



A REPORT
TO THE
MONTANA
LEGISLATURE

FINANCIAL-COMPLIANCE AUDIT

Montana School for the Deaf and Blind

*For the Two Fiscal Years Ended
June 30, 2014*

NOVEMBER 2014

LEGISLATIVE AUDIT
DIVISION

14-22B

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FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Legislative Audit Division to determine whether an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States Government Accountability Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) licenses.

Government Auditing Standards, the Single Audit Act Amendments of 1996 and OMB Circular A-133 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2013, was issued March 28, 2014. The Single Audit Report for the two fiscal years ended June 30, 2015, will be issued by March 31, 2016. Copies of the Single Audit Report can be obtained by contacting:

Single Audit Coordinator
Office of Budget and Program Planning
Room 277, State Capitol
P.O. Box 200802
Helena, MT 59620-0802

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P.O. Box 201705
Helena, MT 59620-1705

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<http://leg.mt.gov/audit>

LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:
Cindy Jorgenson
Angus Maciver

November 2014

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Montana School for the Deaf and Blind for the two fiscal years ended June 30, 2014. The report contains no recommendations to the school.

This report includes the department's financial schedules. The financial schedule presentation is intended to provide the legislative body with information necessary for decision-making purposes; it is not intended to conform to the financial reporting requirements established in generally accepted accounting principles (GAAP). The financial schedule presentation has not changed, but audit reporting standards have changed. Auditing standards require us to clearly communicate that the financial schedule presentation is not intended to, and does not, conform to GAAP reporting requirements. The Independent Auditor's Report on page A-1 contains language to this effect in the section titled "Adverse Opinions on U.S. Generally Accepted Accounting Principles." This section does not imply the amounts presented on the department's financial schedules are not fairly stated. Page A-1 also communicates the extent to which the user can rely on the information contained in the financial schedules in the section titled "Qualified Opinions on Regulatory Basis of Accounting" and "Unmodified Opinions on Regulatory Basis of Accounting."

The school's written response to the audit is included in the audit report at page B-1. We thank the Superintendent and her staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

/s/ Tori Hunthausen

Tori Hunthausen, CPA
Legislative Auditor

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Montana School for the Deaf and Blind	B-1

ELECTED, APPOINTED, AND ADMINISTRATIVE OFFICIALS

Montana School for the Deaf and Blind

Donna Sorensen, Superintendent

Kim Schwabe, Principal

Donna Schmidt, Business Manager

Board of Public Education

Steve Bullock, Governor*

Denise Juneau, Superintendent of Public Instruction*

Clay Christian, Commissioner of Higher Education

		<u>Term Expires</u>
Sharon Carroll, Chairperson	Ekalaka	2019
Paul Andersen, Vice Chairperson	Bozeman	2020
Bernard Olsen	Lakeside	2015
Mary Jo Bremner	Browning	2021
John Edwards	Billings	2016
Lila Taylor	Busby	2018
Erin Williams	Missoula	2017
Greta Gustafsan (Student Representative)	Cut Bank	2015

* ex officio members

For additional information concerning the Montana School for the Deaf and Blind, contact:

Donna Sorensen, Superintendent
Montana School for the Deaf and Blind
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Great Falls, MT 59405-1697
Phone: (406) 771-6000
e-mail: dsorensen@msdb.mt.gov



MONTANA LEGISLATIVE AUDIT DIVISION

FINANCIAL-COMPLIANCE AUDIT

Montana School for the Deaf and Blind For the Two Fiscal Years Ended June 30, 2014

NOVEMBER 2014

14-22B

REPORT SUMMARY

The Montana School for the Deaf and the Blind promotes and provides free and appropriate educational opportunities statewide for children ages birth to twenty-one who are deaf, hard of hearing, blind, low vision, and deaf-blind.

Context

The Montana School for the Deaf and the Blind (MSDB) has developed two different ways to meet the educational needs of Montana's deaf and blind children of all ages. On the Great Falls campus, MSDB provides specialized instruction and an education for deaf and blind students with the goal to prepare students for independent, successful lives. In addition, MSDB serves as a statewide resource center for parents of children with vision or hearing loss and for school districts that serve deaf and blind students. Upon request, MSDB assists school districts, ensuring that services and programs for their deaf and blind students are appropriate. MSDB consultants also provide early intervention services in the homes of infants and toddlers with vision or hearing loss. MSDB is governed by the Montana Board of Public Education, which sets requirements for public education in the state.

Total revenues collected by MSDB were approximately \$535,000 and \$480,000 in fiscal years 2013 and 2014, respectively. Primary revenues sources include transfers-in comprised of the school's permanent fund earnings from the Department of Natural Resources and Conservation and federal subawards from the Office of Public Instruction.

In fiscal years 2013 and 2014, total annual expenditures approximated \$6.3 million and \$7 million, respectively. Approximately 85 percent of the school's annual expenditures are composed of personal services. State funding is supplemented by funding from the Montana School for the Deaf & Blind Foundation.

Results

We focused our audit effort primarily on reviewing these revenue and expenditure activities. We also reviewed the additions and reductions to property held in trust in the agency fund which represents student funds that can be withdrawn throughout the year for miscellaneous purchases. Throughout the audit, we reviewed and tested the department's control systems and determined compliance with selected state laws and regulations. There are no recommendations resulting from our audit.

For a complete copy of the report (14-22B) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to lad@mt.gov; or check the web site at <http://leg.mt.gov/audit>

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Call toll-free 1-800-222-4446, or e-mail ladhotline@mt.gov.

Chapter I – Introduction

Introduction

We performed a financial-compliance audit of the Montana School for the Deaf and Blind (school) for the two fiscal years ended June 30, 2014. The objectives of the audit were:

1. To determine if the financial schedules present fairly, the results of operations and changes in fund equity and property held in trust of the school for each of the two fiscal years ended June 30, 2014, and June 30, 2013.
2. To obtain an understanding of the school's control systems to the extent necessary to support our audit of the school's financial schedules and, if appropriate, make recommendations for improvements in management and internal controls of the school.
3. To determine the schools compliance with selected laws and regulations.
4. To determine the implementation status of prior audit recommendations.

We addressed these objectives by focusing our audit effort primarily on the review of revenue, expenditure, and property held in trust activity and related account balances. We specifically reviewed transfers-in revenue which are comprised of the school's permanent fund earnings from the Department of Natural Resources and Conservation and federal subawards from the Office of Public Instruction for education costs. In addition, we reviewed personal services expenditures which make up approximately 85 percent of total expenditures annually. We also reviewed the additions and reductions to property held in trust in the agency fund that represent student funds that can be withdrawn throughout the year for miscellaneous purchases. Throughout the audit, we reviewed and tested the department's control systems and determined compliance with selected state laws and regulations.

Internal Controls

Auditing standards require us to communicate, in writing, deficiencies in internal control we identified as a result of audit objective #2 above and considered to be significant or material. A deficiency in internal control exists when the design or operation of a control does not allow management or employees to prevent or detect and correct misstatements on a timely basis. A material weakness is one or more deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial schedules will not be prevented, or detected and corrected on a timely basis. A significant deficiency is one or more deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During the course of the audit, we identified a material weakness in internal control as discussed in the following section.

Our consideration of internal control was not for the purpose of expressing an opinion on the effectiveness of internal controls. Therefore, material weaknesses or significant deficiencies may exist that were not identified.

Construction Work in Progress

During fiscal year 2013, the school repaired the roof of one of the buildings on the Great Falls campus. The school attempted to record construction work in progress at the end of the fiscal year for the portion of the roof completed during the year by the Architecture and Engineering Division of the Department of Administration. The entries, however, were not recorded in accordance with state accounting policy which resulted in understated expenditures on the 2013 financial schedules of \$119,166, which affected our opinion as shown on page A-1 of the report.

The school's controls were not sufficient to prevent or detect and correct this error before the books closed in fiscal year 2013, resulting in the misstatements. We identified and communicated the error as a part of the audit in April of 2014. As a result of the communication, the school corrected the error in fiscal year 2014 by consulting state accounting policy and through communications with the Department of Administration's State Financial Services Division. We observed increased documentation and evidence of review of state accounting policy accompanying transaction support throughout remaining audit work. As a result, school personnel sufficiently enhanced controls to prevent and detect material accounting errors, and we therefore make no recommendation to the school. Even though the material weakness was remediated during the audit period, we provide this information for the benefit of those responsible for oversight of the school and its operations.

Background

The Montana School for the Deaf and Blind is a state-supported, special-purpose school and an integral part of the Montana public education system. In accordance with its statutory mandates, the school serves two primary functions. First, by the use of specialized instruction and training, the school provides education for hearing and visually impaired children that is commensurate with the education provided to nondisabled children in local school districts. This education enables children being served by the school to become independent and self-sustaining citizens.

Second, the school serves as a consultative resource for parents of hearing and visually impaired children not yet enrolled in educational programs and for school districts

where hearing and visually impaired children are receiving educational services. Upon request, the school outreach staff provides consultation and technical assistance to the families, teachers, and administrators of sensory impaired infants, toddlers, and school-aged children across the state.

The school is comprised of four programs: Administration, Education, General Services, and Student Services. These programs are presented on the Schedule of Expenditures & Transfers-out. Total authorized full-time equivalent (FTE) staff for the programs and activities was 88.6 during the audit period.

Administration Program (5 FTE) – The Administration Program includes the School Superintendent, Business Manager, Benefit Specialist, Accounting Technician, and Executive Secretary. This program ensures the schools compliance with all statutory mandates including fiduciary responsibility for the entire school.

Education (49.9 FTE) – The Education program is comprised of the Principal, Teachers, Teachers Aides, Interpreters, Speech Pathologist, School Psychologist, Guidance Counselor, Behavior Counselor, Orientation & Mobility Specialist, Occupational Therapist, Physical Therapist, and Communications Technician on the campus in Great Falls. These professionals assure that each child is given the specialized instruction and tools necessary for quality education despite their disability.

The Education program also includes the school's Outreach program that provides services to children throughout the state in their home school districts. Specialized educational equipment is loaned to visually impaired children from the school's lending library to help the local school districts in providing the student with means necessary for success in the classroom. The Outreach Consultants provide home-based early intervention service for infants and toddlers. The program also provides consultation services to local pre-schools and Head Start programs.

General Services (4 FTE) – The General Services program includes the Maintenance Supervisor, Maintenance Workers, and Custodians. This program is responsible for the upkeep and cleaning of all campus buildings and grounds.

Student Services (29.7 FTE) – The Student Services program provides children from across the state a place to live during the school year. The Dean of Students and his staff of Cottage Life Attendants, Nurses, and Counselors care for the children while they are on campus. This program works with the Education Department in planning and holding Family Learning Weekends and summer camps for the students and their families.

Prior Audit Recommendations

The prior audit for the two fiscal years ended June 30, 2012, contained one recommendation to the school. The school implemented the recommendation.

Independent Auditor's Report and School Financial Schedules

LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:
Cindy Jorgenson
Angus Maciver

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

Introduction

We have audited the accompanying Schedules of Changes in Fund Equity & Property Held in Trust, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out of the Montana School for the Deaf and Blind for each of the fiscal years ended June 30, 2014, and 2013, and the related notes to the financial schedules.

Management's Responsibility for the Financial Schedules

Management is responsible for the preparation and fair presentation of these financial schedules in accordance with the regulatory format prescribed by the Legislative Audit Committee, based on the transactions posted to the state's accounting system without adjustment; this responsibility includes recording transactions in accordance with state accounting policy; and designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the school's preparation and fair presentation of the financial schedules 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 school's internal control, and 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 the overall presentation of the financial schedules.

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

Basis for Adverse Opinions on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial schedules are prepared from the transactions posted to the state's primary accounting system without adjustment, in the regulatory format prescribed by the Legislative Audit Committee. This is a basis of accounting other than accounting principles generally accepted in the United States of America. The financial schedules are not intended to, and do not, report assets and liabilities.

The effects on the financial schedules of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinions on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinions on U.S. Generally Accepted Accounting Principles" paragraph, the financial schedules referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the school as of June 30, 2014, and June 30, 2013, or changes in financial position for the years then ended.

Basis for Qualified Opinions on Regulatory Basis of Accounting

As described in Note 4, the school incorrectly recorded Construction Work in Progress on the state's accounting records in fiscal year 2013. The results of the errors on the financial schedules for the fiscal year ended June 30, 2013, are presented in the following table:

Schedule of Changes in Fund Equity & Property Held In Trust for Fiscal Year 2013	
General Fund	Misstatement
Nonbudgeted Expenditures & Transfers-Out	119,166
Schedule of Total Expenditures & Transfers-Out for Fiscal Year 2013	
Administration Program	Misstatement
Operating Expenses	
Repair & Maintenance	119,166
Expenditures & Transfers-Out by Fund	
Less: Nonbudgeted Expenditures & Transfers-Out	119,166

Qualified Opinions on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinions on Regulatory Basis of Accounting” paragraph, the Schedule of Changes in Fund Equity & Property Held in Trust and Schedule of Total Expenditures & Transfers-Out for the fiscal year ended June 30, 2013, present fairly, in all material respects, the results of operations and changes in fund equity and property held in trust of the Montana School for the Deaf and Blind, in conformity with the basis of accounting described in Note 1.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the Schedule of Changes in Fund Equity & Property Held in Trust for the fiscal year ended June 30, 2014, Schedules of Total Revenues & Transfers-In for each of the fiscal years ended June 30, 2014, and 2013, and Schedule of Total Expenditures & Transfers-Out for the fiscal year ended June 30, 2014, present fairly, in all material respects, the results of operations and changes in fund equity and property held in trust of the Montana School for the Deaf and Blind, in conformity with the basis of accounting described in Note 1.

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

September 30, 2014

SCHOOL FOR THE DEAF & BLIND
SCHEDULE OF CHANGES IN FUND EQUITY & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Agency Fund
FUND EQUITY: July 1, 2013				
PROPERTY HELD IN TRUST: July 1, 2013	\$ (323,612)	\$ 51,137	\$ 91	\$ 0
				\$ 20,277
ADDITIONS				
Budgeted Revenues & Transfers-In	16,514	287,284	174,164	
Nonbudgeted Revenues & Transfers-In	1,359			
Direct Entries to Fund Equity	6,332,963			
Additions to Property Held in Trust				42,026
Total Additions	6,350,836	287,284	174,164	42,026
REDUCTIONS				
Budgeted Expenditures & Transfers-Out	6,485,721	255,680	174,164	
Nonbudgeted Expenditures & Transfers-Out	5,447			
Prior Year Expenditures & Transfers-Out Adjustments	97,015			
Reductions in Property Held in Trust				39,044
Total Reductions	6,588,183	255,680	174,164	39,044
FUND EQUITY: June 30, 2014	\$ (560,959)	\$ 82,740	\$ 91	\$ 0
PROPERTY HELD IN TRUST: June 30, 2014				\$ 23,259

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

SCHOOL FOR THE DEAF & BLIND
SCHEDULE OF CHANGES IN FUND EQUITY & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Agency Fund
FUND EQUITY: July 1, 2012	\$ (486,362)	\$ 38,687	\$ 91	\$ 0
PROPERTY HELD IN TRUST: July 1, 2012				\$ 29,680
ADDITIONS				
Budgeted Revenues & Transfers-In	21,253	318,753	195,045	
Direct Entries to Fund Equity	5,941,597			56,663
Additions to Property Held in Trust				56,663
Total Additions	5,962,850	318,753	195,045	
REDUCTIONS				
Budgeted Expenditures & Transfers-Out	5,907,856	306,302	195,045	
Nonbudgeted Expenditures & Transfers-Out	(119,166)			
Prior Year Expenditures & Transfers-Out Adjustments	11,410			66,065
Reductions in Property Held in Trust				66,065
Total Reductions	5,800,100	306,302	195,045	
FUND EQUITY: June 30, 2013	\$ (323,612)	\$ 51,137	\$ 91	\$ 0
PROPERTY HELD IN TRUST: June 30, 2013				\$ 20,277

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

SCHOOL FOR THE DEAF & BLIND
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

TOTAL REVENUES & TRANSFERS-IN BY CLASS

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Total
Charges for Services	\$	11,791	\$	11,791
Rentals, Leases and Royalties		3,408		3,408
Transfers-in		272,085	174,164	446,249
Capital Asset Sale Proceeds	\$ 1,359			1,359
Miscellaneous	16,514			16,514
Total Revenues & Transfers-In	17,874	287,284	174,164	479,321
Less: Nonbudgeted Revenues & Transfers-In	1,359			1,359
Prior Year Revenues & Transfers-In Adjustments				0
Actual Budgeted Revenues & Transfers-In	16,514	287,284	174,164	477,962
Estimated Revenues & Transfers-In	22,719	264,464	183,909	471,092
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ (6,205)</u>	<u>\$ 22,820</u>	<u>\$ (9,745)</u>	<u>\$ 6,870</u>

BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS

Licenses and Permits	\$	(184)	\$	(184)
Charges for Services		(3,789)		(9,508)
Rentals, Leases and Royalties		(292)		(292)
Transfers-in		27,085	(2,596)	24,489
Federal Indirect Cost Recoveries			(7,149)	(7,149)
Miscellaneous	(486)			(486)
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ (6,205)</u>	<u>\$ 22,820</u>	<u>\$ (9,745)</u>	<u>\$ 6,870</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

SCHOOL FOR THE DEAF & BLIND
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS				
Charges for Services	\$ 5,787	\$ 12,550	\$	\$ 18,337
Rentals, Leases and Royalties		1,921		1,921
Transfers-in		304,281	\$ 195,045	499,327
Miscellaneous	15,466			15,466
Total Revenues & Transfers-In	21,253	318,753	195,045	535,051
Less: Nonbudgeted Revenues & Transfers-In				0
Prior Year Revenues & Transfers-In Adjustments				0
Actual Budgeted Revenues & Transfers-In	21,253	318,753	195,045	535,051
Estimated Revenues & Transfers-In	27,149	283,299	194,060	504,508
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>(5,896)</u>	<u>35,454</u>	<u>985</u>	<u>30,543</u>
	\$	\$	\$	\$
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS				
Licenses and Permits		(184)	\$	(184)
Charges for Services	\$ (1,362)	(5,592)		(6,954)
Rentals, Leases and Royalties		(1,079)		(1,079)
Transfers-in		42,308	\$ 8,134	50,443
Federal Indirect Cost Recoveries			(7,149)	(7,149)
Miscellaneous	(4,534)			(4,534)
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>(5,896)</u>	<u>35,454</u>	<u>985</u>	<u>30,543</u>
	\$	\$	\$	\$

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

SCHOOL FOR THE DEAF & BLIND
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Administration Program	Education	General Services	Student Services	Total
PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT					
Personal Services					
Salaries	\$ 270,745	\$ 2,936,957	\$ 145,765	\$ 839,846	\$ 4,193,313
Employee Benefits	93,219	1,169,631	73,291	460,292	1,796,434
Total	<u>363,964</u>	<u>4,106,588</u>	<u>219,056</u>	<u>1,300,138</u>	<u>5,989,747</u>
Operating Expenses					
Other Services	59,708	3,796	39,994	8,418	111,917
Supplies & Materials	11,828	89,450	24,902	82,791	208,971
Communications	26,200	27,471	747	1,782	56,200
Travel	191	49,482	42	78,148	127,862
Rent	787	64,463		14,946	80,196
Utilities			143,787		143,787
Repair & Maintenance	119,487	6,623	59,490	150	185,749
Other Expenses	8,677	48,201	9,600	125	66,604
Total	<u>226,877</u>	<u>289,486</u>	<u>278,562</u>	<u>186,361</u>	<u>981,286</u>
Equipment & Intangible Assets					
Capital leases - equipment		7,245			7,245
Total		<u>7,245</u>			<u>7,245</u>
Transfers-out					
Fund transfers			11,300		11,300
Total			<u>11,300</u>		<u>11,300</u>
Debt Service					
Loans			28,450		28,450
Total			<u>28,450</u>		<u>28,450</u>
Total Expenditures & Transfers-Out	<u>\$ 590,842</u>	<u>\$ 4,403,319</u>	<u>\$ 537,368</u>	<u>\$ 1,486,499</u>	<u>\$ 7,018,028</u>
EXPENDITURES & TRANSFERS-OUT BY FUND					
General Fund	\$ 590,842	\$ 3,995,385	\$ 537,368	\$ 1,464,589	\$ 6,588,183
State Special Revenue Fund		255,680			255,680
Federal Special Revenue Fund		152,254		21,910	174,164
Total Expenditures & Transfers-Out	<u>590,842</u>	<u>4,403,319</u>	<u>537,368</u>	<u>1,486,499</u>	<u>7,018,028</u>
Less: Nonbudgeted Expenditures & Transfers-Out	(108)	6,022	(72)	(395)	5,447
Prior Year Expenditures & Transfers-Out Adjustments	<u>118,190</u>	<u>(155)</u>	<u>(21,211)</u>	<u>191</u>	<u>97,015</u>
Actual Budgeted Expenditures & Transfers-Out	<u>472,760</u>	<u>4,397,452</u>	<u>558,652</u>	<u>1,486,703</u>	<u>6,915,566</u>
Budget Authority	<u>498,874</u>	<u>4,445,352</u>	<u>570,150</u>	<u>1,527,971</u>	<u>7,042,347</u>
Unspent Budget Authority	<u>\$ 26,114</u>	<u>\$ 47,900</u>	<u>\$ 11,498</u>	<u>\$ 41,268</u>	<u>\$ 126,781</u>
UNSPENT BUDGET AUTHORITY BY FUND					
General Fund	\$ 23,314	\$ 41,795	\$ 11,498	\$ 40,178	\$ 116,786
State Special Revenue Fund	2,800	4,600			7,400
Federal Special Revenue Fund		1,506		1,090	2,596
Unspent Budget Authority	<u>\$ 26,114</u>	<u>\$ 47,900</u>	<u>\$ 11,498</u>	<u>\$ 41,268</u>	<u>\$ 126,781</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

SCHOOL FOR THE DEAF & BLIND
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Administration Program	Education	General Services	Student Services	Total
PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT					
Personal Services					
Salaries	\$ 270,539	\$ 2,675,859	\$ 117,569	\$ 803,401	\$ 3,867,368
Employee Benefits	85,329	1,090,179	52,840	435,026	1,663,374
Total	<u>355,867</u>	<u>3,766,038</u>	<u>170,409</u>	<u>1,238,428</u>	<u>5,530,742</u>
Operating Expenses					
Other Services	57,836	15,089	34,898	6,321	114,144
Supplies & Materials	19,193	82,325	19,950	66,199	187,667
Communications	30,232	36,375	1,180	1,679	69,467
Travel	2,522	49,468	220	49,322	101,532
Rent	1,246	80,855	81	11,648	93,830
Utilities			136,883		136,883
Repair & Maintenance	(119,084)	1,265	82,955	1,264	(33,601)
Other Expenses	3,388	35,035	9,745	570	48,739
Total	<u>(4,667)</u>	<u>300,413</u>	<u>285,912</u>	<u>137,004</u>	<u>718,661</u>
Equipment & Intangible Assets					
Equipment			12,295		12,295
Total			<u>12,295</u>		<u>12,295</u>
Transfers-out					
Fund transfers			11,300		11,300
Total			<u>11,300</u>		<u>11,300</u>
Debt Service					
Loans			28,450		28,450
Total			<u>28,450</u>		<u>28,450</u>
Total Expenditures & Transfers-Out	\$ <u>351,200</u>	\$ <u>4,066,451</u>	\$ <u>508,366</u>	\$ <u>1,375,431</u>	\$ <u>6,301,448</u>
EXPENDITURES & TRANSFERS-OUT BY FUND					
General Fund	\$ 347,254	\$ 3,591,414	\$ 508,366	\$ 1,353,066	\$ 5,800,100
State Special Revenue Fund	3,946	302,356			306,302
Federal Special Revenue Fund		172,680		22,365	195,045
Total Expenditures & Transfers-Out	<u>351,200</u>	<u>4,066,451</u>	<u>508,366</u>	<u>1,375,431</u>	<u>6,301,448</u>
Less: Nonbudgeted Expenditures & Transfers-Out	(119,166)				(119,166)
Prior Year Expenditures & Transfers-Out Adjustments		11,382	29		11,410
Actual Budgeted Expenditures & Transfers-Out	<u>470,366</u>	<u>4,055,069</u>	<u>508,337</u>	<u>1,375,431</u>	<u>6,409,204</u>
Budget Authority	<u>477,069</u>	<u>4,117,146</u>	<u>522,836</u>	<u>1,381,128</u>	<u>6,498,179</u>
Unspent Budget Authority	\$ <u>6,703</u>	\$ <u>62,077</u>	\$ <u>14,499</u>	\$ <u>5,697</u>	\$ <u>88,975</u>
UNSPENT BUDGET AUTHORITY BY FUND					
General Fund	\$ 6,703	\$ 47,672	\$ 6,949	\$ 5,697	\$ 67,021
State Special Revenue Fund		13,195	7,550		20,745
Federal Special Revenue Fund		1,210			1,210
Unspent Budget Authority	\$ <u>6,703</u>	\$ <u>62,077</u>	\$ <u>14,499</u>	\$ <u>5,697</u>	\$ <u>88,975</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

Montana School for the Deaf and Blind

Notes to the Financial Schedules

For the Two Fiscal Years Ended June 30, 2014

1. Summary of Significant Accounting Policies

Basis of Accounting

The Montana School for the Deaf and Blind (school) uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental fund category (General, State Special Revenue, Federal Special Revenue). In applying the modified accrual basis, the school records:

Revenues when it receives cash or when receipts are realizable, measurable, earned, and available to pay current period liabilities.

Expenditures for valid obligations when the school incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the school to record the cost of employees' annual and sick leave when used or paid.

The school uses the full accrual basis accounting for its Fiduciary (Agency) fund category. Under the accrual basis, as defined by state accounting policy, the school records revenues in the accounting period when realizable, measurable, and earned, and records expenses in the period incurred when measurable.

Expenditures and expenses may include: entire budgeted service contracts even though the school receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Basis of Presentation

The financial schedule format was adopted by the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the state's accounting system without adjustment.

The school uses the following funds:

Governmental Fund Category

General Fund – to account for all financial resources except those required to be accounted for in another fund.

State Special Revenue Fund – to account for proceeds of specific revenue sources (other than private-purpose trusts or major capital projects) that are legally restricted to expenditures for specific state program purposes. The school's State Special Revenue Funds include School Trust Income, Medicaid and Donations made directly to the school.

Federal Special Revenue Fund – to account for activities funded from federal revenue sources. The school's Federal Special Revenue Funds include Office of Public Instruction pass through grants from the U.S. Department of Education and U.S. Department of Agriculture.

Fiduciary Fund Category

Agency Fund – to account for resources held by the state in a custodial capacity. Agency funds may be used on a limited basis for internal clearing account activity but these must have a zero balance at fiscal year-end. The school's agency funds tracks activity related to student accounts held in trust.

2. General Fund Equity Balance

The negative fund equity balance in the General Fund does not indicate overspent appropriation authority. The school has authority to pay obligations from the statewide General Fund within its appropriation limits. The school expends cash or other assets from the statewide fund when it pays General Fund obligations. The school's outstanding liabilities exceed the assets it has placed in the fund, resulting in negative ending General Fund equity balances for each of the fiscal years ended June 30, 2013 and June 30, 2014.

3. Direct Entries to Fund Equity

Direct entries to fund equity in the General Fund include entries generated by SABHRS to reflect the flow of resources within individual funds shared by separate agencies. A direct entry to fund equity in the General Fund primarily is the movement of cash resulting from the school paying its obligations.

4. Non-Budgeted Expenditures & Transfers-Out

The 2013 Schedule of Expenditures & Transfers-out contains a Non-Budgeted Expenditures & Transfer-Out balance of (\$119,166). This was an error in capitalization of roof re-surfacing to the Bitterroot Building. The entry was made in the actuals ledger instead of the Entity-Wide ledger. This was corrected in 2014 and is reflected in the 2014 Schedule of Expenditures & Transfer-Out in the Prior year Expenditures & Transfer-Out Adjustments line item of \$118,190. The asset was correctly recorded in the Entity-Wide Ledger.

5. Foundation

A foundation was created by the Montana Board of Public Education and incorporated under §20-8-111, MCA. The responsibility of the foundation is to receive, hold, manage, use, and dispose of real and personal property given to the school, the board, or the state of Montana on behalf of the school by purchase, gift, devise, bequest, or as otherwise acquired. The proceeds, interest and income thereof are to be used for the benefit of the school. The foundation activity is not reflected on the accompanying financial schedules. The foundations' audited financial statements report expenditures of \$188,071 and \$204,304 in support of the school during fiscal years 2013 and 2014, respectively.

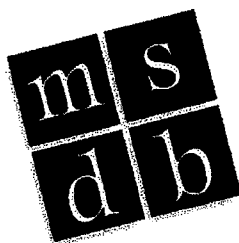
6. Related Party Transactions

The business manager and a human resource specialist for the school perform administrative and bookkeeping duties for the foundation. In addition the foundation receives on campus office space free of charge.

The school's foundation, which is a nonprofit organization outside of state government, is governed by a board of directors that yearly approves a budget for the financial support to be provided to the school. This budget defines the allowable expense categories for the year. The school's business manager is the person who initially approves those expenses to be paid by the foundation based on its budget. The business manager submits the approved request to the foundation's bookkeeper, who is also a school human resource specialist. The bookkeeper prepares checks and submits them to a board member to be signed and for their review/approval of the underlying invoice and expenses. The bookkeeper is also charged with the preparation of deposit documents for processing into the foundation's bank account.

MONTANA SCHOOL FOR
THE DEAF AND BLIND

SCHOOL RESPONSE



MONTANA
SCHOOL *for the*
Deaf & Blind

giving kids the building blocks to independence

3911 CENTRAL AVENUE
Great Falls, Montana 59405
406.771.6000 V/TTY
406.771.6164 FAX
www.msdb.mt.gov

October 31, 2014

Tori Hunthausen, Legislative Auditor
Office of the Legislative Auditor
State Capitol Building, Room 160
PO BOX 201705
Helena, MT 59620-1705

RECEIVED
OCT 31 2014
LEGISLATIVE AUDIT DIV.

Dear Ms. Hunthausen:

I would like to take this opportunity to thank the Legislative Audit staff for their assistance and work performed at the Montana School for the Deaf and the Blind (MSDB) for the two fiscal years ending June 30, 2014. Our staff considered it a pleasure to work with the Legislative Audit staff and we hope they found the experience professional and enjoyable.

We have review your Financial Compliance Audit completed for the two fiscal years ending June 30, 2014 and have no comments or exceptions to your report.

Thank you and your staff of professional auditors for your hard work and careful examination during this audit. We always look upon the audit process as an opportunity to improve our operations and performance.

Wishing you peace,

A handwritten signature in cursive script that reads "Donna E. Sorensen".

Donna E Sorensen, Superintendent
Montana School for the Deaf and the Blind