of service; age 65 regardless of service; or 25 years of service regardless of age. Actuarial reduced benefits may be taken with 25 years of service or at age 50 with at least five years of service. Monthly retirement benefits are determined by taking 1/56 times the number of years of service times the final average salary. A guaranteed annual benefit adjustment (GABA) of 1.5% is provided each January for benefit recipients if they have been receiving a benefit for at least 36 months. Members' rights become vested after five years of service.

The authority to establish, amend, and provide cost of living adjustments for the plan is assigned to the State legislature. TRS covered employees are required by State statute to contribute 8.15 percent of their salary to the plan. The District is also required by State law to contribute 8.47 percent of covered payroll. Additionally, they must contribute to the retirement plans of the Special Ed coop on a pro-rata basis depending on usage. The state of Montana contributes an additional 2.49%.

The amounts contributed to TRS and PERS during the year ended June 30, 2014, was equal to the required contribution. The amounts contributed by both the District and its employees were as follows:

|       | <u>2012</u>         | <u>2013</u>         | <u>2014</u>          |
|-------|---------------------|---------------------|----------------------|
| TRS   | \$ 6,561,703        | \$ 7,027,223        | \$ 9,203,743         |
| PERS  | <u>1,154,939</u>    | <u>1,154,052</u>    | <u>1,334,282</u>     |
| Total | <u>\$ 7,716,642</u> | <u>\$ 8,181,275</u> | <u>\$ 10,538,025</u> |

**NOTE 7. RISK MANAGEMENT**

The District faces a number of risks of loss including (a) loss or damage to property, (b) general liability, (c) workers' compensation, and (d) employee medical insurance. There were no significant changes in how the District covered its risks in fiscal year 2014.



**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**  
 June 30, 2014

**NOTE 7. RISK MANAGEMENT (CONTINUED)**

The District has established two internal service funds (one for elementary and one for high school employees) to account for and finance its employee medical claims risks. Medical claims are self-insured up to \$100,000 per employee and approximately \$1,000,000 in the aggregate. Claims in excess of these amounts are insured by commercial carriers. Dental claims are also self-insured. The internal service funds charge premiums to the other District funds based on employees in those funds and their respective coverage.

Change in medical claims liabilities were as follows:

|                                 | <u>Elementary<br/>School</u> | <u>High<br/>School</u> | <u>Total</u>        |
|---------------------------------|------------------------------|------------------------|---------------------|
| Claims liability, June 30, 2012 | \$ 495,000                   | \$ 405,000             | \$ 900,000          |
| Claims incurred in 2013         | 5,964,340                    | 3,665,104              | 9,629,444           |
| Claims paid in 2013             | <u>(5,807,280)</u>           | <u>(3,612,340)</u>     | <u>(9,419,620)</u>  |
| Claims liability, June 30, 2013 | 652,060                      | 457,764                | 1,109,824           |
| Claims incurred in 2014         | 6,264,976                    | 3,783,024              | 10,048,000          |
| Claims paid in 2014             | <u>(6,463,286)</u>           | <u>(3,869,538)</u>     | <u>(10,332,824)</u> |
| Claims liability, June 30, 2014 | <u>\$ 453,750</u>            | <u>\$ 371,250</u>      | <u>\$ 825,000</u>   |

Commercial insurance policies are purchased for loss or damage to property and for general liability. The District participates in one statewide public risk pool, the Montana Schools Group Workers' Compensation Risk Retention Program (WCRRP) for workers' compensation coverage.

GASB Statement No. 45 sets the accounting and financial reporting requirements for local governments that provide health care benefits to their retirees. Montana law (MCA 2-18-704) requires local governments to permit retired employees with at least five years of service and at least age 50 to remain in the government's medical insurance plan until they become eligible for Medicare. The law requires retirees to pay 100% of the employee premium amount.

The District's medical benefit plans have standard insurance premium amounts that are charged to all members, including retirees. The District pays the premium for the employee and the employee pays the premium for his or her family. Retirees pay their own premium.

**NOTE 8. VOLUNTARY TERMINATION BENEFITS**

The District has established an early notification of retirement benefit. If an employee submits a letter of retirement between January 1 and February 27 that results in a retirement from the District and the State retirement system effective on or before June 30, they will receive a one-time payment of \$500, less appropriate deductions, to be paid upon retirement. During the year ended June 30, 2014, 34 employees qualified for this benefit resulting in an expense of \$17,000.

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**  
 June 30, 2014

**NOTE 9. OTHER POSTEMPLOYMENT BENEFITS**

The District 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. Information on the District's health benefit plan is included below.

**Plan Description**

The District has a single-employer medical plan that provides medical and dental benefits to eligible employees, retirees, spouses, and dependents. Participation is elected by the retiree at the time of retirement. Benefit provisions are set annually by the Board of Trustees and may be revoked or altered at any time. Missoula County Public Schools is not required to issue a separate financial report for the plan.

**Funding Policy**

The District provides no direct subsidy to the health insurance premiums for retirees. Retirees pay for the entire cost of the health insurance premium. Eligible retired employees include former full-time and certain other employees. As of July 2012, there are 159 retirees and/or survivors enrolled for the employer's sponsored health insurance plan.

**Annual OPEB Cost Obligation and Net OPEB Obligation**

The District's other postemployment benefit (OPEB) cost (expense) is calculated based on the projected unit credit cost method as of June 30, 2014. 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 credited 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.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes on the District's net OPEB obligation:

**Annual Required Contribution - June 30, 2013**

|  |                            |
|--|----------------------------|
| Annual required contribution (ARC)         | \$ 636,000                 |
| Interest on net OPEB obligation            | 195,390                    |
| Adjustment to annual required contribution | <u>(144,733)</u>           |
| Annual OPEB cost                           | 686,657                    |
| Contributions made                         | <u>-</u>                   |
| Change in net OPEB obligation              | 686,657                    |
| Net OPEB obligation - beginning of year    | <u>4,342,000</u>           |
| Net OPEB obligation - end of year          | <u><u>\$ 5,028,657</u></u> |

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**  
 June 30, 2014

**NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal years ended June 30, 2014, 2013, and 2012, are as follows:

| Fiscal Year<br>Ended | Annual<br>OPEB Cost | % of Annual<br>OPEB Cost<br>Contributed | Net OPEB<br>Obligation |
|----------------------|---------------------|---|------------------------|
| June 30, 2012        | \$ 391,293          | 0.00%                                   | \$ 3,625,575           |
| June 30, 2013        | 660,425             | 0.00%                                   | 4,342,000              |
| June 30, 2014        | 686,657             | 0.00%                                   | 5,028,657              |

**Funded Status and Funding Progress**

Because the plan has more than 200 members, the District is required to obtain an actuarial valuation at least every two years. The most recent actuarial valuation was performed on July 1, 2012. As of July 1, 2012, the actuarial accrued liability (AAL) for benefits was \$5,811,000, all of which was unfunded. There are no assets set aside to fund these benefits as the District funds post-retirement health insurance benefits on a pay-as-you-go basis.

**Annual Valuation - June 30, 2014**

|   |                            |
|---|----------------------------|
| Actuarial Accrued Liability (AAL)                   | \$ 5,811,000               |
| Actuarial Value of Assets                           | <u>                  -</u> |
| Unfunded Actuarial Accrued Liability (UAAL)         | <u><u>\$ 5,811,000</u></u> |
| <br>Funded Ratio (actuarial value of assets / UAAL) | <br>0.00%                  |

Actuarial valuations for an ongoing plan involve estimates of the value 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. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on values, which the District's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be. Deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage, and changes in marital status, could result in actual costs being less or greater than estimated.

MISSOULA COUNTY PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
June 30, 2014

**NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following assumptions were made:

- Retirement rates for the Public Employees' Retirement System (PERS) and the Teacher's Retirement System (TRS) are assumed to follow the RP2000 Healthy Combined Mortality Table projected to 2015 using Scale AA applied on a gender-specific basis.
- The UUAL is being amortized using a level of percentage pay on an open basis of 30 years. The discount used is 4.5% along with a level percentage payroll growth assumption.
- The healthcare cost trend rate (HCCTR) was based on projections from historical rates of the District. The valuation used a HCCTR assumption of 9% (8% post Medicare) in the year July 1, 2012 to June 30, 2013, grading down by 0.50% each year until an ultimate HCCTR rate of 5.0% is reached.
- The Health CPI is assumed to increase at a rate of 3% each year.
- The participation assumption used in this valuation is 45% for pre-65 retirees and 15% for Medicare retirees.
- The results in this valuation incorporate certain provisions of the Patient Protection and Affordable Care Act.

**NOTE 10. COMMITMENTS AND CONTINGENCIES**

The District is subject to various legal disputes and claims arising in the normal course of operations. Based on information currently available, it is the opinion of management that the ultimate resolution of pending matters will not have a material adverse effect on the District's financial condition. Accordingly, no provision has been made in the financial statements for these contingencies.

At June 30, 2014, the District had encumbered approximately \$1.3 million against its 2014 budget, representing the estimated amount of unperformed purchase orders or contracts in process at year-end.

REQUIRED

SUPPLEMENTAL INFORMATION

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**EMPLOYEE GROUP BENEFITS PLAN –**  
**OTHER POSTEMPLOYMENT BENEFITS (OPEB)**  
 June 30, 2014

| Actuarial<br>Valuation Date | Actuarial<br>Value of<br>Assets | Actuarial<br>Accrued<br>Liability<br>(AAL) | Unfunded<br>AAL<br>(UAAL) | Funded<br>Ratio (%) | Annual<br>Covered<br>Payroll | UAAL as a<br>Percentage<br>of Covered<br>Payroll (%) |
|-----------------------------|---------------------------------|--|---------------------------|---------------------|------------------------------|--|
|                             | (a)                             | (b)  | (b-a)                     | (a/b)               | (c)                          | (b-a/c)  |
| July 1, 2014                | \$ -                            | \$ 5,811,000                               | \$ 5,811,000              | 0.00%               | \$ 51,905,397                | 11.20%   |
| July 1, 2013                | -                               | 5,811,000                                  | 5,811,000                 | 0.00%               | 49,436,798                   | 11.75%   |
| July 1, 2012                | -                               | 5,621,548                                  | 5,621,548                 | 0.00%               | 48,635,501                   | 11.56%   |
| July 1, 2011                | -                               | 5,621,548                                  | 5,621,548                 | 0.00%               | 44,282,636                   | 12.69%   |
| July 1, 2010                | -                               | 20,521,351                                 | 20,521,351                | 0.00%               | 45,857,026                   | 44.75%   |
| July 1, 2009                | -                               | 19,736,638                                 | 19,736,638                | 0.00%               | 45,857,026                   | 43.04%   |

Information for years prior to 2009 is not available.

MISSOULA COUNTY PUBLIC SCHOOLS  
 SCHOOL DISTRICT NO. 1  
 SCHEDULE OF BUDGETARY COMPARISON –  
 GENERAL FUNDS-BUDGET BASIS  
 Year Ended June 30, 2014

|   | Elementary General Fund |               |
|---|-------------------------|---------------|
|   | Original<br>and Final   |               |
|   | Budget                  | Actual        |
| <b>REVENUES</b>                           |                         |               |
| District levies                           | \$ 11,186,592           | \$ 11,007,583 |
| Investment interest                       | 8,254                   | 6,063         |
| Tuition and fees                          | 43,000                  | 44,780        |
| Federal sources                           | 1,377,803               | -             |
| State sources                             | 20,679,034              | 22,074,028    |
| Other                                     | 5,139                   | -             |
| Total revenue                             | 33,299,822              | 33,132,454    |
| <b>EXPENDITURES</b>                       |                         |               |
| Current:                                  |                         |               |
| Instruction                               | 20,915,702              | 21,501,283    |
| Support services                          | 5,016,661               | 4,726,155     |
| Administration                            | 3,757,567               | 3,717,067     |
| Operations and maintenance                | 3,527,782               | 3,463,566     |
| Student transportation                    | 10,646                  | 13,018        |
| Extracurricular                           | 71,464                  | 76,918        |
| Capital outlay                            | -                       | -             |
| Total expenditures                        | 33,299,822              | 33,498,007    |
| Revenues over expenditures                | \$ -                    | (365,553)     |
| Budget basis fund balances, June 30, 2013 |                         | 1,797,045     |
| Budget basis fund balances, June 30, 2014 |                         | \$ 1,431,492  |

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF BUDGETARY COMPARISON –**  
**GENERAL FUNDS-BUDGET BASIS (CONTINUED)**  
 Year Ended June 30, 2014

|   | High School General Fund        |                   | Combined Totals                 |                     |
|---|---------------------------------|-------------------|---------------------------------|---------------------|
|   | Original<br>and Final<br>Budget | Actual            | Original<br>and Final<br>Budget | Actual              |
|   | <b>REVENUES</b>                 |                   |                                 |                     |
| District levies                               | \$ 9,423,473                    | \$ 9,339,334      | \$ 20,610,065                   | \$ 20,346,917       |
| Investment interest                           | 4,975                           | 3,580             | 13,229                          | 9,643               |
| Tuition and fees                              | 40,000                          | 55,714            | 83,000                          | 100,494             |
| Federal sources                               | 1,052,166                       | -                 | 2,429,969                       | -                   |
| State sources                                 | 15,324,774                      | 17,703,641        | 36,003,808                      | 39,777,669          |
| Other   | <u>24,914</u>                   | <u>11,843</u>     | <u>30,053</u>                   | <u>11,843</u>       |
| Total revenue                                 | <u>25,870,302</u>               | <u>27,114,112</u> | <u>59,170,124</u>               | <u>60,246,566</u>   |
| <b>EXPENDITURES</b>                           |                                 |                   |                                 |                     |
| Current:                                      |                                 |                   |                                 |                     |
| Instruction                                   | 15,273,341                      | 16,189,102        | 36,189,043                      | 37,690,385          |
| Support services                              | 2,684,403                       | 2,845,355         | 7,701,065                       | 7,571,510           |
| Administration                                | 2,895,855                       | 3,069,485         | 6,653,421                       | 6,786,552           |
| Operations and maintenance                    | 3,241,231                       | 3,435,569         | 6,769,013                       | 6,899,135           |
| Student transportation                        | 46,815                          | 49,622            | 57,461                          | 62,640              |
| Extracurricular                               | 1,722,321                       | 1,825,588         | 1,793,785                       | 1,902,506           |
| Capital outlay                                | <u>6,336</u>                    | <u>6,716</u>      | <u>6,336</u>                    | <u>6,716</u>        |
| Total expenditures                            | <u>25,870,302</u>               | <u>27,421,437</u> | <u>59,170,124</u>               | <u>60,919,444</u>   |
| Revenues over expenditures                    | <u>\$ -</u>                     | (307,325)         | <u>\$ -</u>                     | (672,878)           |
| <br>Budget basis fund balances, June 30, 2013 |                                 | <u>1,215,294</u>  |                                 | <u>3,012,339</u>    |
| Budget basis fund balances, June 30, 2014     |                                 | <u>\$ 907,969</u> |                                 | <u>\$ 2,339,461</u> |



SUPPLEMENTAL INFORMATION  
REQUIRED BY THE  
MONTANA OFFICE OF PUBLIC INSTRUCTION

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF ENROLLMENT**  
 Year Ended June 30, 2014

| <u>ENROLLMENT</u>  | <u>PER<br/>ENROLLMENT<br/>REPORTS</u> | <u>AUDIT PER<br/>DISTRICT<br/>RECORDS</u> | <u>Difference</u> |
|--|---------------------------------------|---|-------------------|
| <b>Fall - October 1, 2013</b>  |                                       |   |                   |
| <b>Elementary School District</b>                                      |                                       |   |                   |
| <b>Pre-K-6:</b>  |                                       |   |                   |
| Pre-Kindergarten   | 0                                     | 0   | 0                 |
| Kindergarten - Half (enrolled 180+ hours per year)                     | 0                                     | 0   | 0                 |
| Kindergarten - Half (enrolled <180 hours per year)                     | 0                                     | 0   | 0                 |
| Grades K(Full) - 6 (enrolled 360+ hours per year)                      | 4,006                                 | 4,006                                     | 0                 |
| Grades K(Full) - 6 (enrolled 180-359 hours per year)                   | 3                                     | 3   | 0                 |
| Grades K(Full) - 6 (enrolled <180 hours per year)                      | 0                                     | 0   | 0                 |
| <b>7-8:</b>  |                                       |   |                   |
| Grades 7 - 8 (enrolled 360+ hours per year)                            | 994                                   | 994                                       | 0                 |
| Grades 7 - 8 (enrolled 180-359 hours per year)                         | 1                                     | 1   | 0                 |
| Grades 7 - 8 (enrolled <180 hours per year)                            | 0                                     | 0   | 0                 |
| Total Elementary   | 5,004                                 | 5,004                                     | 0                 |
| <b>High School District</b>  |                                       |   |                   |
| <b>9-12:</b>   |                                       |   |                   |
| Grades 9 - 12 (enrolled 360+ hours per year)                           | 3,576                                 | 3,576                                     | 0                 |
| Grades 9 - 12 (enrolled 180-359 hours per year)                        | 3                                     | 3   | 0                 |
| Grades 9 - 12 (enrolled <180 hours per year)                           | 17                                    | 17  | 0                 |
| Total High School  | 3,596                                 | 3,596                                     | 0                 |
| 19 Year-olds included in Grades 9-12 above                             | 4                                     | 4   | 0                 |
| Job Corps/MT Youth Academy Students included<br>in Grades 9 - 12 above | 2                                     | 2   | 0                 |

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF ENROLLMENT**  
**(CONTINUED)**  
 Year Ended June 30, 2014

| <u>ENROLLMENT</u>  | <u>PER<br/>ENROLLMENT<br/>REPORTS</u> | <u>AUDIT PER<br/>DISTRICT<br/>RECORDS</u> | <u>Difference</u> |
|--|---------------------------------------|---|-------------------|
| <b>Winter December 2, 2013</b>   |                                       |   |                   |
| <b>Elementary School District</b>                                      |                                       |   |                   |
| <b>K-6:</b>  |                                       |   |                   |
| Pre-Kindergarten   | 0                                     | 0   | 0                 |
| Kindergarten - Half (enrolled 180+ hours per year)                     | 0                                     | 0   | 0                 |
| Kindergarten - Half (enrolled <180 hours per year)                     | 0                                     | 0   | 0                 |
| Grades K (Full) - 6 (enrolled 360+ hours per year)                     | 4,023                                 | 4,023                                     | 0                 |
| Grades K (Full) - 6 (enrolled 180-359 hours per year)                  | 4                                     | 4   | 0                 |
| Grades K (Full) - 6 (enrolled <180 hours per year)                     | 0                                     | 0   | 0                 |
| <b>7-8:</b>  |                                       |   |                   |
| Grades 7 - 8 (enrolled 360+ hours per year)                            | 988                                   | 988                                       | 0                 |
| Grades 7 - 8 (enrolled 180-359 hours per year)                         | 1                                     | 1   | 0                 |
| Grades 7 - 8 (enrolled <180 hours per year)                            | 0                                     | 0   | 0                 |
| Total Elementary   | 5,016                                 | 5,016                                     | 0                 |
| <b>High School District</b>  |                                       |   |                   |
| <b>9-12:</b>   |                                       |   |                   |
| Grades 9 - 12 (enrolled 360+ hours per year)                           | 3,507                                 | 3,507                                     | 0                 |
| Grades 9 - 12 (enrolled 180-359 hours per year)                        | 3                                     | 3   | 0                 |
| Grades 9 - 12 (enrolled <180 hours per year)                           | 14                                    | 14  | 0                 |
| Total High School  | 3,524                                 | 3,524                                     | 0                 |
| 19 Year-olds included in Grades 9-12 above                             | 1                                     | 1   | 0                 |
| Early Graduates  | 8                                     | 8   | 0                 |
| Job Corps/MT Youth Academy Students included<br>in Grades 9 - 12 above | 1                                     | 1   | 0                 |

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF ENROLLMENT**  
**(CONTINUED)**  
 Year Ended June 30, 2014

| <u>ENROLLMENT</u>  | <u>PER<br/>ENROLLMENT<br/>REPORTS</u> | <u>AUDIT PER<br/>DISTRICT<br/>RECORDS</u> | <u>Difference</u> |
|--|---------------------------------------|---|-------------------|
| <b>Spring - February 1, 2014</b>                                       |                                       |   |                   |
| <b>Elementary School District</b>                                      |                                       |   |                   |
| <b>K-6:</b>  |                                       |   |                   |
| Pre-Kindergarten   | 0                                     | 0   | 0                 |
| Kindergarten - Half (enrolled 180+ hours per year)                     | 0                                     | 0   | 0                 |
| Kindergarten - Half (enrolled <180 hours per year)                     | 0                                     | 0   | 0                 |
| Grades K (Full) - 6 (enrolled 360+ hours per year)                     | 4,026                                 | 4,026                                     | 0                 |
| Grades K (Full) - 6 (enrolled 180-359 hours per year)                  | 3                                     | 3   | 0                 |
| Grades K (Full) - 6 (enrolled <180 hours per year)                     | 0                                     | 0   | 0                 |
| <b>7-8:</b>  |                                       |   |                   |
| Grades 7 - 8 (enrolled 360+ hours per year)                            | 1,005                                 | 1,005                                     | 0                 |
| Grades 7 - 8 (enrolled 180-359 hours per year)                         | 1                                     | 1   | 0                 |
| Grades 7 - 8 (enrolled <180 hours per year)                            | 0                                     | 0   | 0                 |
| Total Elementary   | 5,035                                 | 5,035                                     | 0                 |
| <b>High School District</b>  |                                       |   |                   |
| <b>9-12:</b>   |                                       |   |                   |
| Grades 9 - 12 (enrolled 360+ hours per year)                           | 3,454                                 | 3,454                                     | 0                 |
| Grades 9 - 12 (enrolled 180-359 hours per year)                        | 9                                     | 9   | 0                 |
| Grades 9 - 12 (enrolled <180 hours per year)                           | 13                                    | 13  | 0                 |
| Total High School  | 3,476                                 | 3,476                                     | 0                 |
| 19 Year-olds included in Grades 9-12 above                             | 2                                     | 2   | 0                 |
| Early Graduates  | 22                                    | 22  | 0                 |
| Job Corps/MT Youth Academy Students included<br>in Grades 9 - 12 above | 2                                     | 2   | 0                 |

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID –**  
**ELEMENTARY EXTRACURRICULAR FUNDS**  
**Year Ended June 30, 2014**

|                           | Balance<br>June 30, 2013 | Revenue        | Expenditures   | Balance<br>June 30, 2014 |
|---------------------------|--------------------------|----------------|----------------|--------------------------|
| <b>DISTRICT WIDE</b>      |                          |                |                |                          |
| COATS FOR KIDS            | \$ 24                    | \$ -           | \$ -           | \$ 24                    |
| ROBOTICS                  | -                        | 1,359          | -              | 1,359                    |
| ELEMENTARY PARTICIPATION  | 12                       | 21,761         | 21,756         | 17                       |
| <b>HAWTHORNE</b>          |                          |                |                |                          |
| 1ST GRADE                 | 81                       | 270            | 119            | 232                      |
| 3RD GRADE                 | 9                        | (9)            | (9)            | 9                        |
| 4TH GRADE                 | 1,015                    | 2              | 116            | 901                      |
| KINDERGARTEN              | 27                       | -              | -              | 27                       |
| FLAGSHIP                  | 135                      | (1)            | -              | 134                      |
| STUDENT COUNCIL           | 96                       | -              | 42             | 54                       |
| STUDENT ACTIVITY          | 4,184                    | 19,999         | 6,183          | 18,000                   |
| FAMILY RESOURCE CENTER    | 103                      | 300            | -              | 403                      |
| 5TH GRADE                 | 5                        | -              | -              | 5                        |
| 2ND GRADE                 | 293                      | 501            | -              | 794                      |
| <b>JEFFERSON</b>          |                          |                |                |                          |
| EXTRACURRIC FINE ART      | -                        | 19,947         | 18,161         | 1,786                    |
| MONTANA HMONG YOUTH LEADE | -                        | 46             | -              | 46                       |
| MEADOW HILL BANDS         | 4,018                    | 12,313         | 9,824          | 6,507                    |
| MEADOW HILL CHOIRS        | 5,984                    | 7,811          | 7,744          | 6,051                    |
| MEADOW HILL ORCHESTRAS    | 1,645                    | 557            | 2,202          | -                        |
| C.S. PORTER BANDS         | 2,556                    | 7,023          | 5,361          | 4,218                    |
| C.S. PORTER CHOIRS        | -                        | 8,017          | 5,843          | 2,174                    |
| C.S. PORTER ORCHESTRAS    | 728                      | 3,870          | 2,957          | 1,641                    |
| WASHINGTON MS BANDS       | 1,402                    | 1,070          | 2,361          | 111                      |
| WASHINGTON MS CHOIRS      | 6,778                    | 5,527          | 7,202          | 5,103                    |
| WASHINGTON MS ORCHESTRAS  | 12,420                   | 30,523         | 23,538         | 19,405                   |
| WASHINGTON MS GENERAL MUS | 514                      | 1,567          | 2,028          | 53                       |
| <b>LOWELL</b>             |                          |                |                |                          |
| STUDENT ACTIVITY          | 17                       | -              | -              | 17                       |
| P.E. ENHANCEMENT          | 91                       | -              | -              | 91                       |
| <b>PAXSON</b>             |                          |                |                |                          |
| FOURTH GRADE              | 125                      | -              | -              | 125                      |
| SECOND GRADE              | 39                       | -              | -              | 39                       |
| BASKETBALL                | 5                        | -              | -              | 5                        |
| Subtotal                  | <u>42,306</u>            | <u>142,453</u> | <u>115,428</u> | <u>69,331</u>            |

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID –**  
**ELEMENTARY EXTRACURRICULAR FUNDS (CONTINUED)**  
 Year Ended June 30, 2014

| (Continued from previous page) | Balance<br>June 30, 2013 | Revenue        | Expenditures   | Balance<br>June 30, 2014 |
|--------------------------------|--------------------------|----------------|----------------|--------------------------|
| Subtotal                       | 42,306                   | 142,453        | 115,428        | 69,331                   |
| <b>PORTER</b>                  |                          |                |                |                          |
| 8TH GRADE                      | 583                      | 5,809          | 6,391          | 1                        |
| 7TH GRADE                      | 622                      | 4,875          | 4,839          | 658                      |
| STUDENT COUNCIL                | 6,807                    | 6,019          | 4,100          | 8,726                    |
| YEARBOOK                       | -                        | 3,433          | 2,235          | 1,198                    |
| 6TH GRADE                      | 111                      | 3,504          | 2,953          | 662                      |
| ROBOTICS CLUB                  | 170                      | (170)          | -              | -                        |
| MISC STUDENT ACTIVITIES        | 130                      | 8,885          | 7,194          | 1,821                    |
| <b>RUSSELL</b>                 |                          |                |                |                          |
| MAGAZINE MONEY                 | 480                      | 1              | -              | 481                      |
| GIFT WRAP SALES                | 24,204                   | 7,038          | 31,159         | 83                       |
| <b>WASHINGTON</b>              |                          |                |                |                          |
| ROBERTS-ELAM-RUSSELL           | 1,156                    | 216            | 988            | 384                      |
| BOOK FAIR - LIBRARY            | 1,413                    | 277            | -              | 1,690                    |
| LOWER-IRELAND-TOLLER           | 961                      | 4,544          | 4,806          | 699                      |
| STUDENT COUNCIL                | 1,144                    | 3,961          | 3,748          | 1,357                    |
| YEARBOOK                       | 3,511                    | 4,349          | 4,353          | 3,507                    |
| MC ATEE                        | 3,883                    | 20,614         | 20,195         | 4,302                    |
| MCNEIL                         | 2,071                    | 2              | 736            | 1,337                    |
| FIFIELD-FISHER                 | 12                       | 506            | 405            | 113                      |
| BAKER/GREY-GILLHOUSE/MOE/      | 1                        | 1,104          | 609            | 496                      |
| GILLHOUSE/KEILMAN/SOMERSE      | 957                      | 5,964          | 6,034          | 887                      |
| BOUCHR-PICKOL-SCHOWEN-THR      | 722                      | 6,438          | 5,325          | 1,835                    |
| TECHNOLOGY                     | 29                       | -              | -              | 29                       |
| KEYBOARDING STORE              | 1,901                    | 7,718          | 6,579          | 3,040                    |
| BASKETBALL                     | 1,415                    | 2              | -              | 1,417                    |
| WASHINGTON SCHOOL              | <u>1,986</u>             | <u>1,915</u>   | <u>1,305</u>   | <u>2,596</u>             |
| Subtotal                       | <u>96,575</u>            | <u>239,457</u> | <u>229,382</u> | <u>106,650</u>           |

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID –**  
**ELEMENTARY EXTRACURRICULAR FUNDS (CONTINUED)**  
 Year Ended June 30, 2014

| (Continued from previous page) | Balance<br>June 30, 2013 | Revenue           | Expenditures      | Balance<br>June 30, 2014 |
|--------------------------------|--------------------------|-------------------|-------------------|--------------------------|
| Subtotal                       | 96,575                   | 239,457           | 229,382           | 106,650                  |
| <b>MEADOW HILL</b>             |                          |                   |                   |                          |
| 8TH GRADE                      | 987                      | 2,304             | 2,884             | 407                      |
| VOLLEYBALL                     | 129                      | 1,942             | 1,102             | 969                      |
| SCHOOL STORE                   | 1,140                    | 151               | 253               | 1,038                    |
| SCHOLARSHIPS/CLOTHES           | 336                      | -                 | 222               | 114                      |
| OFFICE VARIOUS STUDENT PR      | 830                      | 2,684             | 2,951             | 563                      |
| FLAGSHIP                       | 1,735                    | 3                 | -                 | 1,738                    |
| LIFE SKILLS                    | 1,474                    | 759               | 921               | 1,312                    |
| VISUAL ART                     | 184                      | 161               | 164               | 181                      |
| ROBOTICS CLUB                  | 126                      | 183               | 308               | 1                        |
| YEARBOOK                       | 4,299                    | 5,856             | 6,793             | 3,362                    |
| 6TH GRADE                      | 1,994                    | 5,570             | 5,789             | 1,775                    |
| 7TH GRADE                      | 884                      | 8,828             | 9,156             | 556                      |
| PLAYGROUND                     | 3                        | -                 | -                 | 3                        |
| STUDENT COUNCIL                | 1,590                    | 1,550             | 233               | 2,907                    |
| LIBRARY                        | 303                      | 1,217             | 1,394             | 126                      |
| <b>ALT HS</b>                  |                          |                   |                   |                          |
| ALT HS STUDENT ACTIVITIES      | 3,172                    | 2,838             | 3,199             | 2,811                    |
| TOTAL ELEMENTARY               | <u>\$ 115,760</u>        | <u>\$ 273,503</u> | <u>\$ 264,751</u> | <u>\$ 124,513</u>        |

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID –**  
**HELLGATE HIGH SCHOOL EXTRACURRICULAR FUNDS**  
**Year Ended June 30, 2014**

|                           | Balance<br>June 30, 2013 | Revenue        | Expenditures   | Balance<br>June 30, 2014 |
|---------------------------|--------------------------|----------------|----------------|--------------------------|
| NATIVE AMERCN MSLA YOUTH  | \$ 2,161                 | \$ 4,375       | \$ 4,655       | \$ 1,881                 |
| NATIVE AMERICAN POWPOW    | -                        | 5,763          | 4,642          | 1,121                    |
| BSHS FUND RAISING FINE AR | 148                      | 1              | -              | 149                      |
| HS FESTIVALS              | 30                       | -              | -              | 30                       |
| BSHS FUND RAISING F/A ORC | 918                      | 1              | -              | 919                      |
| STUDENTS AGAINST MALNUTRI | 199                      | 1              | 200            | -                        |
| HELLGATE PRINTSHOP        | -                        | 428            | -              | 428                      |
| FRIDAY FOODS/SNACK PAK    | -                        | 1,876          | 1,261          | 615                      |
| MODEL UNITED NATIONS      | 59                       | 2,150          | 1,800          | 409                      |
| AMNESTY                   | 520                      | -              | -              | 520                      |
| NATIVE AMERICAN           | 81                       | 3              | 73             | 11                       |
| ART                       | 176                      | 1,103          | 832            | 447                      |
| BAND                      | 4,553                    | 3,211          | 7,670          | 94                       |
| CHORAL                    | 20,129                   | 40,537         | 48,674         | 11,992                   |
| HOME EC                   | 7,741                    | 1,165          | 1,879          | 7,027                    |
| IE METALS                 | 8,659                    | 1,108          | 503            | 9,264                    |
| ORCHESTRA                 | 4,426                    | 22,218         | 25,462         | 1,182                    |
| SCIENCE                   | 958                      | 3,502          | 3,605          | 855                      |
| SPEECH                    | 18                       | -              | -              | 18                       |
| DRAMA                     | 3,710                    | 5,576          | 4,743          | 4,543                    |
| TESTING                   | 3,688                    | 17,285         | 17,127         | 3,846                    |
| LIBRARY FINES             | 2,384                    | 150            | -              | 2,534                    |
| CHEERLEADERS              | 1,005                    | (740)          | 101            | 164                      |
| CLASS OF 2014             | 1,615                    | 2              | 386            | 1,231                    |
| CLASS OF 2015             | 2                        | 1,129          | -              | 1,131                    |
| CLASS OF 2011             | 14                       | (14)           | -              | -                        |
| CLASS OF 2012             | 11                       | -              | -              | 11                       |
| BPA                       | 2,387                    | 15,054         | 14,078         | 3,363                    |
| GERMAN CLUB               | -                        | 572            | 322            | 250                      |
| ACT PROGRAMS/REPORTS      | 49,268                   | 96,982         | 114,109        | 32,141                   |
| LETTERMAN                 | 307                      | 1              | -              | 308                      |
| CLASS OF 2013             | 200                      | -              | -              | 200                      |
| KEY CLUB                  | 1,563                    | 2,404          | 1,287          | 2,680                    |
| N.F.L.                    | 25                       | 1              | -              | 26                       |
| NATH'L HONOR SOCIETY      | 1,024                    | 3,374          | 4,390          | 8                        |
| S.A.V.E.--G.R.E.E.N.      | 233                      | 153            | -              | 386                      |
| Subtotal                  | <u>118,212</u>           | <u>229,371</u> | <u>257,799</u> | <u>89,784</u>            |

(Continued on next page)



**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID –**  
**HELLGATE HIGH SCHOOL EXTRACURRICULAR FUNDS (CONTINUED)**  
**Year Ended June 30, 2014**

| (Continued from previous page) | Balance<br>June 30, 2013 | Revenue        | Expenditures   | Balance<br>June 30, 2014 |
|--------------------------------|--------------------------|----------------|----------------|--------------------------|
| Subtotal                       | 118,212                  | 229,371        | 257,799        | 89,784                   |
| FLAGSHIP SKI                   | 2                        | -              | -              | 2                        |
| COURTYARD (WAS DRILL TEAM      | 2,922                    | 752            | 2,791          | 883                      |
| THROUBADOUR ENCORE             | 49                       | 147            | 194            | 2                        |
| STUDENT GOVERNMENT             | 743                      | 392            | 108            | 1,027                    |
| STUDENT FINES                  | 4,774                    | 765            | -              | 5,539                    |
| YEARBOOK                       | 2,116                    | 28,328         | 23,876         | 6,568                    |
| NEWSPAPER                      | 3,088                    | 323            | 1,114          | 2,297                    |
| LOCK FINES                     | 879                      | 52             | -              | 931                      |
| JAPAN SISTER CITY              | 451                      | 167            | -              | 618                      |
| CONCESSIONS                    | 8,214                    | 6,607          | 8,024          | 6,797                    |
| CAPS/GOWNS                     | 462                      | 344            | 794            | 12                       |
| IN/OUT                         | 5,824                    | 10,417         | 13,412         | 2,829                    |
| OTHER ACTIVITY                 | 509                      | 696            | 190            | 1,015                    |
| MISSOULA GAAP                  | 5                        | 5              | -              | 10                       |
| P.E./ACTIVITY                  | 1,577                    | 1,835          | 1,441          | 1,971                    |
| HELLGATE CARES                 | 3,538                    | 4,856          | 4,708          | 3,686                    |
| STUDENT ATHLETIC SCHOLARS      | 1,853                    | 2              | -              | 1,855                    |
| PE/SKI                         | 714                      | 3,392          | 3,671          | 435                      |
| HELLGATE LEGACY                | 12,349                   | 7,087          | 14,748         | 4,688                    |
| HOMECOMING                     | 22                       | -              | -              | 22                       |
| AUDITORIUM                     | 225                      | -              | -              | 225                      |
| FLAGSHIP                       | 1,159                    | 1              | -              | 1,160                    |
| US/CHINA INITIATIVE            | 1,234                    | 1              | -              | 1,235                    |
| LATIN CLUB                     | 6                        | 2,283          | 1,635          | 654                      |
| CLASS OF 2016                  | 4                        | 14             | -              | 18                       |
| BAND FUND RAISING              | 12,326                   | 44,271         | 47,241         | 9,356                    |
| ADVANCED PROBLEMS IN SCIE      | 4,277                    | 130            | 354            | 4,053                    |
| BEZOS FAMILY FOUNDATAION       | 934                      | 1              | -              | 935                      |
| HELLGATE POETRY                | 955                      | (9)            | 107            | 839                      |
| SPECIAL ED CANDY               | 159                      | 3,214          | 3,274          | 99                       |
| BAND STUDENT TRAVEL            | 16,864                   | 33,261         | 28,543         | 21,582                   |
| LIFETIME ACTIVITIES            | 40                       | -              | -              | 40                       |
| GIRLS SOCCER CONCESSIONS       | 35                       | -              | -              | 35                       |
| PROM                           | <u>5,235</u>             | <u>3,614</u>   | <u>2,750</u>   | <u>6,099</u>             |
| Subtotal                       | <u>211,756</u>           | <u>382,319</u> | <u>416,774</u> | <u>177,301</u>           |

(Continued on next page)

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID –**  
**HELLGATE HIGH SCHOOL EXTRACURRICULAR FUNDS (CONTINUED)**  
**Year Ended June 30, 2014**

| (Continued from previous page) | Balance<br>June 30, 2013 | Revenue           | Expenditures      | Balance<br>June 30, 2014 |
|--------------------------------|--------------------------|-------------------|-------------------|--------------------------|
| Subtotal                       | 211,756                  | 382,319           | 416,774           | 177,301                  |
| SENIOR PROJECT - SENIOR PRO    | 785                      | 1                 | -                 | 786                      |
| STUDENT ACADEMIC COMPETIT      | 2,247                    | 2                 | 989               | 1,260                    |
| IB TESTING FEES                | 89                       | 22,125            | 22,114            | 100                      |
| CURLING CLUB                   | 711                      | 1,652             | 1,050             | 1,313                    |
| ATHLETIC GENERAL               | 112,771                  | 67,962            | 33,171            | 147,562                  |
| ACTIVITY CARD                  | 18,821                   | 15,692            | 18,820            | 15,693                   |
| PARTICIPATION FEE              | 39,525                   | (1,037)           | 38,445            | 43                       |
| SEASON TICKETS                 | 10,462                   | 10,545            | 10,462            | 10,545                   |
| BOYS BASKETBALL                | 1,123                    | 1                 | 600               | 524                      |
| GIRLS BASKETBALL               | 1,001                    | -                 | -                 | 1,001                    |
| CROSS COUNTRY                  | 11                       | -                 | -                 | 11                       |
| FOOTBALL                       | 4,039                    | 3                 | 833               | 3,209                    |
| GOLF                           | 3,413                    | 711               | 4,122             | 2                        |
| SOCCER/BOYS                    | 30                       | 146               | 174               | 2                        |
| SOFTBALL                       | 14                       | -                 | -                 | 14                       |
| SWIMMING                       | 107                      | -                 | -                 | 107                      |
| TENNIS                         | 33                       | (1)               | -                 | 32                       |
| TRACK                          | 917                      | 1                 | -                 | 918                      |
| VOLLEYBALL                     | 73                       | 109               | 182               | -                        |
| WRESTLING                      | 40                       | (1)               | -                 | 39                       |
| TRAINING ROOM                  | 811                      | 5,506             | 3,906             | 2,411                    |
| UNIFORMS                       | 2,793                    | 195               | 630               | 2,358                    |
| SOCCER/GIRLS                   | 1,743                    | 2                 | 174               | 1,571                    |
| TOTAL Hellgate High School     | <u>\$ 413,315</u>        | <u>\$ 505,933</u> | <u>\$ 552,446</u> | <u>\$ 366,802</u>        |

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID –**  
**SEELEY SWAN HIGH SCHOOL EXTRACURRICULAR FUNDS**  
**Year Ended June 30, 2014**

|                               | <u>Balance</u><br><u>June 30, 2013</u> | <u>Revenue</u>   | <u>Expenditures</u> | <u>Balance</u><br><u>June 30, 2014</u> |
|-------------------------------|--|------------------|---------------------|--|
| GREENHOUSE FUND               | \$ -                                   | \$ 55            | \$ -                | \$ 55                                  |
| TRACK CLUB                    | -                                      | 5,550            | -                   | 5,550                                  |
| ART                           | 406                                    | 101              | 106                 | 401                                    |
| BAND                          | 110                                    | 1                | -                   | 111                                    |
| CHORAL                        | 1                                      | -                | -                   | 1                                      |
| HOME EC                       | 196                                    | 510              | 242                 | 464                                    |
| IE WOODS                      | 273                                    | 1                | -                   | 274                                    |
| MATH                          | 247                                    | 1,219            | 1,134               | 332                                    |
| SCIENCE                       | 811                                    | 633              | 1,440               | 4                                      |
| DRAMA                         | 2,108                                  | 1                | 86                  | 2,023                                  |
| TESTING                       | 22                                     | 274              | 260                 | 36                                     |
| POP FUND                      | 6,467                                  | 897              | 2,228               | 5,136                                  |
| CHEERLEADERS                  | 696                                    | 2,388            | 3,082               | 2                                      |
| CLASS OF 2014                 | 306                                    | 1,121            | 1,090               | 337                                    |
| CLASS OF 2015                 | 791                                    | 1,090            | 760                 | 1,121                                  |
| CLASS OF 2011                 | 20                                     | (20)             | -                   | -                                      |
| CLASS OF 2012                 | 63                                     | 181              | 148                 | 96                                     |
| CLASS OF 2013                 | 148                                    | (116)            | 32                  | -                                      |
| KEY CLUB                      | 380                                    | 1                | -                   | 381                                    |
| LEADERSHIP GROUP              | 1,861                                  | 2                | -                   | 1,863                                  |
| NATH'L HONOR SOCIETY          | 606                                    | -                | 60                  | 546                                    |
| SPANISH                       | 686                                    | 15,683           | 11,612              | 4,757                                  |
| STUDENT GOVERNMENT            | 761                                    | 60               | 313                 | 508                                    |
| STUDENT FINES                 | 338                                    | 1                | -                   | 339                                    |
| YEARBOOK                      | 3,825                                  | 4,845            | 8,011               | 659                                    |
| LIBRARY                       | 2,503                                  | 2                | 38                  | 2,467                                  |
| CONCESSIONS                   | 17,236                                 | 5,171            | 6,123               | 16,284                                 |
| IN/OUT                        | 5,255                                  | 1,184            | -                   | 6,439                                  |
| OTHER ACTIVITY                | 5,851                                  | 6                | -                   | 5,857                                  |
| STUDENT STORE/BUSINESS        | 2,491                                  | 3                | -                   | 2,494                                  |
| CLASS OF 2016                 | 1,222                                  | (3)              | -                   | 1,219                                  |
| ATHLETIC GENERAL              | 17,150                                 | 5,379            | 1,118               | 21,411                                 |
| PARTICIPATION FEE             | 5,582                                  | 5,528            | 60                  | 11,050                                 |
| BASKETBALL BOYS               | 7,976                                  | 1,792            | 896                 | 8,872                                  |
| BASKETBALL GIRLS              | 3,438                                  | 1,932            | 1,077               | 4,293                                  |
| FOOTBALL                      | 2                                      | 2,449            | 1,085               | 1,366                                  |
| GOLF                          | -                                      | 1,895            | 20                  | 1,875                                  |
| TRACK/GIRLS                   | 3                                      | -                | -                   | 3                                      |
| TRACK                         | 11,051                                 | 12,585           | 5,168               | 18,468                                 |
| VOLLEYBALL                    | 2,466                                  | 1,882            | 1,264               | 3,084                                  |
| OTHER ATHLETICS               | 8,739                                  | 9                | 491                 | 8,257                                  |
| TOTAL Seeley Swan High School | <u>\$ 112,087</u>                      | <u>\$ 74,292</u> | <u>\$ 47,944</u>    | <u>\$ 138,435</u>                      |

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID –**  
**SENTINEL HIGH SCHOOL EXTRACURRICULAR FUNDS**  
**Year Ended June 30, 2014**

|                           | Balance<br>June 30, 2013 | Revenue        | Expenditures   | Balance<br>June 30, 2014 |
|---------------------------|--------------------------|----------------|----------------|--------------------------|
| GOLF CLUB                 | \$ 6,343                 | \$ 2,093       | \$ 8,110       | \$ 326                   |
| DANCE TEAM                | -                        | 1,497          | 1,066          | 431                      |
| SOCCER CLUB               | 444                      | 823            | 981            | 286                      |
| SOFTBALL CLUB             | 5,906                    | 8,022          | 6,757          | 7,171                    |
| SWIM CLUB                 | 311                      | 916            | 1,000          | 227                      |
| SCIENCE CLUB              | 242                      | 1,020          | 232            | 1,030                    |
| VOLLEYBALL CLUB           | 1,518                    | 20,023         | 16,445         | 5,096                    |
| ROCKY MTN WRESTLING       | 22,449                   | 14,021         | 10,703         | 25,767                   |
| CLIMATE                   | -                        | 667            | -              | 667                      |
| MODEL UN                  | 6                        | -              | -              | 6                        |
| AMNESTY INTERNATIONAL     | 33                       | -              | 22             | 11                       |
| WRESTLING CLUB            | 966                      | 356            | 265            | 1,057                    |
| NATIVE AMERICAN           | 22                       | -              | -              | 22                       |
| ART                       | 351                      | (1)            | 141            | 209                      |
| BAND                      | 15,675                   | 25,499         | 35,101         | 6,073                    |
| CHORAL                    | 1,231                    | 9,431          | 6,224          | 4,438                    |
| COUNSELING                | 4,368                    | 30,517         | 29,312         | 5,573                    |
| FAMILY & CONSUMER SCIENCE | 443                      | 1,316          | 142            | 1,617                    |
| IE METALS                 | 1                        | 608            | 417            | 192                      |
| IE WOODS                  | 833                      | 614            | 1,170          | 277                      |
| MATH                      | 686                      | 1,734          | 365            | 2,055                    |
| ORCHESTRA                 | 3,282                    | 28,987         | 32,267         | 2                        |
| SCIENCE                   | 651                      | 41             | 260            | 432                      |
| SPECIAL ED                | 448                      | 330            | -              | 778                      |
| SPEECH                    | 620                      | 12,108         | 12,727         | 1                        |
| SOCIOLOGY                 | 930                      | 352            | 85             | 1,197                    |
| LITERARY CLUB             | 333                      | 828            | 105            | 1,056                    |
| CHEERLEADERS              | 1,856                    | 8,974          | 7,858          | 2,972                    |
| CLASS OF 2014             | 3,024                    | 1,041          | 1,779          | 2,286                    |
| COMPUTER CLUB             | 277                      | 500            | 150            | 627                      |
| DECA                      | 5,015                    | 134,251        | 134,466        | 4,800                    |
| FRENCH CLUB               | 73                       | 47             | -              | 120                      |
| CLASS OF 2013             | 1                        | (1)            | -              | -                        |
| KEY CLUB                  | 209                      | 2,242          | 1,783          | 668                      |
| KOPEE                     | 153                      | -              | -              | 153                      |
| NATH'L HONOR SOCIETY      | 1,215                    | 1,544          | 1,856          | 903                      |
| Subtotal                  | <u>79,915</u>            | <u>310,400</u> | <u>311,789</u> | <u>78,526</u>            |

(Continued on next page)

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID –**  
**SENTINEL HIGH SCHOOL EXTRACURRICULAR FUNDS (CONTINUED)**  
**Year Ended June 30, 2014**

| (Continued from previous page) | Balance<br>June 30, 2013 | Revenue        | Expenditures   | Balance<br>June 30, 2014 |
|--------------------------------|--------------------------|----------------|----------------|--------------------------|
| Subtotal                       | 79,915                   | 310,400        | 311,789        | 78,526                   |
| HANDBOOK FUND                  | 6,882                    | 2,510          | 5,253          | 4,139                    |
| SKI CLUB                       | -                        | 30             | -              | 30                       |
| SPANISH                        | 10                       | -              | -              | 10                       |
| THESPIANS                      | 6,177                    | 5,334          | 9,654          | 1,857                    |
| THROUBADOUR ENCORE             | 4,922                    | 2,585          | 3,735          | 3,772                    |
| WEIGHT ROOM CAPITAL CAMPA      | 21,957                   | (19,844)       | 1,907          | 206                      |
| TRACK CLUB                     | 2,180                    | 3,694          | 3,104          | 2,770                    |
| STUDENT GOVERNMENT             | 832                      | 514            | 412            | 934                      |
| S.A.V.E.                       | 112                      | -              | -              | 112                      |
| SOCCER GIRLS                   | 66                       | 1,151          | 1,111          | 106                      |
| STUDENT FINES                  | 3,432                    | 1,253          | 3,869          | 816                      |
| YEARBOOK                       | 5,731                    | 65,031         | 66,011         | 4,751                    |
| LIBRARY                        | 3,412                    | 384            | 608            | 3,188                    |
| NEWSPAPER                      | 1,475                    | 2,479          | 3,311          | 643                      |
| LOCK FINES                     | 2                        | -              | -              | 2                        |
| JOURNEY'S                      | -                        | 100            | 63             | 37                       |
| VENDING MACHINE/SPED           | 2,251                    | 19,672         | 21,287         | 636                      |
| STUDENTS AT RISK               | 590                      | 1,581          | 1,087          | 1,084                    |
| TENNIS CLUB                    | 726                      | 5,140          | 4,003          | 1,863                    |
| MCPS INDIAN CLUB               | 17                       | -              | -              | 17                       |
| SENTINEL LEGACY ACCOUNT        | 17,962                   | 41,659         | 39,777         | 19,844                   |
| SENTINEL DESIGN ACADEMY        | 2,041                    | 3,755          | 4,319          | 1,477                    |
| SMALL ENGINES                  | 607                      | 3,310          | 714            | 3,203                    |
| GAY/STRAIGHT ALLIANCE          | 356                      | -              | 55             | 301                      |
| JAPAN TRAVEL                   | 1,963                    | 2              | -              | 1,965                    |
| HEALTH OCC STUDENTS OF AM      | 1,173                    | 8,626          | 9,789          | 10                       |
| ENVIROMENTAL CLUB              | 6,972                    | 2,695          | 1,022          | 8,645                    |
| ROBOTICS CLUB                  | 1,016                    | (837)          | 177            | 2                        |
| SKILLS USA                     | -                        | 101            | 18             | 83                       |
| BRAIN BOWL                     | 878                      | 675            | 260            | 1,293                    |
| CAPSTONE                       | 250                      | -              | -              | 250                      |
| POWER TECH REVENUE             | -                        | 650            | -              | 650                      |
| ATHLETIC GENERAL               | 35,789                   | 81,330         | 75,033         | 42,086                   |
| ACTIVITY CARDS                 | 30                       | 44             | -              | 74                       |
| PARTICIPATION FEE              | 27                       | 33,443         | 33,451         | 19                       |
| Subtotal                       | <u>209,753</u>           | <u>577,467</u> | <u>601,819</u> | <u>185,401</u>           |

(Continued on next page)

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID –**  
**SENTINEL HIGH SCHOOL EXTRACURRICULAR FUNDS (CONTINUED)**  
**Year Ended June 30, 2014**

| (Continued from previous page) | <u>Balance</u><br><u>June 30, 2013</u> | <u>Revenue</u>    | <u>Expenditures</u> | <u>Balance</u><br><u>June 30, 2014</u> |
|--------------------------------|--|-------------------|---------------------|--|
| Subtotal                       | 209,753                                | 577,467           | 601,819             | 185,401                                |
| BOYS BASKETBALL                | 3,538                                  | 6,303             | 5,951               | 3,890                                  |
| GIRLS BASKETBALL               | 783                                    | 4,958             | 4,298               | 1,443                                  |
| CROSS COUNTRY - BOYS           | 473                                    | 2,361             | 974                 | 1,860                                  |
| FOOTBALL                       | 2,457                                  | 32,683            | 33,673              | 1,467                                  |
| CROSS COUNTRY - GIRLS          | 2,117                                  | 2,050             | 1,089               | 3,078                                  |
| NATIVE AMERICAN - ALT HS       | 1                                      | -                 | -                   | 1                                      |
| INDIAN EDUCATION-TITLE VI      | 473                                    | 1,791             | 1,335               | 929                                    |
| WILLARD A.I.B.L CHAPTER        | <u>43</u>                              | <u>92</u>         | <u>135</u>          | <u>-</u>                               |
| TOTAL Sentinel High School     | <u>\$ 219,638</u>                      | <u>\$ 627,705</u> | <u>\$ 649,274</u>   | <u>\$ 198,069</u>                      |

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID –**  
**BIG SKY HIGH SCHOOL EXTRACURRICULAR FUNDS**  
**Year Ended June 30, 2014**

|                      | Balance<br>June 30, 2013 | Revenue        | Expenditures   | Balance<br>June 30, 2014 |
|----------------------|--------------------------|----------------|----------------|--------------------------|
| BOYS BASKETBALL CLUB | \$ -                     | \$ 8,605       | \$ 8,605       | \$ -                     |
| BASKETBALL CLUB      | 38                       | 8,405          | 8,417          | 26                       |
| CROSS COUNTRY CLUB   | 153                      | 1,093          | 795            | 451                      |
| FOOTBALL CAMP        | 5,090                    | 19,441         | 15,149         | 9,382                    |
| GOLF CLUB            | 6,351                    | 2,154          | 8,505          | -                        |
| CUBA TRIP            | -                        | 21,461         | 20,789         | 672                      |
| SOCCER CLUB          | -                        | 11,595         | 10,712         | 883                      |
| SOFTBALL CLUB        | 479                      | 4,572          | 4,612          | 439                      |
| VOLLEYBALL CLUB      | 5,325                    | 8,350          | 10,090         | 3,585                    |
| ROCKY MTN WRESTLING  | 638                      | 592            | 793            | 437                      |
| NATIVE AMERICAN      | 428                      | (428)          | -              | -                        |
| AG PROJECT           | 291                      | 1              | -              | 292                      |
| HALL OF FAME         | 18                       | -              | -              | 18                       |
| SG VENDING MACHINE   | -                        | 2,973          | 2,973          | -                        |
| BAND                 | 612                      | 420            | 963            | 69                       |
| DRAFTING             | 654                      | 153            | 33             | 774                      |
| IE METALS            | 320                      | 1              | -              | 321                      |
| IE WOODS             | 2,211                    | 1,851          | 2,926          | 1,136                    |
| ORCHESTRA            | 1,320                    | 2,207          | 1,567          | 1,960                    |
| SCIENCE              | 9,242                    | 509            | 445            | 9,306                    |
| SPECIAL ED           | 4,448                    | 2,498          | 748            | 6,198                    |
| SPEECH               | 97                       | 3,479          | 1,822          | 1,754                    |
| DRAMA                | 1,872                    | 13,368         | 13,955         | 1,285                    |
| FFA                  | 7,022                    | 19,548         | 10,234         | 16,336                   |
| TESTING              | 6,853                    | 5,041          | 5,716          | 6,178                    |
| POP FUND             | -                        | 3,090          | 1,393          | 1,697                    |
| TRACK CLUB           | 4,534                    | 10,263         | 2,765          | 12,032                   |
| AERIE BIG SKY        | 711                      | 4,987          | 4,986          | 712                      |
| LIBRARY FINES        | 15                       | 972            | 73             | 914                      |
| CHEERLEADERS         | 3,408                    | 11,617         | 7,258          | 7,767                    |
| CLASS OF 2015        | -                        | 4,820          | 1,619          | 3,201                    |
| CLASS OF 2011        | 2                        | 2              | -              | 4                        |
| DECA                 | 40,386                   | 51,530         | 48,113         | 43,803                   |
| FRENCH CLUB          | 108                      | -              | -              | 108                      |
| GERMAN CLUB          | 171                      | -              | -              | 171                      |
| CLASS OF 2013        | 270                      | -              | -              | 270                      |
| Subtotal             | <u>103,067</u>           | <u>225,170</u> | <u>196,056</u> | <u>132,181</u>           |

(Continued on next page)

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID –**  
**BIG SKY HIGH SCHOOL EXTRACURRICULAR FUNDS (CONTINUED)**  
**Year Ended June 30, 2014**

| (Continued from previous page) | <u>Balance</u><br><u>June 30, 2013</u> | <u>Revenue</u> | <u>Expenditures</u> | <u>Balance</u><br><u>June 30, 2014</u> |
|--------------------------------|--|----------------|---------------------|--|
| Subtotal                       | 103,067                                | 225,170        | 196,056             | 132,181                                |
| KEY CLUB                       | -                                      | 5,295          | 4,745               | 550                                    |
| NATH'L HONOR SOCIETY           | 129                                    | 366            | 84                  | 411                                    |
| SKI                            | 95                                     | -              | -                   | 95                                     |
| THESPIANS                      | 957                                    | 2,388          | 2,685               | 660                                    |
| ST. GOV EQUIP/REPAIR           | 138                                    | -              | -                   | 138                                    |
| STUDENT GOVERNMENT             | 991                                    | 1,078          | 2,068               | 1                                      |
| GIRLS SOCCER                   | 2,803                                  | 10,916         | 13,358              | 361                                    |
| STUDENT FINES                  | 1,704                                  | 1,972          | 3,093               | 583                                    |
| YEARBOOK                       | 5                                      | 20,345         | 10,449              | 9,901                                  |
| LIBRARY                        | 1,246                                  | 2              | 895                 | 353                                    |
| NEWSPAPER                      | 1                                      | 17,095         | 17,096              | -                                      |
| LOCK FINES                     | 187                                    | 166            | 283                 | 70                                     |
| CONCESSIONS                    | 334                                    | 5,548          | 5,881               | 1                                      |
| CAPS/GOWNS                     | 680                                    | 450            | 675                 | 455                                    |
| IN/OUT                         | 2,907                                  | 4,129          | 1,949               | 5,087                                  |
| OTHER ACTIVITY                 | 511                                    | -              | -                   | 511                                    |
| FARM                           | 12,124                                 | 8,204          | 9,958               | 10,370                                 |
| CART SALES                     | 4,683                                  | 1,313          | 3,305               | 2,691                                  |
| PARKING PASSES                 | 39                                     | -              | -                   | 39                                     |
| ART CLUB                       | 1,583                                  | 66             | 184                 | 1,465                                  |
| FHA SCHOLARSHIP                | 698                                    | -              | -                   | 698                                    |
| SOCIAL COMMITTEE               | 82                                     | 40             | 21                  | 101                                    |
| FFA-GREENHOUSE                 | 4,486                                  | 1,712          | 3,038               | 3,160                                  |
| PE/SKI                         | 1,836                                  | 2,607          | 2,555               | 1,888                                  |
| BEE ALERT IN SCHOOL            | 921                                    | 938            | -                   | 1,859                                  |
| STUDENT CHOIR                  | 10,289                                 | 42,999         | 53,288              | -                                      |
| GRADUATING CLASS DONATION      | 543                                    | -              | 100                 | 443                                    |
| ENVIROTHON                     | 2                                      | -              | -                   | 2                                      |
| SCIENCE CIRCUS                 | 2,707                                  | 3,870          | 4,055               | 2,522                                  |
| SPED VOC                       | 278                                    | -              | -                   | 278                                    |
| ENGLISH PLAYS                  | 341                                    | 1              | -                   | 342                                    |
| SOS CRISIS FUND                | 673                                    | 7,770          | 715                 | 7,728                                  |
| SENIOR PROJECTS                | 946                                    | 1              | 558                 | 389                                    |
| POWER TECHNOLOGY               | 2,520                                  | (2,519)        | -                   | 1                                      |
| CULINARY ARTS                  | 1,880                                  | 660            | 607                 | 1,933                                  |
| COASTA RICA TURTLE CLUB        | 787                                    | 1              | -                   | 788                                    |
| Subtotal                       | <u>163,173</u>                         | <u>362,583</u> | <u>337,701</u>      | <u>188,055</u>                         |

(Continued on next page)



**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID –**  
**BIG SKY HIGH SCHOOL EXTRACURRICULAR FUNDS (CONTINUED)**  
**Year Ended June 30, 2014**

| (Continued from previous page) | <u>Balance</u><br><u>June 30, 2013</u> | <u>Revenue</u>    | <u>Expenditures</u> | <u>Balance</u><br><u>June 30, 2014</u> |
|--------------------------------|--|-------------------|---------------------|--|
| Subtotal                       | 163,173                                | 362,583           | 337,701             | 188,055                                |
| DIVERSITY SCHOLARSHIP          | 122                                    | 1                 | -                   | 123                                    |
| STATE TOURNAMENTS              | 1,174                                  | 6,842             | 7,065               | 951                                    |
| ECOLOGY CLUB                   | 615                                    | 66                | 130                 | 551                                    |
| B.I.T.E                        | 162                                    | 33                | 10                  | 185                                    |
| AMERICAN INDIAN BUS LEADE      | -                                      | 4,581             | 4,581               | -                                      |
| SCHOOLS FOR SCHOOLS            | -                                      | 510               | 305                 | 205                                    |
| HOSA                           | -                                      | 250               | 195                 | 55                                     |
| SSEEJ                          | 544                                    | 1                 | -                   | 545                                    |
| ACADEMIC TROPHY CASE           | 24                                     | 25                | -                   | 49                                     |
| AERIE INTERNATIONAL            | 3,257                                  | 4,826             | 6,424               | 1,659                                  |
| STUDENT BAND                   | 56,108                                 | 77,030            | 133,138             | -                                      |
| STUDENT SENATE PAINTING        | 772                                    | 1                 | -                   | 773                                    |
| GAPP                           | 7                                      | -                 | -                   | 7                                      |
| ROBOTICS CLUB                  | -                                      | 19,309            | 15,353              | 3,956                                  |
| WELDING CLUB                   | 512                                    | 843               | 621                 | 734                                    |
| AG SWINE                       | 2,544                                  | 13,171            | 15,637              | 78                                     |
| THRIFT SHOP                    | 3,156                                  | 2,538             | 802                 | 4,892                                  |
| STUDENT DRAMA                  | 149                                    | -                 | -                   | 149                                    |
| ATHLETIC GENERAL               | 11,415                                 | 14,788            | 18,616              | 7,587                                  |
| ACTIVITY CARD                  | 296                                    | 722               | 125                 | 893                                    |
| PARTICIPATION FEE              | 1,401                                  | 32,417            | 33,501              | 317                                    |
| SEASON TICKETS                 | 5                                      | 696               | 101                 | 600                                    |
| BASKETBALL BOYS                | 9,738                                  | (845)             | 2,918               | 5,975                                  |
| BASKETBALL GIRLS               | 16,299                                 | (5,023)           | 7,009               | 4,267                                  |
| CROSS COUNTRY                  | -                                      | 310               | 310                 | -                                      |
| FOOTBALL                       | 6,934                                  | 12,688            | 9,348               | 10,274                                 |
| GOLF                           | 168                                    | -                 | -                   | 168                                    |
| SOCCER/BOYS                    | -                                      | 1,214             | 755                 | 459                                    |
| SOFTBALL                       | 372                                    | 4,650             | 3,884               | 1,138                                  |
| SWIMMING                       | 189                                    | 948               | 1,137               | -                                      |
| TENNIS                         | 1                                      | 1,478             | 1,479               | -                                      |
| TRACK                          | 4,019                                  | 9,600             | 7,903               | 5,716                                  |
| VOLLYEBALL                     | 9,746                                  | 5,494             | 6,882               | 8,358                                  |
| WRESTLING                      | 9,412                                  | 6,496             | 5,658               | 10,250                                 |
| TRAINING ROOM                  | 997                                    | 4,965             | 5,842               | 120                                    |
| SOCCER/GIRLS                   | 353                                    | 2,882             | 335                 | 2,900                                  |
| TOTAL Big Sky High School      | <u>\$ 303,664</u>                      | <u>\$ 586,090</u> | <u>\$ 627,765</u>   | <u>\$ 261,989</u>                      |

OTHER INFORMATION

MISSOULA COUNTY PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1  
OTHER INFORMATION  
June 30, 2014

DESCRIPTION OF THE DISTRICT

School District No. 1 is comprised of two districts, an elementary district and a high school district. The Districts provide public education for students in grades preschool through grade twelve and adults. The public education provided includes services for handicapped, basic education, special needs, gifted, vocational, and traffic education. There are 9 elementary schools, 3 middle schools, 4 high schools, and an adult education school. The estimated population of the Elementary District is 68,000 and 100,000 for the High School District. The county-wide population is estimated at 109,000. The fall enrollment of students attending the District's schools is as follows:

|                                      | Average Fall Enrollment<br>Year Ended June 30, |              |              |              |              |              |              |              |              |
|--------------------------------------|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                      | 2006   | 2007         | 2008         | 2009         | 2010         | 2011         | 2012         | 2013         | 2014         |
| Grades 9-12                          | 3,884  | 3,894        | 3,858        | 3,659        | 3,616        | 3,643        | 3,665        | 3,561        | 3,596        |
| Grades 6-8                           | 1,652  | 1,589        | 1,576        | 1,526        | 1,525        | 1,504        | 1,506        | 1,547        | 1,508        |
| Grades K-5                           | <u>3,238</u>                                   | <u>3,270</u> | <u>3,199</u> | <u>3,233</u> | <u>3,281</u> | <u>3,339</u> | <u>3,395</u> | <u>3,478</u> | <u>3,496</u> |
| Total                                | <u>8,774</u>                                   | <u>8,753</u> | <u>8,633</u> | <u>8,418</u> | <u>8,422</u> | <u>8,486</u> | <u>8,566</u> | <u>8,586</u> | <u>8,600</u> |
| Increase (decrease)                  | (157)  | (21)         | (120)        | (215)        | 4            | 64           | 80           | 20           | 14           |
| Percentage change<br>from prior year | -1.76%   | -0.24%       | -1.37%       | -2.49%       | 0.05%        | 0.76%        | 0.94%        | 0.23%        | 0.16%        |

SCHOOL DISTRICT VALUATIONS

|  | As of January 1, |                  |                  |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
|  | 2009             | 2010             | 2011             | 2012             | 2013             | 2014             |
| <b>ELEMENTARY</b>  |                  |                  |                  |                  |                  |                  |
| Assessed Valuation                                       | \$ 3,448,279,533 | \$ 3,643,197,241 | \$ 3,824,539,620 | \$ 3,805,884,721 | \$ 3,964,517,962 | \$ 4,075,397,432 |
| Taxable Valuation  | 99,902,302       | 102,153,308      | 104,678,227      | 104,678,227      | 106,045,274      | 106,626,049      |
| Taxable Valuation as a Percent<br>of Assessed Valuations | <u>2.90%</u>     | <u>2.80%</u>     | <u>2.74%</u>     | <u>2.75%</u>     | <u>2.67%</u>     | <u>2.62%</u>     |
| <b>HIGH SCHOOL</b>                                       |                  |                  |                  |                  |                  |                  |
| Assessed Valuation                                       | \$ 6,284,562,081 | \$ 6,615,004,127 | \$ 6,915,125,062 | \$ 6,806,202,585 | \$ 7,107,410,347 | \$ 7,338,761,046 |
| Taxable Valuation  | 173,495,955      | 176,553,912      | 179,486,017      | 179,950,510      | 181,892,508      | 183,502,389      |
| Taxable Valuation as a Percent<br>of Assessed Valuations | <u>2.76%</u>     | <u>2.67%</u>     | <u>2.60%</u>     | <u>2.64%</u>     | <u>2.56%</u>     | <u>2.50%</u>     |

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**OTHER INFORMATION**  
**(CONTINUED)**  
**June 30, 2014**

**SCHOOL DISTRICT TAX LEVIES (in mills)**

|                          | Year Ended June 30, |               |               |               |               |               |               |               |               |
|--------------------------|---------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                          | 2006                | 2007          | 2008          | 2009          | 2010          | 2011          | 2012          | 2013          | 2014          |
| <b>ELEMENTARY</b>        |                     |               |               |               |               |               |               |               |               |
| General                  | 103.04              | 103.74        | 101.47        | 102.13        | 103.73        | 103.48        | 104.07        | 102.26        | 104.92        |
| Transportation           | 23.50               | 24.10         | 22.32         | 24.01         | 24.12         | 24.53         | 28.58         | 27.22         | 26.60         |
| Debt Service             | 10.94               | 9.47          | 8.80          | 1.21          | 1.92          | -             | -             | -             | -             |
| Adult Education          | 1.03                | 1.03          | 1.00          | 1.08          | 1.19          | 0.92          | 1.27          | 1.29          | 1.23          |
| Technology               | 3.21                | 3.13          | 3.04          | 3.03          | 3.02          | 2.96          | 2.89          | 2.85          | 7.97          |
| Flex                     | -                   | -             | -             | -             | -             | 1.03          | -             | -             | -             |
| Building Reserve         | <u>9.38</u>         | <u>9.07</u>   | <u>8.82</u>   | <u>8.78</u>   | <u>8.77</u>   | <u>8.58</u>   | <u>8.37</u>   | <u>8.26</u>   | <u>8.22</u>   |
| Total Elementary Levies  | <u>151.10</u>       | <u>150.54</u> | <u>145.45</u> | <u>140.24</u> | <u>142.75</u> | <u>141.50</u> | <u>145.18</u> | <u>141.88</u> | <u>148.94</u> |
| <b>HIGH SCHOOL</b>       |                     |               |               |               |               |               |               |               |               |
| General                  | 62.41               | 61.59         | 57.65         | 55.94         | 56.03         | 54.48         | 56.34         | 52.16         | 51.35         |
| Transportation           | 5.83                | 6.15          | 6.03          | 8.32          | 6.71          | 6.70          | 7.27          | 7.31          | 7.45          |
| Debt Service             | 6.91                | 6.52          | 5.80          | 6.87          | 6.17          | 0.27          | 5.75          | 5.28          | 4.54          |
| Adult Education          | 2.27                | 2.18          | 2.08          | 2.61          | 2.07          | 2.01          | 1.97          | 2.00          | 2.00          |
| Tuition                  | 0.40                | 0.39          | 0.13          | 0.17          | 0.30          | 2.54          | 0.11          | 0.23          | 0.31          |
| Technology               | 2.90                | 2.79          | 2.68          | 2.61          | 2.59          | 6.09          | 2.50          | 2.47          | 4.09          |
| Building Reserve         | <u>2.90</u>         | <u>2.79</u>   | <u>2.68</u>   | <u>2.61</u>   | <u>2.59</u>   | <u>2.54</u>   | <u>2.50</u>   | <u>2.47</u>   | <u>2.45</u>   |
| Total High School Levies | <u>83.62</u>        | <u>82.41</u>  | <u>77.05</u>  | <u>79.13</u>  | <u>76.46</u>  | <u>74.63</u>  | <u>76.44</u>  | <u>71.92</u>  | <u>72.19</u>  |

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**OTHER INFORMATION**  
**(CONTINUED)**  
**June 30, 2014**

OTHER TAX LEVIES (in mills)

The following table shows the mill rates per \$1,000 of taxable value for property located in the City of Missoula Elementary District No. 1 and the Missoula County High School district for the year ended:

|                                | Year ended June 30, |               |               |               |               |               |               |               |
|--------------------------------|---------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                | 2007                | 2008          | 2009          | 2010          | 2011          | 2012          | 2013          | 2014          |
| Missoula County                | 133.64              | 136.19        | 140.35        | 140.60        | 139.80        | 142.47        | 145.01        | 150.32        |
| Open Space Bond Levy           | -                   | -             | -             | 1.66          | 2.33          | 3.04          | 3.33          | 3.45          |
| University Levy                | 6.00                | 6.00          | 6.00          | 6.00          | 6.00          | 6.00          | 6.00          | 6.00          |
| State School Equalization      | 40.00               | 40.00         | 40.00         | 40.00         | 40.00         | 40.00         | 40.00         | 40.00         |
| County-wide School Levy        | 104.26              | 104.04        | 105.61        | 104.62        | 103.45        | 100.94        | 104.60        | 104.60        |
| Urban Transportation           | 13.91               | 14.62         | 14.86         | 16.30         | 16.45         | 17.69         | 19.51         | 21.05         |
| Missoula School District No. 1 | 150.26              | 145.45        | 140.24        | 142.75        | 141.50        | 145.18        | 141.88        | 148.94        |
| MCHS                           | 82.21               | 77.05         | 79.13         | 76.46         | 74.63         | 76.44         | 71.92         | 72.19         |
| Missoula Rural Fire            | 80.89               | 91.13         | 88.59         | 94.13         | 97.98         | 97.97         | 100.33        | 102.39        |
| East Missoula Fire             | 22.48               | 22.61         | 23.36         | 23.77         | 24.65         | 25.01         | 27.42         | 42.62         |
| City of Missoula               | 204.73              | 212.23        | 222.45        | 222.45        | 225.56        | 233.24        | 240.90        | 243.52        |
| Road/Health                    | 31.06               | 32.41         | 32.72         | 32.36         | 32.36         | 32.39         | 32.58         | 32.58         |
| Animal Control                 | 1.27                | 1.33          | 1.62          | 1.60          | 1.60          | 1.60          | 1.61          | 1.61          |
| Medical Levy                   | 2.17                | 1.94          | 1.88          | 1.84          | 1.82          | 2.19          | 2.18          | 2.18          |
| Emergency                      | -                   | -             | -             | -             | -             | -             | -             | -             |
| <b>Total Levies</b>            | <u>872.88</u>       | <u>885.00</u> | <u>896.81</u> | <u>904.54</u> | <u>908.13</u> | <u>924.16</u> | <u>937.27</u> | <u>971.45</u> |

MISSOULA COUNTY PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1  
OTHER INFORMATION  
(CONTINUED)  
June 30, 2014

TAX COLLECTIONS

The following tables demonstrate the tax collection history for tax levies by the High School District's general fund only for the period of July 1, 2001 through June 30, 2014, and all funds with tax levies for the period July 1, 2001 through June 30, 2014, and by all budgeted funds for the Elementary District.

| Year Ended<br>June 30, | Total Tax<br>Levy | Current Tax<br>Collections | Current<br>Collections<br>as a Percent<br>of Levy | Total Tax<br>Collections | Total<br>Collections<br>as a Percent<br>of Levy |
|------------------------|-------------------|----------------------------|---|--------------------------|---|
| <b>HIGH SCHOOL</b>     |                   |                            |   |                          |   |
| 2014                   | \$ 13,246,710     | \$ 13,114,111              | 99.00%  | \$ 13,114,111            | 99.00%  |
| 2013                   | 13,081,624        | 13,196,785                 | 100.88%   | 13,196,785               | 100.88%   |
| 2012                   | 13,753,713        | 13,780,310                 | 100.19%   | 13,780,310               | 100.19%   |
| 2011                   | 13,206,990        | 13,273,846                 | 100.51%   | 13,273,846               | 100.51%   |
| 2010                   | 13,298,245        | 13,231,109                 | 99.50%  | 13,231,109               | 99.50%  |
| 2009                   | 13,622,509        | 13,675,788                 | 100.39%   | 13,675,788               | 100.39%   |
| 2008                   | 12,941,490        | 12,302,123                 | 95.06%  | 12,302,123               | 95.06%  |
| 2007                   | 13,242,712        | 12,110,597                 | 91.45%  | 12,110,597               | 91.45%  |
| 2006                   | 12,983,689        | 12,434,729                 | 95.77%  | 12,434,729               | 95.77%  |
| 2005                   | 12,131,996        | 11,746,574                 | 96.82%  | 11,746,574               | 96.82%  |
| 2004                   | 11,801,126        | 11,397,890                 | 96.58%  | 11,697,730               | 99.12%  |
| 2003                   | 11,482,393        | 10,887,086                 | 94.82%  | 11,434,007               | 99.58%  |
| 2002                   | 8,199,091         | 8,110,978                  | 98.93%  | 8,110,978                | 98.93%  |
| <b>ELEMENTARY</b>      |                   |                            |   |                          |   |
| 2014                   | 15,879,897        | 15,613,032                 | 98.32%  | 15,613,032               | 98.32%  |
| 2013                   | 15,044,770        | 15,021,928                 | 99.85%  | 15,021,928               | 99.85%  |
| 2012                   | 15,196,651        | 15,044,436                 | 99.00%  | 15,044,436               | 99.00%  |
| 2011                   | 14,453,531        | 14,619,640                 | 101.15%   | 14,619,640               | 101.15%   |
| 2010                   | 14,262,263        | 14,120,564                 | 99.01%  | 14,120,564               | 99.01%  |
| 2009                   | 13,989,910        | 14,316,672                 | 102.34%   | 14,316,672               | 102.34%   |
| 2008                   | 14,436,513        | 13,646,623                 | 94.53%  | 13,646,623               | 94.53%  |
| 2007                   | 14,506,205        | 13,246,171                 | 91.31%  | 13,246,171               | 91.31%  |
| 2006                   | 14,206,876        | 13,676,060                 | 96.26%  | 13,676,060               | 96.26%  |
| 2005                   | 13,886,741        | 13,596,914                 | 97.91%  | 13,596,914               | 97.91%  |
| 2004                   | 13,472,647        | 13,046,624                 | 96.84%  | 13,352,390               | 99.11%  |
| 2003                   | 12,616,641        | 11,959,000                 | 94.79%  | 12,559,152               | 99.54%  |
| 2002                   | 11,960,569        | 11,878,551                 | 99.31%  | 11,878,551               | 99.31%  |

MISSOULA COUNTY PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1  
OTHER INFORMATION  
(CONTINUED)  
June 30, 2014

MAJOR TAXPAYERS

The following table lists the major taxpayers within the Elementary School District for the year ended June 30, 2014, listed in declining order of taxable value.

| Taxpayer                             | Business             | Taxable<br>Value     | Percent of Total<br>Taxable Value |
|--------------------------------------|----------------------|----------------------|-----------------------------------|
| Northwestern Corporation             | Utility              | \$ 11,355,244        | 10.64%                            |
| Centurylink Inc.                     | Communications       | 1,529,042            | 1.43%                             |
| Mountain Water                       | Water Utility        | 1,344,964            | 1.26%                             |
| Bresnan Communications               | Communications       | 1,193,822            | 1.12%                             |
| Southgate Mall                       | Retail Shopping Mall | 862,152              | 0.81%                             |
| Celoco Ptnrship DBA Verizon Wireless | Communications       | 742,540              | 0.70%                             |
| MT Rail Link                         | Railroad             | 637,368              | 0.60%                             |
| St. Patrick Hospital                 | Hospital             | 542,352              | 0.51%                             |
| First Interstate Bank                | Bank                 | 393,317              | 0.37%                             |
| Walmart Corporation                  | Retail Shopping      | <u>325,116</u>       | <u>0.30%</u>                      |
|                                      | Total                | <u>\$ 18,925,917</u> | <u>17.73%</u>                     |

The following table lists the major taxpayers within the High School District for the year ended June 30, 2014, listed in declining order of taxable value.

| Taxpayer                             | Business               | Taxable<br>Value     | Percent of Total<br>Taxable Value |
|--------------------------------------|------------------------|----------------------|-----------------------------------|
| Northwestern Corporation             | Utility                | \$ 14,465,493        | 7.90%                             |
| Centurylink Inc.                     | Communications         | 1,906,361            | 1.04%                             |
| MT Rail Link                         | Railroad               | 1,822,351            | 1.00%                             |
| Bresnan Communications               | Communications         | 1,624,652            | 0.89%                             |
| Mountain Water                       | Water Utility          | 1,414,295            | 0.77%                             |
| Celoco Ptnrship DBA Verizon Wireless | Communications         | 1,029,048            | 0.56%                             |
| Missoula Electric Coop               | Electric Power Utility | 954,755              | 0.52%                             |
| Southgate Mall                       | Retail Shopping Mall   | 862,152              | 0.47%                             |
| Gateway Ltd. Partnership             | Retail Shopping Mall   | 679,105              | 0.37%                             |
| Walmart Corporation                  | Retail Shopping        | <u>590,472</u>       | <u>0.32%</u>                      |
|                                      | Total                  | <u>\$ 25,348,684</u> | <u>13.84%</u>                     |

MISSOULA COUNTY PUBLIC SCHOOLS  
 SCHOOL DISTRICT NO. 1  
 OTHER INFORMATION  
 (CONTINUED)  
 June 30, 2014

MAXIMUM BONDED INDEBTEDNESS

State statutes limit the maximum bonded indebtedness to 50% of the District's taxable valuation. For the Elementary District, that is \$53,022,637 and for the High School District that is \$90,946,254. For school districts that qualify for guaranteed tax base aid, the law permits maximum bonded indebtedness equal to 50% of the statewide taxable valuation per student (average number belonging). Maximum bonded indebtedness under this exception is as follows:

| SCHOOL DISTRICT | Statewide<br>Taxable Value<br>Per Student | Average<br>Number<br>Belonging<br>June 30, 2014 | Percent<br>Allowed | Maximum<br>Bonded<br>Indebtedness | Less: Debt<br>Outstanding | Remaining<br>Bonding<br>Capacity<br>June 30, 2014 |
|-----------------|---|---|--------------------|-----------------------------------|---------------------------|---|
| High School     | \$ 78,680                                 | 3,670   | 50%                | \$ 144,377,800                    | \$ 8,763,126              | \$ 135,614,674                                    |
| Elementary      | 33,140                                    | 5,210   | 50%                | <u>86,329,700</u>                 | -                         | <u>86,329,700</u>                                 |
| Total           |   |   |                    | <u>\$ 230,707,500</u>             | <u>\$ 8,763,126</u>       | <u>\$ 221,944,374</u>                             |



**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
 OTHER INFORMATION (CONTINUED)  
 COMBINING BALANCE SHEETS – GENERAL FUNDS  
 June 30, 2014

|   | <u>Elementary</u><br><u>General Fund</u> | <u>High School</u><br><u>General Fund</u> | <u>Total</u><br><u>General Fund</u> |
|---|--|---|-------------------------------------|
| <b><u>ASSETS</u></b>                            |  |   |                                     |
| Cash and investments                            | \$ 1,461,339                             | \$ 1,098,440                              | \$ 2,559,779                        |
| Property taxes receivable                       | 1,258,653                                | 1,031,076                                 | 2,289,729                           |
| Due from other governments                      | 93,518                                   | 76,515                                    | 170,033                             |
| Prepaid expenses                                | -  | 50  | 50                                  |
| Other current assets                            | <u>112,923</u>                           | <u>51,254</u>                             | <u>164,177</u>                      |
| Total assets                                    | <u>\$ 2,926,433</u>                      | <u>\$ 2,257,335</u>                       | <u>\$ 5,183,768</u>                 |
| <br><b><u>LIABILITIES AND FUND BALANCES</u></b> |  |   |                                     |
| <b>LIABILITIES</b>                              |  |   |                                     |
| Other current liabilities                       | \$ 236,288                               | \$ 318,290                                | \$ 554,578                          |
| Deferred revenue                                | <u>1,258,653</u>                         | <u>1,031,076</u>                          | <u>2,289,729</u>                    |
| Total liabilities                               | <u>1,494,941</u>                         | <u>1,349,366</u>                          | <u>2,844,307</u>                    |
| <br><b>FUND BALANCES</b>                        |  |   |                                     |
| Non-spendable                                   | -  | 50  | 50                                  |
| Spendable:                                      |  |   |                                     |
| Assigned  | 24,264                                   | 41,549                                    | 65,813                              |
| Unassigned                                      | <u>1,407,228</u>                         | <u>866,370</u>                            | <u>2,273,598</u>                    |
| Total fund balances                             | <u>1,431,492</u>                         | <u>907,969</u>                            | <u>2,339,461</u>                    |
| Total liabilities and fund balances             | <u>\$ 2,926,433</u>                      | <u>\$ 2,257,335</u>                       | <u>\$ 5,183,768</u>                 |

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**OTHER INFORMATION (CONTINUED)**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE – GENERAL FUNDS**  
**Year Ended June 30, 2014**

|                                  | <u>Elementary</u><br><u>General Fund</u> | <u>High School</u><br><u>General Fund</u> | <u>Total</u><br><u>General Fund</u> |
|----------------------------------|--|---|-------------------------------------|
| <b>REVENUES</b>                  |  |   |                                     |
| District levies                  | \$ 11,007,583                            | \$ 9,339,334                              | \$ 20,346,917                       |
| Investment interest              | 6,063                                    | 3,580                                     | 9,643                               |
| Tuition and fees                 | 44,780                                   | 55,714                                    | 100,494                             |
| State sources                    | 22,074,028                               | 17,703,641                                | 39,777,669                          |
| Other                            | <u>-</u>                                 | <u>11,843</u>                             | <u>11,843</u>                       |
| Total revenue                    | <u>33,132,454</u>                        | <u>27,114,112</u>                         | <u>60,246,566</u>                   |
| <b>EXPENDITURES</b>              |  |   |                                     |
| Current:                         |  |   |                                     |
| Instruction                      | 21,501,283                               | 16,189,102                                | 37,690,385                          |
| Support services                 | 4,726,155                                | 2,845,355                                 | 7,571,510                           |
| Administration                   | 3,717,067                                | 3,069,485                                 | 6,786,552                           |
| Operations and maintenance       | 3,463,566                                | 3,435,569                                 | 6,899,135                           |
| Student transportation           | 13,018                                   | 49,622                                    | 62,640                              |
| Extracurricular                  | 76,918                                   | 1,825,588                                 | 1,902,506                           |
| Capital outlay                   | <u>-</u>                                 | <u>6,716</u>                              | <u>6,716</u>                        |
| Total expenditures               | <u>33,498,007</u>                        | <u>27,421,437</u>                         | <u>60,919,444</u>                   |
| Revenues under expenditures      | (365,553)                                | (307,325)                                 | (672,878)                           |
| Fund balances, beginning of year | <u>1,797,045</u>                         | <u>1,215,294</u>                          | <u>3,012,339</u>                    |
| Fund balances, end of year       | <u>\$ 1,431,492</u>                      | <u>\$ 907,969</u>                         | <u>\$ 2,339,461</u>                 |

SINGLE AUDIT SECTION

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2014**

| Federal Grantor/Pass-through<br>Grantor/Program Title          | CFDA<br>Number | Project<br>Number | Federal<br>Awards<br>Expenditures |
|--|----------------|-------------------|-----------------------------------|
| <b>DEPARTMENT OF AGRICULTURE</b>                               |                |                   |                                   |
| <i>Passed through the Office of Public Instruction</i>         |                |                   |                                   |
| <i>Child Nutrition Cluster</i>                                 |                |                   |                                   |
| Food Distribution (Commodities)                                | 10.550         | N/A               | \$ 163,299                        |
| School Lunch Program   | 10.555         | N/A               | <u>1,881,248</u>                  |
| Total CFDA 10.555  |                |                   | 2,044,547                         |
| School Lunch Summer Program                                    | 10.559         | N/A               | <u>49,425</u>                     |
| Total Department of Agriculture <i>Child Nutrition Cluster</i> |                |                   | <u>2,093,972</u>                  |
| <br>   |                |                   |                                   |
| <b>DEPARTMENT OF EDUCATION</b>                                 |                |                   |                                   |
| <i>Passed through the Office of Public Instruction:</i>        |                |                   |                                   |
| Adult Ed. St. Admin  | 84.002         | 32-0584-5414      | 129,573                           |
| Adult Ed. EL Civics  | 84.002         | 32-0584-5414      | <u>8,744</u>                      |
| Total CFDA 84.002  |                |                   | <u>138,317</u>                    |
| <br>   |                |                   |                                   |
| Title I Improving Basic Program                                | 84.010A        | 32-0584-3113      | 147,085                           |
| Title I Improving Basic Program                                | 84.010A        | 32-0584-3114      | 633,367                           |
| Title I Schoolwide   | 84.010A        | 32-0583-3213      | 1,411,589                         |
| Title I Schoolwide   | 84.010A        | 32-0584-3214      | 24,447                            |
| Title I - Part A   | 84.010A        | 32-0584-3213      | 6,217                             |
| Title I - Part A   | 84.010A        | 32-0583-3212      | 450,127                           |
| Title I - Part A   | 84.010A        | 32-0583-3112      | 217                               |
| Title I - Part A   | 84.010A        | 32-0583-3114      | <u>7,453</u>                      |
| Total CFDA 84.010A   |                |                   | <u>2,680,502</u>                  |
| <br>   |                |                   |                                   |
| Title I - Migrant Part C                                       | 84.011A        | 32-0583-3613      | 27,042                            |
| Title I - Migrant Part C                                       | 84.011A        | 32-0583-3614      | <u>36,285</u>                     |
| Total CFDA 84.011  |                |                   | <u>63,327</u>                     |
| <br>   |                |                   |                                   |
| Title I - Part D N & D   | 84.013A        | 32-5843-3113B     | 45,017                            |
| Title I - Part D N & D   | 84.013A        | 32-5843-3114B     | <u>25,376</u>                     |
| Total CFDA 84.013A   |                |                   | <u>70,393</u>                     |

See Note to Schedule of Expenditures of Federal Awards.

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**(CONTINUED)**  
**June 30, 2014**

| Federal Grantor/Pass-through<br>Grantor/Program Title | CFDA<br>Number | Project<br>Number  | Federal<br>Awards<br>Expenditures |
|---|----------------|--------------------|-----------------------------------|
| <i>Special Education Cluster (IDEA)</i>               |                |                    |                                   |
| IDEA Federal Handicapped                              | 84.027         | 32-0584-7714       | 20,591                            |
| IDEA Federal Handicapped                              | 84.027A        | 32-0584-7714       | 119,254                           |
| IDEA Part B-High School                               | 84.027         | 32-0584-7714       | 550,756                           |
| IDEA Part B-High School                               | 84.027         | 32-0584-7714       | 1,667,607                         |
| IDEA Federal Handicapped                              | 84.027A        | 32-0584-7714(INST) | <u>20,000</u>                     |
| Total CFDA 84.027 & 84.027A                           |                |                    | <u>2,378,208</u>                  |
| IDEA Federal Handicapped                              | 84.173         | 32-0584-7914       | 46,204                            |
| SPDG 2011-12  | 84.323A        | 32-0584-7812       | 2,798                             |
| SPDG 2013-14  | 84.323A        | 32-0584-7814       | <u>11,986</u>                     |
| <i>Total Special Education Cluster (IDEA)</i>         |                |                    | <u>60,988</u>                     |
| Vo Ed Carl Perkins Basic Grant                        | 84.048A        | 32-0584-8113       | 1,152                             |
| Vo Ed Carl Perkins Basic Grant                        | 84.048A        | 32-0584-8114       | <u>214,610</u>                    |
| Total CFDA 84.048A                                    |                |                    | <u>215,762</u>                    |
| 21st Century Community Learning                       | 84.287         | 32-0583-1714       | 48,413                            |
| 21st Century Community Learning                       | 84.287         | 32-0583-1714       | 113,979                           |
| 21st Century Community Learning                       | 84.287         | 32-0583-1713       | <u>4,933</u>                      |
| Total CFDA 84.287                                     |                |                    | <u>167,325</u>                    |
| Title III Part A, English Language Acquisition        | 84.365A        | 35-0583-4113       | 9,525                             |
| Title III Part A, English Language Acquisition        | 84.365A        | 32-0583-4114       | 3,296                             |
| Title III Part A, English Language Acquisition        | 84.365A        | 32-0584-4114       | 44,559                            |
| Emergency Immigrant                                   | 84.365A        | 32-0584-4114I      | <u>1,676</u>                      |
| Total CFDA 84.365A                                    |                |                    | <u>59,056</u>                     |
| Title IIA High School                                 | 84.367A        | 32-0584-1413       | 5,031                             |
| Title IIA High School                                 | 84.367A        | 32-0584-1414       | 142,289                           |
| Title IIA Elementary                                  | 84.367A        | 32-0583-1413       | 18,560                            |
| Title IIA Elementary                                  | 84.367A        | 32-0583-1414       | 481,207                           |
| Title II Part A-WMPER                                 | 84.367A        | 032-0584-1414SLA   | <u>23,670</u>                     |
| Total CFDA 84.367A                                    |                |                    | <u>670,757</u>                    |

See Note to Schedule of Expenditures of Federal Awards.

**MISSOULA COUNTY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**(CONTINUED)**  
**June 30, 2014**

| Federal Grantor/Pass-through<br>Grantor/Program Title   | CFDA<br>Number | Project<br>Number | Federal<br>Awards<br>Expenditures |
|---|----------------|-------------------|-----------------------------------|
| 2012-2013 Mckinney Vento                                | 84.396A        | 32-0583-5714      | <u>31,608</u>                     |
| ACT Plus Writing Test                                   | 84.334         | 032-0584-8414     | <u>7,543</u>                      |
| Total State Administered - Office of Public Instruction |                |                   | <u>6,543,786</u>                  |
| <br>DEPARTMENT OF EDUCATION                             |                |                   |                                   |
| <i>Federally Administered:</i>                          |                |                   |                                   |
| Title VII Indian Education                              | 84.060A        | S060A120873       | 100,251                           |
| Fund for the Improvement of Education                   | 84.215E        | Q215E110133-12    | 361,457                           |
| Arabic Language & Culture Program                       | 84.293A        | T293A090054       | <u>43,727</u>                     |
| Total Federally Administered - Department of Education  |                |                   | <u>505,435</u>                    |
| Total Department of Education                           |                |                   | <u>7,049,221</u>                  |
| <br>DEPARTMENT OF PUBLIC HEALTH &<br>HUMAN SERVICES     |                |                   |                                   |
| <i>Federally Administered:</i>                          |                |                   |                                   |
| TANF  | 93.558         |                   | <u>51,448</u>                     |
| Total Department of Health & Human Services             |                |                   | <u>51,448</u>                     |
| Total Federal Awards                                    |                |                   | <u>\$ 9,194,641</u>               |

See Note to Schedule of Expenditures of Federal Awards.

MISSOULA COUNTY PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2014

**BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Missoula County Public Schools, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

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

To the Board of Trustees  
Missoula County Public Schools  
School District No. 1  
Missoula, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of Missoula County Public Schools District No. 1 (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 13, 2015.

**Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that is 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Anderson Zurmuehlen + Co, P.C.*

Missoula, Montana  
March 13, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
*OMB CIRCULAR A-133*

To the Board of Trustees  
Missoula County Public Schools  
School District No. 1  
Missoula, Montana

**Report on Compliance for Each Major Federal Program**

We have audited Missoula County Public Schools District No. 1's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District'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 District'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 District'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 District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the District 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 District 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 District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District'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

*Anderson Zurmuehlen + Co, P.C.*

Missoula, Montana  
March 13, 2015

MISSOULA COUNTY PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014

**Section I – Summary of Auditors' Results**

**Financial Statements**

|   |               |
|---|---------------|
| Type of auditor's report issued:  | Unmodified    |
| Internal control over financial reporting:                              |               |
| Material weaknesses identified?   | No            |
| Significant deficiencies identified not considered material weaknesses? | None reported |
| Noncompliance material to financial statements noted?                   | No            |

**Federal Awards**

|   |               |
|---|---------------|
| Internal Control over major programs:   |               |
| Material weakness identified?   | No            |
| Significant deficiencies identified not considered material weaknesses?   | None reported |
| Type of auditors' report issued on compliance for major programs:   | Unmodified    |
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? | No            |

**Identification of Major Programs**

Child Nutrition Cluster

- 10.555 National School Lunch Program
- 10.559 Summer food Service Program for Children

Title II Part A

- 84.215 Fund for Improvement of Education

Special Education Cluster (IDEA)

- 84.027 Special Education Grants to States
- 84.173 Special Education Preschool Grant

|  |           |
|--|-----------|
| Dollar threshold used to distinguish between Type A and Type B programs: | \$300,000 |
| Auditee qualified as low-risk auditee?                                   | No        |

**Financial Statement Findings: None reported**

**Federal Award Finding and Questioned Costs: None reported**

MISSOULA COUNTY PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2014

**Financial Statement Findings:**

**Finding #2013-1:**                      Information Supporting the Financial Statements

Condition:                              A material audit adjustment was proposed to gross up the refinancing of the High School bonds to the correct accounting. Also, adjustments to the Elementary School Food, Elementary Miscellaneous, High School Miscellaneous, Internal Service Funds and Fixed Assets were made.

Status of Recommendation:      Implemented and not a finding in the current year.

**Finding #2013-2:**                      Schedule of Enrollment, Average Number Belonging

Condition:                              We found one error in the number of students reported to OPI for the spring ANB reporting period. This resulted in the District over-reporting one student at one elementary school. There were a total of 5,024 elementary and 3,561 high school students.

Status of Recommendation:      Implemented and not a finding in the current year.



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