

ANACONDA PUBLIC SCHOOLS
DEER LODGE COUNTY, MONTANA
Fiscal Year Ended June 30, 2013

AUDIT REPORT

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

ANACONDA PUBLIC SCHOOLS
DEER LODGE COUNTY, MONTANA

Fiscal Year Ended June 30, 2013

TABLE OF CONTENTS

Organization	1
Management Discussion and Analysis	2-8
Independent Auditor's Report	9-11
Financial Statements	
<u>Government-wide Financial Statements</u>	
Statement of Net Position	12
Statement of Activities	13
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Net Position - Fiduciary Fund Types	18
Statement of Changes in Net Position - Fiduciary Fund Types	19
Notes to Financial Statements	20-33
Required Supplemental Information	
Budgetary Comparison Schedule	34
Budgetary Comparison Schedule – Budget-to-GAAP Reconciliation	35
Schedule of Funding Progress – Other Post Employment Benefits Other Than Pensions	36
Supplemental Information	
Schedule of Enrollment	37
Schedule of Revenues and Expenditures – Extracurricular Fund – All Fund Accounts	38
Single Audit Section	
Schedule of Expenditures of Federal Awards	39
Notes to the Schedule of Expenditures of Federal Awards	40
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	41-42

ANACONDA PUBLIC SCHOOLS

DEER LODGE COUNTY, MONTANA

TABLE OF CONTENTS - Continued

Independent Auditor's Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	43-44
Schedule of Findings and Questioned Costs	45

ANACONDA PUBLIC SCHOOLS
DEER LODGE COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2013

BOARD OF TRUSTEES

Steve Tozzi
Lisa Crum-Petritz
Amy Verlanic
Glenda Crum
Michael Huotte
Bryan Lorengo
Nick Mikalatos

Chairperson
Vice Chairperson
Trustee
Trustee
Trustee
Trustee
Trustee

DISTRICT OFFICIALS

Dr. Paul "Tom" Darnell
Kevin Patrick
Michael O'Rourke

District Superintendent
Business Manager
County Superintendent

ANACONDA PUBLIC SCHOOLS

Management Discussion and Analysis For the Fiscal Year Ended June 30, 2013

This section of the District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2013. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Total net position increased 10.7 percent over the course of the year.
- Overall revenues were \$12.31 million, \$670 thousand more than expenses. Revenues decreased .3 percent from the prior year.
- The total cost of basic programs decreased 3.5 percent to \$11.64 million.
- The District's long-term debt increased by \$30 thousand or 2.4 percent.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the district as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how they have changed. Net-position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District’s net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District’s property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, activities are divided into two categories:

- Governmental activities—all of the District’s services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.
- Business-type activities—The District does not have any activities in this category where fees are charged to cover the costs of certain services provided.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District’s funds, focusing on its most significant or “major” funds—not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State Law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like federal grants).

The District has two kinds of funds:

- Governmental funds—Most of the District’s basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information after the governmental funds statements that explain the relations (or differences) between them.
- Fiduciary funds—The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District’s combined net assets were larger on June 30, 2013, than they were the year before—increasing 10.7 percent to \$6.6 million see Table 1. Most of this improvement in the District’s financial position came from the increase in capital assets.

Changes in Net Position

The District's total revenues decreased .3 percent to \$12.31 million, see Table 2.

Property taxes and state formula aid accounted for most of the District's revenue, with property taxes contributing 25 cents of every dollar raised and the state contributing 43 cents of every dollar raised, see Figure 1. Another 21 percent came from state and federal aid for specific programs, and the remainder from fees charged for services and miscellaneous sources.

The total cost of all programs and services decreased -3.5 percent to \$11.64 million. The District's expenses are predominantly related to instruction, (51 percent) see Figure 2.

Table 1, Condensed Statement of Net Position (in Thousands of Dollars)

	Governmental Activities		Percentage Change
	2012	2013	2012-2013
Current and other assets	\$ 4,392	\$ 4,507	2.6%
Capital assets	<u>2,942</u>	<u>3,492</u>	18.7%
Total assets	<u>\$ 7,334</u>	<u>\$ 7,999</u>	9.1%
Long-term debt outstand	\$ 1,257	\$ 1,287	2.4%
Other liabilities	<u>56</u>	<u>50</u>	-11.6%
Total liabilities	<u>\$ 1,314</u>	<u>\$ 1,337</u>	1.8%
Net position			
Invested in capital assets, net of related debt	\$ 2,707	\$ 3,373	24.6%
Restricted	2,051	1,870	-8.8%
Unrestricted	<u>1,262</u>	<u>1,419</u>	12.4%
Total net position	<u>\$ 6,020</u>	<u>\$ 6,662</u>	10.7%

Note totals may not add due to rounding.

Table 2, Change in Net Position from Operating Results (in Thousands of Dollars)

	Governmental Activities		Percentage Change
	2012	2013	2012-2013
Revenues			
Program revenues			
Charges for services	\$ 109	\$ 101	-6.9%
Operating grants and contributions	2,286	2,627	14.9%
Capital grants and contributions	-	-	0.0%
General revenues:			
Property taxes	3,071	3,051	-.7%
Grants and Entitlements	5,591	5,277	-5.6%
<i>Other</i>	1,293	1,261	-2.5%
<i>Special Item</i>	-	-	0%
Total Revenues	<u>\$ 12,351</u>	<u>\$ 12,317</u>	-0.3%
Expenses			
Instruction	\$ 6,364	\$ 5,934	-6.8%
Pupil & Instructional Services	1,399	1,493	6.7%
Administration & Business	1,607	1,655	3.0%
Maintenance & operations	1,726	1,392	-19.4%
Transportation	353	385	9.3%
Other	<u>624</u>	<u>789</u>	26.4%
Total expenses	<u>\$ 12,072</u>	<u>\$ 11,647</u>	-3.5%
Gain (loss) on sale of capital assets	\$ -	\$ (4)	
Increase (decrease) in net position	<u>\$ 278</u>	<u>\$ 666</u>	139.6%

Note: totals may not add due to rounding.

Figure 1, Sources of Revenues for Fiscal Year 2013

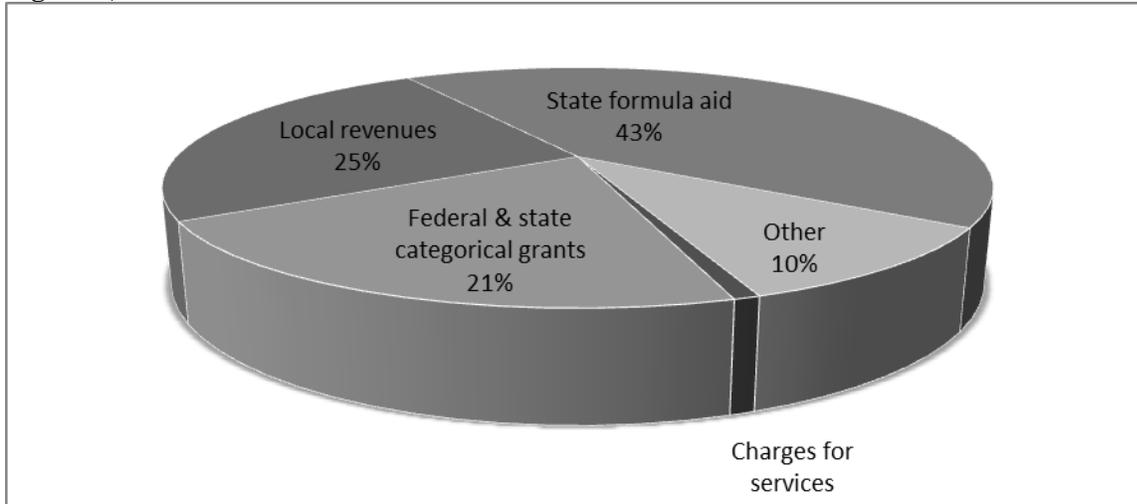
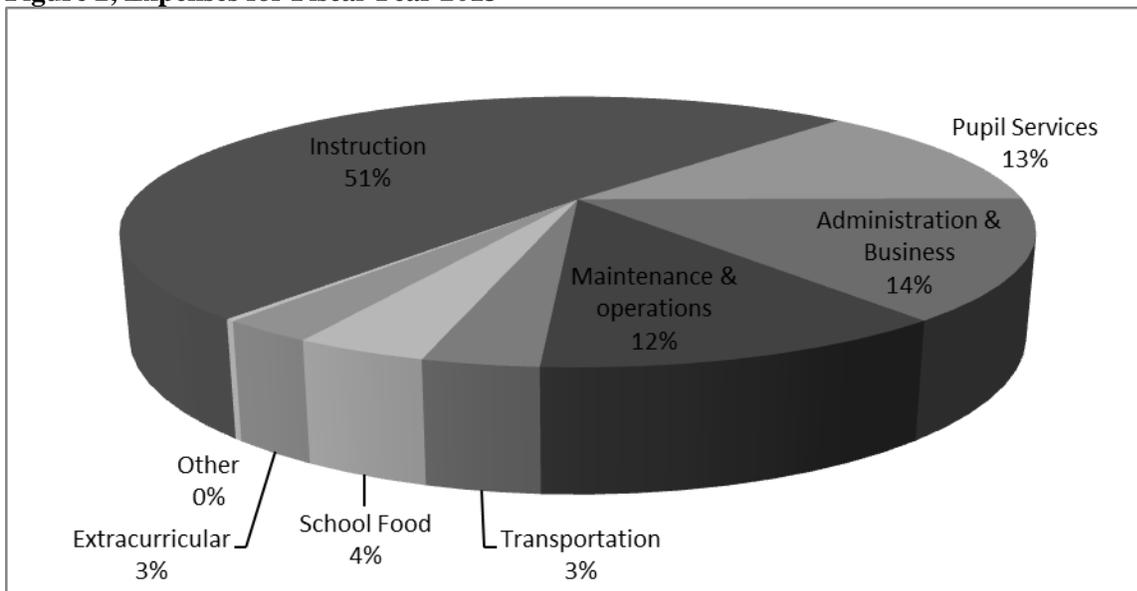


Figure 2, Expenses for Fiscal Year 2013



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$4.13 million an increase of \$141 thousand over last year's ending fund balances. Of the District's 27 governmental funds, 11 had more revenues than expenditures in 2013. Most significantly, \$288 thousand increase in the elementary flexibility fund and \$95 thousand in the high school flexibility fund. The balance was attributed to collections from the Tax Increment Financing Industrial District (TIFID).

General Fund Budget

The District's original budgets were not amended over the course of the year ended June 30, 2013. The budgetary comparison schedules show how actual revenues and expenditures compared to the original and final budgeted revenues and expenditures for the general fund.

The District's final budget for the general fund anticipated that revenues and expenditures would be roughly equal, the actual results for the year show revenues were equal to expenditures.

- Actual revenues were \$17 thousand more than expected, due to local revenue collections.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2013 the District had \$3.5 million in capital assets, including land, buildings, construction in progress, and machinery and equipment, see Table 3. This amount represents a net increase of \$550 thousand or 18.7 percent from last year.

Table 3, Capital Assets (Net of Depreciation, in Thousands of Dollars)

	Governmental Activities		Percentage Change
	2012	2013	2012-2013
Land	\$ 123	\$ 123	0.0%
Buildings and improvements	2,389	2,646	10.8%
Machinery and equipment	430	723	68%
Construction in progress	<u>148</u>	<u>-</u>	
Total	<u>\$ 2,942</u>	<u>\$ 3,492</u>	18.7%

Note: Totals may not add due to rounding.

Long-Term Debt

At year-end the District had \$1.29 million in general obligation bonds and other long-term debt outstanding—an increase of 2.40 percent from last year—as show in Table 4.

- The District continued to pay down its general obligation bonds.
- No new debt was issued during the year.
- Retiree benefits were calculated by an actuary for the current fiscal year. The Annual Required Contribution was recorded as a liability.

Table 4, Outstanding Long-Term Debt (in Thousands of Dollars)

	Governmental Activities		Percentage Change
	2012	2013	2012-2013
General obligation bonds	\$ 235	\$ 120	-48.94%
Compensated absences	483	435	-9.92%
Retiree Benefits	<u>539</u>	<u>732</u>	35.81%
Total	<u>\$ 1,257</u>	<u>\$ 1,287</u>	2.40%

Note: Totals may not add due to rounding.

Economic Factors and the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The School District is still uncertain what will happen with revenue generated from the Mill Creek Tax Increment District. For the fiscal year ended June 30, 2013 the District received approximately \$1.16 million in revenue from the Mill Creek Tax Increment Industrial District (TIFID). The School District was ordered by the court to not expend any revenue generated from the TIFID until further notice.
- The most significant economic factor facing the future of the District is the continued decline in enrollment.
- The District's facilities are nearing the end of their useful life. On average, eight District buildings were built 69+ years ago. Two of the eight buildings are idle.

Contact for Additional Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Manager's Office, Anaconda Public School District, 1410 West Park Avenue, Anaconda, MT 59711.

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South - Suite 101 Kalispell, MT 59901

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Anaconda Public Schools
Deer Lodge County
Anaconda, 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 Anaconda Public Schools, Deer Lodge County, Montana, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Anaconda Public Schools, Deer Lodge County, Montana, as of and for the year ended June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding for other post employment benefits other than pensions on pages 2 through 8, 34 through 35, and 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basis financial statements. The schedule of revenues and expenditures for the extracurricular fund and the schedule of enrollment are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The accompanying schedule of revenues and expenditures for the extracurricular fund, the schedule of enrollment and 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 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues and expenditures for the extracurricular fund, the schedule of enrollment and schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2014 our consideration of the Anaconda Public Schools, Deer Lodge County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Anaconda Public Schools, Deer Lodge County, Montana's internal control over financial reporting and compliance.

Denning, Downey and Associates, CPA's, P.C.

March 6, 2014

Anaconda Public Schools, Deer Lodge County, Montana
Statement of Net Position
June 30, 2013

		Governmental Activities
ASSETS		
Current assets:		
Cash and investments	\$	3,749,638
Taxes and assessments receivable, net		326,413
Due from other governments		355,188
Prepaid expenses		75,360
Total current assets	\$	4,506,599
Noncurrent assets		
Capital assets - land	\$	123,300
Capital assets - depreciable, net		3,369,485
Total noncurrent assets	\$	3,492,785
Total assets	\$	7,999,384
LIABILITIES		
Current liabilities		
Accrued payroll	\$	40,488
Deferred revenue		9,110
Current portion of long-term capital liabilities		120,000
Current portion of compensated absences payable		67,053
Total current liabilities	\$	236,651
Noncurrent liabilities		
Noncurrent portion of long-term liabilities	\$	732,576
Noncurrent portion of compensated absences		368,229
Total noncurrent liabilities	\$	1,100,805
Total liabilities	\$	1,337,456
Net Position		
Invested in capital assets, net of related debt	\$	3,372,785
Restricted for capital projects		251,075
Restricted for debt service		131,046
Restricted for special projects		1,488,068
Unrestricted		1,418,954
Total net position	\$	6,661,928
Total liabilities and net position	\$	7,999,384

See accompanying Notes to the Financial Statements

Anaconda Public Schools, Deer Lodge County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>
Primary government:				
Governmental activities:				
Instructional - regular	\$ 4,534,292	\$ 11,400	\$ 731,751	\$ (3,791,141)
Instructional - special education	1,125,010	-	671,853	(453,157)
Instructional - vocational education	254,591	-	21,292	(233,299)
Instructional - adult education	19,896	794	-	(19,102)
Supporting services - operations & maintenance	1,391,570	-	-	(1,391,570)
Supporting services - general	942,405	-	498,853	(443,552)
Supporting services - educational media services	550,137	-	286,146	(263,991)
Administration - general	311,114	-	-	(311,114)
Administration - school	972,153	-	-	(972,153)
Administration - business	372,012	-	-	(372,012)
Student transportation	385,334	-	126,380	(258,954)
Extracurricular	318,709	-	-	(318,709)
School food	439,696	89,001	290,469	(60,226)
Community services	20,587	-	-	(20,587)
Debt service expense - interest	9,870	-	-	(9,870)
Total governmental activities	<u>\$ 11,647,376</u>	<u>\$ 101,195</u>	<u>\$ 2,626,744</u>	<u>\$ (8,919,437)</u>
Total primary government	<u>\$ 11,647,376</u>	<u>\$ 101,195</u>	<u>\$ 2,626,744</u>	<u>\$ (8,919,437)</u>
General Revenues:				
Property taxes for general purposes			\$ 2,235,825	
Grants and entitlements not restricted to specific programs			4,882,979	
Tuition for state placement			4,807	
Investment earnings			1,308	
User fees/resale of supplies			140	
Miscellaneous (other revenue)			1,237,791	
Indirect costs			17,114	
State entitlement (block grants)			386,535	
State technology			7,513	
County retirement			815,180	
Gain (loss) on sale of capital assets			(3,591)	
Total general revenues, special items and transfers			<u>\$ 9,585,601</u>	
Change in net position			<u>\$ 666,164</u>	
Net position - beginning			\$ 6,020,349	
Restatements			(24,585)	
Net position - beginning - restated			<u>\$ 5,995,764</u>	
Net position - end			<u>\$ 6,661,928</u>	

See accompanying Notes to the Financial Statements

Anaconda Public Schools, Deer Lodge County, Montana
Balance Sheet
Governmental Funds
June 30, 2013

	General	Elementary Miscellaneous Programs	Other Governmental Funds	Total Governmental Funds
ASSETS				
Current assets:				
Cash and investments	\$ 2,227,777	\$ 260,820	\$ 1,261,041	\$ 3,749,638
Taxes and assessments receivable, net	298,889	-	27,524	326,413
Due from other governments	9,176	250,094	95,918	355,188
Prepaid expenses	75,360	-	-	75,360
Total assets	\$ 2,611,202	\$ 510,914	\$ 1,384,483	\$ 4,506,599
LIABILITIES				
Current liabilities:				
Accrued payroll	\$ 24,390	\$ 7,447	\$ 8,651	\$ 40,488
Deferred revenue	298,889	506	36,128	335,523
Total liabilities	\$ 323,279	\$ 7,953	\$ 44,779	\$ 376,011
FUND BALANCES				
Restricted	\$ -	\$ 502,961	\$ 1,339,704	\$ 1,842,665
Assigned	9,216	-	-	9,216
Unassigned	2,278,707	-	-	2,278,707
Total Fund Balance	\$ 2,287,923	\$ 502,961	\$ 1,339,704	\$ 4,130,588
Total liabilities and fund balance	\$ 2,611,202	\$ 510,914	\$ 1,384,483	\$ 4,506,599

See accompanying Notes to the Financial Statements

Anaconda Public Schools, Deer Lodge County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2013

Total fund balances - governmental funds	\$ 4,130,588
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,492,785
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	326,413
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(1,287,858)</u>
Total net position - governmental activities	\$ <u><u>6,661,928</u></u>

See accompanying Notes to the Financial Statements

Anaconda Public Schools, Deer Lodge County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	<u>General</u>	<u>Elementary Miscellaneous Programs</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Local revenue	\$ 3,269,024	\$ 23,347	\$ 303,616	\$ 3,595,987
County revenue	-	-	882,172	882,172
State revenue	5,426,164	469,439	481,070	6,376,673
Federal revenue	7,150	1,297,572	177,307	1,482,029
Total revenues	<u>\$ 8,702,338</u>	<u>\$ 1,790,358</u>	<u>\$ 1,844,165</u>	<u>\$ 12,336,861</u>
EXPENDITURES				
Instructional - regular	\$ 3,183,205	\$ 666,829	\$ 532,778	\$ 4,382,812
Instructional - special education	608,531	319,694	196,785	1,125,010
Instructional - vocational education	201,076	-	53,515	254,591
Instructional - adult education	-	-	19,896	19,896
Supporting services - operations & maintenance	1,169,226	-	74,912	1,244,138
Supporting services - general	390,128	489,578	62,699	942,405
Supporting services - educational media services	195,702	321,833	32,521	550,056
Administration - general	290,736	-	19,529	310,265
Administration - school	823,881	506	137,252	961,639
Administration - business	333,707	-	30,771	364,478
Student transportation	112,941	-	255,039	367,980
Extracurricular	298,779	-	17,386	316,165
School food	-	-	434,130	434,130
Community services	122	70	20,395	20,587
Debt service expense - principal	-	-	115,000	115,000
Debt service expense - interest	-	-	9,870	9,870
Capital outlay	722,771	29,182	-	751,953
Total expenditures	<u>\$ 8,330,805</u>	<u>\$ 1,827,692</u>	<u>\$ 2,012,478</u>	<u>\$ 12,170,975</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 371,533</u>	<u>\$ (37,334)</u>	<u>\$ (168,313)</u>	<u>\$ 165,886</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 2,387	\$ -	\$ -	\$ 2,387
Transfers out	-	-	(2,387)	(2,387)
Total other financing sources (uses)	<u>\$ 2,387</u>	<u>\$ -</u>	<u>\$ (2,387)</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ 373,920</u>	<u>\$ (37,334)</u>	<u>\$ (170,700)</u>	<u>\$ 165,886</u>
Fund balances - beginning	\$ 1,938,588	\$ 538,401	\$ 1,512,298	\$ 3,989,287
Restatements	(24,585)	1,894	(1,894)	(24,585)
Fund balances - beginning, restated	<u>\$ 1,914,003</u>	<u>\$ 540,295</u>	<u>\$ 1,510,404</u>	<u>\$ 3,964,702</u>
Fund balance - ending	<u>\$ 2,287,923</u>	<u>\$ 502,961</u>	<u>\$ 1,339,704</u>	<u>\$ 4,130,588</u>

See accompanying Notes to the Financial Statements

Anaconda Public Schools, Deer Lodge County, Montana
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds	\$	165,886
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
- Capital assets purchased		751,953
- Depreciation expense		(197,979)
In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:		
- Loss on the sale of capital assets		(3,591)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
- Long-term receivables (deferred revenue)		(19,730)
The change in compensated absences is shown as an expense in the Statement of Activities		
		47,956
Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:		
- Long-term debt principal payments		115,000
Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:		
- Postemployment benefits other than retirement liability		(193,331)
Change in net position - Statement of Activities	\$	<u>666,164</u>

See accompanying Notes to the Financial Statements

Anaconda Public Schools, Deer Lodge County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2013

		<u>Private Purpose Trust Funds</u>		<u>Agency Funds</u>
ASSETS				
Cash and short-term investments	\$	121,695	\$	684,201
Total assets	\$	<u>121,695</u>	\$	<u>684,201</u>
LIABILITIES				
Warrants payable	\$	-	\$	684,201
Total liabilities	\$	<u>-</u>	\$	<u>684,201</u>
NET POSITION				
Assets held in trust	\$	<u>121,695</u>		

See accompanying Notes to the Financial Statements

Anaconda Public Schools, Deer Lodge County, Montana
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2013

		<u>Private Purpose Trust Funds</u>
ADDITIONS		
Contributions:		
Contributions from private sources	\$	810
Student activities		203,329
Investment earnings:		
Interest	\$	518
Total additions	\$	<u>204,657</u>
 DEDUCTIONS		
Student activities	\$	226,140
Community services		900
Total deductions	\$	<u>227,040</u>
Change in net position	\$	<u>(22,383)</u>
 Net Position - Beginning of the year	 \$	 144,078
 Net Position - End of the year	 \$	 <u>121,695</u>

See accompanying Notes to the Financial Statements

ANACONDA PUBLIC SCHOOLS
DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Financial Reporting Entity

In determining the financial reporting entity, the District complies with the provisions of GASB statement No, 14, *The Financial Reporting Entity*, and includes all component units of which the District appointed a voting majority of the component units' board; the District is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Primary Government

The District was established under Montana law to provide elementary and secondary educational services to residents of the District. The District actually consists of two legally separate districts. The Elementary District provides education from kindergarten through the eighth grade and the High School District provides education from grades nine through twelve. Based on the criteria for determining the reporting entity (separate legal entity and financial or fiscal dependency on other governments) the District is a primary government as defined by GASB Cod. Sec. 2100 and has no component units as defined by GASBs 14, 39, 61.

Separate accounting records must be maintained for each District because of differences in funding and legal requirements. However, both districts are managed as a single system by a central board of trustees, elected in district-wide elections, and by a central administration appointed by and responsible to the Board. These financial statements present, as a single reporting entity, all activities over which the Board of Trustees exercises responsibility.

Basis of Presentation, Measurement Focus and Basis of Accounting.

Government-wide Financial Statements:

Basis of Presentation

The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the reporting entity except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

ANACONDA PUBLIC SCHOOLS
DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function. The District does not charge indirect expenses to programs or functions. The types of transactions reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

On the government-wide Statement of Net Position and the Statement of Activities, the governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred regardless of the timing of the cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The District generally applies restricted resources to expenses incurred before using unrestricted resources when both restricted and unrestricted net assets are available.

Fund Financial Statements:

Basis of Presentation

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are organized into three categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is displayed in a separate column in the governmental funds statements. All of the remaining funds are aggregated and reported in a single column as non-major funds. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

ANACONDA PUBLIC SCHOOLS
DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Measurement Focus and Basis of Accounting

Governmental Funds

Modified Accrual

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Measurable” means the amount of the transaction can be determined. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The District defined the length of time used for “available” for purposes of revenue recognition in the governmental fund financial statements to upon receipt. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, charges for current services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the District.

Major Funds:

The District reports the following major governmental funds:

General Fund - This is the District’s primary operating fund and it accounts for all financial resources of the District except those required to be accounted for in other funds.

ANACONDA PUBLIC SCHOOLS
DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Elementary Miscellaneous Programs Fund – Authorized by Section 20-9-507, MCA, for the purpose of accounting for local, state or federal grants and reimbursements. Donations and expendable trusts for scholarships or other purposes that support district programs are deposited in this fund

Fiduciary Funds

Fiduciary funds presented using the economic resources measurement focus and the accrual basis of accounting (except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment healthcare plans). The required financial statements are a statement of fiduciary net position and a statement of changes in fiduciary net assets. The fiduciary funds are:

Private-purpose Trust Funds – To report all other trust arrangements under which the principal and income benefit individuals, private organizations, or other governments.

Agency Funds – To report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). This fund primarily consist of assets held by the District as an agent for individuals, private organizations, other local governmental entities and the District’s claims and payroll clearing funds

Student Extracurricular Activities Fund – The Student Extracurricular Activities Fund is authorized by Section 20-9-504, MCA, to account 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. Unlike other district funds, the money for these activities may be maintained in bank accounts outside the control of the County Treasurer. The fund is administered by school district administrators, faculty members, and student organizations under the guidelines and policies established by the Board of Trustees and in accordance with the “Student Activity Fund Accounting” guidelines. Required guidelines are available from the Montana Association of School Business Officials (MASBO) or from OPI.

ANACONDA PUBLIC SCHOOLS
DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

The District's cash, except for the Student Extracurricular Fund (an expendable trust) is held by the County Treasurer and pooled with other County cash. School district cash which is not necessary for short-term obligations, the District participates in a County-wide investment program whereby all available cash is invested by the County Treasurer in pooled investments. Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. The County's investment portfolio as of June 30, 2013, consisted of State Short-Term Investment Pool (STIP), sweep account, and Certificates of Deposits. Interest earned on pooled investments is distributed to each contributing entity and fund on a pro rata basis.

The School District does not own specific identifiable investment securities in the pool; therefore, is not subject to categorization. Information regarding investment risk, collateral, security, and fair values for Deer Lodge County deposits and investments is available from Deer Lodge County Treasurer's office, 800 S. Main, Anaconda, MT. 59712. Fair value approximates carrying value for investments as of June 30, 2013. The Deer Lodge County investment pool is not rated.

Authorized investments allowed by Section 20-9-213, MCA, include savings or time deposits in a state or national bank, building or loan association, or credit union insured by the FDIC or NCUA located in the state; repurchase agreements; and the State Unified Investment Program. Further, Section 7-6-202, MCA, authorizes investments in U.S. government treasury bills, notes, bonds, U.S. Treasury obligations, treasury receipts, general obligations of certain agencies of the United States, and U.S. government security money market fund if the fund meets certain conditions.

Deposits

The District's deposit balance at year end was \$55,536 and the bank balance was \$57,816.

NOTE 3. RECEIVABLES

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts.

Property tax levies are set in August, in connection with the budget process, and are based on taxable values listed as of January 1 for all property located in the District. Taxable values are established by the Montana Department of Revenue, and a revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

ANACONDA PUBLIC SCHOOLS
DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Real property taxes are generally billed in October and are payable 50% by November 30 and 50% by May 31. After these dates, taxes become delinquent and become a lien on the property. Personal property is assessed and personal property taxes are billed throughout the year, with a significant portion generally billed in May, June, and July. Personal property taxes are based on levies set during the prior August. These taxes become delinquent 30 days after billing.

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% a month plus a penalty of 2%. Real property on which taxes remain delinquent and unpaid may be sold at tax sales. In the case of personal property, the property is to be seized and sold after the taxes become delinquent.

NOTE 4. INVENTORIES AND PREPAIDS

The cost of inventories are recorded as an expenditure purchased.

Prepays record payments to vendors that benefit future reporting periods and are reported on the consumption basis.

NOTE 5. CAPITAL ASSETS

The District's assets are capitalized at historical cost or estimated historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	50 years
Land Improvements	20 years
Building Improvements	10 – 30 years
Equipment	5 – 15 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the District has included the value of all infrastructure into the 2013 Basic Financial Statements. The government has elected not to retroactively report general infrastructure assets.

ANACONDA PUBLIC SCHOOLS
DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

A summary of changes in governmental capital assets was as follows:

Governmental activities:

	Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Balance <u>June 30, 2013</u>
Capital assets not being depreciated:					
Land	\$ 123,300	\$ -	\$ -	\$ -	\$ 123,300
Construction in progress	-	319,641	-	(319,641)	-
Total capital assets not being depreciated	<u>\$ 123,300</u>	<u>\$ 319,641</u>	<u>\$ -</u>	<u>\$ (319,641)</u>	<u>\$ 123,300</u>
Other capital assets:					
Buildings	\$ 5,844,140	\$ 280,550	\$ -	\$ 10,265	\$ 6,134,955
Improvements other than buildings	393,661	14,100	-	(21,911)	385,850
Machinery and equipment	922,502	137,662	(58,993)	331,287	1,332,458
Total other capital assets at historical cost	<u>\$ 7,160,303</u>	<u>\$ 432,312</u>	<u>\$ (58,993)</u>	<u>\$ 319,641</u>	<u>\$ 7,853,263</u>
Less: accumulated depreciation	<u>\$ (4,341,201)</u>	<u>\$ (197,979)</u>	<u>\$ 55,402</u>	<u>\$ -</u>	<u>\$ (4,483,778)</u>
Total	<u><u>\$ 2,942,402</u></u>	<u><u>\$ 553,974</u></u>	<u><u>\$ (3,591)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,492,785</u></u>

Governmental capital assets depreciation expense was charged to functions as follows:

Governmental Activities:

Instructional – regular	\$ 6,105
Supporting services – operations and maintenance	147,432
Supporting services – educational media services	81
Administration – general	849
Administration – school	10,514
Administration – finance	7,534
Student transportation	17,354
Extracurricular	2,544
School food	5,566
Total governmental activities depreciation expense	<u><u>\$ 197,979</u></u>

NOTE 6. LONG TERM DEBT OBLIGATIONS

In the governmental-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, are expensed at the date of sale.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

ANACONDA PUBLIC SCHOOLS
DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2013, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance			Balance		Due Within
	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>	<u>One Year</u>	
General obligation bonds	\$ 235,000	\$ -	\$ (115,000)	\$ 120,000	\$	120,000
Compensated absences	483,238	-	(47,956)	435,282		67,053
Other post-employment benefits*	539,245	193,331	-	732,576		-
Total	<u>\$ 1,257,483</u>	<u>\$ 193,331</u>	<u>\$ (162,956)</u>	<u>\$ 1,287,858</u>	<u>\$</u>	<u>187,053</u>

*See Note 7

In prior years the general fund and the compensated absences fund was used to liquidate compensated absences and claims and judgments.

General Obligation Bonds - The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds outstanding as of June 30, 2013 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2013</u>
Elementary Refunding Bond Series	12/21/05	3.3-4.1%	10 yrs	7/1/14	\$ 875,000	varies	\$ 120,000

Annual requirement to amortize debt:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ <u>120,000</u>	\$ <u>4,920</u>

Compensated Absences

Non-teaching District employees earn vacation leave ranging from fifteen to twenty-four days per year depending on the employee's years of service. Vacation leave may be accumulated not to exceed two times the maximum number of days earned annually. Sick leave is earned at a rate of one day per month for non-teaching employees. Upon retirement or termination, employees are paid for 100% of unused vacation leave and 25% of unused sick leave. Upon termination, all payments are made at the employee's current rate of pay.

ANACONDA PUBLIC SCHOOLS
DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Employees covered under the Teacher’s Collective Bargaining Agreement are credited with 13 days of sick leave on the first day of each school year and may earn up to the maximum cap of 60 days. Employees planning to retire, and who attach an irrevocable resignation letter to their signed contract for the final year, can cash-out accrued sick leave at a rate of 50% of the cash value. Employees who leave the district cash-out sick leave at a rate of 25% of the cash value.

The liability associated with governmental fund-type employees is reported in the governmental-type activities.

NOTE 7. POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description. The healthcare plan provides for, and Montana State Law (2-18-704) requires local governments to allow employees with at least 5 years of service and who are at least age 50 along with surviving spouses and dependents to stay on the government's health care plan as long as they pay the same premium. Since retirees are usually older than the average age of the plan participants they receive a benefit of lower insurance rates. This benefit is reported as the Other Post Employment Benefits (OPEB) liability. The government has less than 100 plan members and thus qualifies to use the "Alternative Measurement Method" for calculating the liability. The above described OPEB plan does not provide a stand-alone financial report.

Funding Policy. The government pays OPEB liability costs on a pay-as-you-go basis. A trust fund for future liabilities has not been established.

Funding Status and funding Progress. The funded status of the plan as of June 30, 2013, was as follows:

Actuarial Accrued Liability (AAL)	\$ 2,079,769
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 2,079,769
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 5,558,284
UAAL as a percentage of covered payroll	37%

ANACONDA PUBLIC SCHOOLS
DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Annual OPEB Cost and Net OPEB Obligation. The government's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameter of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the government's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the government's net OPEB obligation.

Annual Required Contribution (ARC)	\$	193,331
Interest on net OPEB obligation		-
Adjustment to ARC		-
Annual OPEB cost (expense)	\$	193,331
Contributions made		-
Increase in net OPEB obligation	\$	193,331
Net OPEB obligation - beginning of year		539,245
Net OPEB obligation - end of year	\$	732,576

Actuarial Methods and Assumptions. The following actuarial methods and assumptions were used:

Actuarial cost method	Entry Age
Average age of retirement (based on historical data)	Normal Cost, level of percent of pay
Discount rate (average anticipated rate)	48.6
Average salary increase (Consumer Price Index)	4.25%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	4% PERS
<u>Year</u>	4.5% TRS
2013	<u>% Increase</u>
2014	8.00%
2015	7.00%
2016 and after	6.00%
	5.00%

ANACONDA PUBLIC SCHOOLS
DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 8. INTERFUND RECEIVABLES AND PAYABLES

Interfund Transfers

The following is an analysis of operating transfers in and out during Fiscal Year 2013:

<u>Purpose</u>	<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
To maintain an appropriate fund balance	Elementary General – Major Governmental	Elementary Compensated Absences – Nonmajor Governmental	\$ <u>2,387</u>

NOTE 9. STATE-WIDE RETIREMENT PLANS

The District participates in two cost-sharing, multiple-employer defined benefit pension plans. The plans provide retirement, death, and disability benefits to plan members and beneficiaries with amounts determined by the State. Teaching employees (including principals and superintendents) are covered by Montana Teachers Retirement Plan (TRS), and substantially all other District employees are covered by the Montana Public Employees Retirement System (PERS). The plans are established by Montana law and administered by the State of Montana.

Contribution rates are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll for the fiscal year ended June 30, 2013, were:

	<u>PERS**</u>	<u>TRS</u>
Employer	6.8%	7.47%
Employee	6.90%*	7.15%
State	0.37%	2.49%

* For PERS members hired after 7/1/2011 that rate is 7.9%

** For the defined contribution plan all rates are the same except only 4.19% of the employer amount is added to the individuals account

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

Publicly available financial reports that include financial statements and required supplementary information may be obtained for the plans by writing or calling:

1. Montana Public Employee Retirement Administration, P.O. Box 200131, Helena, Montana 59620-0131 Phone: 1-406-444-3154.
2. Teachers' Retirement System, P.O. Box 200319, Helena, Montana 59620-0139 Phone: 1-406-444-3134.

ANACONDA PUBLIC SCHOOLS
DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

The District's contributions for the years ended June 30, 2011, 2012, and 2013, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>	<u>TRS</u>
2011	\$ 57,133	\$ 369,543
2012	\$ 60,924	\$ 411,120
2013	\$ 63,032	\$ 483,997

NOTE 10. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

For assigned fund balance the body or official authorized to assign amounts to a specific purpose is the School Board and the policy established by the governing body pursuant to which that authorization is given is a board resolution.

The government considers restricted amounts to have been spend first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

The government considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Restricted Fund Balance

Fund	Amount	Reason Restricted
Elementary Miscellaneous Programs	\$ 502,961	Instructional-Regular
All other Aggregate	564,852	Instructional-Regular
All other Aggregate	10,962	Instructional-Adult Education
All other Aggregate	259,899	Instructional-Special Education
All other Aggregate	77,288	Student Transportation
All other Aggregate	75,941	School Food
All other Aggregate	69,525	Debt Service
All other Aggregate	226,343	Supporting Services-Operations & Maintenance
All other Aggregate	<u>54,894</u>	Administration-Business
Totals:	<u>\$ 1,842,665</u>	

Other Significant Commitments

The District has the following Encumbrances at June 30, 2013:

<u>Fund</u>	<u>Amount of</u> <u>Encumbrance</u>
General	\$ <u>9,216</u>

ANACONDA PUBLIC SCHOOLS
DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 11. RESTATEMENTS

During the current fiscal year, the following adjustments relating to prior years' transactions were made to fund balance and net position.

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
General	\$ <u>(24,585)</u>	To correct PY encumbrance value changes

NOTE 12. JOINT VENTURES

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose which are subject to joint control, in which the participating governments retain 1) an ongoing financial interest or 2) an ongoing financial responsibility.

The District is a member of the Great Divide Education Services Cooperative. Participating school district are located in Deer Lodge, Beaverhead, Granite, Lewis and Clark, Madison, Power, and Silver Bow counties. The Cooperative is governed by a Board made up of administrators from the participating school districts. The District made a contribution to the cooperative for the fiscal year ending June, 30, 2013 Separate financial statements for the Cooperative are available at: Great Divide Educational Services Cooperative, P.O. Box 48, Deer Lodge, MT 59972.

The District is also in a cooperative with Deer Lodge County for the establishment and operation of the Recreation program for residents, grades kindergarten through 12, who live within the County of School District Boundaries. The Cooperative is governed by a five member board consisting of two appointed by the School Board and three appointed by the County Commission.

NOTE 13. RISK MANAGEMENT

The District faces considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e., errors and omissions, (d) environmental damage, (e) workers' compensation, i.e., employee injuries, and (f) medical insurance costs of employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Insurance Policies: Commercial policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employee torts, and professional liability. Employee medical insurance is provided for by a commercial carrier. And, given the lack of coverage available, the District has no coverage for potential losses from environmental damages.

ANACONDA PUBLIC SCHOOLS
DEER LODGE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Insurance Pools: The Montana Schools Group Insurance Authority (MSGIA) was created pursuant to the Interlocal Cooperation Act by execution of an Interlocal Agreement creating the MSGIA. The MSGIA is responsible for paying all workers' compensation claims of the member school districts. Each member of the MSGIA is jointly and severally liable for the full amount of any and all known or unknown claims of each member arising during the member's participation in the program. The MSGIA purchases workers' compensation reinsurance to provide statutory excess limits. The MSGIA contracts with Montana School Boards Association (MTSBA) to provide third party administrative services to the program. The MTSBA provides general program management, claim management, and risk management services to its program members.

The Montana School Unemployment Insurance Program (MSUIP) was created pursuant to the Interlocal Cooperation Act by execution of an Interlocal Agreement creating the MSUIP. The MSUIP is responsible for paying all unemployment insurance claims of the member school districts. Each member of the MSUIP is jointly and severally liable for the full amount of any and all known or unknown claims of each member arising during the member's participation in the program. The MSUIP contracts with Montana School Boards Association (MTSBA) to provide third party administrative services to the program. The MTSBA provides general program management and technical services to its program members.

Separate audited financial statements are available from Montana Schools Group Insurance Authority for MSGIA and MSUIP.

NOTE 14. PENDING LITIGATION

The following is a list of litigation pending against the District and the amount of damages claimed by the Plaintiff. The District's Attorney has made no evaluation as to the outcome of each case. The District has liability insurance which may cover all or part of the damages requested.

Case
James D. Whealon v. Anaconda Public Schools
The District had prevailed and the petitioner filed a Motion Alter or Amend Judgment, Relief from Judgment or Order on December 23, 2013 and the Court has 60 days in which to rule on the Motion.

**REQUIRED SUPPLEMENTAL
INFORMATION**

Anaconda Public Schools, Deer Lodge County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2013

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Local revenue	\$ 2,079,212	\$ 2,079,212	\$ 2,093,384	\$ 14,172
State revenue	5,420,750	5,420,750	5,420,866	116
Amounts available for appropriation	\$ 7,499,962	\$ 7,499,962	\$ 7,514,250	\$ 14,288
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 3,241,531	\$ 3,241,531	\$ 3,190,533	\$ 50,998
Instructional - special education	571,247	571,247	608,531	(37,284)
Instructional - vocational education	205,685	205,685	201,076	4,609
Supporting services - operations & maintenance	1,100,518	1,100,518	1,076,631	23,887
Supporting services - general	359,785	359,785	390,128	(30,343)
Supporting services - educational media services	229,301	229,301	195,471	33,830
Administration - general	281,696	281,696	289,359	(7,663)
Administration - school	758,191	758,191	823,881	(65,690)
Administration - business	353,745	353,745	333,707	20,038
Student transportation	135,100	135,100	109,666	25,434
Extracurricular	261,136	261,136	278,919	(17,783)
Community services	-	-	122	(122)
Capital outlay	2,027	2,027	(5,030)	7,057
Total charges to appropriations	\$ 7,499,962	\$ 7,499,962	\$ 7,492,994	\$ 6,968
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 2,387	\$ 2,387
Total other financing sources (uses)	\$ -	\$ -	\$ 2,387	\$ 2,387
Net change in fund balance			\$ 23,643	
Fund balance - beginning of the year			\$ 1,018,212	
Restatements			(6,839)	
Fund balance - beginning of the year - restated			\$ 1,011,373	
Fund balance - end of the year			\$ 1,035,016	

Anaconda Public Schools, Deer Lodge County, Montana
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation

Note A - Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures

		<u>General</u>
Sources/Inflows of resources		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$	7,514,250
Combined funds (GASBS 54) revenues		<u>1,188,088</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	\$	<u><u>8,702,338</u></u>
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$	7,492,994
Combined funds (GASBS 54) expenditures		779,654
- Encumbrances reported at the beginning of the year		67,373
- Encumbrances reported at the end of the year		<u>(9,216)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$	<u><u>8,330,805</u></u>

Note B

The Elementary Miscellaneous Programs fund is a major special revenue fund in which a legally adopted budget is not required.

Anaconda Public Schools, Deer Lodge County, Montana
REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
July 1, 2011	\$ -	\$ 2,079,769	\$ 2,079,769	0%	\$ 5,558,284	37.4%

SUPPLEMENTAL INFORMATION

Anaconda Public Schools
Deer Lodge County, Montana
SCHEDULE OF ENROLLMENT
For the Fiscal Year Ended June 30, 2013

Fall Enrollment - October, 2012

Elementary School District

	FALL		
	Per Enrollment Reports	Audit Per District Records	Difference
Pre-Kindergarten	0	0	0
Kindergarten Full	65	65	0
Grades 1-6	499	499	0
Grades 7-8	166	166	0
Total Elementary	730	730	0

Part-time Students

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
Kinder - Full	0	0	0	0	0	0	0	0	0
Kinder - Part	0	0	N/A	N/A	0	0	N/A	N/A	0
1-6	0	0	1	0	0	0	1	0	0
7-8	0	0	1	0	0	0	1	0	0

High School District

	FALL		
	Per Enrollment Reports	Audit Per District Records	Difference
Grades 9-12	340	340	0
19 year-olds	0	0	0
Job Corps students	0	0	0

Part-time Students

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
9-12	0	1	0	3	0	1	0	3	0

Spring Enrollment - February, 2013

Elementary School District

	SPRING		
	Per Enrollment Reports	Audit Per District Records	Difference
Pre-Kindergarten	0	0	0
Kindergarten - Full	64	64	0
Grades 1-6	496	496	0
Grades 7-8	150	150	0
Total Elementary	710	710	0

Part-time Students

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
Kinder - Full	0	0	0	0	0	0	0	0	0
Kinder - Part	0	0	N/A	N/A	0	0	N/A	N/A	0
1-6	0	0	1	0	0	0	1	0	0
7-8	0	0	0	1	0	0	0	1	0

High School District

	SPRING		
	Per Enrollment Reports	Audit Per District Records	Difference
Grades 9-12	326	326	0
19 year-olds	0	0	0
Early Graduates	0	0	0
Job Corps students	0	0	0

Part-time Students

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
9-12	0	1	1	3	0	1	1	3	0

Anaconda Public Schools
Deer Lodge County, Montana
EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS
Fiscal Year Ended June 30, 2013

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Transfers In/Out	Ending Balance
AHS Student Council	\$ 2,355	\$ 175	\$ 3,230	\$ 1,170	\$ 470
AHS Tennis Association	99	100	107	-	92
Anaconda Teen Institute	1,541	1,621	795	-	2,367
Athletics	22,306	72,195	90,044	2,844	7,301
Band	1,810	532	1,349	-	993
Big Stack	4,288	11,568	9,147	-	6,709
Builders Club	327	260	100	-	487
Cheerleaders	4,090	5,255	3,888	5	5,462
Chorus	2,319	30,705	30,110	-	2,914
Close Up	9,166	5,284	11,208	300	3,542
Concessions	1,245	22,312	16,149	(5,700)	1,708
District & Music Festival	-	-	-	-	-
FMMS	2,867	23,446	22,584	-	3,729
FMMS Athletics	-	11,203	12,704	(119)	(1,620)
FMMS Cheerleading	-	3,252	1,044	-	2,208
FMMS Music	-	-	-	-	-
HOSA: Future Health Professionals	-	2,440	2,044	-	396
Instrument Money (Refundable)	-	450	-	-	450
Key Club	2,168	911	1,793	450	1,736
Lincoln School	2,582	1,188	1,826	-	1,944
National Honor Society	6,565	5,691	6,769	150	5,637
Orchestra	281	53	125	-	209
Social Studies	9	-	-	-	9
Spanish Club	591	186	540	450	687
Special Olympics	4,962	325	1,601	450	4,136
Tournament Fund	1,592	-	198	-	1,394
W.K. Dwyer Primary	1,652	3,837	3,329	-	2,160
Weight Room	5,532	340	5,456	-	416
Total	\$ <u>78,347</u>	\$ <u>203,329</u>	\$ <u>226,140</u>	\$ <u>-</u>	\$ <u>55,536</u>

SINGLE AUDIT SECTION

Anaconda Public Schools, Deer Lodge County, Montana
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Fiscal Year Ended June 30, 2013

Federal Grantor / Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures June 30, 2013
<u>U.S. Department of Agriculture</u>			
<i>Passed through the Montana Office of Public Instruction</i>			
Food Distribution(Commodities)(1)	10.555	N/A	\$ 14,095
School Breakfast Program	10.553	N/A	61,279
National School Lunch Program	10.555	N/A	196,826
Fresh Fruits and Vegetables Program	10.582	N/A	32,003
Team Nutrition Grants	10.574	1202362111SW	167
Total U.S. Department of Agriculture			\$ 304,370
<u>U.S. Department of Education</u>			
<i>Passed through the Montana Office of Public Instruction</i>			
Title I School Wide	84.010A	1202363213	\$ 490,232
Title I School Wide	84.010	1202363212	12,995
Title I Part D for Neglected and Delinquent Children and Youth	84.013	1202367613P1A	15,000
Carl D. Perkins - Career and Technical Education	84.048A	1202378113	21,292
Striving Readers	84.371C	1202363513	332,479
Striving Readers	84.371C	1202363512	114,296
<i>Passed through the Great Divide Educational Services Cooperative</i>			
IDEA Part B	84.027	3997037713ALLO	320,005
IDEA Preschool	84.173A	3997037913ALLO	12,780
Total U.S. Department of Education			\$ 1,319,079
Total Federal Financial Assistance			\$ 1,623,449

(1) This amount represents the value of donated food received under the child nutrition cluster. Individual inventory categories or items were not valued. Therefore, it was not possible to determine the value of the beginning and ending inventory balances.

N/A = Not Applicable or Not Available

ANACONDA PUBLIC SCHOOLS

DEER LODGE COUNTY, MONTANA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2013

Basis of Presentation

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

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South - Suite 101 Kalispell, MT 59901

**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
Anaconda Public Schools
Deer Lodge County
Anaconda, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Anaconda Public Schools, Deer Lodge County, Montana, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Anaconda Public School's basic financial statements and have issued our report thereon dated March 6, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Anaconda Public Schools, Deer Lodge County, Montana'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 Anaconda Public Schools, Deer Lodge County, Montana's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Anaconda Public Schools's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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.

Derring, Downey and Associates, CPAs, P.C.

March 6, 2014

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

**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
Anaconda Public Schools
Deer Lodge County
Anaconda, Montana

Report on Compliance for Each Major Federal Program

We have audited Anaconda Public Schools, Deer Lodge County, Montana, compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Anaconda Public Schools's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Anaconda Public Schools, Deer Lodge County, Montana's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of District's compliance.

Opinion on Each Major Federal Program

In our opinion, Anaconda Public Schools, Deer Lodge County, Montana, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Derringer, Downey and Associates, CPA's, P.C.

March 6, 2014

ANACONDA PUBLIC SCHOOLS

DEER LODGE COUNTY, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2013

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	<i>Unqualified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses	None Reported
Type of auditor’s report issued on compliance for major programs:	<i>Unqualified</i>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010A	Title I, Part A, Improving Basic Programs
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	Yes