

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, 2013



MISSOULA COUNTY PUBLIC SCHOOLS
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FINANCIAL REPORT
June 30, 2013

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MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1

2012–2013

ORGANIZATION

BOARD OF TRUSTEES

Board Chair Joseph Knapp Jr.
Vice Chair/Elementary Michael Smith
Vice Chair/Secondary Marcia Holland
Trustee Michael Beers
Trustee Rose Dickson
Trustee Debbie Dupree
Trustee Shelly Wills
Trustee Diane Lorenzen
Trustee Jim Sadler
Trustee Ann Wake
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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The prior year comparative information has been derived from the District's 2012 financial statements and, in our reported dated March 7, 2013, we expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information.

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, 2013, 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 49) and budgetary comparison – general funds (pages 50–51) 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 contained on pages 52–69 and pages 76–77 is presented for additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards (pages 78–80) 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. This information 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 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 information on pages 70–75 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2014, 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 11, 2014

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2013

The discussion and analysis of Missoula County Public Schools, 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, 2013. 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 2013 fiscal year, Missoula County Public School District's general fund budgets grew by approximately \$965,000 or 1.66%. This increase was due to inflationary increases in the basic and per ANB (student) entitlements. The State's revised inflationary increase of 2.43% and an ANB (student) increase of 96 resulted in an Elementary General Fund increase of \$959,249. The General Fund in the High School District, on the other hand, experienced no appreciable gain (\$5,541) given the minimal increase in ANB (4) and the fact that the FY12 High School General Fund budget was over maximum by \$1,081,314. With the budgetary increase, the Board adopted budgets of \$32,048,952 (maximum budget) in the Elementary District, and \$26,920,595 (\$117,281 over maximum) in the High School District.

During 2013, the District acquired and constructed approximately \$780,000 in capital (fixed) assets, and refunded approximately \$5,500,000 of outstanding high school bonds. The bond refunding resulted in a net present value savings of more than \$570,000.

During the 2013 fiscal year, the District and The University of Montana were jointly awarded a three year grant from the Dennis and Phyllis Washington Foundation in the original amount of \$1,555,600. This award fosters the collaboration with The University of Montana to help transform classrooms, schools, and student experiences from preschool to doctoral ("Shape P-20") with the potential to shape the future of public education in the United States.

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.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2013

The *Statement of Net Position* (pages 15 and 16) presents the "assets" (what is owned), "liabilities" (what is owed) 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.

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.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2013

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.

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 adoption in the next school year. 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 2013 was a reasonably normal year in terms of having excess budget available to allow for the purchase of curriculum adoption materials. The District also utilized some of the remaining budget to offset expenses coming from certain sources that are available to be carried over to be utilized in a future year.

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 \$39.8 million at the close of the most recent fiscal year. The District's net position increased by approximately \$1,300,000 as a result of operations for the fiscal year ended June 30, 2013. The most significant increase resulted from the excess of revenue over expenses of \$700,000 in the District's Health Insurance Trust Funds. Table 1 illustrates the District's summarized financial position.

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
 Year Ended June 30, 2013

Table 1

	<u>2013</u>	<u>2012</u>	<u>Variance</u>
ASSETS			
Current assets	\$ 28,367,783	\$ 26,139,402	\$ 2,228,381
Noncurrent assets	<u>39,949,130</u>	<u>40,655,757</u>	<u>(706,627)</u>
Total assets	<u>68,316,913</u>	<u>66,795,159</u>	<u>1,521,754</u>
LIABILITIES			
Current liabilities	6,021,653	5,220,600	801,053
Noncurrent liabilities	<u>22,477,009</u>	<u>23,114,777</u>	<u>(637,768)</u>
Total liabilities	<u>28,498,662</u>	<u>28,335,377</u>	<u>163,285</u>
NET POSITION			
Net investment in capital assets	29,588,095	29,288,602	299,493
Restricted	7,450,440	7,085,981	364,459
Unrestricted	<u>2,779,716</u>	<u>2,085,199</u>	<u>694,517</u>
Total net position	<u>\$ 39,818,251</u>	<u>\$ 38,459,782</u>	<u>\$ 1,358,469</u>

Current assets are comprised mostly of cash and property taxes receivable. Current assets grew by approximately \$2,220,000 or 8.5%. Approximately \$1,150,000 of this growth was in current assets in the District's Health Insurance Trust Funds as a result of efforts to build reserves to a prudent level.

Noncurrent assets include all land owned by the District and buildings and equipment costing \$5,000 or more. Noncurrent assets decreased by more than \$700,000. This change was the net result of depreciation expense totaling nearly \$1,543,000 and equipment purchases and land and building improvements totaling \$781,000.

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. Non-current liabilities consist of all bond liabilities, the compensated absences expected to be paid in more than 12 months, and notes payable.

Current liabilities grew by approximately \$800,000 or 15%. This change was primarily the result of nearly \$500,000 of funds due from the Secondary District to the Elementary District for federal IDEA-B funds at the end of the fiscal year. An additional item effecting current liabilities was an increase of approximately \$200,000 in the incurred but not reported liability (IBNR) in the Insurance Trust Funds. This amount offsets a portion of the increase in the Insurance Trust Funds' current assets.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2013

Non-current liabilities decreased by nearly \$640,000 in the 2013 fiscal year as a result of the reclassification of bond principal payments from non-current to current, and the decrease in the District's compensated absences liability by approximately \$385,000. The decrease in bond principal and compensated absences was offset by an increase in the Other Post-Employment Benefits (OPEB) liability of approximately \$716,000. The change in the OPEB liability is discussed later.

Some net position is restricted for capital projects and some are restricted for debt service. The Net Investment in Capital Assets portion of net position increased by \$300,000 compared to the prior year. This was due to the fact that the total of principal payments on bonds and the purchase of capital assets exceeded fixed asset depreciation. 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 \$364,000 primarily the result of many small increases in various special revenue funds. The District has special revenue funds where the funds are raised from tax revenue for a specific purpose. A portion of net position is also used for a specific purpose but is not considered restricted. This unrestricted net position is usually found in non-budgeted funds.

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 2013, and 41 percent for 2012.

The major categories of expenses are presented on page 12. Of these expenses, the largest function is instruction, which comprises 56 percent of total District expenses.

Spending Levels Compared to Resource Levels

As shown on page 20, revenues for governmental activities exceeded the total expenses for the District by approximately \$943,000 in the 2013 fiscal year.

As shown in Table 2, total general revenue increased in fiscal year 2013 by approximately \$1,129,000 (1.6%). This increase is primarily the result of the growth in the elementary general fund budget.

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 MANAGER'S DISCUSSION AND ANALYSIS (CONTINUED)
 Year Ended June 30, 2013

Program revenue increased by more than \$1.4 million or 7.37% compared to the prior year. The largest reason for this was an approximate increase of \$1,000,000 in Medicaid revenue received by the District as part of the Comprehensive Schools and Community Treatment (CSCT) program. CSCT program revenue flows through the District to contracted vendors providing mental health services for District students. The revenue in this area increased from approximately \$2,100,000 to around \$3,100,000 due to increases in the number of teams providing student services. The other major change in program revenue worth noting was a \$200,000 grant from the State of Montana to aid in the installation of a new boiler system at Lewis and Clark Elementary School. The boiler was not actually installed prior to June 30, 2013, though it had been ordered prior to that date.

Table 2

	<u>2013</u>	<u>2012</u>	<u>Variance</u>
REVENUES			
General revenues	\$ 71,578,830	\$ 70,449,953	\$ 1,128,877
Program revenues	<u>20,894,369</u>	<u>19,478,430</u>	<u>1,415,939</u>
Total revenues	<u>92,473,199</u>	<u>89,928,383</u>	<u>2,544,816</u>
EXPENSES			
Governmental activities	<u>91,114,730</u>	<u>90,543,437</u>	<u>571,293</u>
CHANGE IN NET POSITION	1,358,469	(615,054)	1,973,523
BEGINNING NET POSITION	<u>38,459,782</u>	<u>39,074,836</u>	<u>(615,054)</u>
ENDING NET POSITION	<u>\$ 39,818,251</u>	<u>\$ 38,459,782</u>	<u>\$ 1,358,469</u>

Table 2 reflects the total revenue increase of approximately \$2,550,000 as the result of the changes in program revenues and general revenues.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2013

Table 3

<u>General Revenues</u>	<u>2013</u>	<u>2012</u>	<u>Variance</u>
District tax-levies	\$ 27,986,664	\$ 28,785,615	\$ (798,951)
Missoula County	7,615,804	7,211,952	403,852
State of Montana	35,831,709	34,425,291	1,406,418
Investment earnings	43,484	14,083	29,401
Other revenues	<u>101,169</u>	<u>13,012</u>	<u>88,157</u>
Total general revenues	<u>\$ 71,578,830</u>	<u>\$ 70,449,953</u>	<u>\$ 1,128,877</u>

<u>Program Revenues</u>	<u>2013</u>	<u>2012</u>	<u>Variance</u>
Charges for services	\$ 1,770,088	\$ 4,020,272	\$ (2,250,184)
Operating grants and contributions	<u>19,124,281</u>	<u>15,458,158</u>	<u>3,666,123</u>
Total program revenues	<u>\$ 20,894,369</u>	<u>\$ 19,478,430</u>	<u>\$ 1,415,939</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 12th 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) of the District and Table 4 shows the components of 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.

Instructional expenditures decreased by approximately \$103,000 (less than 1%) in fiscal year 2013. This relatively insignificant decrease was primarily result of two slightly more significant items. First, the District's insurance trust fund experienced a \$700,000 excess of revenues over expenses for the 2013 fiscal year. The majority of health insurance costs incurred are related to instruction and therefore it follows that the eliminations of the internal service funds operating

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 MANAGERIAL DISCUSSION AND ANALYSIS (CONTINUED)
 Year Ended June 30, 2013

results (required by GASB statement No. 34) will accrue primarily to the functional area of instruction. Offsetting this increase in Trust Fund Revenue was an increase in negotiated salaries. The base pay for teachers was increased by 2% which amounted to an increase of more than \$700,000.

Support Services expenditures increased by \$1,282,000 or 11%. This increase was primarily caused by the addition of more CSCT teams in the District's schools. This program is in place to treat students with severe emotional disturbance (SED). The additional teams and service to more students generated nearly \$1,000,000 of additional FY13 revenue and expense. The revenue from these services is generated through billing Medicaid for the services provided.

The final function with an expense variation considered to be noteworthy was the decrease of Operations and Maintenance (O & M) expense by nearly \$887,000 or approximately 10%. This reduction is linked to the passage of Building Reserve levies in the spring of 2011. The first full year where these levies were available to expend was fiscal year 2012. In that year, there was aggressive spending of the budgets due to many needs in the area of building and asset maintenance. It was possible to spend beyond the levy amount for that year due to the accumulation of reserves in the Building Reserve Funds. By the 2nd year of the levies – fiscal year 2013 – expense allocations were lowered to ensure an adequate level of funds would be available throughout the life of the levy. As a result, spending for the O & M expense function reduced by approximately \$735,000 in the Building Reserve Funds.

	<u>2013</u>	<u>2012</u>	<u>Variance</u>
Instruction	\$ 51,261,762	\$ 51,365,471	\$ (103,709)
Support services	13,019,342	11,737,010	1,282,332
General administration	7,791,921	7,596,070	195,851
Operations and maintenance	8,168,770	9,056,092	(887,322)
Student transportation	5,036,983	4,915,819	121,164
Food services	3,109,123	3,135,799	(26,676)
Extracurricular activities	2,152,074	2,145,696	6,378
Other	199,431	160,933	38,498
Interest and fiscal charges	<u>375,325</u>	<u>430,548</u>	<u>(55,223)</u>
	<u>\$ 91,114,730</u>	<u>\$ 90,543,438</u>	<u>\$ 571,292</u>

Overall, expenditures decreased by approximately \$571,000 or 0.6%.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2013

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>2013</u>	<u>2012</u>
Land	\$ 1,755,697	\$ 1,755,697
Land improvements	1,216,896	1,216,896
Buildings and improvements	70,084,939	69,414,323
Construction in progress	17,600	272,119
Equipment and other	<u>3,372,970</u>	<u>3,007,752</u>
Total capital assets	76,448,102	75,666,787
Less accumulated depreciation	<u>(36,554,526)</u>	<u>(35,011,030)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 39,893,576</u>	<u>\$ 40,655,757</u>

As shown in table 5, the additions to capital assets in 2013 totaled nearly \$800,000. During 2013, two new modular classrooms were constructed at the site of two elementary schools to accommodate growing student populations. Also a major stage construction at another elementary school was added at the cost of nearly \$130,000. Other fixed asset additions included the purchase of a District delivery truck, new playground equipment, security cameras, a new wrestling scoreboard, a new server, a new cargo van, a utility truck, a utility tractor, a portion of the new financial ERP system, new bleachers at one high school and a new boiler at the alternative 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." 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 refunds was to take advantage of lower interest rates. Please refer to Note 4 for further information on the District's debts.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2013

THE FUTURE OF THE DISTRICT

The District continues to enjoy taxpayer support as evidenced by the passage of new Technology Fund levies for the Elementary and Secondary Districts. In May of 2013, the Elementary District passed an increase in its technology levy from \$302,000/year to \$850,000/year, and the Secondary District passed an increase in its technology levy from \$450,000/year to \$750,000/year. These levies will be used to purchase, repair, and maintain technological equipment including computers, and computer network access and the associated training.

As is similar to most large Montana school districts, the going is tough for this District in light of ever growing needs and increasing costs coupled with what is often very limited revenue streams. The District continues to advance its 21st Century learning initiatives as a leader in K-12 education. The District added an International Baccalaureate Programme through a rigorous application process and is looking to expand this program. The District successfully added a Health Sciences Academy at one of its' high schools, and established a Strategic Facilities Committee to develop a comprehensive long range facilities plan with the assistance of a professional firm. The long range facilities plan will address the District's facilities over the next 5, 10, and 15 years. It is anticipated that the Strategic Facilities Committee will likely recommend that the District pursue approval of taxpayer funding in the fall of 2015 to support the priorities of the plan.

As illustrated on page 70, the total number of students enrolled in the District's schools has been steadily declining. A recent demographic study has predicted that the enrollment decline in the High School District will taper off, and enrollments will increase. The District experienced an overall increase in enrollment for the 2011, 2012 and 2013 fiscal years

The FY14 general fund budgets increased over the prior year by \$264,000 for the Secondary District, and by nearly \$1,250,000 in the Elementary District. This Elementary District increase was primarily due to the growth in the student population. Both increases were also positively impacted by the increase in different funding components used to calculate the general fund budgets. The enrollment count made in the 2013 fiscal year is used to compute the budget for the 2014 fiscal year.

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, 2013

ASSETS	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 20,438,338	\$ 20,174,981
Property taxes receivable	2,815,646	3,054,156
Due from other governments	4,365,348	2,013,684
Inventory	329,768	377,672
Prepaid expenses	12,781	-
Bond issuance costs	7,936	-
Other current assets	<u>397,966</u>	<u>518,909</u>
Total current assets	<u>28,367,783</u>	<u>26,139,402</u>
NONCURRENT ASSETS		
Bond issuance costs	55,554	-
Land	1,755,697	1,755,697
Land improvements	1,216,896	1,216,896
Buildings and improvements	70,084,939	69,414,323
Construction in progress	17,600	272,119
Machinery and equipment	3,372,970	3,007,752
Less accumulated depreciation	<u>(36,554,526)</u>	<u>(35,011,030)</u>
Total noncurrent assets	<u>39,949,130</u>	<u>40,655,757</u>
Total assets	<u>68,316,913</u>	<u>66,795,159</u>

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

LIABILITIES	<u>2013</u>	<u>2012</u>
CURRENT LIABILITIES		
Accounts payable and other current liabilities	2,464,446	1,744,165
Unearned revenue	1,540,323	1,489,632
Deferred bond premium	54,590	-
Bonds payable - due within one year	1,165,000	1,140,000
SID and other long term liabilities - due within one year	34,240	2,059
Compensated absences - due within one year	<u>763,054</u>	<u>844,744</u>
Total current liabilities	<u>6,021,653</u>	<u>5,220,600</u>
NONCURRENT LIABILITIES		
Deferred bond premium	382,132	-
Bonds payable	8,520,000	10,035,000
SID and other long term liabilities	268,126	190,093
OPEB liability	4,342,000	3,625,575
Compensated absences	<u>8,964,751</u>	<u>9,264,109</u>
Total noncurrent liabilities	<u>22,477,009</u>	<u>23,114,777</u>
Total liabilities	<u>28,498,662</u>	<u>28,335,377</u>
NET POSITION		
Net investment in capital assets	29,588,095	29,288,602
Restricted	7,450,440	7,085,981
Unrestricted	<u>2,779,716</u>	<u>2,085,199</u>
Total net position	<u>39,818,251</u>	<u>38,459,782</u>
Total liabilities and net position	<u>\$ 68,316,913</u>	<u>\$ 66,795,159</u>

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>	
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>	<u>Changes in Net Position</u>
		<u>Services</u>	<u>Grants and</u>	<u>2013</u>	<u>2012</u>
			<u>Contributions</u>		
Governmental Activities:					
Instruction	\$ 51,261,762	\$ 707,982	\$ 10,942,195	\$ (39,611,585)	\$ (39,383,580)
Support services	13,019,342	72,434	4,438,063	(8,508,845)	(8,472,979)
General administration	7,791,921	-	253,018	(7,538,903)	(7,596,070)
Operations and maintenance	8,168,770	71,856	203,662	(7,893,252)	(8,973,686)
Student transportation	5,036,983	-	774,947	(4,262,036)	(4,157,836)
Food services	3,109,123	917,816	2,123,519	(67,788)	(73,991)
Extracurricular activities	2,152,074	-	155,505	(1,996,569)	(1,990,342)
Other	199,431	-	233,372	33,941	14,024
Interest and fiscal charges	<u>375,325</u>	-	-	<u>(375,325)</u>	<u>(430,548)</u>
Total Governmental Activities	<u>\$ 91,114,730</u>	<u>\$ 1,770,088</u>	<u>\$ 19,124,281</u>	<u>(70,220,361)</u>	<u>(71,065,007)</u>
General revenues:					
				27,986,664	28,785,615
				7,615,804	7,211,952
				35,831,709	34,425,291
				43,484	14,083
				<u>101,169</u>	<u>13,012</u>
				<u>71,578,830</u>	<u>70,449,953</u>
				1,358,469	(615,054)
				<u>38,459,782</u>	<u>39,074,836</u>
				<u>\$ 39,818,251</u>	<u>\$ 38,459,782</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, 2013

	<u>General Fund</u>	<u>Elementary Miscellaneous Programs</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 3,144,207	\$ 851,652	\$ 8,431,673	\$ 12,427,532
Property taxes receivable	2,041,028	-	774,618	2,815,646
Due from other governments	202,066	2,773,906	1,389,376	4,365,348
Prepaid expenses	12,781	-	-	12,781
Inventory	-	-	50,973	50,973
Other current assets	<u>62,411</u>	<u>55,370</u>	<u>5,782</u>	<u>123,563</u>
Total assets	<u>\$ 5,462,493</u>	<u>\$ 3,680,928</u>	<u>\$ 10,652,422</u>	<u>\$ 19,795,843</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other governments	\$ -	\$ -	\$ 573,271	\$ 573,271
Other current liabilities	409,125	48,027	173,589	630,741
Deferred revenue	<u>2,041,029</u>	<u>33,112</u>	<u>795,243</u>	<u>2,869,384</u>
Total liabilities	<u>2,450,154</u>	<u>81,139</u>	<u>1,542,103</u>	<u>4,073,396</u>
Fund balances:				
Non-spendable	12,781	-	50,973	63,754
Restricted	-	-	7,450,440	7,450,440
Assigned	500,742	3,599,789	1,608,906	5,709,437
Unassigned	<u>2,498,816</u>	<u>-</u>	<u>-</u>	<u>2,498,816</u>
Total fund balances	<u>3,012,339</u>	<u>3,599,789</u>	<u>9,110,319</u>	<u>15,722,447</u>
Total liabilities and fund balances	<u>\$ 5,462,493</u>	<u>\$ 3,680,928</u>	<u>\$ 10,652,422</u>	<u>\$ 19,795,843</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, 2013

Total fund balances - governmental funds	\$ 15,722,447
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Amounts reported for governmental activities in the statement of net position are different because:

Add internal service funds net position not reported in the governmental funds statements.	5,923,871
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$76,109,210 and the accumulated depreciation is \$36,554,526.	39,554,684
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Property tax revenue is recognized when earned (and the claim to resources is established) rather than when "available." All of the deferred property tax revenue reported in the governmental funds is not available.	2,869,384
--	-----------

Long-term liabilities, including bonds payable and compensated absences, and other post employment benefits are not due and payable in the current period and therefore are not reported in the funds.	<u>(24,252,135)</u>
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Total net position - governmental activities	<u>\$ 39,818,251</u>
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MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	<u>General Fund</u>	<u>Elementary Miscellaneous Programs</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
District levies	\$ 20,409,149	\$ -	\$ 7,809,567	\$ 28,218,716
Investment interest	13,229	13,514	16,741	43,484
Tuition and fees	83,078	-	1,497,877	1,580,955
County sources	-	-	8,000,804	8,000,804
State sources	38,547,937	502,326	4,972,424	44,022,687
Federal sources	-	4,474,214	4,729,079	9,203,293
Other	<u>30,053</u>	<u>542,149</u>	<u>1,053,610</u>	<u>1,625,812</u>
Total revenue	<u>59,083,446</u>	<u>5,532,203</u>	<u>28,080,102</u>	<u>92,695,751</u>
Expenditures				
Current:				
Instruction	35,946,505	4,013,056	10,548,986	50,508,547
Support services	7,673,659	772,216	4,445,248	12,891,123
Administration	6,537,978	134,916	983,893	7,656,787
Operations and maintenance	6,873,458	3,000	1,142,636	8,019,094
Student transportation	49,086	4,947	5,015,647	5,069,680
Food service	-	-	3,103,194	3,103,194
Extracurricular	1,755,535	-	329,027	2,084,562
Other	-	156,212	43,220	199,432
Capital outlay	-	10,328	594,446	604,774
Debt service				
Special assessments	-	-	5,000	5,000
Principal retirement	-	-	1,172,000	1,172,000
Bond issuance costs	-	-	63,490	63,490
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>375,325</u>	<u>375,325</u>
Total expenditures	<u>58,836,221</u>	<u>5,094,675</u>	<u>27,822,112</u>	<u>91,753,008</u>
Revenues over expenditures	247,225	437,528	257,990	942,743
Other Financing Sources:				
Transfers in (out)	(70,000)	-	70,000	-
Insurance proceeds	-	-	9,500	9,500
Refunding bonds	-	-	5,221,722	5,221,722
Payment to refunded bond escrow agent	<u>-</u>	<u>-</u>	<u>(5,103,000)</u>	<u>(5,103,000)</u>
Total other financing sources (uses)	<u>(70,000)</u>	<u>-</u>	<u>198,222</u>	<u>128,222</u>
Revenues over expenditures and other financing sources	177,225	437,528	456,212	1,070,965
Fund balances, beginning of year	2,835,114	3,162,261	8,648,208	14,645,583
Change in inventory	<u>-</u>	<u>-</u>	<u>5,899</u>	<u>5,899</u>
Fund balances, end of year	<u>\$ 3,012,339</u>	<u>\$ 3,599,789</u>	<u>\$ 9,110,319</u>	<u>\$ 15,722,447</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, 2013

Net change in fund balances - total governmental funds	\$	1,070,965
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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.		(911,796)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(232,052)
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Governmental funds report purchases of inventory as expenditures. However, in the statement of activities the cost of inventory is expensed as used.		5,899
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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.		1,121,768
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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.		(325,359)
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Change in net position of internal service funds		<u>629,044</u>
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Change in net position of governmental activities	\$	<u><u>1,358,469</u></u>
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MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
BALANCE SHEET – INTERNAL SERVICE FUNDS
June 30, 2013

ASSETS

Cash and investments	\$ 8,010,806
Other current assets	274,403
Inventory	<u>278,795</u>
Total current assets	<u>8,564,004</u>
 Capital assets	 427,527
Less accumulated depreciation	<u>(88,635)</u>
Capital assets, net	<u>338,892</u>
 Total assets	 <u><u>\$ 8,902,896</u></u>

LIABILITIES

Payable to other funds	\$ 101,156
Capital lease payable - current portion	32,181
Other current liabilities	1,159,278
Unearned revenue	1,540,323
Compensated absences	<u>63,054</u>
Total current liabilities	<u>2,895,992</u>
 Capital lease payable - long term portion	 <u>83,033</u>
 Total liabilities	 <u>2,979,025</u>

NET POSITION

Net investment in capital assets	278,795
Unrestricted	<u>5,645,076</u>
 Total net position	 <u>5,923,871</u>
 Total liabilities and net position	 <u><u>\$ 8,902,896</u></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, 2013

Operating revenues	
Charges for services	\$ 1,382,695
Health insurance premiums	8,197,889
Donations by employees	2,544,527
Other local revenue	<u>205,524</u>
Total operating revenue	<u>12,330,635</u>
Operating expenses	
Medical claims	9,958,044
Personnel	766,563
Operations	957,129
Administration	-
Depreciation	<u>26,926</u>
Total operating expenses	<u>11,708,662</u>
Operating income	621,973
Non-operating revenues (expenses):	
Investment interest	16,700
Interest expense	<u>(9,629)</u>
Change in net position	629,044
Net position, beginning of year	<u>5,294,827</u>
Net position, end of year	<u><u>\$ 5,923,871</u></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, 2013

Cash flows from operating activities:	
Health insurance premiums received	\$ 11,044,065
Cash received for internal services	1,483,851
Medical claims paid	(9,183,203)
Cash paid to employees	(756,544)
Cash paid to suppliers for goods and services	<u>(1,385,477)</u>
Net cash provided by operating activities	<u>1,202,692</u>
Cash flows from capital and related financing activities:	
Acquisitions of fixed assets	(176,541)
Principle payments on capital lease	(32,184)
Interest payments on capital lease	<u>(9,629)</u>
Net cash used in capital and related financing activities	<u>(218,354)</u>
Cash flows from investing activities:	
Interest earnings	<u>16,700</u>
Net cash provided by investing activities	<u>16,700</u>
Net increase in cash and cash equivalents	1,001,038
Cash and cash equivalents, beginning of year	<u>7,009,768</u>
Cash and cash equivalents, end of year	<u><u>\$ 8,010,806</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 621,973
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	26,926
Change in other assets	66,847
Change in receivables	45,434
Change in inventory	53,803
Change in payables	327,000
Change in compensated absences	10,018
Change in deferred revenue	<u>50,693</u>
Net cash provided by operating activities	<u><u>\$ 1,202,692</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, 2013

	Private-Purpose <u>Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and investments	\$ 1,457,384	\$ 2,444,449
Total assets	<u>\$ 1,457,384</u>	<u>\$ 2,444,449</u>
LIABILITIES		
Other current liabilities	\$ 5,373	\$ 2,444,449
Total liabilities	<u>5,373</u>	<u>2,444,449</u>
NET POSITION		
Restricted for endowment	253,543	-
Restricted for extracurricular	1,164,182	-
Restricted for interlocal	<u>34,286</u>	<u>-</u>
Total net position	<u>1,452,011</u>	<u>-</u>
Total liabilities and net position	<u>\$ 1,457,384</u>	<u>\$ 2,444,449</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, 2013

	Private-Purpose <u>Trust Funds</u>
Additions:	
Investment interest	\$ 44
Contributions	48,420
Student receipts	<u>2,148,128</u>
Total additions	<u>2,196,592</u>
Deductions:	
Community	23,600
Extracurricular	<u>2,021,302</u>
Total deductions	<u>2,044,902</u>
Change in net position	151,690
Net position, beginning of year	<u>1,300,321</u>
Net position, end of year	<u><u>\$ 1,452,011</u></u>

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, 2013

NOTE 1. SUMMARY OF 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, 2013, 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2012, 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, 2013

NOTE 1. SUMMARY OF 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, 2013

NOTE 1. SUMMARY OF 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.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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)*.

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

- Nonspendable: 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, 2013

NOTE 1. SUMMARY OF 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:

<u>Fund</u>	<u>Budgeted</u>	<u>Non-Budgeted</u>
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, 2013

NOTE 1. SUMMARY OF 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, 2013

NOTE 1. SUMMARY OF 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, 2013.

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.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

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 the following GASB pronouncements for the year ended June 30, 2013:

- Statement No. 61 – *The Financial Reporting Entity – Omnibus – An Amendment of GASB Statements No. 14 and 34*. This statement amends the definition of component units.
- Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement clarifies the applicability of certain FASB and AICPA pronouncements for business-type activities.
- Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement amends the definitions of certain assets and liabilities, provides guidance for the reporting of deferred inflows and outflows, and redefines the residual measure as net position.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, is effective for periods beginning after December 15, 2012. This statement defines new financial statement items called deferred inflows of resources and deferred outflows of resources, and reclassifies certain items previously classified as asset or liabilities as deferred outflows or deferred inflows, respectively. The District has elected not to implement Statement No. 65 before its effective date. When implemented, Statement No. 65 will require the restatement of certain previously reported amounts in the financial statements.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013

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.

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.

	<u>Credit Risk</u>	<u>Interest Rate Risk</u>
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, 2013, and the balance was \$3,438,161.

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, 2013, was \$1,261,790.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

At June 30, the District's balances were:

	Governmental Activities	Fiduciary Funds	Total
Cash in county treasury	\$ 16,551,100	\$ 3,016,939	\$ 19,568,039
Cash in municipal investment account	2,580,629	857,532	3,438,161
Cash in certificate of deposit	1,261,790	-	1,261,790
Cash on hand and in banks	44,819	27,362	72,181
	<u>\$ 20,438,338</u>	<u>\$ 3,901,833</u>	<u>\$ 24,340,171</u>

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

NOTE 3. CAPITAL ASSETS

A summary of capital asset activity for the year ended June 30, 2013, follows:

<u>Governmental activities</u>	<u>June 30, 2012</u>	<u>Additions</u>	<u>Transfers</u>	<u>June 30, 2013</u>
Capital assets not subject to depreciation:				
Land	\$ 1,755,697	\$ -	\$ -	\$ 1,755,697
Construction in process	272,119	17,600	(272,119)	17,600
Capital assets subject to depreciation:				
Land improvements	1,216,896	-	-	1,216,896
Buildings and improvements	69,414,323	398,497	272,119	70,084,939
Equipment and other	<u>3,007,752</u>	<u>365,218</u>	-	<u>3,372,970</u>
Total capital assets	<u>75,666,787</u>	<u>781,315</u>	-	<u>76,448,102</u>
Less accumulated depreciation for:				
Land improvements	(492,347)	(46,133)	(2,374)	(540,854)
Buildings and improvements	(32,338,545)	(1,340,910)	2,374	(33,677,081)
Equipment and other	<u>(2,180,138)</u>	<u>(156,453)</u>	-	<u>(2,336,591)</u>
Total accumulated depreciation	<u>(35,011,030)</u>	<u>(1,543,496)</u>	-	<u>(36,554,526)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 40,655,757</u>	<u>\$ (762,181)</u>	<u>\$ -</u>	<u>\$ 39,893,576</u>

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013

NOTE 3. CAPITAL ASSETS (CONTINUED)

Internal Service Fund capital assets included
above:

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2013</u>
Capital assets subject to depreciation:				
Equipment and other	\$ 250,987	\$ 176,540	\$ -	\$ 427,527
Less accumulated depreciation	<u>(61,710)</u>	<u>(26,925)</u>	<u>-</u>	<u>(88,635)</u>
 Total capital assets, net of accumulated depreciation	 <u>\$ 189,277</u>	 <u>\$ 149,615</u>	 <u>\$ -</u>	 <u>\$ 338,892</u>

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

Instruction	\$ 884,702
Support services	180,307
General administration	157,457
Operations and maintenance	186,979
Student transportation	1,179
Food services	24,179
Extracurricular activities	81,768
Internal service funds	<u>26,925</u>
	<u>\$ 1,543,496</u>

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

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013

NOTE 4. LONG-TERM DEBT

Changes in general long-term debt during 2013 were as follows:

	Balance <u>June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2013</u>	Due Within <u>One Year</u>
General obligation bonds:					
2010 Refunding issue	\$ 5,725,000	\$ -	\$ (560,000)	\$ 5,165,000	\$ 575,000
2005 Refunding issue	5,450,000	-	(5,450,000)	-	-
2013 Refunding issue	-	4,785,000	(265,000)	4,520,000	590,000
Deferred amounts:					
Bond premium	-	436,722	-	436,722	54,590
Bond issuance costs	-	(63,490)	-	(63,490)	(7,936)
Total bonds payable	11,175,000	5,158,232	(6,275,000)	10,058,232	1,211,654
Special improvements	29,647	-	(5,000)	24,647	2,059
Homevale settlement	162,505	-	-	162,505	-
Capital lease	147,398	-	(32,184)	115,214	32,181
Compensated absences, internal service fund	53,036	10,018	-	63,054	63,054
Compensated absences	<u>10,055,817</u>	<u>-</u>	<u>(391,066)</u>	<u>9,664,751</u>	<u>700,000</u>
Total	<u>\$21,623,403</u>	<u>\$ 5,168,250</u>	<u>\$ (6,703,250)</u>	<u>\$20,088,403</u>	<u>\$2,008,948</u>

At June 30, 2013, internal service fund liabilities consisted of compensated absences totaling \$63,054, all of which is considered to be due within one year. This is included in the numbers above.

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.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2013

NOTE 4. LONG-TERM DEBT (CONTINUED)

2005 Refunding Bonds

In August 2005, the District issued \$6,770,000 of general obligation refunding bonds, Series 2005. The purpose of this issue was to advance refund \$6,375,000 of the District's general obligation school building bonds Series 2000. The District deposited funds in a bond escrow account to ensure that a sufficient amount is present to pay off the refunded bonds as they come due. The debt service savings resulting from the refunding of the refunded bonds is \$288,072, calculated on a net present-value basis, using an annual discount rate of 3.97%. The bonds bear an average interest rate of 4.011% and are due in varying amounts through July 2020. Bonds maturing on or after July 1, 2013, are subject to early redemption on July 1, 2013, or thereafter, at a price equal to the unpaid principal plus accrued interest.

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	General Obligation Bonds		SID Payable and HomeVale		Total	
	<u>June 30,</u>					
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 1,165,000	\$ 276,263	\$ 2,059	\$ 623	\$ 1,167,059	\$ 276,886
2015	1,195,000	250,088	2,059	565	1,197,059	250,653
2016	1,240,000	217,338	2,059	507	1,242,059	217,845
2017	1,275,000	189,463	2,059	450	1,277,059	189,913
2018	1,315,000	157,613	2,059	392	1,317,059	158,005
2019	1,355,000	124,763	2,059	334	1,357,059	125,097
2020	1,420,000	72,200	2,059	277	1,422,059	72,477
2021	720,000	21,600	2,059	219	722,059	21,819
2022	-	-	2,059	161	2,059	161
2023			2,059	104	2,059	104
2024-2026	-	-	166,562	46	166,562	46
Total	<u>\$ 9,685,000</u>	<u>\$ 1,309,325</u>	<u>\$ 187,152</u>	<u>\$ 3,678</u>	<u>\$ 9,872,152</u>	<u>\$ 1,313,003</u>

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.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013

NOTE 4. LONG-TERM DEBT (CONTINUED)

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 student's 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, 2013:

Year Ended	<u>Capital Lease</u>
<u>June 30,</u>	<u>Payments</u>
2014	\$ 41,813
2015	41,813
2016	41,813
2017	3,481
2018	<u>-</u>
Total	128,920
Less interest	<u>(13,706)</u>
Present value of minimum lease payments	<u>\$ 115,214</u>

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, 2013

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

Restricted Fund Balance

Restricted fund balances under GASB 54 at June 30, 2013, are as follows:

	<u>Elementary</u>	<u>High School</u>	<u>Total</u>
Transportation	\$ 436,427	\$ 283,210	\$ 719,637
Food services	95,094	138,874	233,968
Tuition	103,470	58,569	162,039
Retirement	1,224,640	1,177,721	2,402,361
Insurance fund	-	8,466	8,466
Adult education	16,022	146,883	162,905
Traffic education	-	201,455	201,455
Compensated absences	87,875	64,102	151,977
Technology acquisition	3,508	248,046	251,554
Flex	-	621	621
Debt service	147,716	535,918	683,634
Building reserve	<u>1,764,403</u>	<u>707,420</u>	<u>2,471,823</u>
Total	<u>\$ 3,879,155</u>	<u>\$ 3,571,285</u>	<u>\$ 7,450,440</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, 2013, are as follows:

	<u>Elementary</u>	<u>High School</u>	<u>Total</u>
Encumbrances	\$ 222,449	\$ 278,293	\$ 500,742
Program and instruction	<u>3,692,328</u>	<u>1,516,367</u>	<u>5,208,695</u>
Total	<u>\$ 3,914,777</u>	<u>\$ 1,794,660</u>	<u>\$ 5,709,437</u>

Restricted Net Position

Restricted net position at June 30, 2013, consist of the following:

Capital projects	\$ 2,471,823
Debt service	683,634
Program	<u>4,294,983</u>
Total	<u>\$ 7,450,440</u>

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013

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 6.90% of monthly compensation (7.9% of monthly compensation for new hires starting 7/1/11). Local government entities are required to contribute 6.8% 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, 2013

NOTE 6. RETIREMENT PLANS (CONTINUED)

Teachers Retirement System (TRS)

TRS is a statewide retirement plan established in 1937 and is governed by Title 19, Chapters 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 7.15 percent of their salary to the plan. The District is also required by State law to contribute 7.47 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, 2013, was equal to the required contribution. The amounts contributed by both the District and its employees were as follows:

	<u>2011</u>	<u>2012</u>	<u>2013</u>
TRS	\$ 6,587,332	\$ 6,561,703	\$ 7,027,223
PERS	<u>1,144,129</u>	<u>1,154,939</u>	<u>1,154,052</u>
Total	<u>\$ 7,731,461</u>	<u>\$ 7,716,642</u>	<u>\$ 8,181,275</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 2013.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2013

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:

	Elementary School	High School	Total
Claims liability, June 30, 2011	\$ 495,000	\$ 405,000	\$ 900,000
Claims incurred in 2012	6,311,152	5,163,669	11,474,821
Claims paid in 2012	<u>(6,311,152)</u>	<u>(5,163,669)</u>	<u>(11,474,821)</u>
Claims liability, June 30, 2012	495,000	405,000	900,000
Claims incurred in 2013	(5,650,220)	(3,559,576)	(9,209,796)
Claims paid in 2013	<u>5,807,280</u>	<u>3,612,340</u>	<u>9,419,620</u>
Claims liability, June 30, 2013	<u><u>\$ 652,060</u></u>	<u><u>\$ 457,764</u></u>	<u><u>\$ 1,109,824</u></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.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013

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, 2013, thirty four employees qualified for this benefit resulting in an expense of \$17,000.

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, 2013. 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.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2013

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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 (ARC)	\$ 636,000
Interest on net OPEB obligation	163,000
Adjustment to annual required contribution	<u>(138,575)</u>
Annual OPEB cost	660,425
Contributions made	<u>56,000</u>
Change in net OPEB obligation	716,425
Net OPEB obligation - beginning of year	<u>3,625,575</u>
Net OPEB obligation - end of year	<u><u>\$ 4,342,000</u></u>

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, 2013, 2012, and 2011 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 492,483	0.00%	\$ 3,234,282
June 30, 2012	391,293	0.00%	3,625,575
June 30, 2013	660,425	0.00%	4,342,000

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, 2013	
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>
Funded Ratio (actuarial value of assets / UAAL)	0.00%

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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.

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.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013

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, 2013, the District had encumbered approximately \$1.3 million against its 2013 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, 2013

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u> (a)	<u>Actuarial Accrued Liability (AAL)</u> (b)	<u>Unfunded AAL (UAAL)</u> (b-a)	<u>Funded Ratio (%)</u> (a/b)	<u>Annual Covered Payroll</u> (c)	<u>UAAL as a Percentage of Covered Payroll (%)</u> (b-a/c)
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, 2013

	<u>Elementary General Fund</u>	
	Original and	
	Final	
	<u>Budget</u>	<u>Actual</u>
Revenues:		
District levies	\$ 10,843,572	\$ 10,824,506
Investment interest	3,993	8,254
Tuition and fees	35,000	40,559
Federal sources	1,336,954	-
State sources	19,825,152	21,181,319
Other	<u>4,281</u>	<u>5,139</u>
Total revenue	<u>32,048,952</u>	<u>32,059,777</u>
Expenditures:		
Current:		
Instruction	20,050,209	20,119,937
Support services	4,800,128	4,825,796
Administration	3,608,555	3,614,605
Operations and maintenance	3,522,661	3,393,563
Student transportation	7,962	10,241
Extracurricular	<u>59,437</u>	<u>68,745</u>
Total expenditures	<u>32,048,952</u>	<u>32,032,887</u>
Revenues over (under)		
expenditures	<u>\$ -</u>	26,890
Other financing sources		
Transfers out		<u>(10,000)</u>
Revenues and other financing		
sources over (under) expenditures		16,890
Budget basis fund balances, June 30, 2012		<u>1,780,155</u>
Budget basis fund balances, June 30, 2013		<u>\$ 1,797,045</u>
GAAP basis fund balances, June 30, 2013		<u>\$ 1,797,045</u>

<u>High School General Fund</u>		<u>Combined Totals</u>	
Original and Final <u>Budget</u>	<u>Actual</u>	Original and Final <u>Budget</u>	<u>Actual</u>
\$ 9,488,248	\$ 9,584,643	\$ 20,331,820	\$ 20,409,149
1,996	4,975	5,989	13,229
40,000	42,519	75,000	83,078
1,086,975	-	2,423,929	-
16,283,184	17,366,618	36,108,336	38,547,937
<u>20,192</u>	<u>24,914</u>	<u>24,473</u>	<u>30,053</u>
<u>26,920,595</u>	<u>27,023,669</u>	<u>58,969,547</u>	<u>59,083,446</u>
15,826,144	15,826,568	35,876,353	35,946,505
2,862,667	2,847,863	7,662,795	7,673,659
2,993,262	2,923,373	6,601,817	6,537,978
3,538,464	3,479,895	7,061,125	6,873,458
46,011	38,845	53,972	49,086
<u>1,654,047</u>	<u>1,686,790</u>	<u>1,713,485</u>	<u>1,755,535</u>
<u>26,920,595</u>	<u>26,803,334</u>	<u>58,969,547</u>	<u>58,836,221</u>
<u>\$ -</u>	220,335	<u>\$ -</u>	247,225
	<u>(60,000)</u>		<u>(70,000)</u>
	<u>160,335</u>		<u>177,225</u>
	<u>1,054,959</u>		<u>2,835,114</u>
	<u>\$ 1,215,294</u>		<u>\$ 3,012,339</u>
	<u>\$ 1,215,294</u>		<u>\$ 3,012,339</u>
	<u>\$ 1,215,294</u>		<u>\$ -</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, 2013

Fall Enrollment

Elementary School District

	Per Enrollment Reports	Audit Per District Records	Difference
a. Pre-Kindergarten	-	-	-
b. Kindergarten Full	655	655	-
c. Kindergarten Part	-	-	-
d. Grades 1 - 6	3,360	3,359	1
d. Grades 7 - 8	<u>1,010</u>	<u>1,010</u>	-
f. Total Elementary (add lines a thru e)	<u><u>5,025</u></u>	<u><u>5,024</u></u>	<u><u>1</u></u>

Part-time students:

	Per Enrollment Reports				Audit Per District Records				
Grade	< 180 hrs/yr	180-359 hrs/year	360-539 hrs/yr	540-719 hrs/yr	< 180 hrs/yr	180-359 hrs/year	360-539 hrs/yr	540-719 hrs/yr	Difference
K-Full	-	-	-	-	-	-	-	-	-
K-Part	-	-	-	-	-	-	-	-	-
1 - 6	-	3	-	3	-	3	-	3	-
7 - 8	1	1	-	1	1	1	-	1	-

Fall Enrollment

High School District

	Per Enrollment Reports	Audit Per District Records	Difference
a. Grades 9 - 12	3,561	3,561	-
b. 19 Year-olds included on line (f)	6	6	-
c. Job Corps students included on line (f)	2	2	-

Part-time students:

	Per Enrollment Reports				Audit Per District Records				
Grade	< 180 hrs/yr	180-359 hrs/year	360-539 hrs/yr	540-719 hrs/yr	< 180 hrs/yr	180-359 hrs/year	360-539 hrs/yr	540-719 hrs/yr	Difference
9 - 12	14	9	18	23	14	9	18	23	-

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF ENROLLMENT (CONTINUED)
Year Ended June 30, 2013

Spring Enrollment

Elementary School District

- a. Pre-Kindergarten
- b. Kindergarten Full
- c. Kindergarten Part
- d. Grades 1 - 6
- d. Grades 7 - 8

Per Enrollment Reports	Audit Per District Records	Difference
-	-	-
652	652	-
-	-	-
3,333	3,333	-
<u>1,001</u>	<u>1,001</u>	<u>-</u>
<u>4,986</u>	<u>4,986</u>	<u>-</u>

f. Total Elementary (add lines a thru e)

Part-time students:

Grade	Per Enrollment Reports				Audit Per District Records				Difference
	<u>≤ 180 hrs/yr</u>	<u>180-359 hrs/year</u>	<u>360-539 hrs/yr</u>	<u>540-719 hrs/yr</u>	<u>≤ 180 hrs/yr</u>	<u>180-359 hrs/year</u>	<u>360-539 hrs/yr</u>	<u>540-719 hrs/yr</u>	
K-Full	-	-	-	-	-	-	-	-	-
K-Part	-	-	-	-	-	-	-	-	-
1 - 6	-	5	-	-	-	5	-	-	-
7 - 8	1	2	-	-	1	2	-	-	-

Spring Enrollment

High School District

- a. Grades 9 - 12
- b. 19 Year-olds included on line (f)
- c. Early graduates
- d. Job Corps students included on line (f)
- e. MT Youth Challenge students included on line (f)

Per Enrollment Reports	Audit Per District Records	Difference
3,451	3,451	-
6	6	-
42	42	-
2	2	-
1	1	-

Part-time students:

Grade	Per Enrollment Reports				Audit Per District Records				Difference
	<u>≤ 180 hrs/yr</u>	<u>180-359 hrs/year</u>	<u>360-539 hrs/yr</u>	<u>540-719 hrs/yr</u>	<u>≤ 180 hrs/yr</u>	<u>180-359 hrs/year</u>	<u>360-539 hrs/yr</u>	<u>540-719 hrs/yr</u>	
9 - 12	9	8	20	27	9	8	20	27	-

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID –
ELEMENTARY EXTRACURRICULAR FUNDS
Year Ended June 30, 2013

	Balance June 30, 2012	Revenue	Expenditures	Balance June 30, 2013
DISTRICT WIDE				
COATS FOR KIDS	\$ 24	\$ -	\$ -	\$ 24
ELEMENTARY PARTICIPATION	7	18,127	18,122	12
HAWTHORNE				
1ST GRADE	237	408	564	81
3RD GRADE	9	-	-	9
4TH GRADE	752	470	207	1,015
KINDERGARTEN	27	-	-	27
FLAGSHIP	586	426	877	135
STUDENT COUNCIL	326	-	230	96
STUDENT ACTIVITY	7,599	3,451	6,866	4,184
FAMILY RESOURCE CENTER	103	-	-	103
5TH GRADE	5	-	-	5
2ND GRADE	338	501	546	293
JEFFERSON				
EXTRACURRIC FINE ART	(309)	29,234	28,925	-
MONTANA HMONG YOUTH LEADE	192	244	436	-
MEADOW HILL BANDS	2,413	15,040	13,435	4,018
MEADOW HILL CHOIRS	1,792	10,524	6,332	5,984
MEADOW HILL ORCHESTRAS	449	4,194	2,998	1,645
C.S. PORTER BANDS	8,172	6,369	11,985	2,556
C.S. PORTER CHOIRS	2,088	6,462	8,550	-
C.S. PORTER ORCHESTRAS	864	4,171	4,307	728
WASHINGTON MS BANDS	1,621	8,089	8,308	1,402
WASHINGTON MS CHOIRS	12,413	10,861	16,496	6,778
WASHINGTON MS ORCHESTRAS	12,875	27,956	28,411	12,420
WASHINGTON MS GENERAL MUS	1	1,383	870	514
LOWELL				
STUDENT ACTIVITY	17	-	-	17
P.E. ENHANCEMENT	91	-	-	91
PAXSON				
FOURTH GRADE	107	381	363	125
SECOND GRADE	39	-	-	39
BASKETBALL	5	-	-	5
Subtotal	<u>52,843</u>	<u>148,291</u>	<u>158,828</u>	<u>42,306</u>

(Continued on next page)

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID –
ELEMENTARY EXTRACURRICULAR FUNDS (CONTINUED)
Year Ended June 30, 2013

	<u>Balance</u> <u>June 30, 2012</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Balance</u> <u>June 30, 2013</u>
(Continued from previous page)	52,843	148,291	158,828	42,306
Subtotal				
PORTER				
8TH GRADE	(394)	6,302	5,325	583
7TH GRADE	1,078	6,622	7,078	622
STUDENT COUNCIL	2,468	11,198	6,859	6,807
YEARBOOK	-	3,163	3,163	
6TH GRADE	1,084	3,444	4,417	111
ROBOTICS CLUB	215	2,185	2,230	170
MISC STUDENT ACTIVITIES	468	738	1,076	130
Subtotal	<u>57,762</u>	<u>181,943</u>	<u>188,976</u>	<u>50,729</u>

(Continued on next page)

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID –
ELEMENTARY EXTRACURRICULAR FUNDS (CONTINUED)
Year Ended June 30, 2013

	Balance June 30, 2012	Revenue	Expenditures	Balance June 30, 2013
(Continued from previous page)				
Subtotal	57,762	181,943	188,976	50,729
RUSSELL				
MAGAZINE MONEY	1,153	1	674	480
GIFT WRAP SALES	15,662	8,654	112	24,204
WASHINGTON				
IN/OUT	9	-	9	-
LIFE SKILLS	264	-	264	-
ROBERTS-ELAM-RUSSELL	1,501	209	554	1,156
BOOK FAIR - LIBRARY	1,136	277	-	1,413
LOWER-IRELAND-TOLLER	918	4,472	4,429	961
STUDENT COUNCIL	52	4,572	3,480	1,144
YEARBOOK	3,528	3,982	3,999	3,511
MC ATEE	1,224	21,316	18,657	3,883
MCNEIL	1,617	795	341	2,071
FIFIELD-FISHER	16	376	380	12
BUILDERS' CLUB	65	-	65	-
BAKER/GREY-GILLHOUSE/MOE/	463	1	463	1
GILLHOUSE/KEILMAN/SOMERSE	1,048	5,385	5,476	957
BOUCHR-PICKOL-SCHOWEN-THR	476	6,180	5,934	722
TECHNOLOGY	29	-	-	29
COOKBOOK SALES	1,201	8,744	8,044	1,901
BASKETBALL	1,412	3	-	1,415
WASHINGTON SCHOOL	701	2,742	1,457	1,986
Subtotal	90,237	249,652	243,314	96,575

(Continued on next page)

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID –
ELEMENTARY EXTRACURRICULAR FUNDS (CONTINUED)
Year Ended June 30, 2013

	Balance <u>June 30, 2012</u>	Revenue <u> </u>	Expenditures <u> </u>	Balance <u>June 30, 2013</u>
(Continued from previous page)				
Subtotal	90,237	249,652	243,314	96,575
MEADOW HILL				
8TH GRADE	487	5,704	5,204	987
SCIENCE OLYMPAD	-	18	18	-
VOLLEYBALL	104	706	681	129
PARK	767	1,706	1,333	1,140
SCHOLARSHIPS/CLOTHES	128	546	338	336
OFFICE VARIOUS STUDENT PR	769	4,170	4,109	830
FLAGSHIP	1,731	4	-	1,735
LIFE SKILLS	1,066	834	426	1,474
VISUAL ART	284	189	289	184
ROBOTICS CLUB	-	175	49	126
YEARBOOK	4,521	7,401	7,623	4,299
6TH GRADE	2,831	5,529	6,366	1,994
RESOURCE	122	-	122	-
7TH GRADE	(529)	8,233	6,820	884
RENAISSANCE	1,435	1	1,433	3
STUDENT COUNCIL	935	1,601	946	1,590
LIBRARY	302	1,090	1,089	303
ALT HS				
ALT HS STUDENT ACTIVITIES	<u>3,489</u>	<u>3,700</u>	<u>4,017</u>	<u>3,172</u>
 TOTAL ELEMENTARY	 <u>\$ 108,679</u>	 <u>\$ 291,259</u>	 <u>\$ 284,177</u>	 <u>\$ 115,761</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, 2013

	Balance June 30, 2012	Revenue	Expenditures	Balance June 30, 2013
NATIVE AMERCN MSLA YOUTH	\$ 2,699	\$ 7,609	\$ 8,147	\$ 2,161
ROBOTICS	10,281	9,207	19,488	-
BSHS FUND RAISING FINE AR	148	-	-	148
HS FESTIVALS	30	-	-	30
BSHS FUND RAISING F/A ORC	917	1	-	918
STUDENTS AGAINST MALNUTRI	199	-	-	199
GOLF CLUB	2	-	2	-
MODEL UNITED NATIONS	186	1,055	1,182	59
AMNESTY	519	1	-	520
SPANISH CLASS	3	-	3	-
NATIVE AMERICAN	199	189	307	81
ART	110	956	890	176
BAND	6,031	20,846	22,324	4,553
CHORAL	11,719	20,722	12,312	20,129
HOME EC	6,535	4,116	2,910	7,741
IE METALS	7,946	1,283	570	8,659
ORCHESTRA	1,798	4,793	2,165	4,426
SCIENCE	957	1	-	958
SPEECH	18	-	-	18
DRAMA	1,742	7,857	5,889	3,710
TESTING	3,226	16,017	15,555	3,688
LIBRARY FINES	2,143	434	193	2,384
CHEERLEADERS	991	769	755	1,005
CLASS OF 2014	269	1,346	-	1,615
CLASS OF 2015	2	-	-	2
CLASS OF 2011	14	-	-	14
CLASS OF 2012	517	188	694	11
BPA	1,954	14,593	14,160	2,387
GERMAN CLUB	132	5	137	-
ACT PROGRAMS/REPORTS	61,883	125,879	138,494	49,268
LETTERMAN	307	-	-	307
CLASS OF 2013	597	1	398	200
Subtotal	<u>124,074</u>	<u>237,868</u>	<u>246,575</u>	<u>115,367</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, 2013

	<u>June 30, 2012</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>June 30, 2013</u>
(Continued from previous page)				
Subtotal	124,074	237,868	246,575	115,367
KEY CLUB	1,277	3,665	3,379	1,563
BOOK CLUB	25	-	25	-
N.F.L.	40	240	255	25
NATH'L HONOR SOCIETY	717	1,752	1,445	1,024
S.A.V.E.--G.R.E.E.N.	233	-	-	233
FLAGSHIP SKI	1,169	1	1,168	2
COURTYARD (WAS DRILL TEAM	1,810	2,099	987	2,922
THROUBADOUR ENCORE	6	486	443	49
STUDENT GOVERNMENT	1,156	880	1,293	743
STUDENT FINES	4,262	520	8	4,774
YEARBOOK	157	30,426	28,467	2,116
NEWSPAPER	2,782	1,376	1,070	3,088
LOCK FINES	1,400	104	625	879
JAPAN SISTER CITY	342	355	246	451
CONCESSIONS	8,425	10,382	10,593	8,214
RESPECT	214	-	214	-
CAPS/GOWNS	543	497	578	462
IN/OUT	5,532	7,703	7,411	5,824
OTHER ACTIVITY	508	1	-	509
MISSOULA GAAP	5	-	-	5
P.E./ACTIVITY	1,271	1,114	808	1,577
FUTURE PRBLM SOLVERS	39	-	39	-
HELLGATE CARES	3,723	3,326	3,511	3,538
STUDENT ATHLETIC SCHOLARS	1,851	2	-	1,853
PE/SKI	1,402	4,181	4,869	714
HELLGATE LEGACY	<u>16,864</u>	<u>6,903</u>	<u>11,418</u>	<u>12,349</u>
Subtotal	<u>179,827</u>	<u>313,881</u>	<u>325,427</u>	<u>168,281</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, 2013

	Balance <u>June 30, 2012</u>	Revenue	Expenditures	Balance <u>June 30, 2013</u>
(Continued from previous page)				
Subtotal	179,827	313,881	325,427	168,281
 HOMECOMING	22	-	-	22
US FIRST ROBOTICS	3	-	3	-
AUDITORIUM	381	-	156	225
FLAGSHIP	541	1,169	551	1,159
US/CHINA INITIATIVE	1,232	2	-	1,234
LATIN CLUB	5	4,959	4,958	6
CLASS OF 2016	4	-	-	4
BAND FUND RAISING	19,648	32,305	39,627	12,326
SUNSHINE FUND	1	-	1	-
HELLGATE BOY'S SOCCER PAR	5	-	5	-
ADVANCED PROBLEMS IN SCIE	4,713	256	692	4,277
BEZOS FAMILY FOUNDATAION	933	1	-	934
HELLGATE POETRY	1,257	1	303	955
SPECIAL ED CANDY	189	3,352	3,382	159
US/CHINA INITIATIVE II	<u>7</u>	<u>-</u>	<u>7</u>	<u>-</u>
Subtotal	<u>208,768</u>	<u>355,926</u>	<u>375,112</u>	<u>189,582</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, 2013

	Balance June 30, 2012	Revenue	Expenditures	Balance June 30, 2013
(Continued from previous page)				
Subtotal	208,768	355,926	375,112	189,582
SCIENCE TRAVEL	3	-	3	-
HELLGATE DANCE TEAM	826	940	1,766	-
BAND STUDENT TRAVEL	22,099	123,154	128,389	16,864
LIFETIME ACTIVITIES	40	-	-	40
GIRLS SOCCER CONCESSIONS	1	35	1	35
PROM	4,246	4,655	3,666	5,235
SENIOR PROJECT - SENIOR PRO	784	1	-	785
STUDENT ACADEMIC COMPETIT	-	3,231	984	2,247
IB TESTING FEES	-	6,350	6,261	89
CURLING CLUB	-	711	-	711
ATHLETIC GENERAL	92,067	46,895	26,191	112,771
ACTIVITY CARD	15,213	19,006	15,399	18,820
PARTICIPATION FEE	218	39,727	420	39,525
SEASON TICKETS	8,576	10,455	8,569	10,462
BOYS BASKETBALL	1	1,502	380	1,123
GIRLS BASKETBALL	1	1,502	502	1,001
CROSS COUNTRY	1,688	201	1,878	11
FOOTBALL	1,226	4,006	1,193	4,039
GOLF	318	9,001	5,906	3,413
SOCCER/BOYS	262	2,002	2,234	30
SOFTBALL	365	1,107	1,458	14
SWIMMING	154	1,001	1,048	107
TENNIS	6	1,001	974	33
TRACK	630	1,002	715	917
VOLLEYBALL	3	1,000	930	73
WRESTLING	10	1,001	971	40
TRAINING ROOM	309	5,030	4,528	811
UNIFORMS	1,001	3,222	1,430	2,793
SOCCER/GIRLS	1,927	2	186	1,743
TOTAL	<u>\$ 360,742</u>	<u>\$ 643,666</u>	<u>\$ 591,094</u>	<u>\$ 413,314</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, 2013

	Balance <u>June 30, 2012</u>	<u>Revenue</u>	<u>Expenditures</u>	Balance <u>June 30, 2013</u>
BUSINESS	\$ 80	\$ -	\$ 80	\$ -
ART	356	50	-	406
BAND	354	-	244	110
CHORAL	1	-	-	1
HOME EC	431	886	1,121	196
IE WOODS	273	-	-	273
MATH	749	499	1,001	247
SCIENCE	913	888	990	811
DRAMA	2,698	257	847	2,108
TESTING	36	294	308	22
POP FUND	6,827	756	1,116	6,467
CHEERLEADERS	503	234	41	696
CLASS OF 2014	1,063	2,705	3,462	306
CLASS OF 2015	399	392	-	791
CLASS OF 2011	20	-	-	20
CLASS OF 2012	515	600	1,052	63
CLASS OF 2013	1,244	342	1,438	148
KEY CLUB	380	-	-	380
LEADERSHIP GROUP	1,859	2	-	1,861
NATH'L HONOR SOCIETY	605	1	-	606
SPANISH	575	111	-	686
STUDENT GOVERNMENT	539	439	217	761
STUDENT FINES	328	10	-	338
YEARBOOK	824	4,662	1,661	3,825
LIBRARY	2,581	25	103	2,503
CONCESSIONS	16,874	8,091	7,729	17,236
IN/OUT	5,105	1,243	1,093	5,255
OTHER ACTIVITY	5,844	7	-	5,851
STUDENT STORE/BUSINESS	2,488	3	-	2,491
CLASS OF 2016	391	831	-	1,222
ATHLETIC GENERAL	17,770	3,287	3,907	17,150
PARTICIPATION FEE	5,690	6,372	6,480	5,582
BASKETBALL BOYS	6,481	2,441	946	7,976
BASKETBALL GIRLS	2,431	2,268	1,261	3,438
FOOTBALL	146	4,245	4,389	2
GOLF	108	1,113	1,221	-
TRACK/GIRLS	3	-	-	3
TRACK	9,157	12,433	10,539	11,051
VOLLEYBALL	1,629	1,886	1,049	2,466
OTHER ATHLETICS	9,413	3,817	4,491	8,739
	<u>\$ 107,683</u>	<u>\$ 61,190</u>	<u>\$ 56,786</u>	<u>\$ 112,087</u>
TOTAL	<u>\$ 107,683</u>	<u>\$ 61,190</u>	<u>\$ 56,786</u>	<u>\$ 112,087</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, 2013

	Balance June 30, 2012	Revenue	Expenditures	Balance June 30, 2013
GOLF CLUB	\$ 569	\$ 12,298	\$ 6,524	\$ 6,343
SOCCER CLUB	845	533	934	444
SOFTBALL CLUB	10,628	8,526	13,248	5,906
SWIM CLUB	206	1,105	1,000	311
SCIENCE CLUB	382	-	140	242
VOLLEYBALL CLUB	4,161	18,973	21,616	1,518
ROCKY MTN WRESTLING	25,012	12,540	15,103	22,449
MODEL UN	1	5	-	6
AMNESTY INTERNATIONAL	33	-	-	33
WRESTLING CLUB	585	501	120	966
NATIVE AMERICAN	57	-	35	22
ART	611	84	344	351
BAND	17,674	7,563	9,562	15,675
CHORAL	9,408	9,198	17,375	1,231
COUNSELING	5,187	26,727	27,546	4,368
FAMILY & CONSUMER SCIENCE	515	608	680	443
IE METALS	-	1,050	1,049	1
IE WOODS	1,177	891	1,235	833
MATH	816	136	266	686
ORCHESTRA	448	8,616	5,782	3,282
SCIENCE	2,137	251	1,737	651
SPECIAL ED	632	301	485	448
SPEECH	124	12,838	12,342	620
SOCIOLOGY	1,358	1	429	930
LITERARY CLUB	285	258	210	333
CHEERLEADERS	2,296	17,480	17,920	1,856
CLASS OF 2014	-	6,916	3,892	3,024
CLASS OF 2011	11	-	11	-
CLASS OF 2012	5	-	5	-
COMPUTER CLUB	501	751	975	277
DECA	6,661	115,325	116,971	5,015
FRENCH CLUB	29	246	202	73
LETTERMAN	45	-	45	-
Subtotal	<u>92,399</u>	<u>263,721</u>	<u>277,783</u>	<u>78,337</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, 2013

	Balance <u>June 30, 2012</u>	<u>Revenue</u>	<u>Expenditures</u>	Balance <u>June 30, 2013</u>
(Continued from previous page)				
Subtotal	92,399	263,721	277,783	78,337
CLASS OF 2013	1,653	1	1,653	1
KEY CLUB	514	4,760	5,065	209
KOPEE	153	-	-	153
NATH'L HONOR SOCIETY	592	2,571	1,948	1,215
HANDBOOK FUND	5,707	8,091	6,916	6,882
SKI CLUB	163	-	163	-
SPANISH	10	-	-	10
THESPIANS	8,115	3,134	5,072	6,177
THROUBADOUR ENCORE	2,997	6,858	4,933	4,922
WEIGHT ROOM CAPITAL CAMPA	-	21,957	-	21,957
TRACK CLUB	1,157	4,171	3,148	2,180
STUDENT GOVERNMENT	618	592	378	832
S.A.V.E.	232	-	120	112
SOCCER GIRLS	6	440	380	66
STUDENT FINES	3,430	1,007	1,005	3,432
YEARBOOK	6,750	52,361	53,380	5,731
LIBRARY	3,710	1,155	1,453	3,412
NEWSPAPER	3,997	1,370	3,892	1,475
LOCK FINES	1	-	-	1
VENDING MACHINE/SPED	4,537	19,070	21,356	2,251
STUDENTS AT RISK	510	505	425	590
TENNIS CLUB	2,499	390	2,163	726
MCPS INDIAN CLUB	17	-	-	17
SENTINEL LEGACY ACCOUNT	11,668	9,143	2,849	17,962
SENTINEL DESIGN ACADEMY	-	2,565	525	2,040
SMALL ENGINES	64	742	199	607
GAY/STRAIGHT ALLIANCE	570	52	266	356
INTERACT	94	-	94	-
JAPAN TRAVEL	726	27,408	26,171	1,963
Subtotal	<u>152,889</u>	<u>432,064</u>	<u>421,337</u>	<u>163,616</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, 2013

	Balance <u>June 30, 2012</u>	<u>Revenue</u>	<u>Expenditures</u>	Balance <u>June 30, 2013</u>
(Continued from previous page)				
Subtotal	152,889	432,064	421,337	163,616
HEALTH OCC STUDENTS OF AM	223	5,502	4,552	1,173
ENVIROMENTAL CLUB	5,765	5,007	3,800	6,972
ROBOTICS CLUB	-	2,907	1,891	1,016
SKILLS USA	-	96	96	-
BRAIN BOWL	-	1,341	463	878
CAPSTONE	-	250	-	250
ATHLETIC GENERAL	29,264	84,037	77,512	35,789
ACTIVITY CARDS	30	-	-	30
PARTICIPATION FEE	1,458	31,340	32,771	27
BOYS BASKETBALL	127	15,547	12,136	3,538
GIRLS BASKETBALL	1,405	1,233	1,855	783
CROSS COUNTRY - BOYS	202	1,370	1,099	473
FOOTBALL	700	30,133	28,376	2,457
CROSS COUNTRY - GIRLS	1,414	1,637	934	2,117
NATIVE AMERICAN - ALT HS	59	-	58	1
INDIAN EDUCATION-TITLE VI	472	1	-	473
WILLARD A.I.B.L CHAPTER	91	18	66	43
PROM	-	394	394	-
TOTAL	<u>\$ 194,099</u>	<u>\$ 612,877</u>	<u>\$ 587,340</u>	<u>\$ 219,636</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, 2013

	Balance June 30, 2012	Revenue	Expenditures	Balance June 30, 2013
BOYS BASKETBALL CLUB	\$ -	\$ 146	\$ 146	\$ -
BASKETBALL CLUB	852	1	815	38
CROSS COUNTRY CLUB	297	-	144	153
FOOTBALL CAMP	6,194	13,088	14,192	5,090
GOLF CLUB	3,520	12,003	9,172	6,351
SOCCER CLUB	(3)	3,932	3,929	-
SOFTBALL CLUB	659	5,145	5,325	479
VOLLEYBALL CLUB	5,413	860	948	5,325
ROCKY MTN WRESTLING	923	891	1,176	638
NATIVE AMERICAN	8	420	-	428
AG PROJECT	291	-	-	291
HALL OF FAME	18	-	-	18
SG VENDING MACHINE	170	5,545	5,715	-
BAND	215	1,739	1,342	612
DRAFTING	653	1	-	654
IE METALS	320	-	-	320
IE WOODS	2,515	4,226	4,530	2,211
ORCHESTRA	1,349	1,481	1,510	1,320
SCIENCE	9,120	6,607	6,485	9,242
SPECIAL ED	2,672	4,889	3,113	4,448
SPEECH	119	1,292	1,314	97
DRAMA	-	16,306	14,434	1,872
FFA	4,783	19,030	16,791	7,022
TESTING	8,954	5,745	7,846	6,853
POP FUND	3,617	4,355	7,972	-
TRACK CLUB	5,257	6,157	6,880	4,534
AERIE BIG SKY	1,910	2,790	3,989	711
LIBRARY FINES	134	726	845	15
CHEERLEADERS	5,031	18,239	19,862	3,408
Subtotal	<u>64,991</u>	<u>135,614</u>	<u>138,475</u>	<u>62,130</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, 2013

	Balance <u>June 30, 2012</u>	Revenue	Expenditures	Balance <u>June 30, 2013</u>
(Continued from previous page)				
Subtotal	64,991	135,614	138,475	62,130
CLASS OF 2014	10	5,817	5,827	-
CLASS OF 2011	2	-	-	2
DECA	34,002	59,521	53,137	40,386
FRENCH CLUB	108	-	-	108
GERMAN CLUB	171	-	-	171
CLASS OF 2013	780	1	511	270
KEY CLUB	32	4,041	4,073	-
NATH'L HONOR SOCIETY	172	87	130	129
SKI	95	-	-	95
THESPIANS	-	3,455	2,498	957
ST. GOV EQUIP/REPAIR	505	1	368	138
STUDENT GOVERNMENT	601	3,590	3,200	991
GIRLS SOCCER	2,203	6,626	6,026	2,803
STUDENT FINES	1,103	615	14	1,704
YEARBOOK	4	18,540	18,539	5
LIBRARY	1,800	47	601	1,246
NEWSPAPER	1,091	780	1,870	1
LOCK FINES	50	137	-	187
CONCESSIONS	-	5,918	5,584	334
CAPS/GOWNS	484	421	225	680
IN/OUT	4,842	1,315	3,250	2,907
OTHER ACTIVITY	510	1	-	511
FARM	10,506	10,465	8,847	12,124
CART SALES	6,978	1,267	3,562	4,683
PARKING PASSES	39	-	-	39
ART CLUB	1,633	7	57	1,583
Subtotal	<u>132,712</u>	<u>258,266</u>	<u>256,794</u>	<u>134,184</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, 2013

	Balance <u>June 30, 2012</u>	Revenue	Expenditures	Balance <u>June 30, 2013</u>
(Continued from previous page)				
Subtotal	132,712	258,266	256,794	134,184
FHA SCHOLARSHIP	697	1	-	698
SOCIAL COMMITTEE	82	-	-	82
FFA-GREENHOUSE	3,622	920	56	4,486
PE/SKI	2,290	4,343	4,797	1,836
BEE ALERT IN SCHOOL	984	113	176	921
STUDENT CHOIR	5,430	15,794	10,935	10,289
GRADUATING CLASS DONATION	842	501	800	543
ENVIROTHON	2	-	-	2
SCIENCE CIRCUS	6,859	1,316	5,468	2,707
SPED VOC	278	-	-	278
ENGLISH PLAYS	341	-	-	341
SOS CRISIS FUND	340	686	353	673
SENIOR PROJECTS	1,247	63	364	946
POWER TECHNOLOGY	1,910	1,182	572	2,520
CULINARY ARTS	2,088	235	443	1,880
COASTA RICA TURTLE CLUB	911	1	125	787
DIVERSITY SCHOLARSHIP	122	-	-	122
STATE TOURNAMENTS	138	4,615	3,579	1,174
ECOLOGY CLUB	146	469	-	615
Subtotal	<u>161,041</u>	<u>288,505</u>	<u>284,462</u>	<u>165,084</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, 2013

	Balance <u>June 30, 2012</u>	Revenue	Expenditures	Balance <u>June 30, 2013</u>
(Continued from previous page)				
Subtotal	161,041	288,505	284,462	165,084
B.I.T.E	54	290	182	162
AMERICAN INDIAN BUS LEADE	(956)	9,963	9,007	-
SSEEJ	244	300	-	544
ACADEMIC TROPHY CASE	24	-	-	24
AERIE INTERNATIONAL	4,990	3,789	5,522	3,257
STUDENT BAND	47,271	48,593	39,756	56,108
STUDENT SENATE PAINTING	771	1	-	772
GAPP	7	-	-	7
WELDING CLUB	401	420	309	512
AG SWINE	2,480	17,406	17,342	2,544
THRIFT SHOP	1,008	3,545	1,397	3,156
STUDENT DRAMA	364	-	215	149
ATHLETIC GENERAL	4,991	33,244	26,820	11,415
ACTIVITY CARD	1	23,846	23,551	296
PARTICIPATION FEE	4	34,021	32,624	1,401
SEASON TICKETS	1	9,360	9,356	5
BASKETBALL BOYS	7,272	9,654	7,188	9,738
BASKETBALL GIRLS	17,037	8,941	9,679	16,299
CROSS COUNTRY	-	111	111	-
FOOTBALL	525	13,527	7,118	6,934
GOLF	168	-	-	168
SOCCER/BOYS	78	10,199	10,277	-
SOFTBALL	-	3,473	3,101	372
SWIMMING	84	1,787	1,682	189
TENNIS	96	726	821	1
TRACK	1,702	7,966	5,649	4,019
VOLLYEBALL	11,735	5,365	7,354	9,746
WRESTLING	6,284	5,236	2,108	9,412
TRAINING ROOM	300	6,953	6,256	997
SOCCER/GIRLS	1,597	3,203	4,447	353
TOTAL	<u>\$ 269,574</u>	<u>\$ 550,424</u>	<u>\$ 516,334</u>	<u>\$ 303,664</u>

OTHER INFORMATION

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
OTHER INFORMATION
June 30, 2013

DESCRIPTION OF THE DISTRICT

School District Number 1 is comprised of two districts, an elementary 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 Year Ended June 30,							
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Grades 9-12	3,884	3,894	3,858	3,659	3,616	3,643	3,665	3,561
Grades 6-8	1,652	1,589	1,576	1,526	1,525	1,504	1,506	1,547
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>
Total	8,774	8,753	8,633	8,418	8,422	8,486	8,566	8,586
Increase (decrease)	(157)	(21)	(120)	(215)	4	64	80	20
Percentage change from prior year	<u>-1.76%</u>	<u>-0.24%</u>	<u>-1.37%</u>	<u>-2.49%</u>	<u>0.05%</u>	<u>0.76%</u>	<u>0.94%</u>	<u>0.23%</u>

SCHOOL DISTRICT VALUATIONS

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

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 OTHER INFORMATION (CONTINUED)
 June 30, 2013

SCHOOL DISTRICT TAX LEVIES (in mills)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
ELEMENTARY:								
General	103.04	103.74	101.47	102.13	103.73	103.48	104.07	102.26
Transportation	23.50	24.10	22.32	24.01	24.12	24.53	28.58	27.22
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
Technology	3.21	3.13	3.04	3.03	3.02	2.96	2.89	2.85
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>
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>
HIGH SCHOOL:								
General	62.41	61.59	57.65	55.94	56.03	54.48	56.34	52.16
Transportation	5.83	6.15	6.03	8.32	6.71	6.70	7.27	7.31
Debt Service	6.91	6.52	5.80	6.87	6.17	0.27	5.75	5.28
Adult Education	2.27	2.18	2.08	2.61	2.07	2.01	1.97	2.00
Tuition	0.40	0.39	0.13	0.17	0.30	2.54	0.11	0.23
Technology	2.90	2.79	2.68	2.61	2.59	6.09	2.50	2.47
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>
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>

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 OTHER INFORMATION (CONTINUED)
 June 30, 2013

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,						
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Missoula County	133.64	136.19	140.35	140.60	139.80	142.47	150.32
University Levy	6.00	6.00	6.00	6.00	6.00	6.00	6
State School Equalization	40.00	40.00	40.00	40.00	40.00	40.00	40
County-wide School Levy	104.26	104.04	105.61	104.62	103.45	100.94	104.6
Urban Transportation	13.91	14.62	14.86	16.30	16.45	17.69	21.05
Missoula School District No. 1	150.26	145.45	140.24	142.75	141.50	145.18	141.88
MCHS	82.21	77.05	79.13	76.46	74.63	76.44	71.92
Missoula Rural Fire	80.89	91.13	88.59	94.13	97.98	97.97	102.39
East Missoula Fire	22.48	22.61	23.36	23.77	24.65	25.01	42.62
City of Missoula	204.73	212.23	222.45	222.45	225.56	233.24	243.52
Road/Health	31.06	32.41	32.72	32.36	32.36	32.39	32.58
Animal Control	1.27	1.33	1.62	1.60	1.60	1.60	1.61
Medical Levy	2.17	1.94	1.88	1.84	1.82	2.19	2.18
Emergency	-	-	-	-	-	-	-
Total Levies	<u>872.88</u>	<u>885.00</u>	<u>896.81</u>	<u>902.88</u>	<u>905.80</u>	<u>921.12</u>	<u>960.67</u>

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 OTHER INFORMATION (CONTINUED)
 June 30, 2013

TAX COLLECTIONS

The following tables demonstrate the tax collection history for taxes levies by the High School District's general fund only for the period of July 1, 1999 through June 30, 2013, and all funds with tax levies for the period July 1, 1999 through June 30, 2013, and by all budgeted funds for the Elementary District.

Year Ended June 30,	Total Tax Levy	Current Tax Collections	Current Collections as a Percent of Levy	Total Tax Collections	Total Collections as a Percent of Levy
HIGH SCHOOL					
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%
2001	7,168,543	7,010,185	97.79%	7,030,219	98.07%
2000	7,468,144	7,214,225	96.60%	7,214,225	96.60%
ELEMENTARY					
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, 2013

MAJOR TAXPAYERS

The following table lists the major taxpayers within the Elementary School District for the year ended June 30, 2013, listed in declining order of taxable value.

<u>Taxpayer</u>	<u>Business</u>	<u>Taxable Value</u>	<u>Percent of Total Taxable Value</u>
Northwestern Corporation	Utility	\$ 11,092,499	10.40%
Qwest	Communications	2,113,693	1.98%
Bresnan Communications	Communications	1,585,743	1.49%
Mountain Water	Water Utility	1,298,296	1.22%
Celloco Ptnrship DBA Verizon Wireless	Communications	1,007,595	0.94%
Southgate Mall	Retail Shopping Mall	900,027	0.84%
St. Patrick Hospital	Hospital	556,644	0.57%
MT Rail Link	Railroad	603,327	0.52%
First Interstate Bank	Bank	385,793	0.36%
Twite Lloyd A Family Partnership	Real Estate Development	<u>305,720</u>	<u>0.29%</u>
	Total	<u>\$ 19,849,337</u>	<u>18.61%</u>

The following table lists the major taxpayers within the High School District for the year ended June 30, 2013, listed in declining order of taxable value.

<u>Taxpayer</u>	<u>Business</u>	<u>Taxable Value</u>	<u>Percent of Total Taxable Value</u>
Northwestern Corporation	Utility	\$ 14,189,794	7.73%
Qwest	Communications	2,563,993	1.40%
Bresnan Communications	Communications	2,152,735	1.17%
MT Rail Link	Railroad	1,841,066	1.00%
Mountain Water	Water Utility	1,369,522	0.75%
Celloco Ptnrship DBA Verizon Wireless	Communications	1,352,569	0.74%
Missoula Electric Coop	Utility	974,948	0.53%
Southgate Mall	Retail Shopping Mall	974,948	0.53%
Gateway Ltd Partnership	Retail Shopping Mall	710,768	0.39%
St. Patrick Hospital	Hospital	<u>556,644</u>	<u>0.30%</u>
	Total	<u>\$ 26,686,987</u>	<u>14.54%</u>

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 OTHER INFORMATION (CONTINUED)
 June 30, 2013

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:

	Statewide Taxable Value <u>Per Student</u>	Average Number Belonging <u>June 30, 2013</u>	Percent <u>Allowed</u>	Maximum Bonded <u>Indebtedness</u>	Less: Debt <u>Outstanding</u>	Remaining Bonding Capacity <u>June 30, 2013</u>
School District:						
High School	72,210	3,701	50%	\$ 133,624,605	\$ 9,987,366	\$ 123,637,239
Elementary	32,170	5,196	50%	<u>83,577,660</u>	<u>-</u>	<u>83,577,660</u>
Total				<u>\$ 217,202,265</u>	<u>\$ 9,987,366</u>	<u>\$ 207,214,899</u>

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 OTHER INFORMATION (CONTINUED)
 COMBINING BALANCE SHEETS – GENERAL FUNDS
 June 30, 2013

	Elementary <u>General Fund</u>	High School <u>General Fund</u>	Total General <u>Fund</u>
<u>ASSETS</u>			
Cash and investments	\$ 1,782,740	\$ 1,361,467	\$ 3,144,207
Property taxes receivable	1,071,159	969,869	2,041,028
Due from other governments	120,501	81,565	202,066
Prepaid expenses	12,731	50	12,781
Other current assets	<u>21,150</u>	<u>41,261</u>	<u>62,411</u>
 Total assets	 <u>\$ 3,008,281</u>	 <u>\$ 2,454,212</u>	 <u>\$ 5,462,493</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Other current liabilities	\$ 140,076	\$ 269,049	\$ 409,125
Deferred revenue	<u>1,071,160</u>	<u>969,869</u>	<u>2,041,029</u>
 Total liabilities	 <u>1,211,236</u>	 <u>1,238,918</u>	 <u>2,450,154</u>
Fund balances:			
Non-spendable	12,731	50	12,781
Spendable			
Assigned	222,449	278,293	500,742
Unassigned	<u>1,561,865</u>	<u>936,951</u>	<u>2,498,816</u>
 Total fund balances	 <u>1,797,045</u>	 <u>1,215,294</u>	 <u>3,012,339</u>
 Total liabilities and fund balances	 <u>\$ 3,008,281</u>	 <u>\$ 2,454,212</u>	 <u>\$ 5,462,493</u>

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 OTHER INFORMATION (CONTINUED)
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE – GENERAL FUNDS
 FOR THE YEAR ENDED June 30, 2013

	Elementary <u>General Fund</u>	High School <u>General Fund</u>	Total General <u>Fund</u>
Revenues:			
District levies	\$ 10,824,506	\$ 9,584,643	\$ 20,409,149
Investment interest	8,254	4,975	13,229
Tuition and fees	40,559	42,519	83,078
State sources	21,181,319	17,366,618	38,547,937
Other	<u>5,139</u>	<u>24,914</u>	<u>30,053</u>
Total revenue	<u>32,059,777</u>	<u>27,023,669</u>	<u>59,083,446</u>
Expenditures:			
Current:			
Instruction	20,119,937	15,826,568	35,946,505
Support services	4,825,796	2,847,863	7,673,659
Administration	3,614,605	2,923,373	6,537,978
Operations and maintenance	3,393,563	3,479,895	6,873,458
Student transportation	10,241	38,845	49,086
Extracurricular	<u>68,745</u>	<u>1,686,790</u>	<u>1,755,535</u>
Capital outlay			
Total expenditures	<u>32,032,887</u>	<u>26,803,334</u>	<u>58,836,221</u>
Revenues over (under) expenditures	26,890	220,335	247,225
Other financing uses			
Transfers out	<u>(10,000)</u>	<u>(60,000)</u>	<u>(70,000)</u>
	<u>(10,000)</u>	<u>(60,000)</u>	<u>(70,000)</u>
Revenues and other financing sources over(under) expenditures	16,890	160,335	177,225
Fund balances, beginning of year	<u>1,780,155</u>	<u>1,054,959</u>	<u>2,835,114</u>
Fund balances, end of year	<u>\$ 1,797,045</u>	<u>\$ 1,215,294</u>	<u>\$ 3,012,339</u>

SINGLE AUDIT SECTION

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2013

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Project Number	Federal Awards Revenues	Federal Awards Expenditures
DEPARTMENT OF AGRICULTURE				
State Administered - Office of Public Instruction				
<i>Child Nutrition Cluster</i>				
Food Distribution (Commodities)	10.555	N/A	\$ 123,348	\$ 123,348
School Lunch Program	10.555	N/A	<u>1,865,035</u>	<u>1,865,035</u>
Total CFDA 10.555			1,988,383	1,988,383
School Lunch Summer Program	10.559	N/A	<u>105,984</u>	<u>105,984</u>
Total Department of Agriculture <i>Child Nutrition Cluster</i>			<u>2,094,367</u>	<u>2,094,367</u>
DEPARTMENT OF EDUCATION				
Passed through the Office of Public Instruction:				
Adult Ed. St. Admin	84.002	32-0584-5612BG	153,847	153,847
Adult Ed. EL Civics	84.002		<u>9,217</u>	<u>9,217</u>
Total CFDA 84.002			<u>163,064</u>	<u>163,064</u>
Title I Schoolwide	N/A	032-0584-3212	6,914	6,914
Title I Improving Basic Program	84.010A	32-0584-3112	111,135	111,135
Title I Improving Basic Program	84.010A	32-0584-3113	590,272	590,272
Title I Improving Basic Program	84.010A	32-0584-3112B	30,605	30,605
Title I Schoolwide	84.010A	032-0584-3213	53,986	53,986
Title I - Part A	84.010A	32-0583-3212	269,485	269,485
Title I - Part A	84.010A	32-0583-3213	1,412,618	1,412,618
Title I - Part A	84.010A	32-0583-3112	4,532	4,532
Title I - Part A	84.010A	032-0583-3113	<u>6,803</u>	<u>6,803</u>
Total CFDA 84.010A			<u>2,486,350</u>	<u>2,486,350</u>
Title I - Migrant Part C	84.011A	32-0583-3612	39,969	39,969
Title I - Migrant Part C	84.011A	32-0583-3613	<u>34,298</u>	<u>34,298</u>
Total CFDA 84.011			<u>74,267</u>	<u>74,267</u>
Title I - Part D N & D	84.013A	32-5843-3113B	<u>13,135</u>	<u>13,135</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, 2013

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Project Number	Federal Awards Revenues	Federal Awards Expenditures
<i>Special Education Cluster (IDEA)</i>				
IDEA Federal Handicapped	84.027	32-0583-7712INST	1,400	1,400
IDEA Federal Handicapped	84.027	32-0584-7712INST	121	121
IDEA Federal Handicapped	84.027	032-0584-7713	109,566	109,566
IDEA Part B-High School	84.027	32-0584-7712	77	77
IDEA Part B-High School	84.027	32-0584-7713	1,006,412	1,006,412
IDEA Part B-ELEMENTARY	84.027	32-0584-7713	1,264,979	1,264,979
IDEA Federal Handicapped	84.027A	32-0583-7713INST	<u>20,000</u>	<u>20,000</u>
Total CFDA 84.027 & 84.027A			<u>2,402,555</u>	<u>2,402,555</u>
IDEA Federal Handicapped	84.173	32-0584-7913	49,169	49,169
SPDG 2011-12	84.323A	32-0584-7812	<u>7,388</u>	<u>7,388</u>
Total Special Education Cluster (IDEA)			<u>2,459,112</u>	<u>2,459,112</u>
Vo Ed Carl Perkins Basic Grant	84.048A	32-0584-8113	<u>222,992</u>	<u>222,992</u>
21st Century Community Learning	84.287	32-0583-1712	12,607	12,607
21st Century Community Learning	84.287	32-0583-1713	50,000	50,000
21st Century Community Learning	84.287	32-0583-1712	5,533	5,533
21st Century Community Learning	84.287	32-0583-1713	<u>112,667</u>	<u>112,667</u>
Total CFDA 84.287			<u>180,807</u>	<u>180,807</u>
2011-2012 TITLE IID	84.318X	032-0583-6012	<u>13,430</u>	<u>13,430</u>
Total CFDA 84.318			<u>13,430</u>	<u>13,430</u>
Title III Part A, English Language Acquisition	84.365A	35-0583-4112	7,397	7,397
Title III Part A, English Language Acquisition	84.365A	32-0583-4113	52,049	52,049
Title III Part A, English Language Acquisition	84.365A	32-0584-4112	48	48
Title III Part A, English Language Acquisition	84.365A	32-0584-4113	<u>5,040</u>	<u>5,040</u>
Total CFDA 84.365			<u>64,534</u>	<u>64,534</u>
Title IIA Elementary	84.367A	32-0583-1412	16,672	16,672
Title IIA Elementary	84.367A	32-0583-1413	549,715	549,715
Title II Part A-WMPER	84.367A	032-0584-1412SLA	29,070	29,070
Title II Part A-WMPER	84.367A	032-0584-1411SLA	6,154	6,154
Title IIA 2011-12	84.367A	32-0584-1412	5,486	5,486
Title IIA 2012-13	84.367A	032-0584-1413	<u>157,258</u>	<u>157,258</u>
Total CFDA 84.367A			<u>764,355</u>	<u>764,355</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, 2013

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Project Number	Federal Awards Revenues	Federal Awards Expenditures
2011-12 McKinney Vento	84.196A	32-0583-5712	<u>14,628</u>	<u>14,628</u>
2012-2013 McKinney Vento	84.396A	32-0583-5713	<u>41,072</u>	<u>41,072</u>
ARRA-PCTI	84.386A	45-0807-6011	<u>5,965</u>	<u>5,965</u>
ACT Plus Writing Test	84.334	032-0584-8413	<u>12,964</u>	<u>12,964</u>
Total State Administered - Office of Public Instruction			<u>6,516,675</u>	<u>6,516,675</u>
DEPARTMENT OF EDUCATION				
<i>Federally Administered:</i>				
Title VII Indian Education	84.060A	S060A120873	97,066	97,066
SBMH Grant - Fund for the Improvement of Education	84.215L	Q-125E-110133	<u>400,721</u>	<u>400,721</u>
Total Federally Administered - Department of Education			<u>497,787</u>	<u>497,787</u>
Total Department of Education			<u>7,014,462</u>	<u>7,014,462</u>
DEPARTMENT OF PUBLIC HEALTH & HUMAN SERVICES				
<i>Federally Administered:</i>				
TANF	93.558	12-022-61005-0	<u>30,000</u>	<u>30,000</u>
Total Department of Health & Human Services			<u>30,000</u>	<u>30,000</u>
Total Federal Awards			<u>\$ 9,138,829</u>	<u>\$ 9,138,829</u>

See Note to Schedule of Expenditures of Federal Awards.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

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 American 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, 2013, 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 11, 2014.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as **Finding # 2013-1** to be a material weakness.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as **Finding #2013-2**.

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anderson Zurmuehlen + Co, P.C.

Missoula, Montana
March 11, 2014

**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 (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, 2013. 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 the year ended June 30, 2013.

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 11, 2014

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

Section I – Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered material weaknesses?	None reported
Noncompliance material to financial statements noted?	Yes

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

84.367	Improving Teacher Quality State Grants
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Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2013

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.
Criteria –	Analysis and reconciliation of account balances should be completed in a timely manner to allow for accurate financial reporting. Ideally this should be completed prior to the filing of the Annual Trustees Summary in September, but no later than the start of audit fieldwork. Certain adjustments that rely on expert third parties estimates (such as incurred but unreported liabilities and other post-employment benefit liabilities) can occur late in the closing process.
Effect –	The final audited financial statements contain material differences compared to the Annual Trustees Summary in the funds listed above.
Cause –	The District's personnel did not have the accounting and financial records completely analyzed and reconciled prior to the start of audit fieldwork. During the period when the accounting records are usually reviewed and adjusted, the District was completing a conversion to new accounting software which was very time-consuming.
Recommendation –	Prior to finalizing the accounting records and during preparation of the Annual Trustees Summary, the balance sheet accounts should be reconciled and revenue and expenditure accounts should be reviewed and analyzed for accuracy. In preparation for the audit, a final analysis should be performed while preparing the trial balance and schedules for the audit. Any adjustments that rely on third party estimates that have not been received prior to starting the audit should be communicated to the auditors for later adjustment.
Client response and corrective action(s) –	As part of the 2011 audit, the District had also refunded bonds, and there was a large in & out adjustment made to account for the bond refunding. This adjustment was made by the auditors without any issue. It was expected that the same process and adjustment would

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2013

Financial Statement Findings:

<u>Finding #2013-1:</u>	<u>Information Supporting the Financial Statements (Continued)</u>
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be made as part of the 2012-13 audit. Similarly, in prior years the accounting department would make adjustments, sometimes due to auditor inquiries and analytic review. The adjustments were accepted and the audit was completed without further action. To some extent the District relied upon "auditor review" to help "finalize" the numbers. The District is now on notice that this is not an acceptable practice and the accounting department will make these accounting entries prior to the audit and will strive to ensure these adjustments are made prior to the issuance of the Trustees Financial Summary. Additionally, District staff will work to have a review completed of the trial balances prior to audit field work.

Compliance and Other Matters:

<u>Finding #2013-2:</u>	<u>Schedule of Enrollment, Average Number Belonging</u>
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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 5024 elementary and 3561 high school students.
Criteria –	The District is required to review attendance records at certain intervals prescribed by the Montana Office of Public Instruction and report the student enrollment counts.
Effect –	The District's student enrollment reporting was over-stated by one for the spring count on February 1, 2013.
Cause –	One enrolled student was not present within a ten-day period including the count date. The District's review process for checking compliance with this requirement missed this particular student.
Recommendation –	The district should continue their vigilance and expectation of accurate student counts.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2013

Compliance and Other Matters:

Finding #2013-2:

Schedule of Enrollment, Average Number Belonging (Continued)

Client response and
corrective action(s) –

The District will complete additional review of the enrollment reports for each of the three enrollment counts that are made each year to ensure that the correct enrollment count numbers are reported to the Office of Public Instruction.

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, 2013

Financial Statement Findings:

None reported

Federal Award Findings and Questioned Costs:

None reported



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