

Pat Appleby

FLORENCE-CARLTON PUBLIC SCHOOL

RAVALLI COUNTY, MONTANA

Fiscal Year Ended June 30, 2010

AUDIT REPORT

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

FLORENCE-CARLTON PUBLIC SCHOOL

RAVALLI COUNTY, MONTANA

Fiscal Year Ended June 30, 2010

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FLORENCE-CARLTON PUBLIC SCHOOL

RAVALLI COUNTY, MONTANA

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FLORENCE-CARLTON PUBLIC SCHOOL

RAVALLI COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2010

BOARD OF TRUSTEES

Vickie Cornish
Dorothy Rhodes
Mel Finlay
Mike Greger
Pat Appleby

Chairperson
Vice Chairperson
Trustee
Trustee
Trustee

DISTRICT OFFICIALS

John McGee
Julie Mason
Ernie Jean
George Corn

District Superintendent
District Clerk
County Superintendent
County Attorney

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**Florence-Carlton School District, Ravalli County
Management's Discussion and Analysis (MD & A)
For Fiscal Year Ended June 30, 2010**

The Superintendent and Business Manager/Clerk of the Florence-Carlton School District 15-6 have provided this Management's Discussion and Analysis to give the reader of these statements an overview of the financial position and activities of the School District for the fiscal year ended June 30, 2010.

Using This Financial Report

The general format of this report is required by Statement NO.34 of the Governmental Accounting Standards Board (GASB). This annual report consists of financial statements for the school district as a whole with more detailed information for certain funds. The statement of net assets and the statement of activities provide information about the activities of the School District as a whole and present a long term view of the school's finances (they include capital assets and long-term liabilities).

The fund financial statements present a short-term view of the school's activities (they include only current assets expected to be collected in the very near future and liabilities expected to be paid in the very near future). This present detailed information about the school's general fund and certain other funds. There is also summarized financial information about the student activity trust fund for which the school acts as trustee.

Financial Highlights

The school's financial operations in 2010 saw an increase in revenues and an increase in expenses as compared to the prior year. Total revenue increased \$864,188 or 12%. The revenue increase is due in major part to federal and state stimulus monies being added into the school budget; also we noticed a small increase in basic entitlement. Finally, we saw an increase in local contribution over the prior year which added to the total in increased revenue. In turn, our expenses increased as a direct result of teacher contracts, administration contracts and classified contract salary increases. We also saw increases in our student transportation due to negotiated contract and we saw food service increased due to inflation of supplies and equipment. Total expense increased \$307,434 or 4%.

Reporting the School District As A Whole

One important question asked about the School's finances is, "Is the School better or worse off as a result of the year's activities?" The information in the government-wide financial statements helps answer this question. These statement include all assets and liabilities using the accrual basis of accounting (and report depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies.

The change in net assets (the difference between total assets and total liabilities) over time is one indicator of whether the School's financial health is improving or deteriorating. However, you need to consider other nonfinancial factors in making an assessment of the School's health, such as changes in enrollment, changes in the State's funding of educational costs, changes in the economy, changes in the School's tax base, etc. to assess the overall health of the school.

Changes in the School's net assets (rounded to the nearest \$1,000) were as follows:

- *Increase in current assets is due to improvement made with state stimulus ARRA improvements to our boiler control panels.
- *Decrease in long-term debt is due to a current portion of the bond principle decreasing in 2009-2010.

Changes in school's programs revenue (rounded to the nearest \$1000) were as follows:

- *The majority of the increase in revenue is due to the school receiving state stimulus ARRA funds.
- *General revenue increased over the previous year due to increased property taxes revenue that started in the 2009-2010 school year. There was also an increase in donations and new and ongoing grants.

Changes in the School's expenses (rounded to the nearest \$1,000) were as follows:

- *Our support services expenses increased due to union negotiated contracts. In the instructional and administration program expenses areas most of this increase is due to high contract rates and high benefits paid out to employees. Also built into the increased expenses was the inflationary cost for food supplies and fuel reimbursement for the school district.

Fund Financial Statements:

The fund financial statements provide detailed information about the most significant of the School's funds. Generally accepted accounting principles (GAAP) require the School to provide detailed information for its "major" funds.

Major funds are defined as the general fund and other funds where the assets, liabilities, revenues, or expenditures exceed 10% of total government fund amounts. In 2010, the assets of the transportation fund and the assets and liabilities of the retirement and debt service funds exceeded this 10% threshold.

The government funds provide a short-term view of the School's operations. They are reported using an accounting method called modified accrual accounting which measures amounts using only cash and other short-term assets and liabilities (receivables and payables) that will soon be converted to cash or will soon be paid with cash.

As shown, total government fund balances increased \$275,819 as compared to an increase of \$570,869 in government-wide net assets. The difference is explained on the Reconciliation of the Statement of Revenues, Expenditures, and the Changes in Fund Balances of Governmental Funds to the Statement of Activities sheet.

There were no significant variations between the budget and actual revenues and expenditures which are detailed on the Budgetary Comparison Schedule. All budgeted fund expenditures were within the authorized budget.

Table 1 - Net Assets

	Governmental Activities		
	<u>FY10</u>	<u>FY09</u>	<u>Change Inc (Dec)</u>
Current and other assets	\$ 1,818,594	\$ 1,558,372	\$ 260,222
Capital assets	3,447,231	3,163,330	283,901
Total assets	<u>5,265,825</u>	<u>4,721,702</u>	<u>544,123</u>
Long-term debt outstanding	\$ 460,765	\$ 501,408	\$ (40,643)
Other liabilities	15,540	45,957	(30,417)
Total liabilities	<u>476,305</u>	<u>547,365</u>	<u>(71,060)</u>
Invested in capital assets, net of debt	3,282,231	2,847,332	434,899
Restricted	987,204	886,448	100,756
Unrestricted (deficit)	520,085	440,557	79,528
Total net assets	<u>\$ 4,789,520</u>	<u>\$ 4,174,337</u>	<u>\$ 615,183</u>

Table 2 - Changes in Net Assets

	Governmental Activities		
	<u>FY10</u>	<u>FY09</u>	<u>Change Inc (Dec)</u>
Revenues			
<i>Program revenues (by major source):</i>			
Charges for services	\$ 163,242	\$ 163,230	\$ 12
Operating grants and contributions	1,184,859	588,244	596,615
<i>General revenues (by major source):</i>			
Property taxes for general purposes	1,484,014	1,489,478	(5,464)
Grants and entitlements not restricted to specific programs	3,899,736	3,780,221	119,515
Investment earnings	17,934	13,026	4,908
Miscellaneous (other revenue)	66,747	31,103	35,644
State entitlement (block grants)	145,941	144,840	1,101
State technology	6,043	11,576	(5,533)
County retirement	571,844	543,259	28,585
Total revenues	<u>\$ 7,540,360</u>	<u>\$ 6,764,977</u>	<u>\$ 775,383</u>
Program expenses			
Instructional - regular	\$ 4,154,614	\$ 3,811,238	\$ 343,376
Instructional - special education	451,999	422,886	29,113
Instructional - vocational education	14,807	23,293	(8,486)
Instructional - adult education	5,412	3,442	1,970
Supporting services - operations & maintenance	500,333	725,172	(224,839)
Supporting services - general	43,696	36,067	7,629
Supporting services - educational media services	162,568	158,103	4,465
Administration - general	132,381	137,394	(5,013)
Administration - school	288,373	284,299	4,074
Administration - business	128,523	125,313	3,210
Student transportation	445,423	430,106	15,317
Extracurricular	197,175	195,424	1,751
School food	249,808	230,509	19,299
Debt service expense - interest	13,577	19,926	(6,349)
Unallocated depreciation*	180,802	147,690	33,112
Total expenses	<u>\$ 6,969,491</u>	<u>\$ 6,750,862</u>	<u>\$ 218,629</u>
Excess (deficiency) before special items and transfers	570,869	14,115	556,754
Increase (decrease) in net assets	<u>\$ 570,869</u>	<u>\$ 14,115</u>	<u>\$ 556,754</u>

Capital Asset & Debt Administration:

The District is continuing to pay back a loan from the Board of Investments for the purchase of new ovens for the Food Service Program. We had additional improvements consisting of addition to boiler controls, new sidewalks, scoreboards and added classroom carpet.

The Montana State Legislature had changed the funding of school bond payments to include those issued prior to 1991. Therefore, 2009-2010 was the seventh year that Florence-Carlton received State Guaranteed Tax Base Aid for the payment of the bonds in the Debt Service Funds. The amounts received will vary from year to year depending upon the amount authorized by the legislature and the number of schools who have outstanding bond debt, but this will give local taxpayers some relief in the form of lower taxes for these bonds.

The Future of the School District:

The student enrollment increased slightly from 2008. On the October, 2009 official count date, the district enrollment was 889 students. This compares to 873 students on the same date in 2008. This increase in enrollment is expected to continue, as the District is seeing an increase in the number of new homes being built in the district.

In its endeavor to address enrollment the school board has been allowing more out of district students attend our schools. The Board created more elective classes in the high school and has expanded its offering of extracurricular opportunities to attract new students.

The school district does not expect any significant changes in the 2010-2011 school year. Total budget will increase slightly (approximately 3%). This is primarily due to scheduled wages and benefit increases in teachers' employment agreement. It is also attributed to an increase in state general fund revenue.

The Montana legislature, in the 2009 session, included a 3% increase to all school districts general fund. As a result, the school district received \$123,494 additional monies from the state. This will help to stabilize programs and offset any decline in revenue caused by our decrease in ANB payment from the state.

Due to current economic conditions and fairly level to declining enrollment trends in the past several year, the school may need to run a voted levy in the 2011-2012 school year.

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

Board of Trustees
Florence-Carlton Public School
Ravalli County
Florence, Montana

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Florence-Carlton Public School, Ravalli County, Montana, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Florence-Carlton Public School management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

* In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Florence-Carlton Public School, Ravalli County, Montana, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

* As described in Note 1, the District has implemented the Post Retirement Benefits other than Pensions, as required by the provisions of GASB Statement No. 45, as of June 30, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2011, on our consideration of the Florence-Carlton Public School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 5 and 29 through 31, 32 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 Americas, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic 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 basic 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 basic financial statements of Florence-Carlton Public School, Ravalli County, Montana. 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. The information has be subjected to the auditing procedures applied in the audit of the 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

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

March 25, 2011

Florence-Carlton Public Schools, Ravalli County, Montana
Statement of Net Assets
June 30, 2010

		Governmental Activities
ASSETS		
Current assets:		
Cash and investments	\$	1,538,845
Taxes and assessments receivable, net		97,553
Accounts receivable - net		6,427
Due from other governments		160,241
Inventories		15,528
Total current assets	\$	1,818,594
Noncurrent assets		
Capital assets - land	\$	423,128
Capital assets - depreciable, net		3,024,103
Total noncurrent assets	\$	3,447,231
Total assets	\$	5,265,825
LIABILITIES		
Current liabilities		
Deferred revenue	\$	15,540
Current portion of long-term capital liabilities		165,000
Current portion of compensated absences payable		48,992
Total current liabilities	\$	229,532
Noncurrent liabilities		
Noncurrent portion of long-term liabilities	\$	71,972
Noncurrent portion of compensated absences		174,801
Total noncurrent liabilities	\$	246,773
Total liabilities	\$	476,305
NET ASSETS		
Invested in capital assets, net of related debt	\$	3,282,231
Restricted for capital projects		42,237
Restricted for debt service		69,471
Restricted for special projects		875,496
Unrestricted		520,085
Total net assets	\$	4,789,520
Total liabilities and net assets	\$	5,265,825

See accompanying Notes to the Financial Statements

Florence-Carlton Public Schools, Ravalli County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Primary Government
				Governmental Activities
Primary government:				
Governmental activities:				
Instructional - regular	\$ 4,154,614	\$ 22,680	\$ 245,220	\$ (3,886,714)
Instructional - special education	451,999	-	269,684	(182,315)
Instructional - vocational education	14,807	-	14,807	-
Instructional - adult education	5,412	2,238	-	(3,174)
Supporting services - operations & maintenance	500,333	-	-	(500,333)
Supporting services - general	43,696	-	6,750	(36,946)
Supporting services - educational media services	162,568	-	4,110	(158,458)
Administration - general	132,381	-	-	(132,381)
Administration - school	288,373	-	-	(288,373)
Administration - business	128,523	-	-	(128,523)
Student transportation	445,423	-	534,056	88,633
Extracurricular	197,175	-	-	(197,175)
School food	249,808	138,324	110,232	(1,252)
Debt service expense - interest	13,577	-	-	(13,577)
Unallocated depreciation*	180,802	-	-	(180,802)
Total governmental activities	\$ 6,969,491	\$ 163,242	\$ 1,184,859	\$ (5,621,390)
Total primary government	\$ 6,969,491	\$ 163,242	\$ 1,184,859	\$ (5,621,390)
General Revenues:				
Property taxes for general purposes			\$	1,484,014
Grants and entitlements not restricted to specific programs				3,899,736
Investment earnings				17,934
Miscellaneous (other revenue)				66,747
State entitlement (block grants)				145,941
State technology				6,043
County retirement				571,844
Total general revenues, special items and transfers			\$	6,192,259
Change in net assets			\$	570,869
Net assets - beginning			\$	4,174,337 ✓
Restatements				44,314
Net assets - beginning - restated				4,218,651
Net assets - end			\$	4,789,520 ✓

* This amount excludes the depreciation that is included in the direct expenses of the various programs
See accompanying Notes to the Financial Statements

Florence-Carlton Public Schools, Ravalli County, Montana
Balance Sheet
Governmental Funds
June 30, 2010

	<u>General Fund</u>	<u>Transportation</u>	<u>Retirement</u>	<u>Miscellaneous Programs</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Current assets:						
Cash and investments	\$ 645,241	\$ 136,644	\$ 196,835	\$ 342,892	\$ 217,233	\$ 1,538,845
Taxes and assessments receivable, net	66,920	19,329	-	-	11,304	97,553
Accounts receivable - net	2,126	-	-	-	4,301	6,427
Due from other governments	55,093	23,651	71,080	92	10,325	160,241
Inventories	11,536	-	-	-	3,992	15,528
Total assets	\$ 780,916	\$ 179,624	\$ 267,915	\$ 342,984	\$ 247,155	\$ 1,818,594
LIABILITIES						
Current liabilities:						
Deferred revenue	\$ 66,920	\$ 19,329	\$ -	\$ 15,540	\$ 15,605	\$ 117,394
Total liabilities	\$ 66,920	\$ 19,329	\$ -	\$ 15,540	\$ 15,605	\$ 117,394
FUND BALANCES						
Reserved for inventories	\$ 11,536	\$ -	\$ -	\$ -	\$ 3,992	\$ 15,528
Reserved for encumbrances	286,917	877	-	14,471	-	302,265
Reserved for debt service	-	-	-	-	69,471	69,471
Reserved for capital projects	-	-	-	-	42,237	42,237
Reserved for operations	415,543	100,919	226,407	-	10,000	752,869
Unreserved reported in special revenue funds	-	58,499	41,508	312,973	105,850	518,830
Total fund balance	\$ 713,996	\$ 160,295	\$ 267,915	\$ 327,444	\$ 231,550	\$ 1,701,200
Total liabilities and fund balance	\$ 780,916	\$ 179,624	\$ 267,915	\$ 342,984	\$ 247,155	\$ 1,818,594

See accompanying Notes to the Financial Statements

Florence-Carlton Public Schools, Ravalli County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets
June 30, 2010

Total fund balances - governmental funds	\$ 1,701,200
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,447,231
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.	101,854
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(460,765)
Total net assets - governmental activities	\$ <u>4,789,520</u>

See accompanying Notes to the Financial Statements

Florence-Carlton Public Schools, Ravalli County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	<u>General Fund</u>	<u>Transportation</u>	<u>Retirement</u>	<u>Miscellaneous Programs</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Local revenue	\$ 1,040,243	\$ 322,959	\$ 2,959	\$ 199,841	\$ 284,359	\$ 1,850,361
County revenue	-	48,059	571,844	-	-	619,903
State revenue	3,937,466	64,129	-	551,345	99,910	4,652,850
Federal revenue	157,865	-	-	134,892	109,669	402,426
Total revenues	<u>\$ 5,135,574</u>	<u>\$ 435,147</u>	<u>\$ 574,803</u>	<u>\$ 886,078</u>	<u>\$ 493,938</u>	<u>\$ 7,525,540</u>
EXPENDITURES						
Instructional - regular	\$ 3,334,483	\$ -	\$ 441,956	\$ 178,302	\$ 89,518	\$ 4,044,259
Instructional - special education	292,018	-	26,737	133,244	-	451,999
Instructional - vocational education	-	-	-	14,807	-	14,807
Instructional - adult education	-	-	556	-	4,856	5,412
Supporting services - operations & maintenance	477,760	-	21,750	-	300	499,810
Supporting services - general	33,022	-	3,924	6,750	-	43,696
Supporting services - educational media services	140,969	-	18,267	3,332	-	162,568
Administration - general	120,599	-	11,782	-	-	132,381
Administration - school	253,564	-	34,809	-	-	288,373
Administration - business	120,946	-	7,577	-	-	128,523
Student transportation	-	437,305	8,118	-	-	445,423
Extracurricular	175,965	-	12,268	-	-	188,233
School food	-	-	9,076	-	240,732	249,808
Debt service expense - principal	-	-	-	-	150,998	150,998
Debt service expense - interest	-	-	-	-	13,577	13,577
Capital outlay	11,185	-	-	441,378	21,605	474,168
Total expenditures	<u>\$ 4,960,511</u>	<u>\$ 437,305</u>	<u>\$ 596,820</u>	<u>\$ 777,813</u>	<u>\$ 521,586</u>	<u>\$ 7,294,035</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 175,063</u>	<u>\$ (2,158)</u>	<u>\$ (22,017)</u>	<u>\$ 108,265</u>	<u>\$ (27,648)</u>	<u>\$ 231,505</u>
Net change in fund balance	<u>\$ 175,063</u>	<u>\$ (2,158)</u>	<u>\$ (22,017)</u>	<u>\$ 108,265</u>	<u>\$ (27,648)</u>	<u>\$ 231,505</u>
Fund balances - beginning	\$ 538,933	\$ 162,453	\$ 289,932	\$ 174,865	\$ 259,198	\$ 1,425,381
Restatements	-	-	-	44,314	-	44,314
Fund balances - beginning, restated	<u>\$ 538,933</u>	<u>\$ 162,453</u>	<u>\$ 289,932</u>	<u>\$ 219,179</u>	<u>\$ 259,198</u>	<u>\$ 1,469,695</u>
Fund balance - ending	<u>\$ 713,996</u>	<u>\$ 160,295</u>	<u>\$ 267,915</u>	<u>\$ 327,444</u>	<u>\$ 231,550</u>	<u>\$ 1,701,200</u>

See accompanying Notes to the Financial Statements

Florence-Carlton Public Schools, Ravalli 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, 2010

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

Net change in fund balances - total governmental funds	\$	231,505
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		474,168
- Depreciation expense		(190,267)
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)		14,820
The change in compensated absences is shown as an expense in the Statement of Activities		(38,383)
Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Assets:		
- Long-term debt principal payments		150,998
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		(71,972)
Change in net assets - Statement of Activities	\$	<u>570,869</u>

See accompanying Notes to the Financial Statements

Florence-Carlton Public Schools, Ravalli County, Montana
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and short-term investments	\$ 137,146	\$ 349,565
Total assets	\$ 137,146	\$ 349,565
LIABILITIES		
Warrants payable	\$ -	\$ 268,597
Due to others	-	80,968
Total liabilities	\$ -	\$ 349,565
Assets held in trust	\$ 137,146	

See accompanying Notes to the Financial Statements

Florence-Carlton Public Schools, Ravalli County, Montana
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2010

		<u>Private Purpose Trust Funds</u>
ADDITIONS		
Student activities	\$	239,934
Total additions	\$	<u>239,934</u>
DEDUCTIONS		
Student activities	\$	260,988
Total deductions	\$	<u>260,988</u>
Change in net assets	\$	<u>(21,054)</u>
Net Assets - Beginning of the year	\$	164,222
Restatements		(6,022)
Net Assets - Beginning of the year - Restated	\$	<u>158,200</u>
Net Assets - End of the year	\$	<u><u>137,146</u></u>

See accompanying Notes to the Financial Statements

FLORENCE-CARLTON PUBLIC SCHOOL
RAVALLI COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

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.

The government adopted the provisions of Governmental Accounting Standards Board statement No. 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.

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 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 provides education from kindergarten through the twelfth grade.

The District is managed by a Board of Trustees, elected in district-wide elections, and by an administration appointed by and responsible to the Board. The financial statements include all of the operations of the District controlled by the Board of Trustees. 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.

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 Assets 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.

FLORENCE-CARLTON PUBLIC SCHOOL
RAVALLI COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

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 Assets have been eliminated.

Measurement Focus and Basis of Accounting

Accrual

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-type 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:

FLORENCE-CARLTON PUBLIC SCHOOL
RAVALLI COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

- 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 be 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.

Transportation Fund – This is a special revenue fund used to account for the District's busing.

FLORENCE-CARLTON PUBLIC SCHOOL
RAVALLI COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

Retirement Fund – Authorized by Section 20-9-501, MCA, for the purpose of financing the employer's contribution to the Teachers' Retirement System (TRS), the Public Employees Retirement System (PERS), Unemployment Compensation and Social Security. Funded by a countywide levy for retirement.

Miscellaneous Programs Fund – This fund accounts 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

Student Extracurricular Activities Fund – Private Purpose Trust – The District reports the Student Extracurricular funds as fiduciary funds as they represent assets held in a trust capacity for the student extracurricular activities and therefore cannot be used to support the District's own programs.

Claims and Payroll Clearing Agency – Authorized by Section 20-9-220, MCA for the purpose of reducing the bookkeeping requirements associated.

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, 2010, consisted of demand deposits, savings accounts, certificates of deposit, repurchase agreements, U.S. government securities, U.S. treasury bonds, money market accounts, and the State Short-Term Investment Pool (STIP). Interest earned on pooled investments is distributed to each contributing entity and fund on a pro rata basis. The County investment pool is not rated.

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 Ravalli County deposits and investments is available from Ravalli County Treasurer's office, 215 S. Fourth, Suite A, Hamilton, MT 59840. Fair value approximates carrying value for investments as of June 30, 2010.

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.

FLORENCE-CARLTON PUBLIC SCHOOL
RAVALLI COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

Deposits

The District's deposit balance at year end was \$137,146 and the bank balance was \$224,743. The District's bank balance at year-end was fully insured by FDIC.

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.

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 $\frac{5}{6}$ 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

The cost of inventories are recorded as an expenditure when purchased. At year end inventories are recorded.

The District uses the First In First Out (FIFO) method of valuation.

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:

**FLORENCE-CARLTON PUBLIC SCHOOL
RAVALLI COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010**

Buildings.....	15-50 years
Building & Land Improvements.....	10-30 years
Equipment & Vehicles.....	5-20 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 2010 Basic Financial Statements. The government has elected not to retroactively report general infrastructure assets.

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

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Balance June 30, 2010</u>
Capital assets not being depreciated:			
Land	\$ 423,128	\$ -	\$ 423,128
Other Capital Assets:			
Buildings	\$ 5,354,613	\$ 6,985	\$ 5,361,598
Improvements Other than Buildings	<u>234,583</u>	<u>467,183</u>	<u>701,766</u>
Total other Capital Assets at historical cost	\$ 5,589,196	\$ 474,168	\$ 6,063,364
Less Accumulated Depreciation	\$(2,848,994)	\$(190,267)	\$(3,039,261)
Total	<u>\$ 3,163,330</u>	<u>\$ 283,901</u>	<u>\$ 3,447,231</u>

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

Governmental Activities:	
Supporting services – operations and maintenance	\$ 523
Extracurricular	8,942
Unallocated depreciation	<u>180,802</u>
Total governmental activities depreciation expense	<u>\$190,267</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.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2010, the following changes occurred in liabilities reported in long-term debt:

FLORENCE-CARLTON PUBLIC SCHOOL
RAVALLI COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

Governmental Activities:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Due within</u> <u>one year</u>
General Obligation Bonds	\$315,000	\$ -	\$(150,000)	\$165,000	\$ 165,000
Intercap Loans	998	-	(998)	-	-
Compensated Absences	185,410	38,383	-	223,793	48,992
Other Post Employment Benefits *	<u>-</u>	<u>71,972</u>	<u>-</u>	<u>71,972</u>	<u>-</u>
Total	<u>\$501,408</u>	<u>\$110,355</u>	<u>\$(150,998)</u>	<u>\$460,765</u>	<u>\$213,992</u>

* See Note 8

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, 2009 were as follow:

<u>Purpose</u>	<u>Origination</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Term</u>	<u>Maturity</u> <u>Date</u>	<u>Principal</u> <u>Amount</u>	<u>Annual</u> <u>Payment</u>	<u>Balance</u> <u>June 30, 2009</u>
Series 2001 Refunding Bond	04/01/2001	3.5-4.35%	10 yrs	07/01/2011	<u>\$ 1,350,000</u>	Varies	<u>\$ 315,000</u>

Annual requirement to amortize debt:

<u>For Fiscal</u> <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2011	<u>\$165,000</u>	<u>\$7,178</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.

At the beginning of the school year, each teacher shall be credited with twelve days of leave at full salary for sick leave. Upon termination teachers shall receive a lump sum payment for accumulated and unused sick leave as follows:

Total the accumulated and unused sick leave days over the total number of years that the teacher was employed at the district. Multiply by ¾ of the substitute's wage for the last year to the teacher's employment.

FLORENCE-CARLTON PUBLIC SCHOOL
RAVALLI COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

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

NOTE 7. 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, 2010, were:

	<u>PERS</u>	<u>TRS</u>
Employer	6.80%	7.47%
Employee	6.90%	7.15%
State	0.370%	2.49%

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. Public Employees Retirement Division, 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.

The District's contributions for the years ended June 30, 2008, 2009, and 2010, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>	<u>TRS</u>
2008	\$ 18,728	\$ 238,955
2009	\$ 29,556	\$ 251,444
2010	\$ 33,521	\$ 266,415

NOTE 8. POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description. The Florence Carlton School District Employee Group Benefits Plan (FCSDEGBP) is a single-employer defined benefit healthcare plan administered by the Florence-Carlton School District. FCSDEGBP provides medical and dental insurance benefits to eligible retirees and their spouses.

FLORENCE-CARLTON PUBLIC SCHOOL
RAVALLI COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

Montana Codes Annotated Section 2-18-704 allows members who retire from service to pay medical and dental benefits through the governments plan at the same premium as active members.

Per Article 15 of the Comprehensive Agreement between the Board of Trustees, Florence Carlton School District No. 15-6, High School District and the Florence Carlton Education Association, the District shall provide an additional benefit for eligible teachers retiring or resigning at the conclusion of their 30th year of creditable service or age 60 and 5 years of service.

The plan does not issue a stand alone financial report.

Funding Policy. The contribution requirements of plan members and the State are established and may be amended by the state legislature. The required contribution is based on projected pay-as-you-go financing requirements.

Annual OPEB Cost and Net OPEB Obligation. The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters 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 amortise any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to FCSDEGP:

Annual required contribution	\$ 71,972
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>\$ 71,972</u>
Contributions made	<u>\$ -</u>
Increase in net OPEB obligation	<u>\$ 71,972</u>
Net OPEB obligation – beginning of year	<u>\$ -</u>
Net OPEB obligation – end of year	<u>\$ 71,972</u>

Funded Status and Funding Progress. As of July 1, 2009 the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability (AAL) for benefits was \$782,835 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$782,835.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results

**FLORENCE-CARLTON PUBLIC SCHOOL
RAVALLI COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010**

are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The actuarial funding method used to determine the cost of the Florence Carlton School District Employee Group Benefits Plan is the projected unit credit funding method. The objective under this method is to fund each participant's benefits under the plan as they accrue. Thus, the total benefit to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service. Typically, when this method is introduced, there will be an initial liability for benefits credited for service prior to that date, and to the extent that the liability is not covered by assets of the plan, there is an unfunded liability to be funded over a stipulated period in accordance with an amortizations schedule.

The actuarial assumptions included a:

4.25%	Investment/discount rate
2.5%	Projected payroll increases
45%	Of future retirees are assumed to elect coverage a the time of retirement
33.5%	Of future retirees are assumed to elect dental coverage.
28.3%	Of future retirees are assumed to elect vision coverage.
70%	Of the future retirees who elect medical or dental coverage and are married are assumed to elect spousal coverage as well.

The actuarial assumptions also included the following healthcare cost trend:

	<u>Initially</u>	<u>By 2015</u>
Medical	6.3%	5.0%
Prescription drugs	6.3%	5.0%
Dental	12.8%	5.5%
Vision	13.1%	4.0%

NOTE 9. POST EMPLOYMENT BENEFITS

Retirees may remain on the district's health plan to age 65, provided they pay the monthly premiums. State law requires the district to provide this benefit. No cost can be estimated for the above benefits, although there is the probability that there are higher medical costs for retirees which would result in additional costs to the insurance program.

The District had eight retired employees participating in the pan as of June 30, 2010.

FLORENCE-CARLTON PUBLIC SCHOOL
RAVALLI COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 10. FUND EQUITY

Reservations of equity show amounts that are not appropriate for expenditure or are legally restricted for specific uses. The purpose for each is indicated below:

<u>General Fund</u>	
Reserved for Operations	\$ 415,543
Reserved for Inventories	11,536
Reserved for Encumbrances	<u>286,917</u>
Total General Fund	<u>\$ 713,996</u>
<u>Special Revenue Funds</u>	
Transportation Fund	
Reserved for Operations	\$ 100,919
Reserved for Encumbrances	877
School Food Services Fund	
Reserved for Inventories	3,992
Retirement Fund	
Reserved for Operations	226,407
Miscellaneous Programs Fund	
Reserved for Encumbrances	14,471
Technology Fund	
Reserved for Operations	10,000
Compensated Absences Fund	
Reserved for Compensated Absences Liability	<u>103</u>
Total Special Revenue Funds	<u>\$ 356,769</u>
<u>Debt Service Funds</u>	
Reserved for General Obligation Bond Repayment	<u>\$ 69,368</u>
<u>Capital Projects Fund</u>	
Building Fund	
Reserved for Building	\$ 42,236
Building Reserve Fund	
Reserved for Building	<u>1</u>
Total Capital Projects Fund	<u>\$ 42,237</u>
Total	<u>\$1,182,370</u>

FLORENCE-CARLTON PUBLIC SCHOOL
RAVALLI COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 11. RESTATEMENTS

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

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
Miscellaneous Programs	\$ 44,314	Prior period restatement to correct deferred revenue
Student Extracurricular Activities	\$(6,022)	Prior period revenue adjustment

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.

Special Education Cooperative

Florence-Carlton Public Schools is a member of the Bitterroot Valley Special Education Cooperative. The Cooperative is comprised of 6 districts, each of which contributes to the operating costs of the Cooperative based on an annual fiscal budget adopted by the Cooperative and the benefits derived from the Cooperative's services. The Board of the Cooperative is made up of the six district superintendents. Separate financial statements can be obtained from Bitterroot Valley Education Cooperative, P.O. Box 187, Stevensville, MT 59870, (406) 777-2494.

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.

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

**FLORENCE-CARLTON PUBLIC SCHOOL
RAVALLI COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010**

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.

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**REQUIRED SUPPLEMENTAL
INFORMATION**

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Florence-Carlson Public Schools, Ravalli County, Montana
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2010

	General Fund				Transportation			
	BUDGETED AMOUNTS ORIGINAL	BUDGETED AMOUNTS FINAL	ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET	BUDGETED AMOUNTS ORIGINAL	BUDGETED AMOUNTS FINAL	ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
RESOURCES (INFLOWS):								
Local revenue	\$ 1,051,240	\$ 1,051,240	\$ 1,040,243	\$ (10,997)	\$ 321,563	\$ 321,563	\$ 322,959	\$ 1,396
County revenue					49,500	49,500	48,059	(1,441)
State revenue	4,095,311	4,095,311	3,937,466	(157,865)	69,010	69,010	64,129	(4,881)
Federal revenue			157,865	157,865				
Amounts available for appropriation	\$ 5,146,571	\$ 5,146,571	\$ 5,135,574	\$ (10,997)	\$ 440,073	\$ 440,073	\$ 435,147	\$ (4,926)
CHARGES TO APPROPRIATIONS (OUTFLOWS):								
Instructional - regular	\$ 3,381,768	\$ 3,381,768	\$ 3,317,517	\$ 64,251	\$ -	\$ -	\$ -	\$ -
Instructional - special education	316,208	316,208	292,018	24,190	-	-	-	-
Instructional - vocational education	-	-	-	-	-	-	-	-
Instructional - adult education	-	-	-	-	-	-	-	-
Supporting services - operations & maintenance	564,975	564,975	681,171	(116,196)	-	-	-	-
Supporting services - general	35,238	35,238	33,022	2,216	-	-	-	-
Supporting services - educational media services	149,034	149,034	140,983	8,051	-	-	-	-
Administration - general	130,668	130,668	121,086	9,582	-	-	-	-
Administration - school	261,028	261,028	253,564	7,464	-	-	-	-
Administration - business	88,987	88,987	74,941	14,046	-	-	-	-
Student transportation	192,596	192,596	171,227	21,369	501,375	501,375	437,305	64,070
Extracurricular	-	-	-	-	-	-	-	-
School food	-	-	-	-	-	-	-	-
Capital outlay	26,069	26,069	4,200	21,869	-	-	-	-
Total charges to appropriations	\$ 5,146,571	\$ 5,146,571	\$ 5,089,729	\$ 56,842	\$ 501,375	\$ 501,375	\$ 437,305	\$ 64,070
Net change in fund balance			\$ 45,845				\$ (2,158)	
Fund balance - beginning of the year			\$ 381,224				\$ 161,576	
Fund balance - end of the year			\$ 427,079				\$ 159,418	

Florence-Cartton Public Schools, Ravalli County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2010

	Retirement			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Local revenue	\$ -	\$ -	\$ 91,764	\$ 91,764
County revenue	572,139	572,139	571,844	(295)
State revenue	-	-	-	-
Federal revenue	-	-	-	-
Amounts available for appropriation	<u>\$ 572,139</u>	<u>\$ 572,139</u>	<u>\$ 663,608</u>	<u>\$ 91,469</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 412,016	\$ 412,016	\$ 530,761	\$ (118,745)
Instructional - special education	93,639	93,639	26,737	66,902
Instructional - vocational education	-	-	-	-
Instructional - adult education	782	782	556	226
Supporting services - operations & maintenance	22,434	22,434	21,750	684
Supporting services - general	5,361	5,361	3,924	1,437
Supporting services - educational media services	17,332	17,332	18,267	(935)
Administration - general	11,316	11,316	11,782	(466)
Administration - school	34,707	34,707	34,809	(102)
Administration - business	7,047	7,047	7,577	(530)
Student transportation	10,004	10,004	8,118	1,886
Extracurricular	15,471	15,471	12,268	3,203
School food	8,462	8,462	9,076	(614)
Capital outlay	-	-	-	-
Total charges to appropriations	<u>\$ 638,571</u>	<u>\$ 638,571</u>	<u>\$ 685,625</u>	<u>\$ (47,054)</u>
Net change in fund balance			<u>\$ (22,017)</u>	
Fund balance - beginning of the year			<u>\$ 289,932</u>	
Fund balance - end of the year			<u>\$ 267,915</u>	

Florence-Carlton Public Schools, Ravalli 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 Fund</u>	<u>Transportation</u>	<u>Retirement</u>
Sources/Inflows of resources			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 5,135,574	\$ 435,147	\$ 574,803
<hr/>			
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 5,135,574</u>	<u>\$ 435,147</u>	<u>\$ 574,803</u>
Uses/Outflows of resources			
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 5,089,729	\$ 437,305	\$ 596,820
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.			
- Encumbrances reported at the beginning of the year	157,699	877	-
- Encumbrances reported at the end of the year	(286,917)	(877)	-
<hr/>			
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 4,960,511</u>	<u>\$ 437,305</u>	<u>\$ 596,820</u>

Note B

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

Florence-Carlton Public School, Ravalli County, Montana
Schedule of Funding Progress - Other Post Employment Benefits Other Than Pensions
 For the Fiscal Year Ended June 30, 2010

REQUIRED SUPPLEMENTARY INFORMATION

Post Employment Health Care Plan

Changes in plan provisions

The following benefit changes apply for the 2009-2010 plan year:

A virtual colonoscopy benefit was included as part of the Colon Cancer Prevention Benefit.

The RM Maximum lifetime benefit was increased from \$3,000,000 to \$5,000,000.

Acupuncture services were added to the Chiropractic Benefit.

The prescription deductible was increased from \$50 to \$75 but was waived on generic prescriptions.

Generic copayment is \$10 for 30-day and \$20 for 90-day prescriptions.

Schedule of funding progress:

Actuarial Valuation <u>Date</u>	(AAL) Actuarial Accrued <u>Liability</u>	(UAAL) Unfunded <u>AAL</u>	Funded <u>Ratio</u>
7/1/09	<u>\$782,835</u>	<u>\$782,835</u>	0%

Annual Covered Payroll \$1,603,479

Ratio of Unfunded Actuarial Liability (or Funding Excess) to Annual Covered Payroll is 49%.

SUPPLEMENTAL INFORMATION

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Florence-Carlton Public Schools
Ravalli County, Montana
SCHEDULE OF ENROLLMENT
For the Year Ended June 30, 2010

Fall Enrollment - October, 2009
Elementary School District

	FALL		
	Per Enrollment Reports	Audit Per District Records	Difference
(a) Pre-Kindergarten	2	2	0
(b) Kindergarten Full	54	54	0
(c) Transition 1st	15	15	0
(d) Grades 1-6	398	398	0
(e) Grades 7-8	145	145	0
(f) Total Elementary (add lines a through e)	614	614	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	4	0	0	0	4	0	0
Kinder - Part	0	0	N/A	N/A	0	0	N/A	N/A	0
1-6	0	0	0	0	0	0	0	0	0
7-8	0	0	0	0	0	0	0	0	0

High School District

	FALL		
	Per Enrollment Reports	Audit Per District Records	Difference
(g) Grades 9-12	277	277	0
(h) 19 year-olds included on line (g)	0	0	0
(i) Job Corps students included on line (g)	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	0	0	0	0	0	0	0	0

Spring Enrollment - February, 2010
Elementary School District

	SPRING		
	Per Enrollment Reports	Audit Per District Records	Difference
(j) Pre-Kindergarten	7	7	0
(k) Kindergarten - Full	53	53	0
(l) Transition 1st	14	14	0
(m) Grades 1-6	385	385	0
(n) Grades 7-8	143	143	0
(o) Total Elementary (add lines j through n)	602	602	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	4	0	0	0	4	0	0
Kinder - Part	0	0	N/A	N/A	0	0	N/A	N/A	0
1-6	0	0	0	0	0	0	0	0	0
7-8	0	0	0	0	0	0	0	0	0

High School District

	SPRING		
	Per Enrollment Reports	Audit Per District Records	Difference
(p) Grades 9-12	269	269	0
(q) 19 year-olds included on line (p)	0	0	0
(r) Early Graduates (not included on line (p))	0	0	0
(s) Job Corps students included on line (p)	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	0	0	0	0	0	0	0	0

Florence-Carlton Public Schools
 Ravalli County, Montana
 EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS
 Fiscal Year Ended June 30, 2010

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Transfers In(Out)	Ending Balance
4C English	\$ -	\$ 67	\$ -	\$ -	\$ 67
T1 Field Trip	-	270	233	-	37
1st Grade Field Trip	-	211	211	-	-
4th Grade Field Trip	-	201	198	-	3
5th Grade Field Trip	-	46	-	-	46
7th Grade Field Trip	-	658	593	-	65
8th Grade Field Trip	-	6,232	4,706	-	1,526
Activity Receipts	45,680	32,796	4,115	(41,757)	32,604
Adult Education	-	2,288	2,288	-	-
Admin. Pop Mach.	-	160	-	-	160
ACT Prep	-	3,617	3,604	-	13
Art Club	950	2,906	3,423	(20)	413
Boys/Girls State	37	-	-	-	37
BIO 2	-	6,043	101	-	5,942
Boys Basketball	-	(5,868)	151	6,019	-
Boys Basketball Student	-	4,523	1,414	-	3,109
Boys Basketball-Divisional	-	950	1,159	209	-
Boys Basketball-State	-	3,371	6,792	3,421	-
Branzell/Washington DC	-	977	430	-	547
Cheerleaders	2,666	4,710	6,970	(75)	331
JMG	169	-	-	-	169
Key Club	2,024	2,667	4,177	630	1,144
Class of 2010	754	154	642	-	266
Class of 2011	230	3,343	2,049	107	1,631
Class of 2012	304	1,917	1,020	(352)	849
Class of 2013	69	2,530	-	-	2,599
Class of 2014	133	-	-	-	133
Coffee Fund	-	2	-	-	2
Computer Lab	-	78	-	-	78
Conversion State dated checks	-	-	-	-	-
Conversion Unreconcilable	-	2,750	-	(2,750)	-
Cookbook Sales	-	208	-	-	208
Driver Ed	-	22,950	22,950	-	-
Drama Club	1,729	-	-	-	1,729
Elementary Incentive	572	2,789	474	-	2,887
Elementary Music	-	174	78	(81)	15
Elementary Student Council	12,623	205	331	(12,323)	174
Elementary Yearbook	297	1,921	1,764	-	454
England Trip/Falcon Flyer	-	1,607	1,027	-	580
Environmental Club	177	-	-	-	177
F Club	645	51	566	-	130
Falcon View	-	1,697	1,697	-	-
Falcon Yearbook	5,222	4,521	6,399	630	3,974
Family Center - MS	192	843	707	29	357
Family Center - Elementary	135	1,489	775	12	861
Fine Arts	-	238	-	-	238
Football	-	(2,982)	-	2,982	-
Football Student	-	1,206	-	-	1,206
Football-Tournament	-	(851)	-	851	-

Florence-Carlton Public Schools
 Ravalli County, Montana
 EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS (continued)
 Fiscal Year Ended June 30, 2010

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Transfers In(Out)	Ending Balance
Foreign Language Club	-	33	-	-	33
Geraghty's English Class	-	181	-	-	181
German Club	12	295	147	-	160
Girls Basketball	-	(5,130)	21	5,151	-
Girls Basketball Student	-	1,514	537	-	977
Girls Basketball-Divisionals	-	1,124	1,176	52	-
Greece Trip	-	1	-	-	1
HS Incentive	-	197	-	-	197
Junior Board (FSB)	1,000	-	1,000	-	-
In & Out	42,171	40,850	91,094	12,959	4,886
Industrial Arts	1,118	2,618	1,766	20	1,990
Interest	-	972	-	(972)	-
Interest/Adjustments	11,314	(1,371)	954	2,354	11,343
Library	980	253	1,086	(20)	127
Lab Account	409	500	382	-	527
Learning Center (Sp Ed)	2,258	-	-	-	2,258
Library/Book Fair	387	2,730	2,868	77	326
Lunch	-	138,446	134,168	23	4,301
Lunch Alacarte	-	4,540	4,540	-	-
Mass Media	31	159	-	-	190
MCT	-	1,906	1,557	-	349
MS 6th Grade Health	37	-	-	-	37
MS 8th Grade Book Club	-	416	310	352	458
Middle School Yearbook	2,896	1,289	1,240	-	2,945
Middle School Band Festival	-	1,162	1,665	503	-
MS FCMSPA	-	1,221	151	(41)	1,029
MS Incentive	-	310	300	-	10
MS Student Council	460	-	-	-	460
Music - Band	11,227	18,063	12,963	(10,608)	5,719
Music - Choir	1,237	2,160	2,704	-	693
National Honor Society	790	699	1,040	423	872
NSF Checks/Charges	-	(886)	482	1,368	-
Outdoor Classroom	565	-	-	-	565
PACT	-	9,627	382	-	9,245
Parking Pass	3,843	1	-	-	3,844
Pep Band	-	34,338	45,018	10,735	55
Pep Club	200	-	-	-	200
Physics Class	188	-	-	-	188
Picture Restoration	84	-	-	-	84
PSAT	7	325	325	-	7
Reader Board	133	-	75	-	58
Spanish Club	549	296	-	-	845

Florence-Carlton Public Schools
 Ravalli County, Montana
 EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS (continued)
 Fiscal Year Ended June 30, 2010

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Transfers In/(Out)	Ending Balance
Science Olympiad	30	-	30	-	-
Softball	-	106	6,834	6,728	-
Softball Student	-	3,164	427	-	2,737
Speech & Debate	-	(149)	-	149	-
Student Council	6,268	3,451	4,026	313	6,006
Student Fines	-	5,480	-	(25)	5,455
Student Council Concessions	1,420	15,677	12,853	(2,745)	1,499
Teachers Pop	-	848	278	-	570
Track	-	-	3,974	3,974	-
Track Student	-	340	300	-	40
Strack State	-	-	3,698	3,698	-
Volleyball	-	(3,560)	108	3,668	-
Volleyball Student	-	2,288	-	-	2,288
Volleyball State	-	(1,476)	-	1,476	-
Weight Room	-	1,374	-	-	1,374
Wrestling	-	(2,638)	-	2,638	-
Wrestling Student	-	1,774	368	-	1,406
Wrestling State	-	995	1,213	218	-
Yo-Yo	-	151	-	-	151
Total	\$ 164,222	\$ 400,329	\$ 423,104	\$ -	\$ 141,447

SINGLE AUDIT SECTION

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Florence-Carlton Public School, Ravalli County, Montana
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For Fiscal Year Ended June 30, 2010

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Beginning Balance July 1, 2009</u>	<u>Federal Revenue</u>	<u>Federal Expenditures</u>	<u>Ending Balance June 30, 2010</u>
<u>U.S. Department of Agriculture</u>							
<i>Passed through Montana Office of Public Instruction:</i>							
National School Breakfast Program	10.553	N/A	N/A	\$ -	\$ 17,055	\$ 17,055	\$ -
National School Lunch Program (Donated Food) (1)	10.555	N/A	N/A	-	8,441	8,441	-
National School Lunch Program	10.555	N/A	N/A	-	92,614	92,614	-
Total U.S. Department of Agriculture				<u>\$ -</u>	<u>\$ 118,110</u>	<u>\$ 118,110</u>	<u>\$ -</u>
<u>U.S. Department of Education</u>							
<i>Passed through Montana Office of Public Instruction:</i>							
Title I Grants to Local Education Agencies - Part A, Improving Basic Programs	84.010A	41-0743-31-10	\$ 89,608	\$ -	\$ 57,303	\$ 57,429	\$ (126)
Title I Grants to Local Education Agencies - Part A, Improving Basic Programs	84.010A	41-0743-31-09	\$ 91,759	-	21,097	20,971	126
Special Education - Grants to States -IDEA, Part B	84.027A	41-9690-77-10-ALLO	\$ 28,603	-	28,603	28,603	-
Career and Technical Education - Basic Grants to States - Carl Perkins (Federal Vo-Ed)	84.048A	41-0743-8110 B6	\$ 10,717	-	10,717	10,717	-
Safe and Drug Free Schools and Communities - State Grants - Title IV, Part A	84.186A	41-0743-16-10	\$ 4,110	-	4,110	4,110	-
Educational Technology State Grants - Title II, Part D	84.318	41-0743-60-10	\$ 1,497	-	1,497	1,497	-
Improving Teacher Quality State Grants - Title II, Part A	84.367	41-0743-14-09	\$ 37,900	-	24,914	25,064	(150)
Improving Teacher Quality State Grants - Title II, Part A	84.367	41-0743-14-10	\$ 63,043	-	8,504	8,355	149
ARRA - Special Education Grants to States	84.391	41-9690-92-10-ALLO	\$ 104,641	-	104,641	104,641	-
ARRA - State Fiscal Stabilization Fund (SFSF)	84.394	N/A	\$ 157,865	-	157,865	157,865	-
Total U.S. Department of Education				<u>\$ -</u>	<u>\$ 419,251</u>	<u>\$ 419,252</u>	<u>\$ (1)</u>
<u>U.S. Department of Health and Human Services</u>							
<i>Passed through Flathead County:</i>							
Public Health Emergency Preparedness	93.069	N/A	\$ 6,750	\$ -	\$ 6,750	\$ 6,750	\$ -
Total U.S. Department of Health and Human Services				<u>\$ -</u>	<u>\$ 6,750</u>	<u>\$ 6,750</u>	<u>\$ -</u>
Total Federal Financial Assistance				<u>\$ -</u>	<u>\$ 544,111</u>	<u>\$ 544,112</u>	<u>\$ (1)</u>

(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 donated food used (expenditures) or value of the beginning and ending inventory balances.
 N/A = Not Applicable or Not Available

FLORENCE-CARLTON PUBLIC SCHOOL

RAVALLI COUNTY, MONTANA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2010

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Florence-Carlton Public School, Ravalli 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, P.O. Box 1957, Kalispell, MT 59903-1957

**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
Florence-Carlton Public School
Ravalli County
Florence, Montana

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Florence-Carlton Public School, Ravalli County, Montana, as of and for the year ended June 30, 2010, which collectively comprise the Florence-Carlton Public School's basic financial statements and have issued our report thereon dated March 25, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Florence-Carlton Public School internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Florence-Carlton Public School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Florence-Carlton Public School's internal control over financial reporting.

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 statement will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting as item 10-1.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Florence-Carlton Public School'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 non compliance or other matters that are required to be reported under *Governmental Auditing Standards*.

Florence-Carlton Public School's response to the findings identified in our audit is described in the Auditee's response to Findings. We did not audit Florence-Carlton Public School's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees, the Montana Department of Administration, the Montana Office of Public Instruction, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

March 25, 2011

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 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**

Board of Trustees
Florence-Carlton Public School
Ravalli County
Florence, Montana

Compliance

We have audited Florence-Carlton Public School, Ravalli 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 Florence-Carlton Public School's major federal programs for the year ended June 30, 2010. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion of the District's compliance based on our audit.

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. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Florence-Carlton Public School complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the audit committee, management, the Board of Trustees, the Montana Department of Administration, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

March 25, 2011

FLORENCE-CARLTON PUBLIC SCHOOL
RAVALLI COUNTY, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2010

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	Yes
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>
84.027, 84.391	Special Education Cluster
84.394	ARRA – State Fiscal Stabilization Fund

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Section II – Financial Statement Findings

10-1 Student Activity Internal Control

Condition:

Per review of the internal controls related to student activity accounting we noted the following weaknesses:

1. The cash box and ticket verification form did not always include the ticket numbers or other support for the gate.
2. The receipts for fund raisers and concessions did not include the supporting documentation of sales for the person receiving the monies to verify all monies received were turned in for deposit.
3. We were not able to agree the cash and checks per the bank deposit and deposit summary to the subsidiary records of cash and checks collected.
4. Of the 25 claims tested for student activities twelve did not have adequate supporting documentation.
5. Referees did not sign a form indicating games worked and receipt of their compensation.

Criteria:

Internal control procedures should be in place in regards to cash receipting to safeguard assets and allow for accurate presentation and disclosure.

Effect:

The internal control procedures were weak with regards to student activity fund/account receipting and reporting.

Cause:

The proper internal controls have not been established.

Recommendation:

The District should implement procedures to ensure procedures in place are consistently followed, supporting documentation is maintained for all receipts, supporting documentation is obtained for fund raisers and concessions to verify all monies collected are turned in for deposit. Cash and checks documentation should be recorded on the receipts. Proper controls should be put into place so that all supporting documentation is maintained for claims paid. Lastly, referees should sign a form indicating games worked and receipt of compensation.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported.

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

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

**REPORT ON OTHER COMPLIANCE, FINANCIAL, AND INTERNAL ACCOUNTING
CONTROL MATTERS**

Board of Trustees
Florence-Carlton Public School
Ravalli County
Florence, Montana

There were no other compliance, financial, or internal accounting matters.

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

March 25, 2011

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

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

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Board of Trustees
Florence-Carlton Public School
Ravalli County
Florence, Montana

The prior audit report contained four recommendations. The action taken on each recommendation is as follows:

<u>Recommendation</u>	<u>Action Taken</u>
Claims/Capital Assets	Implemented
Student Activity Internal Control	Repeated
Managerial Review of Journal Vouchers	Implemented
Reporting Errors	Implemented

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

March 25, 2011

February 11, 2011

Montana Department of Administration
Local Government Services Bureau-Systems Program
301 South Park Avenue Room 340
P. O. Box 200547
Helena, MT 59620-0547

RE: Audit for Fiscal Year 2010

The following is our district's response to the "Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting" that Denning, Downey & Associates, P.C. listed in their report and the corrective actions that we plan to implement or that are already in place.

Student Activity Internal Control:

Per review of the internal controls related to student activity accounting there were areas that Denning, Downey & Associates, P.C. thought could be improved on.

The District has implemented procedures to make sure our procedures in place are consistently followed. The workers, staff, and administrators have been reminded of these procedures and how important it is that they be followed consistently. Supporting documentation is maintained for all receipts and a cash register tape will be included with all concession stand deposits from this point on, supporting documentation is obtained for fund raisers to verify all monies collected are turned in for deposit, cash and checks documentation will be recorded on the one write system for all receipts. The District will purchase separate receipt books from the lunch receipts to record the funds coming in for the activities. The District does require that referees sign that they have worked and they have received their compensation. The District would like to note that most of the above improvements had been implemented for the 2010-2011 school year, The 2009-2010 school year was over by the time some of these improvements were suggested. The District will continue to improve on the internal control improvements of the student activity procedures.

Sincerely,

Mr. John McGee
Superintendent,
Florence-Carlton School

Ms. Julie Mason
Business Manager,
Florence-Carlton School

JM/jm