

**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.**





**GREAT FALLS SCHOOL DISTRICT 1 & A**

**FINANCIAL REPORT**

**June 30, 2014**

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GREAT FALLS PUBLIC SCHOOLS

1100 4th Street South  
P. O. Box 2429  
Great Falls, Montana 59403  
(406) 268-6000

## LETTER OF TRANSMITTAL

The Great Falls School District is the second largest district in the state and the third largest employer in Great Falls. Approximately two thousand local residents are employed by the school district in a variety of capacities. This includes teachers of just over 10,000 students enrolled in 21 schools. Approximately 600 support staff provide adult supervision in special education and over-enrolled elementary classrooms, prepare and serve meals, clean and maintain 1.9 million square feet of buildings, repair boilers and plumbing, and maintain 295 acres of grounds. Another 300, mostly part-time people, coach students in after school sports programs and approximately 250 people are employed on a fairly regular basis as substitute teachers.

Great Falls, the seat for Cascade County operations, serves as a major hub for businesses for the central and northern part of the state. There are excellent medical, college and vocational technology education options for people in this area of the state as well. Because of the size of the community and number of businesses located here, there is a stable source of employment. More retired people are moving into the district to take advantage of the excellent health care system. Malmstrom Air Force Base also has a major impact on the vitality of the community. Below are a number of identified topics which will or may have an impact on the general operations of the Great Falls School District.

## FUNDING

### Basic Needs

In order to maintain the same educational programs from the previous fiscal year, the District estimated a shortfall of \$981,748. This deficit was estimated by determining existing spending levels, incorporating the increase in state funding and projecting increases in costs in the salary schedules, health insurance, operational costs, and the impact of a minimum wage increase.

### Mill Levy Election

The school board ran an elementary district levy election of \$981,748 in June of 2013. The levy failed by a vote of 9,496 against and 7,823 for. As a result, the District reduced teaching and support personnel positions and made other reductions in programming areas. As the trustees set the budget for the 2013-2014 school year, \$600,000 in reserves was again designated to help meet increasing costs not covered by the cutbacks.

### Multi-district Agreements

The District continued its participation in two Multi-district Agreements. The first included a technology based agreement with Cascade Public Schools, Belt Public Schools, Centerville Public Schools, Sun River Valley Public Schools, and Vaughn Elementary School. The second agreement was between the high school and elementary district. The high school/elementary agreement provides an avenue to help balance the fiscal discrepancy which exists due to increasing enrollment in the elementary and decreasing enrollment in the high school. The agreements were amended and re-approved by all schools to accommodate the changes implemented by legislative action.

## **FUNDING (CONTINUED)**

### **Federal Funding**

Federal budget sequestration refers to automatic spending cuts to United States federal government spending as an austerity fiscal policy as a result of the Budget Control Act of 2011 (BCA). Nationwide reductions in spending authority were approximately \$85.4 billion. The cuts were split evenly (by dollar amounts, not by percentages) between the defense and non-defense categories. Some major programs like Social Security, Medicaid, federal pensions and veteran's benefits were exempt. Federal pay rates (including military) were unaffected but the sequestration did result in involuntary unpaid time off, also known as furloughs. While these furloughs did not directly impact Great Falls Public Schools, the furloughs occurred in October, during the 2013 Impact Aid survey window, resulting in less military staffing, and subsequently, less Impact Aid for Great Falls Public Schools.

Sequestration has had a direct impact on Great Falls Public Schools. It is estimated that federal program reductions in 2012-2013 were approximately 8.5%, or \$750,000 in federal funds. While there were no additional reductions due to sequestration in 2013-2014, the cuts implemented in 2012-2013 remained in place, meaning Great Falls Public Schools continued to receive less money than in past years. The amount of funding the district received for Impact Aid was reduced by approximately 20%. Annually, the district has received approximately one million dollars per year. The district has continued the process of reducing spending to match the amount of the past reductions and to prepare for possible additional sequestration reductions.

## **ENROLLMENT**

Student enrollment in the Great Falls School District has declined annually since the 2007-2008 school year. Current enrollment, used by the Office of Public Instruction to figure funding levels, is 3,078 students in the high school (based on a 3 year average used by the Office of Public Instruction) and the elementary reported 7,409 students. With this slight annual decline in enrollment, it has been difficult to maintain the appropriate funding levels to support the general education of our students. A bright spot is that the elementary district has experienced increased enrollment in the lower grades for three years. Unfortunately, this student increase has continued to cause overcrowding in these classrooms, even breaching the state class size limits in some classrooms. The high school district has become an active participant in the Graduation Matters Statewide initiative which is taking a proactive approach to decreasing the dropout rates in the state. This proactive effort has had a positive impact on high school enrollments by lowering the dropout rate.

## **EDUCATIONAL PROGRAMMING CHANGES**

### **Pre-School Program Early Learning Family Center**

The Skyline School continues to serve as an excellent location for the pre-school program. The District leases out space to Great Falls Parent Participation Preschool, Benefis Health Systems, Opportunities Incorporated, Cascade County, and Quality Life Concepts. The rental income helps support the ongoing costs associated with heating and lighting this building which in turn, helps support the quality educational programs for young children.

## **EDUCATIONAL PROGRAMMING CHANGES (CONTINUED)**

### **Pre-School Program Early Learning Family Center (Continued)**

The Great Falls School District is a model for the benefits of pre-school education for the state of Montana. Statistics demonstrate the positive impact this pre-school program has had on preparing students for kindergarten.

### **Poverty Increase**

During the 2013-2014 school year, fifty-three percent of elementary students in Great Falls Public Schools came from families that qualify for free or reduced lunch, representing a six percent increase from the prior year. The number of homeless students is also increasing in Great Falls. In 2006-2007 GFPS identified 37 students as homeless. This number rose to 293 students for the 2012-2013 school year and 313 students for the 2013-2014 school year. This increase has had a major impact on not only the students who are homeless, but the transportation budget as well because the District is required to allow each homeless student to attend the school they were enrolled in at the time they became homeless.

### **Data for Achievement Funding**

The State added this funding component in the State funding formula which is earmarked specifically for a comprehensive data system to track student performance. The District has had the goal of creating a student performance data dashboard for a number of years. This funding allows the District to better track a variety of student performance in real time, rather than a just a few times per year.

## **ENERGY PROJECTS AND FACILITIES IMPROVEMENTS**

### **Facilities**

The Great Falls School District has a reputation for the quality of the care of District facilities. Because all of the buildings in the District have an average age of 57 years, millions of dollars are needed to repair heating systems, circulate adequate fresh air, save energy on utility use, and bring schools in line with life safety requirements such as: security, alarm systems, and egress/lock systems. During the 2010-2011 school year, the District borrowed, through the State InterCap Loan Program, \$8.3 million at an interest rate of 1.09%, to address energy issues in the District. In the first full year after the improvements were made, energy cost savings were enough to make the annual payment needed on the loan. During the 2013-2014 school year, the lights at Great Falls High School were retrofitted by district staff. This completed the District-wide lighting retrofit.

### **Completed Facility Improvements**

During the 2013-2014 school year, many facility improvements were completed including paving, boiler work, parking lot asphalt, carpeting, sidewalk replacements, drain collection, trash compactors, landscaping, and fire alarm system upgrades. The District also focused on safety issues which were identified through periodic safety meetings. The swimming pool at Great Falls High School also received a complete cleaning and renovation.

## **ENERGY PROJECTS AND FACILITIES IMPROVEMENTS (CONTINUED)**

### **Technology**

The District's goal is to infuse the tools of modern business and research into the school setting by increasing student access to technology. The District receives \$225,000 in funding annually through a technology levy to improve the infrastructure in the District. The District will continue to address infrastructure issues. The District also received a Striving Readers Grant which helped integrate technology into the learning environment.

## **DISTRICT RESERVES – GASB 54**

In July of 2011, the trustees approved Policy 7515 which implemented Governmental Accounting Standards Board (GASB) 54. This accounting standard requires districts to designate fund balances into specific categories of non-spendable, restricted, committed, assigned, and unassigned. This policy, which is required of all governmental units, has helped the district provide a clearer picture of reserves and their purpose.

## **CONTACT FOR ADDITIONAL INFORMATION**

If you have questions about this report or need additional information, contact the Director of Business Operations for the Great Falls School District, Brian Patrick 406-268-6050.

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
ORGANIZATION  
June 30, 2014

BOARD OF TRUSTEES

Jan Cahill ..... Chairperson  
Laura Vukasin ..... Vice-Chairperson  
Jeff Gray ..... Trustee  
Ann Janikula ..... Trustee  
Johnny Walker ..... Trustee  
Jason Brantley ..... Trustee  
Don Ryan ..... Trustee

OFFICIALS

Tammy Lacey ..... District Superintendent of Schools  
Jamie Bailey ..... County Superintendent of Schools  
John Parker ..... County Attorney  
Brian Patrick ..... Director of Business Operations

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Great Falls School District 1 & A  
Cascade County  
Great Falls, 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 Great Falls School District 1 & A, Cascade County, Great Falls, Montana (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Great Falls School District 1 & A, Cascade County, Great Falls, Montana, as of June 30, 2014, and the respective changes in financial position 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 and other required supplemental information as listed in the table of contents 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 Management's Discussion and Analysis and the other required supplemental 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 other supplemental schedules on pages 55 and 56 are presented for purposes of additional analysis as required by the Montana Office of Public Instruction and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The other supplemental schedules on pages 55 and 56 and the schedule of expenditures of federal awards are the responsibility of management and were 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 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section on pages 1 through 4 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 November 24, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Anderson Zurmuehlen & Co., P.C." The signature is written in dark ink and is positioned above the typed address and date.

Great Falls, Montana  
November 24, 2014

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2014 (Unaudited)

The discussion and analysis of Great Falls School District 1 & A, Cascade County, Great Falls, Montana's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### FINANCIAL HIGHLIGHTS

Key financial highlights for 2014 are as follows:

- Total current assets, which include cash, investments, receivables, inventories and prepaid expenses, increased by \$284,780.
- Long term assets decreased by \$1,677,376 due to the increased use of investments to fund general operational costs of the district, due partially to the levy not passing.
- In total, net position decreased \$1,029,979, from \$36,818,857, after restatement, to \$35,788,878, which represents a 2.80 percent decrease. In fiscal year 2013 net position increased \$545,925 after restatement.
- Total revenues for the district increased by \$1,418,065 which can be attributed to increases in Direct State Aid of \$565,899, County Retirement \$430,279, State Guaranteed Tax Base subsidy \$488,635 and a District Levy increase of \$470,652. These increases were offset by decreases in miscellaneous revenue of \$634,770, other state revenue of \$97,846 and federal impact aid of \$208,622. Charges for services, primarily revenue from food services sales, also decreased by \$481,427.
- General revenues accounted for \$75,676,400 in revenue or 81.88 percent of all revenues. Program specific revenues, in the form of charges for services and operating grants and contributions, accounted for \$16,750,847 or 18.12 percent of total revenues of \$92,427,247. When compared to fiscal year 2013, general revenues increased by \$1,811,382 while program specific revenues decreased by \$393,317, for a net increase in total revenues of \$1,418,065.
- From 2013 to 2014, Instructional Services expenditures increased by \$739,805 which is a 1.28 percent increase.
- The School District had \$93,633,187 in expenses. \$16,750,847 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes, state and county equalization and federal impact aid) of \$75,676,400 were not adequate to provide for these programs so reserves were used to fund the difference.
- Among the major funds, the general fund had \$64,426,244 in revenues and \$64,517,126 in expenditures, leading to a decrease in fund balance of \$90,882.

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
Year Ended June 30, 2014 (Unaudited)

**USING THIS GENERAL ACCEPTED ACCOUNTING PRINCIPLES (GAAP) REPORT**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Great Falls School District 1 & A, Cascade County, Great Falls, Montana as a financial whole, an entire operating entity. These statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term, as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Great Falls School District 1 & A, Cascade County, Great Falls, Montana, the general fund is by far the most significant fund.

**REPORTING THE SCHOOL DISTRICT AS A WHOLE**

**Statement of Net Position and Statements of Activities**

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private – sector companies. These bases of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader whether, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, current property tax laws in Montana restricting revenue growth, facility condition, required educational programs and other factors.

**REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements**

The analysis of the School District's major funds begins on page 20. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major Governmental funds are the general fund and the Elementary District's miscellaneous programs fund and impact aid fund.

GREAT FALLS SCHOOL DISTRICT 1 & A  
 CASCADE COUNTY  
 GREAT FALLS, MONTANA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
 Year Ended June 30, 2014 (Unaudited)

**REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS  
 (CONTINUED)**

**Governmental Funds**

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides.

Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

**THE SCHOOL DISTRICT AS A WHOLE**

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net position for 2014 compared to 2013.

**Table 1 – Net Assets**

	2014	2013	Annual Change	
			Amount	Percent
<b>ASSETS</b>				
Current assets, including cash, investments, receivables, inventories, and prepaid expenses	\$ 26,791,726	\$ 26,506,946	\$ 284,780	1.07%
Long-term assets, including investments and capital assets comprised of land, buildings, improvements, machinery/equipment	<u>27,105,536</u>	<u>28,782,912</u>	<u>(1,677,376)</u>	-5.83%
Total assets	<u>53,897,262</u>	<u>55,289,858</u>	<u>(1,392,596)</u>	-2.52%
<b>LIABILITIES</b>				
Current liabilities	4,214,809	4,096,408	118,401	2.89%
Long-term liabilities	<u>13,893,575</u>	<u>14,374,593</u>	<u>(481,018)</u>	-3.35%
Total liabilities	<u>18,108,384</u>	<u>18,471,001</u>	<u>(362,617)</u>	-1.96%
<b>NET POSITION</b>				
Net investment in capital assets	4,208,078	4,295,907	(87,829)	-2.04%
Restricted	18,224,754	18,080,522	144,232	0.80%
Unrestricted	<u>13,356,046</u>	<u>14,442,428</u>	<u>(1,086,382)</u>	-7.52%
Total net position	<u>\$ 35,788,878</u>	<u>\$ 36,818,857</u>	<u>\$ (1,029,979)</u>	-2.80%

GREAT FALLS SCHOOL DISTRICT 1 & A  
 CASCADE COUNTY  
 GREAT FALLS, MONTANA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
 Year Ended June 30, 2014 (Unaudited)

**THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

Total current and long term assets of governmental activities decreased by \$1,392,596. Cash and cash equivalents decreased by \$3,149,153 and taxes receivable increased by \$556,677. Other current assets increased by \$1,736,229, and capital assets decreased by \$536,349. Unrestricted net position, the part of net position that can be used to finance day to day activities without constraints, decreased by \$1,086,382. Current liabilities increased by \$118,401, while long-term liabilities in the form of debt for the energy project improvements and compensated absences payable decreased by \$481,018.

Table 2 shows the changes in net position for fiscal years 2014 and 2013.

**Table 2 – Changes in Net Assets**

	2014	2013	Annual Change		Percent of Total
			Amount	Percent	
REVENUES					
Program revenues:					
Charges for services	\$ 1,355,079	\$ 1,836,506	\$ (481,427)	-26.21%	1.47%
Operating grants and contributions	15,395,768	15,307,658	88,110	0.58%	16.66%
General revenues:					
District levy	21,584,840	21,114,188	470,652	2.23%	23.35%
Direct state aid	29,848,309	29,282,410	565,899	1.93%	32.29%
State guaranteed tax base subsidy	11,930,578	11,441,943	488,635	4.27%	12.91%
Other state revenue	2,648,202	2,746,048	(97,846)	-3.56%	2.87%
Federal impact aid revenue	489,755	698,377	(208,622)	-29.87%	0.53%
County retirement distribution	8,551,341	8,121,062	430,279	5.30%	9.25%
Interest and decrease in fair market value of investments	67,815	(136,826)	204,641	-149.56%	0.07%
Miscellaneous	564,515	1,199,285	(634,770)	-52.93%	0.61%
Special item - loss on sale of assets	(8,955)	28,531	(37,486)	-131.39%	-0.01%
Transfers	-	(630,000)	630,000	-100.00%	0.00%
Total revenues	<u>92,427,247</u>	<u>91,009,182</u>	<u>1,418,065</u>	1.56%	100.00%

GREAT FALLS SCHOOL DISTRICT 1 & A  
 CASCADE COUNTY  
 GREAT FALLS, MONTANA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
 Year Ended June 30, 2014 (Unaudited)

**THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

**Table 2 – Changes in Net Assets (Continued)**

	2014	2013	Annual Change		Percent of Total
			Amount	Percent	
<b>PROGRAM EXPENSES</b>					
Regular Programs:					
Instructional services	43,515,567	42,826,351	689,216	1.61%	46.47%
Supportive services	4,370,921	4,505,129	(134,208)	-2.98%	4.67%
Education, media services	1,739,098	1,731,107	7,991	0.46%	1.86%
General admin. services	1,815,599	1,559,955	255,644	16.39%	1.94%
School admin. services	4,633,503	4,572,000	61,503	1.35%	4.95%
Business services	2,233,102	2,419,644	(186,542)	-7.71%	2.38%
Operation and maintenance services	9,905,091	8,885,827	1,019,264	11.47%	10.58%
Special programs:					
Instructional services	13,218,039	12,962,696	255,343	1.97%	14.12%
Supportive services	1,976,045	1,433,438	542,607	37.85%	2.11%
School admin. services	275,343	131,198	144,145	109.87%	0.29%
Student transportation services	999,788	827,720	172,068	20.79%	1.07%
Vocational programs:					
Instructional services	1,789,609	1,994,363	(204,754)	-10.27%	1.91%
Extracurricular activities	1,592,146	1,412,035	180,111	12.76%	1.70%
School food services	3,689,047	3,394,772	294,275	8.67%	3.94%
Student transportation services	1,760,402	1,700,664	59,738	3.51%	1.88%
Resources transferred to other districts	9,107	226,105	(216,998)	-95.97%	0.01%
Interest on long term debt	110,780	105,403	5,377	5.10%	0.12%
Total expenses	<u>93,633,187</u>	<u>90,688,407</u>	<u>2,944,780</u>	3.25%	100.00%
Change in net position	<u>\$ (1,205,940)</u>	<u>\$ 320,775</u>	<u>\$ (1,526,715)</u>	-475.95%	

**Governmental Activities**

The unique nature of property taxes in Montana creates the need to routinely seek voter approval for the School District operations. For the 2013-2014 school year, the school board chose to run an elementary district operating voted general fund levy for \$981,748. The levy failed by a vote of 7,823 for and 9,496 against. Total property tax levies in the form of a District Levy made up 23.35 percent of revenues for governmental activities for Great Falls School District 1 & A, Cascade County, Great Falls, Montana for fiscal year 2014.

General revenues, 81.88 percent of total revenues, totaled \$75,676,400. These general revenues increased when compared to fiscal year 2013 by \$1,811,382. This is primarily the result of increases in Direct State aid, District Levy and State Guaranteed Tax Base subsidy. Total mills to local taxpayers increased by 0.21 mills from the previous year mail due to an increase in the Adult Education mills levied. The taxable valuation in the high school district also declined slightly which impacted the mills levied. There was also an increase in County Retirement Distribution of \$430,279. Interest income continues to decrease due to decreasing interest rates and the use of reserves to fund general operations of the District, although the change in fair value increased from the prior year.

GREAT FALLS SCHOOL DISTRICT 1 & A  
 CASCADE COUNTY  
 GREAT FALLS, MONTANA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
 Year Ended June 30, 2014 (Unaudited)

**THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

**Governmental Activities (Continued)**

Charges for services, primarily revenue from food services sales, decreased by \$481,427 and operating grants and contributions increased by \$88,110.

Instructional service expenses include activities dealing directly with interaction between teachers and students. Instructional service expenses, included in regular, special and vocational program categories, compose 62.50 percent of the district expenses.

	2014	2013	Annual Change		Percent of Total Expenses
			Amount	Percent	
Instructional services					
Regular programs	\$43,515,567	\$42,826,351	\$ 689,216	1.61%	46.47%
Special programs	13,218,039	12,962,696	255,343	1.97%	14.12%
Vocational programs	1,789,609	1,994,363	(204,754)	-10.27%	1.91%
Total instructional services	<u>\$58,523,215</u>	<u>\$57,783,410</u>	<u>\$ 739,805</u>	1.28%	62.50%

The remaining 37.50 percent of district expenses consist of expenses relating to the following support areas: supportive services, educational media services, general administrative services, school administrative services, business services, operation and maintenance services, central services, student transportation services, school food services.

Supportive services include activities which provide administration, technical and logistical support to enhance instruction including student aides for a day care, playground, study hall, bus aides, guidance services, counseling services, psychological services, speech pathology service, occupational and physical therapy services, curriculum development and staff development services.

Educational media services include activities concerned with the use of teaching and learning resources, audiovisual services, computer assisted instruction and library and media services.

General administrative services include activities of establishing policy by the Board of Trustees and administrating policy by the Superintendent in connection with operating the District.

School administrative services include activities concerned with overall administrative responsibility for a group of schools.

Business services include activities concerned with paying for, transporting, exchanging and maintaining goods and services for the School District. Included are fiscal and internal services necessary for operating the School District. The business services portion of the budget decreased by \$186,524. This is a 7.71% reduction from the previous year.

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
Year Ended June 30, 2014 (Unaudited)

**THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

**Governmental Activities (Continued)**

Operation and maintenance services include activities concerned with keeping the physical plant open, comfortable, safe for use and in effective working condition and state of repair. The operation and maintenance services portion of the budget increased by \$1,019,264, primarily as a result of addressing many of the identified district-wide renovation projects. This is an 11.47% increase from the previous year.

Central services include activities for supporting the School District's information technology system including administrative network, data processing for managerial, administrative and student data analysis.

Student transportation services include activities concerned with the conveyance of students to and from school as provided by State and Federal law. An increase of \$231,806 in student transportation services was due primarily to the increase in homeless students in the District, as the District is required to transport these students to the school they were attending when they became homeless. It is the responsibility of the district to transport them regardless of their new location.

Extracurricular activities include school sponsored activities that are not part of the regular instructional programs and they also include school sponsored athletic sports involving competition between schools. Increased funding in the general fund budget was provided to more accurately express actual costs for these programs. Extracurricular activities spent \$180,111 more than the prior fiscal year, which equates to a 12.76% increase in expenditures.

School food services include activities concerned with providing food to students and staff in a school or school district. It includes the preparation and serving of regular and incidental meals, lunches, or snacks in connection with school activities and the delivery of food. The District implemented a new student accounting system which allows for easier access of information for parents for payments due.

The dependence on tax revenues is apparent. Over 51 percent of the School District's instructional services activities (\$58,523,215) are supported through local taxes (district levy and county retirement distribution) and for all activities, general revenue support is 80.82 percent. The community as a whole is the primary support for Great Falls School District 1 & A, Cascade County, Great Falls, Montana.

GREAT FALLS SCHOOL DISTRICT 1 & A  
 CASCADE COUNTY  
 GREAT FALLS, MONTANA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
 Year Ended June 30, 2014 (Unaudited)

**THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

**The School District's Funds**

Information about the activity of the School District's major funds for the fiscal year ended June 30, 2014 begins on page 20. These funds are accounted for using the modified accrual basis of accounting. Governmental funds in total had revenues of \$91,879,525 and expenditures of \$93,564,829, which was an increase of \$2,568,668 in expenditures from the prior year. The excess of expenditures over revenues for the year was \$1,685,304. This was a planned increase by the District to utilize existing reserves. The use of these funds allowed the District to meet the general operational needs.

**GENERAL FUND BUDGETING HIGHLIGHTS**

The School District's budget is prepared according to Montana law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. During fiscal year 2014, the School District continued to fine-tune the classification of expenditure accounts based upon recommended State accounting guidelines. Significant budgetary changes in services categories resulted in the process. Program expenditures were reclassified in supportive services, educational media services, and business services, and budget variances compared to the prior fiscal year changed due to the re-categorization of accounts.

**CAPITAL ASSETS**

At the end of fiscal year 2014, the School District had \$11,306,601 invested in land, buildings, machinery and equipment, net of depreciation.

Table 3 shows fiscal year 2014 balances compared to fiscal year 2013:

**Table 3 – Capital Assets (Net of Depreciation)**

	2014	2013	Annual Change		Percent of Total
			Amount	Percent	
Land	\$ 1,348,339	\$ 1,348,339	\$ -	0.00%	11.93%
Buildings	8,261,094	8,875,629	(614,535)	-6.92%	73.06%
Machinery and equipment	1,697,168	1,618,982	78,186	4.83%	15.01%
Totals	<u>\$ 11,306,601</u>	<u>\$ 11,842,950</u>	<u>\$ (536,349)</u>	-4.53%	100.00%

Overall net capital assets decreased by \$536,349 when compared to fiscal year 2013. Decreases in the net cost of buildings were mainly the result of depreciation expense. See notes to the basic financial statements for a breakdown of depreciation expense on page 39.

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
Year Ended June 30, 2014 (Unaudited)

**DEBT ADMINISTRATION**

At June 30, 2014, the School District has a long term debt obligation of \$13,893,575. The majority of this debt comes from low interest energy bonds initiated in 2010 to fund a major energy renovation in the district. These fifteen year bonds are being paid by using the savings in projected energy costs. The District's long-term debt balance reported below is an accrual for future compensation for unclaimed leave accumulated per law.

Long-term debt balances are as follows:

Compensated absences payable	\$ 7,267,059
Bonds payable	<u>6,626,516</u>
	<u>\$13,893,575</u>

For an analysis of the activity in long-term debt for fiscal year 2014, see the long-term debt note to the basic financial statements beginning on page 40.

**CURRENT FINANCIAL ISSUES AND CONCERNS**

Great Falls School District 1 & A, Cascade County, Great Falls, Montana, has been a stable and well-managed community institution for many years. Declining enrollment, due to demographic shifts felt throughout Montana, continues to have a fiscal impact on the District. The Board of Trustees is dedicated to leadership in human resource development to make Great Falls Public Schools the employer of choice for educators in Montana. The Board also supports a focus on up-to-date technology systems for work and learning, enhanced partnerships with parents and other community organizations, and instructional practices that flex with the times and meet the broad range of students learning needs and aspirations.

The Board of Trustees chose to run a levy election in June of 2013. In order to maintain the same educational programs from the previous fiscal year, the District estimated a shortfall of just over \$981,748. The District reduced teaching and support personnel positions, and made other reductions in programming areas. As the trustees set the budget for 2013-14 school year, \$600,000 in reserves was designated to help meet increasing costs not covered by the cutbacks. The trend for the district has been to continue to reduce operational costs. The District plans to continue its sound fiscal management to meet the challenges of the future.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

The financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finance and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Brian Patrick, Director of Business Operations, Great Falls School District 1 & A, Cascade County, 1100 4<sup>th</sup> Street South, Great Falls, MT 59403 or e-mail at [brian\\_patrick@gfps.k12.mt.us](mailto:brian_patrick@gfps.k12.mt.us).

FINANCIAL STATEMENTS

GREAT FALLS SCHOOL DISTRICT 1 & A  
 CASCADE COUNTY  
 GREAT FALLS, MONTANA  
 STATEMENT OF NET POSITION  
 June 30, 2014

	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 20,414,482
Taxes receivable	2,594,645
Due from other governments	2,651,676
Other current assets	70,918
Inventories	375,151
Prepaid expenses	684,854
Total current assets	26,791,726
Noncurrent assets:	
Cash and investments	15,798,935
Capital assets:	
Land and improvements	\$ 1,348,339
Buildings and improvements	47,249,395
Machinery and equipment	4,338,014
Less accumulated depreciation	(41,629,147)
Total capital assets, net of depreciation	11,306,601
Total noncurrent assets	27,105,536
<b>TOTAL ASSETS</b>	<b>\$ 53,897,262</b>
<b>LIABILITIES</b>	
Current liabilities:	
Other current liabilities	\$ 3,742,802
Current portion of bonds payable	472,007
Total current liabilities	4,214,809
Noncurrent liabilities:	
Compensated absences payable	7,267,059
Bonds payable (net of current portion)	6,626,516
Total noncurrent liabilities	13,893,575
<b>TOTAL LIABILITIES</b>	<b>18,108,384</b>
<b>NET POSITION</b>	
Net investment in capital assets	4,208,078
Restricted for:	
Debt service	1,110
Program	18,223,644
Unrestricted	13,356,046
<b>TOTAL NET POSITION</b>	<b>35,788,878</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 53,897,262</b>

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

GREAT FALLS SCHOOL DISTRICT 1 & A  
 CASCADE COUNTY  
 GREAT FALLS, MONTANA  
 STATEMENT OF ACTIVITIES  
 June 30, 2014

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
<b>GOVERNMENTAL ACTIVITIES:</b>					
Regular Programs:					
Instructional services	\$ 43,515,567	\$ 131,362	\$ 71,300	\$ -	\$ (43,312,905)
Supportive services	4,370,921	83,367	-	-	(4,287,554)
Educational media services	1,739,098	-	-	-	(1,739,098)
General administrative services	1,815,599	-	-	-	(1,815,599)
School administrative services	4,633,503	-	-	-	(4,633,503)
Business services	2,233,102	-	-	-	(2,233,102)
Operation and maintenance services	9,905,091	93,046	-	-	(9,812,045)
Special Programs:					
Instructional services	13,218,039	-	12,146,419	-	(1,071,620)
Supportive services	1,976,045	-	-	-	(1,976,045)
School administrative services	275,343	-	-	-	(275,343)
Student transportation services	999,788	-	-	-	(999,788)
Vocational Programs:					
Instructional services	1,789,609	-	-	-	(1,789,609)
Extracurricular activities	1,592,146	-	-	-	(1,592,146)
School food services	3,689,047	1,047,304	2,451,325	-	(190,418)
Student transportation services	1,760,402	-	726,724	-	(1,033,678)
Resources transferred to other districts	9,107	-	-	-	(9,107)
Interest on long-term debt	110,780	-	-	-	(110,780)
Total Governmental Activities	<u>\$ 93,633,187</u>	<u>\$ 1,355,079</u>	<u>\$ 15,395,768</u>	<u>\$ -</u>	<u>(76,882,340)</u>

**GENERAL REVENUES:**

District levy	21,584,840
Direct state aid	29,848,309
State guaranteed tax base subsidy	11,930,578
Other state revenue	2,648,202
Federal impact aid revenue	489,755
County retirement distribution	8,551,341
Interest and increase in fair market value of investments	67,815
Miscellaneous	564,515
Special item - loss on sale of capital assets	(8,955)
Total general revenues	<u>75,676,400</u>
<b>Change in net position</b>	<u>(1,205,940)</u>
Net position at July 1	36,818,857
Prior period adjustment	<u>175,961</u>
Net position at July 1, as restated	<u>36,994,818</u>
Net position at June 30	<u>\$ 35,788,878</u>

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

GREAT FALLS SCHOOL DISTRICT 1 & A  
 CASCADE COUNTY  
 GREAT FALLS, MONTANA  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 June 30, 2014

	General Fund	Miscellaneous Programs Elementary	Impact Aid Elementary	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 11,184,960	\$ 5,269,369	\$ 8,918,551	\$ 10,840,537	\$ 36,213,417
Taxes receivable	2,264,286	-	-	330,359	2,594,645
Due from other governments	-	2,532,861	-	118,815	2,651,676
Other current assets	26,331	22,112	-	22,475	70,918
Inventories	229,607	-	-	145,544	375,151
Prepaid expenses	512,141	-	-	172,713	684,854
<b>TOTAL ASSETS</b>	<u>\$ 14,217,325</u>	<u>\$ 7,824,342</u>	<u>\$ 8,918,551</u>	<u>\$ 11,630,443</u>	<u>\$ 42,590,661</u>
<b>LIABILITIES</b>					
Other current liabilities	\$ 3,742,802	-	-	-	\$ 3,742,802
<b>TOTAL LIABILITIES</b>	<u>3,742,802</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,742,802</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unearned revenue for taxes receivable	2,264,286	-	-	330,359	2,594,645
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>2,264,286</u>	<u>-</u>	<u>-</u>	<u>330,359</u>	<u>2,594,645</u>
Fund balances:					
Nonspendable	741,748	-	-	318,257	1,060,005
Restricted	756,296	-	8,918,551	8,549,907	18,224,754
Committed	6,151,528	-	-	-	6,151,528
Assigned	560,665	7,824,342	-	2,431,920	10,816,927
<b>TOTAL FUND BALANCE</b>	<u>8,210,237</u>	<u>7,824,342</u>	<u>8,918,551</u>	<u>11,300,084</u>	<u>36,253,214</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u>\$ 14,217,325</u>	<u>\$ 7,824,342</u>	<u>\$ 8,918,551</u>	<u>\$ 11,630,443</u>	<u>\$ 42,590,661</u>

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

GREAT FALLS SCHOOL DISTRICT 1 & A  
 CASCADE COUNTY  
 GREAT FALLS, MONTANA  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 June 30, 2014

Total fund balance - governmental funds \$ 36,253,214

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

Capital assets used in governmental activities are not reported as assets in governmental funds. The cost of the assets is \$52,935,748, and the accumulated depreciation is \$41,629,147. 11,306,601

Property taxes receivable expected to be collected in the following year, but are not available soon enough to pay for the current period's expenditures, and therefore are reflected as unearned revenue in governmental funds. 2,594,645

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of compensated absences payable of \$7,267,059, bonds payable of \$7,098,523 and the net other post-employment benefits obligation of \$0. (14,365,582)

Total net position - governmental activities \$ 35,788,878

**GREAT FALLS SCHOOL DISTRICT 1 & A**  
**CASCADE COUNTY**  
**GREAT FALLS, MONTANA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2014**

	General Fund	Miscellaneous Programs Elementary	Impact Aid Elementary	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
District levy	\$ 18,093,319	\$ -	\$ -	\$ 2,934,844	\$ 21,028,163
Interest and decrease in fair market value of investments	56,418	5,858	(12,229)	17,768	67,815
Miscellaneous	32	41,391	-	523,092	564,515
Direct state aid	29,848,309	-	-	-	29,848,309
State guaranteed tax base subsidy	11,930,578	-	-	-	11,930,578
State special education	2,088,223	-	-	-	2,088,223
Other state payments	2,364,651	-	-	283,551	2,648,202
Federal/state/local aid	-	9,328,778	489,755	3,252,043	13,070,576
County reimbursement	-	-	-	8,918,937	8,918,937
State reimbursement	-	-	-	359,128	359,128
Tuition and fees	44,714	-	-	263,061	307,775
Lunch sales	-	-	-	1,047,304	1,047,304
<b>Total</b>	<u>64,426,244</u>	<u>9,376,027</u>	<u>477,526</u>	<u>17,599,728</u>	<u>91,879,525</u>
<b>EXPENDITURES</b>					
Current:					
Regular Programs:					
Instructional services	34,962,848	751,234	2,763	7,159,450	42,876,295
Supportive services	3,603,037	373,583	-	389,525	4,366,145
Educational media services	1,579,959	-	-	159,139	1,739,098
General administrative services	1,453,720	-	-	295,427	1,749,147
School administrative services	4,160,227	-	-	473,276	4,633,503
Business services	1,882,327	-	81,983	268,107	2,232,417
Operation and mainten- ance services	8,972,884	-	139,558	677,393	9,789,835
Special Programs:					
Instructional services	2,781,126	8,723,092	278,657	1,435,164	13,218,039
Supportive services	1,264,323	710,570	-	1,152	1,976,045
School administrative services	-	275,343	-	-	275,343
Student transportation services	-	-	-	999,788	999,788
Vocational Programs:					
Instructional services	1,716,393	-	-	73,216	1,789,609
Extracurricular activities	1,464,790	-	-	110,565	1,575,355
School food services	-	-	-	3,647,975	3,647,975
Student transportation services	-	-	-	1,760,402	1,760,402
Resources transferred to other districts	-	-	-	9,107	9,107
Capital outlay	116,192	45,583	-	205,651	367,426
Debt service	559,300	-	-	-	559,300
<b>Total</b>	<u>64,517,126</u>	<u>10,879,405</u>	<u>502,961</u>	<u>17,665,337</u>	<u>93,564,829</u>
Excess of revenues over expenditures	<u>(90,882)</u>	<u>(1,503,378)</u>	<u>(25,435)</u>	<u>(65,609)</u>	<u>(1,685,304)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	-	-	-	1,506	1,506
	-	-	-	1,506	1,506
<b>NET CHANGE IN FUND BALANCE</b>	<u>(90,882)</u>	<u>(1,503,378)</u>	<u>(25,435)</u>	<u>(64,103)</u>	<u>(1,683,798)</u>
Fund balance at July 1	8,273,856	9,327,720	8,943,986	11,215,489	37,761,051
Prior period adjustment	27,263	-	-	148,698	175,961
Fund balance at July 1, as restated	<u>8,301,119</u>	<u>9,327,720</u>	<u>8,943,986</u>	<u>11,364,187</u>	<u>37,937,012</u>
Fund balance at June 30	<u>\$ 8,210,237</u>	<u>\$ 7,824,342</u>	<u>\$ 8,918,551</u>	<u>\$ 11,300,084</u>	<u>\$ 36,253,214</u>

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

GREAT FALLS SCHOOL DISTRICT 1 & A  
 CASCADE COUNTY  
 GREAT FALLS, MONTANA  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
 REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 TO THE STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2014

Total net change in fund balance - governmental funds \$ (1,683,798)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$893,314) exceeds capital outlays (\$367,426). (525,888)

Sale of capital assets in governmental funds represents gross proceeds received from the sale, while the statement of activities reflects the gain on the sale (gross proceeds less net cost). (10,461)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues and are unearned in the governmental funds, but have been recognized as revenue in previous periods in the statement of activities. Unearned tax revenues increased by this amount this year. 556,677

In the statement of activities, certain operating expenses such as compensated absences are measured by the amounts *earned* during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used or *paid*. This is the amount by which vacation and sick leave used exceeded the amounts earned. 9,010

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 448,520

Total change in net position - governmental activities \$ (1,205,940)

GREAT FALLS SCHOOL DISTRICT 1 & A  
 CASCADE COUNTY  
 GREAT FALLS, MONTANA  
 STATEMENT OF NET POSITION  
 FIDUCIARY FUNDS  
 June 30, 2014

	Endowment Fund	Miscellaneous Trust Fund	Extracurricular Fund	Interlocal Agreement Fund
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>				
Cash and investments	\$ 467,549	\$ 66,911	\$ 1,214,568	\$ 373,649
Machinery and equipment	-	-	-	50,825
Less accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,152)</u>
<b>TOTAL ASSETS</b>	<u>467,549</u>	<u>66,911</u>	<u>1,214,568</u>	<u>421,322</u>
<b>LIABILITIES</b>				
Other current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>				
Net position held in trust for student scholarships	<u>\$ 467,549</u>	<u>\$ 66,911</u>		
Net position held in trust for student activities			<u>\$ 1,214,568</u>	
Net position held in trust for technology purchases				<u>\$ 147,537</u>
Net position held in trust for collaborative purchasing				<u>\$ 273,785</u>

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

GREAT FALLS SCHOOL DISTRICT 1 & A  
 CASCADE COUNTY  
 GREAT FALLS, MONTANA  
 STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION  
 For the Year Ended June 30, 2014

	Endowment Fund	Miscellaneous Trust Fund	Extracurricular Fund	Interlocal Agreement Fund
<b>ADDITIONS</b>				
Contributions/donations from private sources	\$ -	\$ 4,000	\$ -	\$ 31,800
Interest and decrease in fair market value of investments	962	35	-	-
Student extracurricular activity receipts	<u>-</u>	<u>-</u>	<u>2,338,803</u>	<u>-</u>
Total	<u>962</u>	<u>4,035</u>	<u>2,338,803</u>	<u>31,800</u>
<b>DEDUCTIONS</b>				
Instruction	-	-	-	25,000
Technology services	-	-	-	10,986
Operations & maintenance	-	-	-	330,215
Student scholarships	3,935	6,939	-	-
Student extracurricular activity expenses	<u>-</u>	<u>-</u>	<u>2,222,925</u>	<u>-</u>
Total	<u>3,935</u>	<u>6,939</u>	<u>2,222,925</u>	<u>366,201</u>
<b>Change in net position</b>	(2,973)	(2,904)	115,878	(334,401)
Net position at July 1	<u>470,522</u>	<u>69,815</u>	<u>1,098,690</u>	<u>755,723</u>
Net position at June 30	<u>\$ 467,549</u>	<u>\$ 66,911</u>	<u>\$ 1,214,568</u>	<u>\$ 421,322</u>

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

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies followed by the District are presented below:

**Reporting Entity**

The District is a primary government, meeting the criteria embodied in GASB Statement No. 61, "The Financial Reporting Entity" of a separately elected governing body, a separate legal standing, and fiscal independency. The District supplies public education services at all levels below the college and university level and actually consists of two legally separate districts - the high school district and the elementary district. Both districts must be maintained separately per state law because of differences in funding provided by the state legislature, but are under common control of a single school board and therefore reported together on the basic financial statements. The school system was established by an act of the State legislature which designated the school board as the governing authority. Members of the school board are elected by the public. The school board has control over hiring and firing employees, the power to contract for schools, authority to purchase equipment, and control over other day-to-day management functions. The school board is responsible for financing the District's deficit and may issue bonds to finance District construction.

The school board was initially responsible for appointing all of the initial members of the board of directors of the Great Falls Public Schools Foundation, a separate 501(c)(3) organization. After the first year of the Foundation, the school board has the responsibility of appointing only a minority membership of the Foundation's board of directors. The relationship between the District and the Foundation does not presently require inclusion of the activity of the Foundation in the financial statements of the District.

Cascade County provides substantial services to the District. Taxes are levied and collected by the county. A portion of the District's cash is maintained and invested by the county treasurer. However, as management policies of the District are the sole responsibility of the school board, the District is not considered to be a component of the county. The county does not significantly influence the operations of the school system; therefore the District is being treated as a separate and independent unit of local government.

**Fund Accounting**

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenues, and expenditures or expenses, as appropriate. The following funds are maintained by the District:

**Governmental Fund Types**

General Fund (Elementary and High School) - accounts for revenues and expenditures not included in any other fund.

GREAT FALLS SCHOOL DISTRICT 1 & A  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2014

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

**Fund Accounting (Continued)**

*Special Revenue Funds*

Transportation Fund (Elementary and High School) - accounts for the revenues and expenditures for the District's pupil transportation program.

Food Services Fund (Elementary) - accounts for that portion of the school food services program which is self-supporting, including state and federal reimbursements. Other costs are budgeted for and expended through the General and Retirement Funds.

Retirement Fund (Elementary and High School) - accounts for the employer's contribution to the Teachers' Retirement System, the Public Employees' Retirement System, Unemployment Insurance, and Social Security.

Miscellaneous Programs Fund (Elementary and High School) - accounts for federal and state grant and reimbursement moneys received by the District.

Adult Education Fund (Elementary and High School) - accounts for the revenue and expenditures for the District's adult education program.

Traffic Education Fund (High School) - accounts for the revenues and expenditures for the District's driver education program.

Impact Act (P.L. 874) Fund (Elementary and High School) - accounts for the receipt and expenditure of Public Law 81-874 Impact Aid moneys.

Lease Rental Agreement Fund (Elementary and High School) - accounts for the rental and lease payments received from District owned property and the expenditure of that money for the maintenance of the property.

Compensated Absence Fund (Elementary and High School) - accounts for moneys transferred from the General Fund for the purpose of paying accumulated compensated absence benefits that a nonteaching employee is entitled to upon termination.

Technology Fund (Elementary and High School) - accounts for state grant money received to be used for technology related expenditures.

Flexibility Fund (Elementary and High School) - accounts for state grant and voted levy moneys received for the purpose of paying salaries, operating expenses, building expenses, and purchasing supplies and equipment.

Debt Service Fund (Elementary and High School) - accounts for principal and interest payments on outstanding long-term debt and the revenue derived for this purpose from a property tax levy.

GREAT FALLS SCHOOL DISTRICT 1 & A  
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GREAT FALLS, MONTANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2014

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

**Fund Accounting (Continued)**

*Capital Projects Funds*

Building Fund (Elementary and High School) - accounts for building repair projects and the insurance proceeds received for that purpose.

Building Reserve Fund (Elementary and High School) - accounts for revenue and expenditures for voter approved improvements, remodeling, or construction of District facilities.

**Fiduciary Fund Types**

*Private Purpose Trust Funds*

Endowment Fund (High School) - accounts for endowments received which are to be used for student scholarships, whereby only interest may be used.

Miscellaneous Trust Fund (High School) - accounts for endowments received which are to be used for student scholarships, whereby both principal and interest may be used.

Extracurricular Fund (High School) - accounts for various student activities, such as athletics, clubs, classes, student government organizations, student publications, and other such activities. Separate fund accounts within the Extracurricular Fund are maintained to account for these various activities. Such a fund is established under the authority of Section 20-9-504, MCA. The Fund is administered by School District administrators and faculty members and the student organizations, operating under guidelines and policies established by the board of trustees and the Montana Association of School Business Officials handbook *Guidelines to Student Activity Fund Accounting*.

Interlocal Agreement Fund (Elementary) - accounts for (1) technology purchases to be made in conjunction with other participating school districts and (2) collaborative purchasing between the Elementary and High School districts. Such a fund is established under the authority of Section 20-3-363, MCA.

*Agency Funds*

Accounts Payable Clearing Fund (High School) - accounts for receipts from operating funds for payment of approved expenditure claims of the District. Cash remaining in this fund at year-end represents warrants issued but not yet presented by the payee for payment. The total of the outstanding warrants are netted against the cash balance of the fund on the basic financial statements.

Payroll Clearing Fund (High School) - accounts for receipts from operating funds for their portions of payroll costs and the payroll disbursements to employees and state and federal agencies. Cash remaining in this fund at year-end represents warrants issued but not yet presented by the payee for payment. The total of the outstanding warrants are netted against the cash balance of the fund on the basic financial statements.

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2014

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

**Fund Accounting (Continued)**

Under state statutes, the General, Transportation, Adult Education, Retirement, Technology, Flexibility, Debt Service, and Building Reserve funds are considered budgeted funds, which means that a budget must be adopted in order to spend any money from the funds. The statutes define the Food Services, Compensated Absence, Traffic Education, Miscellaneous Programs, Lease Rental Agreement, Impact Aid (P. L. 874), Building, Endowment, Extracurricular, Miscellaneous Trust and Interlocal Agreement funds as nonbudgeted funds. A budget is not required to spend money from these funds.

**Basis of Presentation**

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District's financial statements consist of government-wide financial 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.

*Government-wide Financial Statements*

The statement of net position and the statement of activities display information about the District as a whole, with the exception of the fiduciary fund types. Any interfund activity has been eliminated to minimize any possible double-counting of such internal activities.

The statement of net position presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from general revenues of the District. 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.

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GREAT FALLS, MONTANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2014

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

**Basis of Presentation (Continued)**

*Fund Financial Statements*

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The emphasis of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. A separate statement is presented for the District's fiduciary funds. Generally accepted accounting principles require the general fund be reported as a major fund, as well as all other governmental funds whose assets, liabilities, revenues, or expenditures exceed 10% or more of the total for all governmental funds. Accordingly, the District reports the general fund, the Elementary District's miscellaneous programs fund, and the Elementary District's impact aid fund as major funds.

**Measurement Focus/Basis of Accounting**

The government-wide financial statements of the District are reported using the economic resources measurement focus under the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the year for which they are levied. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements of the District are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Revenues are recorded when susceptible to accrual, that is, when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Certain revenues of the District require specific revenue recognition terms. Under this measurement focus, the District considers property taxes as available if they are collected within 30 days after the date the taxes become delinquent. Uncollected property taxes become delinquent each May 31. Therefore, property tax levies collected through June 30 are reported as revenue in the fiscal year ended June 30. Amounts not collected by June 30 are reported as unearned revenue. In applying the susceptible to accrual concept to grant revenues, two types of revenues must be considered.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2014

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

**Measurement Focus/Basis of Accounting (Continued)**

In one type, moneys must be expended on the specific purpose or project before any amounts will be paid to the District. Therefore, revenues are recognized based upon the expenditures recorded. In the other type, moneys are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These moneys are recognized as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenues of the District are recognized as revenue when both the measurable and available criteria are met.

Expenditures are recognized when the liability is incurred, except for unmatured interest on general long-term debt.

**New Accounting Pronouncement**

The District has adopted the provisions of the following GASB pronouncement for the year ended June 30, 2014:

- Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. This statement defines new financial statement items called deferred inflows of resources and deferred outflows of resources, and reclassifies certain items previously classified as asset or liabilities as deferred outflows or deferred inflows, respectively.

**Accounting Standards Effective in a Future Period**

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

**Budgets and Budgetary Accounting**

A budget is adopted by the board of trustees each fiscal year for the General Fund and those other governmental fund types classified by state law as budgeted funds. A listing of these funds is included above under "Fund Accounting." All budgets are formulated in accordance with state law. The board of trustees must meet on or before August 25 to consider all budget information and must have that final budget adopted by the fourth Monday in August. Budget appropriations not expended or obligated lapse at the end of the fiscal year.

GREAT FALLS SCHOOL DISTRICT 1 & A  
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GREAT FALLS, MONTANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2014

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

**Budgets and Budgetary Accounting (Continued)**

The District's budget is prepared on the basis of accounting described above for the governmental fund financial statements. The legal level of control (the level on which expenditures may not legally exceed appropriations) is at the fund level. The General Fund budget is based on the state's BASE aid, which is designed to equalize taxing effort throughout the state and bases the budgets primarily on enrollment. Budgets of other funds are based primarily on estimated expenditures and revenues. Budgeted fund expenditures are limited by state law to budgeted amounts, except that they can be increased for emergencies as defined by state law. Transfers may be made between expenditure objects and/or functions within the same fund.

**Cash and Investments**

All cash and investments of the District's funds, including the cash and investments of the Extracurricular Fund, are held by the county treasurer and the Big Sky Investment Pool managed by First Interstate Bank.

**Capital Assets**

All purchased capital assets are valued at historical cost where historical cost records are available and at estimated historical cost where no historical records exist. Purchases of capital assets with a cost of \$5,000 or greater are included as additions to capital assets. Donated capital assets are recorded at estimated fair market value as of the date received. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Machinery and equipment	5-15 years

**Inventories**

Inventories of food are valued at cost and expensed when used in operations. Inventories of materials and supplies are also valued at cost and expensed when used in operations.

**Liability for Compensated Absences**

Compensated absences for vacation and sick leave are recorded as expenditures in the governmental funds when taken. Vacation leave, within certain limitations, may be payable to the employee on 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.

GREAT FALLS SCHOOL DISTRICT 1 & A  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2014

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

**Fund Balance**

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

*Nonspendable*

Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted*

Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed*

Amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees. The Board of Trustees is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through a majority vote on a motion proposed by the Board of Trustees.

*Assigned*

Amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. Intent can be expressed by the Board of Trustees or by the District's superintendent of schools to which the Board of Trustees delegates that authority.

*Unassigned*

All other spendable amounts that are not categorized in the above fund balance categories.

The requirements of GASB No. 54 include the restatement of fund balances for reporting on the fund financial statements if a substantial portion of inflows into a special revenue fund are not derived from restricted or committed revenue sources. Of the inflows into the Elementary and High School District's compensated absences funds, a substantial portion is not derived from restricted or committed revenue sources.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

GREAT FALLS SCHOOL DISTRICT 1 & A  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2014

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

**Estimates**

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2. CASH AND INVESTMENTS**

Montana statutes authorize the District to invest in direct obligations of the United States government; in savings or time deposits in a state or national bank, building or loan association, savings and loan association, or credit union located in the state and insured by the FDIC, FSLIC, or NCUA; in repurchase agreements or in the State Short-Term Investment Pool (S.T.I.P.).

A portion of the cash and investments of the District are held by the county treasurer in the District's name. These monies are not invested in the County pool, and are not generating any investment income for the District. The remaining portion of the District's cash and investments are held in checking accounts, certificates of deposit, and repurchase agreements managed by First Interstate Bank as part of the Big Sky Investment Pool, a unified investment program established and sponsored by the Montana School Boards Association (MTSBA) for participation by MTSBA member school districts under the auspices of and in compliance with MCA Title 7, Chapter 11 (the provisions governing interlocal cooperative agreements) and MCA Title 20, Chapter 9, Part 7 (educational cooperative agreements). The pool is not SEC-registered. Investments of the Big Sky Investment Pool consist of U. S. Government money market funds and U. S. Government Agency Securities. The District receives a pro-rata share of investment earnings from both the county-wide and Big Sky pool at each distribution date. Under generally accepted accounting principles, the District is required to comply with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools." This pronouncement requires governmental entities to record certain investments in external investment pools at fair value, rather than historical cost. The District's investment in U.S. Government Securities is shown at fair value, with the current period's net decrease in fair value of \$76,553 being netted against interest income on the Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

GREAT FALLS SCHOOL DISTRICT 1 & A  
 CASCADE COUNTY  
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 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2014

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

At June 30, 2014, the District's cash and investments consisted of the following:

Investment Type	Fair Value	Investment Maturities Less than 1-Year	1-5 Years
County-wide investment pool	\$ 498,198	\$ 498,198	\$ -
Checking accounts	5,345,136	5,345,136	-
Certificates of deposit	2,466,346	905,118	1,561,228
Repurchase agreements	14,203,475	14,203,475	-
U.S. government money market funds	438,237	438,237	-
U.S. government agencies	15,384,702	1,146,995	14,237,707
	<u>\$ 38,336,094</u>	<u>\$ 22,537,159</u>	<u>\$ 15,798,935</u>

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District follows Montana State law as it pertains to the type of investments in the District portfolio.

**Credit Risk**

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Obligations of or guaranteed by the U.S. government do not require disclosure of credit quality. Investments within S.T.I.P. have credit risk as measured by major credit rating services. This risk is that the issuer of a S.T.I.P. investment may default in making timely principal and interest payments. The Montana Board of Investment's policy requires that S.T.I.P. investments have the highest investment grade rating in the short-term category by at least one Nationally Recognized Statistical Rating Organization (NRSRO). The three NRSRO's recognized by S.T.I.P. include Standard and Poor's (S&P), Moody's, and Fitch. The short-term credit ratings presented below for S.T.I.P. in total are provided by S&P's rating services. An A1+ rating is the highest short-term rating by the S&P rating service. If a S.T.I.P. investment received a long-term rating, such as AAA, this rating was converted to a short-term rating. If an S&P rating is not available, a Moody's rating has been used.

GREAT FALLS SCHOOL DISTRICT 1 & A  
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 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2014

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

Credit Quality Ratings for S.T.I.P. as of June 30, 2014:

Investment Type	Fair Value	Credit Quality Rating
Asset Backed Commercial Paper	\$ 777,417,680	A1
Corporate Commercial Paper	138,958,389	A1
Corporate Variable-Rate	658,894,083	A1
Certificates of Deposit Fixed	100,000,000	A1
Certificates of Deposit Variable	391,996,239	A1+
Other Asset Backed	38,440,281	NR
U.S. Government Agency Fixed	75,003,275	A1+
U.S. Government Agency Variable	200,003,406	A1+
Money Market Funds (Unrated)	133,439,814	NR
Money Market Funds (Rated)	<u>21,000,000</u>	<u>A1+</u>
	<u>\$ 2,535,153,167</u>	<u>A1</u>

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2014, \$763,898 of the District's deposits were uninsured and uncollateralized.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District does not have a formal investment policy limiting the amount the District may invest in any one issuer. As there is minimal credit risk associated with investments issued or guaranteed by the U.S. Government, no disclosure of concentration of credit risk is required for these investments. The S.T.I.P. investment policy adopted by the Montana Board of Investments specifies concentration of credit risk exposure by limiting portfolio investment types by 2% per issuer or 3% if the amount is greater than 2% and matures within seven days. Investments explicitly guaranteed by the U.S. Government are excluded from the concentration of credit risk requirement. In October 2008, the U.S. Government extended the explicit guarantee to certain government agencies such as Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (FHLMC-Freddie Mac). Given the explicit guarantee extension, the Board had no concentration of credit risk exposure to Fannie Mae and Freddie Mac in S.T.I.P.

Investments of the S.T.I.P. include certain derivative-type investments, such as asset-backed securities and variable-rate securities.

GREAT FALLS SCHOOL DISTRICT 1 & A  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2014

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

**Concentration of Credit Risk (Continued)**

The asset-backed securities are collateralized by non-mortgage assets pledged by the issuer, and have one or more forms of credit enhancement to raise the quality of the security. Asset-backed securities have less credit risk than do securities not backed by pledged assets, while market risk for asset-backed securities is the same as market risk for similar nonasset-backed securities. Asset-backed securities make up 32.19% of the total S.T.I.P. assets at June 30, 2014.

The variable-rate securities are designed to minimize the investor's interest rate risk by periodically resetting the interest rate to either the prime rate or the London Interbank Offering Rate. Variable-rate securities have credit risk identical to similar fixed-rate securities, while their market risk is less volatile than fixed-rate securities because their value will usually remain at or near par as a result of their interest rates being periodically reset to maintain a current market yield. Variable-rate securities make up 49.34% of the total S.T.I.P. assets at June 30, 2014.

**NOTE 3. PROPERTY TAXES RECEIVABLE**

The District is permitted by state statutes to levy taxes for various purposes. Property taxes are levied in August of each fiscal year, based on the assessed value as of the prior January 1. Taxes are normally billed in October and are payable 50% by November 30 and 50% by May 31. Property tax lien dates are December 1 and June 1. The taxes levied by the District for the year ended June 30, 2014 were properly established and were within the legal limits as approved by the voters. Property taxes are accounted for and collected by the county treasurer.

As described in Note 1, property taxes are recorded as receivable when they are billed by the county treasurer. Amounts not collected by June 30, but expected to be received in the future, are reported as revenue in the government-wide financial statements when billed and as unearned revenue in the governmental fund financial statements.

Protested taxes are also recorded as receivable when the original assessment is billed by the county treasurer as the District is not entitled to receive any of the protested amount until the protest is settled.

Uncollected property taxes are attached as an enforceable lien on the underlying property. After a period of three years, Cascade County, the collecting agent, may begin foreclosure proceedings and sell the property at auction. The District receives its share of the sale proceeds from Cascade County. No allowance for uncollectible property taxes is reflected in the basic financial statements as the District considers all property taxes receivable at June 30, 2014 to be fully collectible.

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 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2014

**NOTE 4. DUE FROM OTHER GOVERNMENTS**

Due from other governments of \$2,651,676 consists of \$2,532,861 due to the Elementary District's miscellaneous programs fund and \$47,515 due to the High School District's miscellaneous programs fund from federal grantor agencies, via the State of Montana's Office of Public Instruction, and \$71,300 due to the High School District's traffic education fund from the State of Montana's Office of Public Instruction.

**NOTE 5. INVENTORIES**

Inventories of the general fund and the Elementary District's food services fund totaling \$375,151 consist of the following:

	General	Food Services
Paper supplies	\$ 88,256	\$ -
Custodial/miscellaneous supplies	55,207	-
Technology supplies	86,144	-
Food (non-O.P.I.)	-	90,505
Food supplies	-	55,039
	\$ 229,607	\$ 145,544

**NOTE 6. PREPAID EXPENSES**

Prepaid expenses of \$684,854 consist of \$592,141 liability insurance premiums paid in June 2014 to provide coverage during the 2014-2015 fiscal year, and \$92,713 annual support fees paid in June 2014 to provide technology support during the 2014-2015 fiscal year. The \$592,141 liability insurance premiums consist of \$512,141 of the general fund, \$30,000 of the High School District's impact aid fund, and \$50,000 of the High School District's flexibility fund. The \$92,713 annual support fees consist of \$62,118 of the Elementary District's technology fund and \$30,595 of the High School District's technology fund.

GREAT FALLS SCHOOL DISTRICT 1 & A  
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 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2014

**NOTE 7. CAPITAL ASSETS**

A summary of activity in capital assets is as follows:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>
Capital assets not being depreciated:				
Land	\$ 1,348,339	\$ -	\$ -	\$ 1,348,339
Total capital assets not being depreciated	<u>1,348,339</u>	<u>-</u>	<u>-</u>	<u>1,348,339</u>
Capital assets being depreciated:				
Buildings	47,249,395	-	-	47,249,395
Machinery and equipment	<u>4,033,192</u>	<u>367,426</u>	<u>(62,604)</u>	<u>4,338,014</u>
Total capital assets being depreciated	51,282,587	367,426	(62,604)	51,587,409
Less accumulated depreciation:				
Buildings	(38,373,766)	(614,535)	-	(38,988,301)
Machinery and equipment	<u>(2,414,210)</u>	<u>(278,779)</u>	<u>52,143</u>	<u>(2,640,846)</u>
	<u>(40,787,976)</u>	<u>(893,314)</u>	<u>52,143</u>	<u>(41,629,147)</u>
Capital assets being depreciated, net	<u>10,494,611</u>	<u>(525,888)</u>	<u>(10,461)</u>	<u>9,958,262</u>
Capital assets, net	<u>\$11,842,950</u>	<u>\$ (525,888)</u>	<u>\$ (10,461)</u>	<u>\$11,306,601</u>

Depreciation expense was charged to functions as follows:

Instructional services	\$ 648,282
Supportive services	4,776
General administrative services	66,452
Business services	685
Operation and maintenance services	115,256
Extracurricular activities	16,791
School food services	<u>41,072</u>
Total depreciation expense	<u>\$ 893,314</u>

The deletions total in the above schedule consists of the reduction in the cost of machinery and equipment of \$62,604 due to its disposal during fiscal year 2014, and the related reduction in accumulated depreciation of \$52,143.

**NOTE 8. OTHER CURRENT LIABILITIES**

Other current liabilities as of June 30, 2014 of \$3,742,802 consist of payroll-related liabilities.

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**NOTE 9. LONG-TERM DEBT**

**Long-Term Debt Transactions**

The following is a summary of long-term debt transactions of the District for the fiscal year ended June 30, 2014:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014
Compensated absences payable	\$ 7,276,069	\$ -	\$ (9,010) *	\$ 7,267,059
Bonds payable	<u>7,547,043</u>	<u>-</u>	<u>(448,520)</u>	<u>7,098,523</u>
Total	<u>\$ 14,823,112</u>	<u>\$ -</u>	<u>\$ (457,530)</u>	<u>\$ 14,365,582</u>

\* This is the net decrease to compensated absences payable.

**Special Improvement District Assessment**

The District is charged a special improvement district assessment annually by the City of Great Falls. The District's assessment is for street maintenance, lighting, and curb and gutter improvements made on District owned property. Payments are made from the general funds of both the Elementary and High School Districts.

**Compensated Absences Payable**

Compensated absences payable, representing vacation and sick leave benefits earned by employees and payable upon termination, are \$7,267,059 and are recorded as a liability in the government-wide financial statements. As benefits earned during the next fiscal year are expected to be used by employees before any accrued benefits, benefits payable at June 30, 2014 are considered a long-term liability. Payment of benefits is expected to be made out of the compensated absences funds of the Elementary and High School Districts.

**Bonds Payable**

The District issued \$8,365,000 in Qualified School Construction Bonds, \$6,510,000 in the Elementary District and \$1,855,000 in the High School District, to provide financing for the installation and construction of certain energy efficiency improvements to be installed at all facilities within the District. The obligation of the District to make payments on the bonds shall be a limited general obligation payable from any legally available funds as provided under Section 20-9-471, MCA. Unlike general obligation bonds, the full faith and credit and taxing power of the District is not pledged to the repayment of the bonds. The bonds are payable only from money available in the general fund or any other legally available fund of the District, but the District cannot increase mill levies to pay debt service on the bonds. The District anticipates energy cost savings to be sufficient to service the bond debt.

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 June 30, 2014

**NOTE 9. LONG-TERM DEBT (CONTINUED)**

As the bonds are issued as Qualified School Construction Bonds under Section 54F of the Internal Revenue Code of 1986 (the Code), the bonds are classified as “specified tax credit bonds” within the meaning of Section 6431(f)(3) of the Code. This results in the District being entitled to a credit provided in Section 6431(f). As such, the District’s effective interest rate due on the outstanding principal owed on the bonds is reduced from 6.35% per annum to 1.09% per annum. For the fiscal year ended June 30, 2014, the effective interest rate was slightly higher due to the government sequester reduction, which resulted in a reduced subsidy payment of 7.2%. The effect of the government sequester on fiscal year 2015 is unknown.

Bonds payable as of June 30, 2014 are as follows:

Date of Issue	Term	Effective Interest Rate	Annual Serial Payment	Issued	Retired	Outstanding 6/30/14	Current Portion
<u>Elementary</u>							
4/27/2011	15 years	1.09%	Varies	\$6,510,000	\$(985,626)	\$5,524,374	\$ 367,336
<u>High School</u>							
4/27/2011	15 years	1.09%	Varies	1,855,000	(280,851)	<u>1,574,149</u>	<u>104,671</u>
Total bonds payable						<u>\$7,098,523</u>	<u>\$ 472,007</u>

The annual requirements to amortize all bond debt outstanding as of June 30, 2014, including interest payments of \$504,675, are as follows:

Year Ending	Principal	Interest	Total
June 30			
2015	\$ 472,007	\$ 76,091	\$ 548,098
2016	496,401	70,880	567,281
2017	521,736	65,400	587,136
2018	548,044	59,642	607,686
2019	575,360	53,594	628,954
2020-2024	3,324,474	166,321	3,490,795
2025-2027	<u>1,160,501</u>	<u>12,747</u>	<u>1,173,248</u>
Total	<u>\$7,098,523</u>	<u>\$ 504,675</u>	<u>\$7,603,198</u>

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**NOTE 10. OTHER POST-EMPLOYMENT BENEFITS**

The District has adopted the provisions of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," which requires the District to accrue other post-employment benefits (OPEB) expense related to its post-retirement healthcare plan based on a computed annual required contribution (ARC) that includes the current period's service cost and an amount to amortize unfunded actuarial accrued liabilities. Instead of recording expense on a "pay-as-you-go" basis, the District, under GASB No. 45, records a liability for the difference between the actuarially calculated ARC and the estimated contributions made since the adoption of GASB No. 45. The actuarially calculated OPEB liability as of June 30, 2014 is \$0, which is no change from the balance as of June 30, 2013.

The basis for the annual OPEB cost (expense) is the annual required contribution (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Great Falls Public Schools Health Plan (the Health Plan) is a single-employer defined benefit healthcare plan administered by the District. The Health Plan provides medical and prescription drug benefits for retirees and their spouses. The Health Plan's actuary is Healthcare Actuaries. The Health Plan does not issue a separate stand-alone financial report.

The District's board of trustees establishes, and may amend, the contribution requirements of members of the Health Plan. Early retirees pay 100% of the composite active, retiree, and COBRA rate set by Cigna, minus the premium buy-down, which does not vary by number of dependents covered. Medicare retirees pay 100% of the Medicare rate set by Cigna, minus the premium buy-down with an additional premium required for dependents.

For the fiscal year ended June 30, 2014, the District contributed \$857,698 to the Health Plan. The District's contribution was entirely to fund "pay-as-you-go" costs under the Health Plan and not to pre-fund benefits. In addition, for the year ended June 30, 2014, members of the Health Plan who are currently receiving benefits contributed \$1,634,381.

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 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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**NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

The following displays the components of the annual OPEB cost, the estimated amount contributed to the Health Plan, and changes in the net OPEB obligation to the Health Plan for the year ended June 30, 2014:

Normal cost - Unit Credit Method	\$ 677,784
Amortization of unfunded actuarial accrued liability (UAAL)	(98,283)
Amortization of unfunded actuarial accrued liability (UAAL) at transition	<u>184,504</u>
Annual Required Contribution (ARC)	764,005
Interest on net OPEB obligation	(7,782)
Plan amendment	85,531
Adjustment to annual required contribution	<u>15,944</u>
Annual OPEB cost (expense)	857,698
Contributions made	<u>(857,698)</u>
Decrease in net OPEB obligation	-
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - end of year	<u><u>\$ -</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Health Plan, and the net OPEB obligation are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 857,698	100.0%	\$ -
6/30/2013	-	100.0%	-
6/30/2012	202,463	99.0%	12,460

The funded status of the Health Plan as of June 30, 2014, is as follows:

Actuarial accrued liability (AAL) - Unit Credit	\$ -
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ -</u></u>
Funded ratio (actuarial value of plan assets ) by AAL)	n/a
Covered payroll	\$41,733,596
UAAL as a percentage of covered payroll	0.0%

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**NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**Actuarial Methods and Assumptions**

The basis of projections of benefits for financial reporting purposes is the substantive plan (the Health Plan as understood by the District and members of the Health Plan) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and members of the Health Plan to that point. The actuarial 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 most current actuarial valuation, as of June 30, 2013, used the unit credit actuarial cost method. The actuarial assumptions included a 2.25% investment rate of return (net of administrative expenses) and an initial annual pre-Medicare healthcare cost trend rate of 10.0% for medical/pharmacy to an ultimate rate of 4.2% after 86 years. The initial Medicare healthcare cost trend is 6.5% to an ultimate trend rate of 4.2% after 8 years. All trend rates include a 3.0% inflation assumption. The unfunded actuarial accrued liability (UAAL) is recalculated each year and amortized as a level dollar amount on an open basis over 26 years.

Actuarial valuations of 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 healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. GASB 45 requires that the schedule of funding progress, presented as required additional information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of Health Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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**NOTE 11. FUND BALANCE**

As of June 30, 2014, fund balances are comprised of the following:

	General Fund	Miscellaneous Programs Elementary	Impact Aid Elementary	Nonmajor Governmental Funds	Total Governmental Funds
<b>NONSPENDABLE</b>					
Inventories	\$ 229,607	\$ -	\$ -	\$ 145,544	\$ 375,151
Prepaid items	512,141	-	-	172,713	684,854
<b>RESTRICTED</b>					
Student transportation services	-	-	-	1,668,270	1,668,270
School food service	-	-	-	1,109,211	1,109,211
Retirement costs	-	-	-	1,370,572	1,370,572
Vacation/sick leave costs	756,296	-	-	-	756,296
Adult education services	-	-	-	365,374	365,374
Traffic education services	-	-	-	468,810	468,810
Facility rental	-	-	-	112,092	112,092
Technology costs	-	-	-	1,049,492	1,049,492
Debt service	-	-	-	1,110	1,110
Building costs	-	-	-	1,270,918	1,270,918
Education services to federally connected children	-	-	8,918,551	819,543	9,738,094
Other purposes	-	-	-	314,515	314,515
<b>COMMITTED</b>					
Budgetary reserves - instruction	6,151,528	-	-	-	6,151,528
<b>ASSIGNED</b>					
Instructional services	108,180	7,824,342	-	2,431,920	10,364,442
Supportive services	15,463	-	-	-	15,463
General administrative services	1,040	-	-	-	1,040
School administrative services	32,814	-	-	-	32,814
Business services	127,119	-	-	-	127,119
Operation and maintenance services	276,049	-	-	-	276,049
Total fund balances	<u>\$ 8,210,237</u>	<u>\$ 7,824,342</u>	<u>\$ 8,918,551</u>	<u>\$ 11,300,084</u>	<u>\$ 36,253,214</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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**NOTE 12. RETIREMENT PLANS**

The District participates in the following retirement plans:

**Plan Description**

*Teachers' Retirement System (TRS)*

All certified teaching employees, including the principals and the superintendent, participate in the Teachers' Retirement System (TRS). TRS is a statewide retirement plan established in 1937 and is governed by Title 19, Chapter 4 of the Montana Code Annotated providing retirement services to all certified teaching employees. TRS is a mandatory multiple-employer, cost sharing plan administered by the Teachers' Retirement Board (TRB).

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, or 30 years of service regardless of age. Actuarial reduced benefits may be taken at age 50 with at least five years of service. Monthly retirement benefits are determined by taking 1/60 times the number of years of service times the final average salary. 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 financial information is reported in the Teachers' Retirement Board's published "Comprehensive Annual Financial Report" for the fiscal year end. It is available from TRB at 1500 Sixth Avenue, Helena, MT 59620-0139, 406-444-3134.

*Public Employees' Retirement System (PERS)*

All nonteaching employees of the District that work the equivalent of 120 working days or more in any fiscal year participate in the 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 Public Employees' Retirement Division (PERD), consisting of a defined benefit plan and a defined contribution plan. New employees to the system have twelve months to decide whether to participate in the defined contribution plan or the defined benefit plan. If an election is not made within the twelve months, the employee must then participate in the defined benefit plan.

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.

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 June 30, 2014

**NOTE 12. RETIREMENT PLANS (CONTINUED)**

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

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. 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.

PERS financial information is reported in the Public Employees' Retirement Board's published "Comprehensive Annual Financial Report" for the fiscal year end. It is available from PERD at 1712 Ninth Avenue, P.O. Box 200131, Helena, MT 59620-0131, 406-444-3154.

**Funding Policy**

	<u>TRS</u>	<u>PERS</u>
Authority to establish and amend contribution rates to plan:	State legislature	State legislature
Required plan member contributions:	8.15 % of monthly compensation	7.9% of monthly compensation
Required employer contributions:	8.47 % of monthly compensation	7.8 % of monthly compensation
Required state contributions:	2.49% of monthly compensation	.37% of monthly compensation
Required employer contributions received and % of required amount:		
June 30, 2014	\$ 4,043,609 100%	\$ 740,825 100%
June 30, 2013	\$ 3,497,546 100%	\$ 625,738 100%
June 30, 2012	\$ 3,425,270 100%	\$ 628,841 100%

On-behalf payments made by the State of Montana totaled \$1,188,734 and \$35,142 for TRS and PERS, respectively, for the year ended June 30, 2014.

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 June 30, 2014

**NOTE 13. PROPERTY LEASED TO OTHERS**

The District leases some of its property to others under operating leases expiring in future years. The following is a schedule of these leases and the minimum future rentals on noncancellable operating leases as of June 30, 2014:

<u>Leased Property</u>	<u>Lessee</u>	<u>Lease Term</u>	<u>Minimum Future Rental</u>
Paris Gibson Square	Paris Gibson Square	7/1/93 to 6/30/2027	\$1/year
Skyline Education Center	Great Falls Parents Participation Preschool	9/1/13 to 8/31/2016	\$7,465/year
Skyline Education Center	Opportunities Inc (Headstart)	9/1/13 to 8/31/2015	\$23,417/year
Skyline Education Center	Benefis Healthcare System	9/1/13 to 8/31/2016	\$2,848/year
Skyline Education Center	Quality Life Concepts	9/1/13 to 8/31/2016	\$992/year
Skyline Education Center	Cascade County (MSU Extension)	9/1/13 to 8/31/2016	\$24,240/year
Chief Joseph Annex	Alliance for Youth	7/1/10 to 6/30/2015	\$0/year
Longfellow School	Opportunities, Inc	7/1/13 to 6/30/2014	\$4,400/year
Soccer Complex	City of Great Falls	6/1/04 to 6/1/2029	\$1/year
Roosevelt Elementary School	AT&T Mobility, LLC	1/1/13 to 12/31/2018	\$9,000/year
West Elementary School parking lot	Collins Mansion Bed & Breakfast	1/1/12 to 12/31/2017	\$1/year

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**NOTE 14. TRANSPORTATION CONTRACTS**

The District has transportation contracts through June 30, 2015 with Big Sky Bus Lines to provide school buses for the transportation of students to and from school. Fees paid are based on a fixed rate per bus per four and one-half hour day, times 180 days per year, along with a fuel expense reimbursement amount.

**NOTE 15. INTERLOCAL AGREEMENTS**

**Targeted Case Management**

The District and the City-County Health Department, Great Falls, Montana, have entered into an interagency agreement to establish and operate a program to serve students with special health care needs and high risk infants and children.

City-County Health Department provides population-based screening for infants at risk for developmental delay and/or special health needs, conduct consultation and/or referral to other disciplines/agencies and monitor referral outcomes, provide anticipatory guidance, risk reduction education and counseling, care coordination including monitoring and reassessment for infants and children at risk for developmental delay and those with special health care needs, and other nursing interventions as needed on behalf of the family, children, and adolescents.

**School Resource Officer**

The District has entered into an agreement with the City of Great Falls for the services of the City's Police Department for 187 days to enforce compulsory attendance provision of Title 20, Chapter 5, Part 1 of Montana Code Annotated. The City provides the District with four police officers and the equipment necessary to enforce the above mentioned provisions. The District's payment to the City was \$252,252 for the period August 28, 2013 through June 5, 2014. The District's payment to the City is to be \$256,036 for the period September 4, 2014 through the last day of school, 2015.

**Artist in Residence Program**

The District has entered into an agreement with the Paris Gibson Museum of Art (The Square) for the funding of the Artist in Residence Program provided to the District. The Square provides the District with an artist(s) to work in the elementary and secondary schools, sharing creative abilities in classroom, studio performance, or workshop situations with students, faculty, administrators, and/or community members. The District's payment to The Square for the 2013/2014 and 2014/2015 school years is \$4,800 annually.

**Multi-District Agreements**

The District has entered into an agreement with Cascade Public Schools, Centerville Public Schools, Belt Public Schools, Vaughn Elementary School and Sun River Valley Public Schools to collectively purchase technology supplies and equipment.

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June 30, 2014

**NOTE 15. INTERLOCAL AGREEMENTS (CONTINUED)**

**Multi-District Agreements (Continued)**

The District has entered into an agreement between the Elementary and High School districts to collectively purchase classroom supplies and materials, as well as provide operations maintenance for the buildings and equipment.

The Elementary District is the prime agent for the interlocal fund established for purposes of the multidistrict agreements.

**NOTE 16. PENDING LITIGATION**

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District's legal counsel that these matters will not have a material adverse effect on the basic financial statements of the District.

**NOTE 17. RISK MANAGEMENT**

The District faces a considerable number of risks of loss, including damage to and loss of property and contents, employee torts, professional liability (i.e. errors and omissions), environmental damage, workers' compensation (i.e. employee injuries), and medical insurance costs of employees. A variety of methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss except for relatively small deductible amounts, are purchased for property and content damage and professional liabilities. Coverage limits and the deductibles in the commercial policies have stayed relatively constant for the last several years. The premiums for the policies are paid out of the District's general fund. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. Given the lack of coverage available, the District has no coverage for potential losses from environmental damages.

Commercial policies, transferring all risks of loss except for relatively small deductible amounts, are purchased for property and content damage and professional liabilities. Coverage limits and the deductibles in the commercial policies have stayed relatively constant for the last several years. The premiums for the policies are paid out of the District's general fund. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. Given the lack of coverage available, the District has no coverage for potential losses from environmental damages.

The District has contracted with Montana Schools Group Insurance Authority for workers' compensation coverage. Premiums under the policy are paid by the District.

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**NOTE 17. RISK MANAGEMENT (CONTINUED)**

The District obtains medical insurance coverage for its employees through policies previously offered by Blue Cross/Blue Shield of Montana and now Cigna, effective October 2012. Premiums under the policies are paid partly by the District and partly by the employees.

**NOTE 18. LONG-TERM CONSTRUCTION COMMITMENTS**

The District has certain construction projects in progress or awarded to contractors at June 30, 2014. Major projects include, among others, domestic hot water boiler replacements at Morningside Elementary School, Mountain View Elementary School, C.M. Russell High School, and Great Falls High School; parking lot at North Middle School; asphalt work at Morningside Elementary School, Mountain View Elementary School, and East Middle School; P.A. system, drinking fountain, and bathroom replacement at C.M. Russell High School; lighting and fire alarm system work at Great Falls High School; and various district-wide repair and replacement projects.

**NOTE 19. ENCUMBRANCES**

The District utilizes encumbrance accounting in its governmental funds. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which a purchase order, contract, or other commitment is issued and, accordingly, encumbrances outstanding at year end are reported as budget expenditures in the current year. Generally, all unencumbered appropriations lapse at year end, except as set forth in Section 20-9-209, MCA. Open encumbrances at fiscal yearend are included in restricted, committed, or assigned fund balance, as appropriate.

Total encumbrances as of June 30, 2014 for the general fund were \$560,665, all assigned, for the elementary miscellaneous programs fund \$61,805, all assigned, for the elementary impact aid fund \$111,760, all restricted, and for the non-major funds in the aggregate were \$382,897, of which \$274,863 were restricted and \$108,034 were assigned.

**NOTE 20. PRIOR PERIOD ADJUSTMENT**

During the year ended June 30, 2014 the District recorded in various funds prior period adjustments increasing beginning net position by \$175,961, consisting of reimbursements for prior year expenditures of \$27,263 and receipt of E-rate money attributable to the prior year of \$148,698.

REQUIRED SUPPLEMENTAL INFORMATION

**GREAT FALLS SCHOOL DISTRICT 1 & A**  
**CASCADE COUNTY**  
**GREAT FALLS, MONTANA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance Favorable (Unfavorable)
	Original Budget	Final Budget		
<b>REVENUES</b>				
District levy	\$ 18,411,029	\$ 18,411,029	\$ 18,093,319	\$ (317,710)
Interest	3,191	3,191	56,447	53,256
Miscellaneous	219	219	32	(187)
Direct state aid	29,848,309	29,848,309	29,848,309	-
State guaranteed tax base subsidy	11,930,578	11,930,578	11,930,578	-
State special education	2,088,223	2,088,223	2,088,223	-
Other state payments	2,361,439	2,361,439	2,364,651	3,212
Tuition and fees	<u>48,577</u>	<u>48,577</u>	<u>44,714</u>	<u>(3,863)</u>
Total	<u>64,691,565</u>	<u>64,691,565</u>	<u>64,426,273</u>	<u>(265,292)</u>
<b>EXPENDITURES</b>				
Current:				
Regular Programs:				
Instructional services	34,645,398	34,645,398	34,874,421	(229,023)
Supportive services	3,471,116	3,471,116	3,440,821	30,295
Educational media services	1,599,804	1,599,804	1,589,926	9,878
General administrative services	1,305,887	1,305,887	1,446,681	(140,794)
School administrative services	4,162,258	4,162,258	4,152,744	9,514
Business services	2,087,766	2,087,766	1,933,130	154,636
Operation and mainten- ance services	8,879,962	8,879,962	8,904,593	(24,631)
Central services	375,712	375,712	-	375,712
Special Programs:				
Instructional services	2,586,343	2,586,343	2,781,126	(194,783)
Supportive services	1,209,072	1,209,072	1,264,323	(55,251)
Vocational Programs:				
Instructional services	2,073,827	2,073,827	1,716,393	357,434
Extracurricular activities	1,441,665	1,441,665	1,465,830	(24,165)
Capital outlay	26,296	26,296	153,349	(127,053)
Debt service	<u>427,450</u>	<u>427,450</u>	<u>559,300</u>	<u>(131,850)</u>
Total	<u>64,292,556</u>	<u>64,292,556</u>	<u>64,282,637</u>	<u>9,919</u>
Excess of revenues over expenditures	<u>399,009</u>	<u>399,009</u>	<u>143,636</u>	<u>(255,373)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Resources transferred (to) from other funds	<u>(399,009)</u>	<u>(399,009)</u>	<u>(336,504)</u>	<u>62,505</u>
	<u>(399,009)</u>	<u>(399,009)</u>	<u>(336,504)</u>	<u>62,505</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>(192,868)</u>	<u>\$ (192,868)</u>
Fund balance at July 1			7,058,880	
Prior period adjustment			<u>27,263</u>	
Fund balance at July 1, as restated			<u>7,086,143</u>	
Fund balance at June 30			<u>\$ 6,893,275</u>	

See accompanying Notes to Budgetary Comparison Schedule.

GREAT FALLS SCHOOL DISTRICT 1 & A  
 CASCADE COUNTY  
 GREAT FALLS, MONTANA  
 NOTES TO BUDGETARY COMPARISON SCHEDULE  
 June 30, 2014

**NOTE 1. BUDGETARY BASIS OF ACCOUNTING**

The major difference between the budgetary basis of accounting and generally accepted accounting principles used in preparing the basic financial statements are the recording of encumbrances under the budgetary basis. Encumbrances allowed under state law are commitments related to unperformed contracts for the purchase of personal property or to complete construction projects. Under the budgetary basis of accounting such encumbrances are allowed to be recorded as expenditures in the year the commitments arise. Encumbrances outstanding at year-end are reported within the fund balance classifications related to the purposes for which resources have already been provided. All unexpended appropriations in funds for which appropriations are adopted lapse at year end, other than those encumbered as set forth in Section 20-9-209, MCA. Encumbered amounts will be added to the following year's budget for each fund encumbering expenditures in order to maintain budget authority. Encumbrances reported at the end of the current fiscal year must be liquidated by the end of the following fiscal year. The District utilized an encumbrance system for budgetary reporting for the year ended June 30, 2014. Encumbrances of \$560,665 of the General Fund are reflected as expenditures on the Budgetary Comparison Schedule - General Fund, for the year ended June 30, 2014.

The "actual" results of operations as presented in the Budgetary Comparison Schedule - General Fund are in accordance with the legally enacted budgetary basis to provide a meaningful comparison of actual results with budget. They do not, however, include the activity of the District's compensated absence funds which were required under GASB Statement No. 54 to be included with the activity of the general fund on the Statement of Revenues, Expenditures, and Changes in Fund Balances.

Adjustments necessary to convert the results of operations as of June 30, 2014 on the modified accrual basis for the general fund to the budgetary basis are as follows:

<u>General Fund</u>	
Excess of revenue over expenditures (GAAP)	\$ (90,882)
Due to implementation of GASB Statement No. 54:	
Compensated absence funds' net activity for 6/30/14	(99,684)
Due to expenditure:	
Encumbrances at 6/30/13	558,363
Encumbrances at 6/30/14	<u>(560,665)</u>
Excess of revenue over expenditures (budget)	<u>\$ (192,868)</u>

Adjustments necessary to convert fund balance as of June 30, 2014 on the modified accrual basis for the general fund to the budgetary basis are as follows:

<u>General Fund</u>	
Fund balance, 6/30/14 (GAAP)	\$ 8,210,237
Due to implementation of GASB Statement No. 54:	
Compensated absence funds' fund balance, 6/30/14	(756,297)
Due to expenditure:	
Encumbrances at 6/30/14	<u>(560,665)</u>
Fund balance, 6/30/14 (budget)	<u>\$ 6,893,275</u>

GREAT FALLS SCHOOL DISTRICT 1 & A  
 CASCADE COUNTY  
 GREAT FALLS, MONTANA  
 SCHEDULE OF FUNDING PROGRESS FOR THE HEALTH PLAN  
 June 30, 2014

Acturial Valuation Date	Acturial Value of Assets (a)	Acturial Accrued Liability (AAL) Unit Credit (b)	Unfunded Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((b-a)/c)
6/30/2014	\$ -	\$ -	\$ -	n/a	\$41,733,596	0.0%
6/30/2013	-	-	-	n/a	41,733,596	0.0%
6/30/2012	-	1,435,830	1,435,830	0.0%	43,229,342	3.3%

OTHER SUPPLEMENTAL SCHEDULES

GREAT FALLS SCHOOL DISTRICT 1 & A  
 CASCADE COUNTY  
 GREAT FALLS, MONTANA  
 SCHEDULE OF REVENUES AND EXPENDITURES – ALL FUND ACCOUNTS  
 EXTRACURRICULAR FUND  
 For the Year Ended June 30, 2014

	Beginning Balance	Revenues	Expenditures	Ending Balance
Administration Building				
Unallocated decrease in fair market value of investments	\$ (10,523)	\$ 10,523	\$ -	\$ -
Adult education	5	580	585	-
Alternative education	63,249	52,448	47,438	68,259
Indian education	2,641	1,637	540	3,738
Special education	667	3,457	3,632	492
	<u>56,039</u>	<u>68,645</u>	<u>52,195</u>	<u>72,489</u>
Elementary Schools				
Lewis & Clark School	-	748	363	385
Lincoln School	1,911	-	-	1,911
Longfellow School	400	-	-	400
Loy School	2,791	664	2,935	520
MeadowLark School	1,906	2,374	1,702	2,578
Morningside School	4,043	1,084	844	4,283
Mountain View School	945	1,875	1,007	1,813
Roosevelt School	802	2,282	1,320	1,764
Sacajawea School	1,339	2,135	1,946	1,528
Sunnyside School	244	-	-	244
Valleyview School	4,217	-	632	3,585
Whittier School	4,538	3,191	1,384	6,345
	<u>23,136</u>	<u>14,353</u>	<u>12,133</u>	<u>25,356</u>
Middle Schools				
East Middle School	32,440	59,582	56,319	35,703
North Middle School	27,392	93,881	89,979	31,294
	<u>59,832</u>	<u>153,463</u>	<u>146,298</u>	<u>66,997</u>
High Schools				
Great Falls High School	436,388	1,065,371	1,053,586	448,173
C.M. Russell High School	523,295	1,036,971	958,713	601,553
	<u>959,683</u>	<u>2,102,342</u>	<u>2,012,299</u>	<u>1,049,726</u>
Total	<u>\$ 1,098,690</u>	<u>\$ 2,338,803</u>	<u>\$ 2,222,925</u>	<u>\$ 1,214,568</u>

GREAT FALLS SCHOOL DISTRICT 1 & A  
 CASCADE COUNTY  
 GREAT FALLS, MONTANA  
 SCHEDULE OF ENROLLMENT  
 Fiscal Year Ended June 30, 2014

	Elementary <u>District</u>	High School <u>District</u>
<u>Fall Enrollment 10/13</u>		
Reported Enrollment Totals per "2013-2014 School Fall Reports"	<u>7,151</u>	<u>3,071.00</u>
Reported Enrollment Totals per 2013-2014 School Attendance Enrollment Counts	<u>7,151</u>	<u>3,064.50</u>
<u>Winter Enrollment 12/13</u>		
Reported Enrollment Totals per "2013-2014 School Winter Reports"	<u>7,134</u>	<u>3,018.00</u>
Reported Enrollment Totals per 2013-2014 School Attendance Enrollment Counts	<u>7,134</u>	<u>3,011.75</u>
<u>Spring Enrollment 2/14</u>		
Reported Enrollment Totals per "2013-2014 School Spring Reports"	<u>7,151</u>	<u>2,964.00</u>
Reported Enrollment Totals per 2013-2014 School Attendance Enrollment Counts	<u>7,151</u>	<u>2,961.00</u>

SINGLE AUDIT SECTION

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*

Board of Trustees  
Great Falls School District 1 & A  
Cascade County  
Great Falls, Montana

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Great Falls School District 1 & A, Cascade County, Great Falls, Montana (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 24, 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items #2014-02 and #2014-03, that we consider to be significant deficiencies.

**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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items #2014-01 through #2014-03.

**The 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.

A handwritten signature in cursive script that reads "Anderson Zurmuehlen & Co., P.C.".

Great Falls, Montana  
November 24, 2014

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

Board of Trustees  
Great Falls School District 1 & A  
Cascade County  
Great Falls, Montana

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

We have audited Great Falls School District 1 & A, Cascade County, Great Falls, Montana's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2014. The District's major federal program is 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 the compliance with the requirements of laws, regulations, contracts and grants applicable its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the District's major federal program 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 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 the major federal program. However, our audit does not provide a legal determination on 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 its major federal program for the year ended June 30, 2014.

### **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of compliance requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 and 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.

A handwritten signature in cursive script that reads "Anderson Zurmuehlen & Co., P.C." The signature is written in dark ink and is positioned above the typed address and date.

Great Falls, Montana  
November 24, 2014

**GREAT FALLS SCHOOL DISTRICT 1 & A**  
**CASCADE COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2014**

<b>Project</b>	<b>Federal CFDA Number</b>	<b>Project Number</b>	<b>Award</b>	<b>Cash Balance 07/01/13</b>	<b>Cash Receipts</b>	<b>Cash Disbursements</b>	<b>Cash Balance 06/30/14</b>
<b>U. S. Department of Education</b>							
Passed Through State of Montana							
Office of Public Instruction							
<i>Title I - Part A Cluster</i>							
Title I - Part A (Elem)	84.010	07-00-9830-06	\$ 2,729,244	\$ 22,215	\$ -	\$ 15,041	\$ 7,174
Title I - Part A (Elem)	84.010	07-00-9832-12	3,229,991	(18,477)	18,477	-	-
Title Awards (Elem)	84.010	07-00-9841-12	3,897	2,220	8,000	8,392	1,828
Title I - Part A (Elem)	84.010	07-00-9831-13	530,247	(38,110)	38,110	-	-
Title I - Part A (Elem)	84.010	07-00-9832-13	3,177,276	(140,700)	273,941	133,241	-
Title I - Part A (Elem)	84.010	07-00-9832-14	2,548,714	-	1,657,532	2,544,831	(887,299)
Title I - Part A (Elem)	84.010	07-00-9831-14	880,360	-	306,675	860,799	(554,124)
<i>Subtotal Title I - Part A Cluster</i>				<u>(172,852)</u>	<u>2,302,735</u>	<u>3,562,304</u>	<u>(1,432,421)</u>
<i>Special Education Cluster (IDEA)</i>							
Idea - Preschool (Elem)	84.173	07-00-9879-13	79,340	(819)	819	-	-
Idea - Preschool (Elem)	84.173	07-00-9979-14	74,840	-	74,840	74,840	-
Idea B (Elem)	84.027	07-00-9977-14	2,438,957	-	1,852,387	2,380,430	(528,043)
Idea B (HS)	84.027	07-00-9977-13	2,470,221	198,720	-	198,720	-
<i>Subtotal Special Education Cluster (IDEA)</i>				<u>197,901</u>	<u>1,928,046</u>	<u>2,653,990</u>	<u>(528,043)</u>
Title I - Part D (Elem)	84.013	07-00-9813-13	80,825	(27,193)	27,193	-	-
Title I - Part D (Elem)	84.013	07-00-9942-14	52,154	-	50,809	52,154	(1,345)
<i>Subtotal Title I - Part D</i>				<u>(27,193)</u>	<u>78,002</u>	<u>52,154</u>	<u>(1,345)</u>
Title I - Part E (Elem)	84.371	07-00-9835-14	1,693,406	-	821,108	1,047,358	(226,250)
Title I - Part E (Elem)	84.371	07-00-9835-12	1,386,171	(2,639)	2,639	-	-
Title I - Part E (Elem)	84.371	07-00-9835-13	1,585,364	(166,601)	295,611	129,010	-
<i>Subtotal Title I - Part E</i>				<u>(169,240)</u>	<u>1,119,358</u>	<u>1,176,368</u>	<u>(226,250)</u>
Title II - Part A (Elem)	84.367	07-00-9814-14	833,003	-	833,003	833,003	-
Title II - Part A (Elem)	84.367	07-00-9814-13	996,728	(102,978)	102,978	-	-
<i>Subtotal Title II - Part A</i>				<u>(102,978)</u>	<u>935,981</u>	<u>833,003</u>	<u>-</u>
Title II - Part D (Elem)	84.318	07-00-9831-12B	131,253	(311)	311	-	-
Title III - Part A (Elem)	84.365A	07-00-9814-14	123,313	-	38,847	63,470	(24,623)
Title III - Part A (Elem)	84.365A	07-00-9814-12	84,208	5,716	-	5,716	-
Title III - Emergency Immigrant (Elem)	84.365A	07-00-9814-12I	2,424	(195)	195	-	-
Title III - Part A (Elem)	84.365A	07-00-9814-113	93,766	(12,545)	12,545	-	-
<i>Subtotal Title III</i>				<u>(7,024)</u>	<u>51,587</u>	<u>69,186</u>	<u>(24,623)</u>
Adult Basic Ed (Elem)	84.002	07-00-9856-14	85,612	-	26,718	85,611	(58,893)
Adult Basic Ed (Elem)	84.002	07-00-9856-14	18,730	-	18,638	18,730	(92)
Adult Basic Ed (Elem)	84.002	07-00-9856-13	123,576	(865)	865	-	-
Adult Basic Ed (Elem)	84.002	07-00-9856-13	17,921	(5,347)	5,347	-	-
<i>Subtotal Adult Basic Ed</i>				<u>(6,212)</u>	<u>51,568</u>	<u>104,341</u>	<u>(58,985)</u>
Vo Ed Carl D Perkins - Basic (HS)	84.048	07-00-9981-14	194,362	-	148,192	194,362	(46,170)
Vo Ed Carl D Perkins - Basic (HS)	84.048	07-00-9981-13	196,877	(38,679)	38,679	-	-
Vo Ed Carl D Perkins - Comp (HS)	84.048	07-00-9983-11	35,000	(317)	317	-	-
<i>Subtotal Vo Ed Carl Perkins</i>				<u>(38,996)</u>	<u>187,188</u>	<u>194,362</u>	<u>(46,170)</u>
Early Childhood Coalition MIECHV	84.412	13-07-5-31-023-0	115,000	(13,151)	13,151	-	-
Teaching American History (HS)	84.215X	U215X-100025	308,681	78,365	52,908	131,273	-
Indian Education (Elem)	84.060	S060A-110490	277,408	-	229,194	277,408	(48,214)
Indian Education (Elem)	84.060	S060A-100490	300,848	(500)	500	-	-
Indian Education (Elem)	84.060	S060A-100490	278,714	(48,729)	48,729	-	-
<i>Subtotal Indian Education</i>				<u>(49,229)</u>	<u>278,423</u>	<u>277,408</u>	<u>(48,214)</u>
Title X - Part C (Elem)	84.196	07-00-9857-14	21,295	-	21,295	21,295	-
Title X - Part C (Elem)	84.196	07-00-9857-12	16,100	(890)	890	-	-
Title X - Part C (Elem)	84.196	07-00-9857-13	33,391	(2,618)	2,618	-	-
<i>Subtotal Title X - Part C</i>				<u>(3,508)</u>	<u>24,803</u>	<u>21,295</u>	<u>-</u>
PL 81-874 (Elem)	84.041	N/A	N/A	8,943,986	477,526	502,961	8,918,551
PL 81-874 (HS)	84.041	N/A	N/A	974,346	534	155,337	819,543
<i>Subtotal PL 81-874</i>				<u>9,918,332</u>	<u>478,060</u>	<u>658,298</u>	<u>9,738,094</u>
<b>Total U. S. Department of Education</b>				<u>9,603,904</u>	<u>7,502,121</u>	<u>9,733,982</u>	<u>7,372,043</u>
<b>U. S. Department of Defense</b>							
Passed Through State of Montana							
Office of Public Instruction							
Troops Military Support	12.556	HE1254FY11001	277,411	(72,481)	134,643	224,332	(162,170)
<b>Total U. S. Department of Defense</b>				<u>(72,481)</u>	<u>134,643</u>	<u>224,332</u>	<u>(162,170)</u>
<b>U. S. Department of Agriculture</b>							
Passed Through State of Montana							
Office of Public Instruction							
National School Lunch Program							
Federal Reimbursement (Elem)	10.555	N/A	N/A	-	2,446,106	2,446,106	-
Commodities (Elem)	10.555	N/A	N/A	133,215	167,636	157,793	143,058
HealthierUS School Challenge	10.574	07-00-9821-12	1,500	(1,500)	1,500	-	-
<b>Total U. S. Department of Agriculture</b>				<u>131,715</u>	<u>2,615,242</u>	<u>2,603,899</u>	<u>143,058</u>
<b>Total Federal Awards</b>				<u>\$ 9,663,138</u>	<u>\$ 10,252,006</u>	<u>\$ 12,562,213</u>	<u>\$ 7,352,931</u>

See accompanying Notes to Schedule.

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2014

**NOTE 1. REPORTING ENTITY**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance of Great Falls School District 1 & A, Cascade County, Great Falls, Montana. The School District's reporting entity is defined in Note 1 to the School District's basic financial statements. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies are included in the schedule.

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditure of Federal Awards is presented using the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. All federal financial assistance received, cash and noncash, is included as well as all federal financial assistance expended or consumed.

**NOTE 3. CASH RECEIPTS**

Negative balances included in the "cash receipts" totals represent excess cash returned to the State of Montana Office of Public Instruction.

GREAT FALLS SCHOOL DISTRICT 1 & A  
 CASCADE COUNTY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended June 30, 2014

**Summary of Auditor Results**

*Financial Statements:*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? None

Significant deficiencies identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements? Yes

*Federal Awards:*

Internal control over major programs:

Material weakness identified? None

Significant deficiencies identified that are not considered to be material weaknesses? None reported

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

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of circular A-133? None

The major program for the year ended June 30, 2013, is as follows:

	<u>CFDA#</u>
Title I Part A	84.010

Dollar threshold used to distinguish Type A programs: \$376,866

Auditee qualified as low-risk auditee? Yes

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2014

**Findings Relating to Financial Statements**

Finding #2014-01

Criteria – Section 20-9-509, MCA, requires the District to transfer any excess cash over \$10,000 in the Lease Rental Funds to the General Fund.

Condition – the cash balance at June 30, 2014 in both the Elementary and High School District's Lease Rental Funds exceeded \$10,000 and the excess was not transferred to the General Fund.

Cause – the District intended to spend the excess cash in the Lease Rental Funds before June 30, 2014 but was unable to do so timely, so the excess was encumbered instead, which has no effect on a non-budgeted fund.

Effect – the District was out of compliance with Section 20-5-509, MCA.

Recommendation – the District should set a timeline to spend the cash in excess of \$10,000 in the Lease Rental Funds before June 30<sup>th</sup> of each fiscal year.

Management response – “The District will better manage the timing of the building projects and cash flow associated with the Lease Rental Funds. The Director of Business Operations will create a timeline for projects which will be completed and the cash in excess of the \$10,000 balance allowed will be spent before June 30<sup>th</sup> of each fiscal year.”

Finding #2014-02

Criteria – OPI's Student Count for ANB instructions indicate that a course must be 60 minutes long to qualify for ¼ ANB.

Condition – part-time high school students participating in the Montana Digital Academy were over reported to OPI for ANB reporting in the Fall, Winter and Spring enrollment counts, as the courses were less than 60 minutes long.

Cause – the District counted part-time high school students participating in the Montana Digital Academy as ¼ ANB, but the courses were less than 60 minutes long.

Effect – the District over reported part-time high school students participating in the Montana Digital Academy by 26 students in the Fall, 25 students in the Winter, and 12 students in the Spring, for a total of 15.75 (63 times ¼).

Recommendation – the District should carefully review the requirements for part-time students to properly qualify for ANB.

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**Findings Relating to Financial Statements (continued)**

Finding #2014-02 (continued)

Management response – “The District has corrected the inclusion of ¼ ANB time for students participating in the Montana Digital Academy through the adoption of Board Policy 2168, adopted by the Board on November 24, 2014. This policy states that all distance learning courses offered through the District will be considered 90 hours per semester or 180 hours per year. The District will also make sure that all students who are listed as ¼ time for ANB are in fact enrolled at least the 90 hours per semester to qualify for ANB.”

Finding #2014-03

Criteria – Sections 10.10.501, 10.10.615, and 10.10.625, ARM, require the District to reconcile ending cash and investment accounts per the County Treasurer and financial institutions with the District’s records.

Condition – the District’s cash and investment accounts were not fully reconciled from the bank balances to the book balances, in order to ensure all cash of the District was accounted for.

Cause – the District had turnover in accounting personnel during the fiscal year, leading to confusion in completing the monthly reconciliation. It was clear from review of the June 2014 bank statements and County Treasurer reports that District personnel were ensuring all transactions clearing were also posted to the books, but a district-wide reconciliation of all bank accounts plus or minus any outstanding items to balance to the books was not completed.

Effect – the District was out of compliance with Sections 10.10.501, 10.10.615, and 10.10.625, ARM.

Recommendation – the District should reconcile all bank and investment accounts to their internal records on a monthly basis, including documenting any differences and posting adjustments to accounts as necessary.

Management response – “The District will reconcile all bank and investment accounts to their internal records on a monthly basis and differences will be documented and posted to accounts as necessary.”

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For the Year Ended June 30, 2014

**Findings Relating to Federal Awards**

None

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
STATUS OF PRIOR AUDIT FINDINGS  
June 30, 2014

There were no audit findings reported in the prior year which required action to be taken by Great Falls School District 1 & A, Cascade County, Great Falls, Montana.



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