

FLORENCE-CARLTON PUBLIC SCHOOL

RAVALLI COUNTY, MONTANA

Fiscal Year Ended June 30, 2011

AUDIT REPORT

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

FLORENCE-CARLTON PUBLIC SCHOOL

RAVALLI COUNTY, MONTANA

Fiscal Year Ended June 30, 2011

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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, 2011

BOARD OF TRUSTEES

Vickie Cornish
Pat Appleby
Dorothy Rhodes
Mel Finlay
Mike Greger

Chairperson
Vice Chairperson
Trustee
Trustee
Trustee

DISTRICT OFFICIALS

John McGee
Julie Mason
Ernie Jean
Bill Fulbright

District Superintendent
Business Manager
County Superintendent
County Attorney

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**Florence-Carlton School District
Ravalli County, Montana
Management Discussion and Analysis
For the year ended June 30, 2011**

The Superintendent and Business Manager/Clerk of the Florence-Carlton School District have provided this Management 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, 2011.

Financial Highlights

The school's financial operation in 2011 saw a decrease in revenues and an increase in expenses as compared to the prior year. Total revenues decreased \$269,816 or 3.6 %. The revenue decrease is due to a decrease in school district operating grant and donations to the district decreasing. During this year we saw a significant cut back in federal grants and other miscellaneous donations and grants. We attribute much of this pull back in revenue as a result of the federal government only allocating one time stimulus funds in the American Recovering and Reinvestment Act. In turn our expenses increased as a result of transportation cost as well as operation and maintenance cost associated with an aging building that is in need of significant repairs and maintenance. Total expenses increased by \$160,389 or 2.3%. These changes are discussed in more detail below.

Using This Annual Report

This annual report consists of financial statements for the School as a whole with more detailed information for certain School funds. The statement of net assets and the statement of activities provide information about the activities of the School 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). They 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.

The School 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 cost, 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:

*The increase in current assets is due to a result of the school bond principle increasing in 2012-2011. This resulted in a final bond payment being made on June 30, 2011.

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

- ❖ Decrease in current assets is due to less tax revenue collected from the county in 2010-2011. The current portion of the Bond principal was paid off at the completion of the year.

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

- ❖ The majority of the decrease in school's program revenue was due to operating grants and contribution like the American Recovery and Reinvestment Act (AARA) monies no longer being available to the district.

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 programs expense areas most of this increase is due to high contract rates and high benefits paid out to employees. We also built in the increase expenses of 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 2011, the assets of the retirement fund and the assets and liabilities of the transportation and miscellaneous programs funds exceeded this 10% threshold.

The government funds provide a short-term view of this 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 \$52,962 as compared to an increase of \$140,664 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.

Capital Asset & Debt Administration:

As of June 30, 2011, the school district no longer has any debt administration. The building bond issue and the kitchen ovens were both paid off. Both of these loans were paid in full. As a result, local taxpayers will see some tax relief in the form of lower taxes due to these bonds having been paid off.

The Future of the School District:

The student enrollment decreased from 2010. On the October, 2010 official count date, the district enrollment was 837 students. This compares to 889 students on the same date in 2009. This decrease in enrollment is expected to continue as the District is seeing a down turn in the economy and very few 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 school. The board has expanded program offerings of extracurricular opportunities to attract new students.

The school district does not expect any significant changes in the 2011-2012 school year. Total budget will decrease slightly (approximately 3%). This is primarily due to less revenue in state ANB payment, along with scheduled wages and benefit increases in teachers' employment agreements.

The Montana legislature, in 2011, included a 2% increase to all school districts general fund. As a result, the school district received approximately \$82,328 additional monies from the state. This will help to offset any decline in revenue caused by our decrease in ANB payments from the state.

Due to current economic conditions and fairly level to declining enrollment trends in the past several years, the school may run a voted levy in the 2012-2013 school year.

**Florence-Carlton Public Schools, Ravalli County, Montana
MD & A Comparisons
June 30, 2011**

Table 1 - Net Assets

	<u>Governmental Activities</u>		<u>Change Inc (Dec)</u>
	<u>FY11</u>	<u>FY10</u>	
Current and other assets	\$1,848,507	\$1,818,594	\$ 29,913
Capital assets	<u>3,433,637</u>	<u>3,447,231</u>	<u>(13,594)</u>
Total assets	<u>5,282,144</u>	<u>5,265,825</u>	<u>16,319</u>
Long-term debt outstanding	\$ 371,078	\$ 460,765	\$ (89,687)
Other liabilities	<u>-</u>	<u>15,540</u>	<u>(15,540)</u>
Total liabilities	<u>371,078</u>	<u>476,305</u>	<u>(105,227)</u>
Invested in capital assets, net of debt	3,433,637	3,282,231	151,406
Restricted	932,475	987,204	(54,729)
Unrestricted (deficit)	<u>544,954</u>	<u>520,085</u>	<u>24,869</u>
Total net assets	<u>\$4,911,066</u>	<u>\$4,789,520</u>	<u>\$ 121,546</u>

Table 2 - Changes in Net Assets

	Governmental		
	<u>Activities</u>		
	<u>FY11</u>	<u>FY10</u>	<u>Change</u>
			<u>Inc (Dec)</u>
Revenues			
<i>Program revenues (by major source):</i>			
Charges for services	\$ 127,060	\$ 163,242	\$ (36,182)
Operating grants and contributions	767,182	1,184,859	(417,677)
<i>General revenues (by major source):</i>			
Property taxes for general purposes	1,525,027	1,484,014	41,013
Grants and entitlements not restricted to specific programs	3,999,131	3,899,736	99,395
Investment earnings	11,899	17,934	(6,035)
Miscellaneous (other revenue)	81,382	66,747	14,635
State entitlement (block grants)	147,050	145,941	1,109
State technology	6,049	6,043	6
County retirement	<u>605,764</u>	<u>571,844</u>	<u>33,920</u>
Total revenues	<u>\$7,270,544</u>	<u>\$7,540,360</u>	<u>\$(269,816)</u>
Program expenses			
Instructional - regular	\$4,099,291	\$4,154,614	\$ (55,323)
Instructional - special education	417,563	451,999	(34,436)
Instructional - vocational education	22,763	14,807	7,956
Instructional - adult education	3,606	5,412	(1,806)
Supporting services - operations & maintenance	759,258	500,333	258,925
Supporting services - general	37,187	43,696	(6,509)
Supporting services - educational media services	167,190	162,568	4,622
Administration - general	138,367	132,381	5,986
Administration - school	296,716	288,373	8,343
Administration - business	85,129	128,523	(43,394)
Student transportation	478,123	445,423	32,700
Extracurricular	185,420	197,175	(11,755)
School food	245,970	249,808	(3,838)
Debt service expense - interest	7,478	13,577	(6,099)
Unallocated depreciation*	<u>185,819</u>	<u>180,802</u>	<u>5,017</u>
Total expenses	<u>\$7,129,880</u>	<u>\$6,969,491</u>	<u>\$ 160,389</u>
Excess (deficiency) before special items and transfers	<u>140,664</u>	<u>570,869</u>	<u>(430,205)</u>
Increase (decrease) in net assets	<u>\$ 140,664</u>	<u>\$ 570,869</u>	<u>\$(430,205)</u>

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

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
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, 2011, 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, 2011, and the respective changes in financial position, 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 Fund Balance Reporting and Governmental Fund Type Definitions as required by the provisions of GASB Statement No. 54, as of June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2012, 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, 28 through 30, and 31 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 26, 2012

Florence-Carlton Public Schools, Ravalli County, Montana
Statement of Net Assets
June 30, 2011

		Governmental Activities
ASSETS		
Current assets:		
Cash and investments	\$	1,434,367
Taxes and assessments receivable, net		94,345
Accounts receivable - net		2,151
Due from other governments		301,466
Inventories		16,178
Total current assets	\$	1,848,507
Noncurrent assets		
Capital assets - land	\$	423,128
Capital assets - depreciable, net		3,010,509
Total noncurrent assets	\$	3,433,637
Total assets	\$	5,282,144
LIABILITIES		
Current liabilities		
Current portion of compensated absences payable	\$	39,525
Total current liabilities	\$	39,525
Noncurrent liabilities		
Noncurrent portion of long-term liabilities	\$	143,944
Noncurrent portion of compensated absences		187,609
Total noncurrent liabilities	\$	331,553
Total liabilities	\$	371,078
NET ASSETS		
Invested in capital assets, net of related debt	\$	3,433,637
Restricted for capital projects		42,237
Restricted for debt service		72,717
Restricted for special projects		817,521
Unrestricted		544,954
Total net assets	\$	4,911,066
Total liabilities and net assets	\$	5,282,144

See accompanying Notes to the Financial Statements

Florence-Carlton Public Schools, Ravalli County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2011

Functions/Programs Primary government:	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets Primary Government
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instructional - regular	\$ 4,099,291	\$ 20,655	\$ 228,337	\$ (3,850,299)
Instructional - special education	417,563	-	309,768	(107,795)
Instructional - vocational education	22,763	-	17,391	(5,372)
Instructional - adult education	3,606	-	-	(3,606)
Supporting services - operations & maintenance	759,258	-	-	(759,258)
Supporting services - general	37,187	-	-	(37,187)
Supporting services - educational media services	167,190	-	-	(167,190)
Administration - general	138,367	-	-	(138,367)
Administration - school	296,716	-	-	(296,716)
Administration - business	85,129	-	-	(85,129)
Student transportation	478,123	-	93,274	(384,849)
Extracurricular	185,420	-	-	(185,420)
School food	245,970	106,405	118,412	(21,153)
Debt service expense - interest	7,478	-	-	(7,478)
Unallocated depreciation*	185,819	-	-	(185,819)
Total governmental activities	\$ 7,129,880	\$ 127,060	\$ 767,182	\$ (6,235,638)
Total primary government	\$ 7,129,880	\$ 127,060	\$ 767,182	\$ (6,235,638)
General Revenues:				
Property taxes for general purposes				\$ 1,525,027
Grants and entitlements not restricted to specific programs				3,999,131
Investment earnings				11,899
Miscellaneous (other revenue)				81,382
State entitlement (block grants)				147,050
State technology				6,049
County retirement				605,764
Total general revenues, special items and transfers				\$ 6,376,302
Change in net assets				\$ 140,664
Net assets - beginning				\$ 4,789,520
Restatements				(19,118)
Net assets - beginning - restated				\$ 4,770,402
Net assets - end				\$ 4,911,066

* 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, 2011

	General Fund	Transportation	Retirement	Miscellaneous Programs	Other Governmental Funds	Total Governmental Funds
ASSETS						
Current assets:						
Cash and investments	\$ 715,404	\$ 96,421	\$ 213,157	\$ 202,598	\$ 206,787	\$ 1,434,367
Taxes and assessments receivable, net	63,861	18,241	-	-	12,243	94,345
Accounts receivable - net	2,151	-	-	-	-	2,151
Due from other governments	92,665	36,106	76,274	74,053	22,368	301,466
Inventories	11,467	-	-	-	4,711	16,178
Total assets	<u>\$ 885,548</u>	<u>\$ 150,768</u>	<u>\$ 289,431</u>	<u>\$ 276,651</u>	<u>\$ 246,109</u>	<u>\$ 1,848,507</u>
LIABILITIES						
Current liabilities:						
Deferred revenue	\$ 63,861	\$ 18,241	\$ -	\$ -	\$ 12,243	\$ 94,345
Total liabilities	<u>\$ 63,861</u>	<u>\$ 18,241</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,243</u>	<u>\$ 94,345</u>
FUND BALANCES						
Nonspendable	\$ 11,467	\$ -	\$ -	\$ -	\$ 4,711	\$ 16,178
Restricted	-	132,527	289,431	276,651	229,155	927,764
Assigned	354,906	-	-	-	-	354,906
Unassigned	455,314	-	-	-	-	455,314
Total fund balance	<u>\$ 821,687</u>	<u>\$ 132,527</u>	<u>\$ 289,431</u>	<u>\$ 276,651</u>	<u>\$ 233,866</u>	<u>\$ 1,754,162</u>
Total liabilities and fund balance	<u>\$ 885,548</u>	<u>\$ 150,768</u>	<u>\$ 289,431</u>	<u>\$ 276,651</u>	<u>\$ 246,109</u>	<u>\$ 1,848,507</u>

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, 2011

Total fund balances - governmental funds	\$ 1,754,162
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,433,637
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.	94,345
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(371,078)
Total net assets - governmental activities	<u>\$ 4,911,066</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, 2011

	General Fund	Transportation	Retirement	Miscellaneous Programs	Other Governmental Funds	Total Governmental Funds
REVENUES						
Local revenue	\$ 1,048,810	\$ 328,761	\$ 2,379	\$ 83,382	\$ 291,544	\$ 1,754,876
County revenue	-	48,201	605,764	-	-	653,965
State revenue	3,786,848	64,731	-	30,162	87,745	3,969,486
Federal revenue	421,539	-	-	359,775	118,412	899,726
Total revenues	\$ 5,257,197	\$ 441,693	\$ 608,143	\$ 473,319	\$ 497,701	\$ 7,278,053
EXPENDITURES						
Instructional - regular	\$ 3,308,893	\$ -	\$ 426,973	\$ 204,564	\$ 83,548	\$ 4,023,978
Instructional - special education	262,126	-	25,809	129,628	-	417,563
Instructional - vocational education	5,372	-	-	17,391	-	22,763
Instructional - adult education	-	-	322	-	3,284	3,606
Supporting services - operations & maintenance	735,458	-	23,277	-	-	758,735
Supporting services - general	33,184	-	4,003	-	-	37,187
Supporting services - educational media services	145,575	-	18,847	2,768	-	167,190
Administration - general	126,157	-	12,210	-	-	138,367
Administration - school	260,995	-	35,721	-	-	296,716
Administration - business	77,486	-	7,643	-	-	85,129
Student transportation	-	469,461	8,662	-	-	478,123
Extracurricular	163,960	-	13,265	-	-	177,225
School food	-	-	9,895	-	236,075	245,970
Debt service expense - principal	-	-	-	-	165,000	165,000
Debt service expense - interest	-	-	-	-	7,478	7,478
Capital outlay	30,300	-	-	169,761	-	200,061
Total expenditures	\$ 5,149,506	\$ 469,461	\$ 586,627	\$ 524,112	\$ 495,385	\$ 7,225,091
Excess (deficiency) of revenues over expenditures	\$ 107,691	\$ (27,768)	\$ 21,516	\$ (50,793)	\$ 2,316	\$ 52,962
Net Change in Fund Balance	\$ 107,691	\$ (27,768)	\$ 21,516	\$ (50,793)	\$ 2,316	\$ 52,962
Fund balances - beginning	\$ 713,996	\$ 160,295	\$ 267,915	\$ 327,444	\$ 231,550	\$ 1,701,200
Fund balances - beginning, restated	\$ 713,996	\$ 160,295	\$ 267,915	\$ 327,444	\$ 231,550	\$ 1,701,200
Fund balance - ending	\$ 821,687	\$ 132,527	\$ 289,431	\$ 276,651	\$ 233,866	\$ 1,754,162

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, 2011

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

Net change in fund balances - total governmental funds	\$	52,962
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		200,061
- Depreciation expense		(194,537)
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)		(7,509)
The change in compensated absences is shown as an expense in the Statement of Activities		
		(3,341)
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		165,000
Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:		
- Postemployment benefits other than retirement liability		(71,972)
Change in net assets - Statement of Activities	\$	<u><u>140,664</u></u>

See accompanying Notes to the Financial Statements

Florence-Carlton Public Schools, Ravalli County, Montana
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and short-term investments	\$ 153,585	\$ 233,618
Due from other governments	-	357
Total assets	\$ 153,585	\$ 233,975
LIABILITIES		
Warrants payable	\$ -	\$ 233,975
Total liabilities	\$ -	\$ 233,975
NET ASSETS		
Assets held in trust	\$ 153,585	

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, 2011

		<u>Private Purpose Trust Funds</u>
ADDITIONS		
Contributions:		
Student activities	\$	<u>232,676</u>
Total additions	\$	<u>232,676</u>
 DEDUCTIONS		
Student activities	\$	<u>216,237</u>
Total deductions	\$	<u>216,237</u>
Change in net assets	\$	<u>16,439</u>
Net Assets - Beginning of the year	\$	137,146
Net Assets - End of the year	\$	<u><u>153,585</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 District adopted the provisions of Governmental Accounting Standards Board statement No. 54 Fund Balance, Reporting and Governmental Fund Type Definitions for fiscal year ended June 30, 2011.

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.

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

FLORENCE-CARLTON PUBLIC SCHOOL
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June 30, 2010

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:

- 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

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

- 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.

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

FLORENCE-CARLTON PUBLIC SCHOOL
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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, 2011, consisted of money markets, federally backed mortgage bonds, 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 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, 2011. The Ravalli County Investment Pool is not rated.

Deposits

The District’s deposit balance at year end was \$160,179 and the bank balance was \$194,083. The District’s deposits at year-end were 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.

FLORENCE-CARLTON PUBLIC SCHOOL
RAVALLI COUNTY, MONTANA
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June 30, 2010

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 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. Inventory balances which are significant are recorded at year-end.

NOTE 5. CAPITAL ASSETS

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

Buildings.....	15-50 years
Building and Land Improvements.....	10-30 years
Equipment and 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 2011 Basic Financial Statements. The government has elected not to retroactively report general infrastructure assets.

FLORENCE-CARLTON PUBLIC SCHOOL
RAVALLI COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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A summary of changes in governmental capital assets was as follows:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions/</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2011</u>
Capital assets not being depreciated:			
Land	\$ <u>423,128</u>	\$ _____	\$ <u>423,128</u>
Other Capital Assets:			
Buildings	\$ 5,361,598	\$ 159,013	\$ 5,520,611
Improvements Other than Buildings	<u>701,766</u>	<u>41,048</u>	<u>742,814</u>
Total other Capital Assets at historical cost	\$ <u>6,063,364</u>	\$ <u>200,061</u>	\$ <u>6,263,425</u>
Less Accumulated Depreciation	\$(3,039,261)	\$(213,655)	\$(3,252,916)
Total	\$ <u>3,447,231</u>	\$ <u>(13,594)</u>	\$ <u>3,433,637</u>

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

Governmental Activities:	
Supporting services – operations and maintenance	\$ 523
Extracurricular	8,195
Unallocated depreciation	<u>185,819</u>
Total governmental activities depreciation expense	<u>\$194,537</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, 2011, the following changes occurred in liabilities reported in long-term debt:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Due within</u> <u>one year</u>
General Obligation Bonds	\$ 165,000	\$ -	\$(165,000)	\$ -	\$ -
Compensated Absences	223,793	3,341	-	227,134	39,525
*Other Post Employment Benefits	<u>71,972</u>	<u>71,972</u>	-	<u>143,944</u>	-
Total	\$ <u>460,765</u>	\$ <u>75,313</u>	\$(165,000)	\$ <u>371,078</u>	\$ <u>39,525</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.

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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 $\frac{3}{4}$ of the substitute's wage for the last year to the teacher's employment.

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, 2011, were:

	<u>PERS</u>	<u>TRS</u>
Employer	6.800%	7.470%
Employee	6.900%	7.150%
State	0.370%	2.490%

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:

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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, 2009 2010, and 2011, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>	<u>TRS</u>
2009	\$29,556	\$251,444
2010	\$33,521	\$266,415
2011	\$32,460	\$256,082

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.

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:

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June 30, 2010

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>\$ 71,972</u>
Net OPEB obligation – end of year	<u>\$143,944</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 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 at 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.

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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. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

For committed fund balance the government's highest level of decision-making authority is the School Board and the formal action that is required to be taken to establish, modify or rescind a fund balance commitment is a resolution.

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

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

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

Nonspendable Fund Balance

<u>Fund</u>	<u>Amount</u>	<u>Reason Nonspendable</u>
General	\$11,467	Inventory
School Food Services	<u>4,711</u>	Inventory
Total Nonspendable	<u>\$16,178</u>	

Restricted Fund Balance

<u>Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Transportation	\$132,527	Transportation services
School Food Services	4,986	Student Breakfast/Lunch programs
Tuition	15,134	Instruction and supporting services
Retirement	289,431	Instruction and supporting services
Miscellaneous Programs	276,651	Instruction and supporting services
Adult Education	7,171	Instruction and supporting services
Traffic Education	53,429	Instruction and supporting services
Lease-Rental Agreement	22	Instruction and supporting services
Compensated Absences	103	Instruction and supporting services

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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

Technology	33,459	Instruction and supporting services
Debt Service	72,614	Future debt payments
Building	42,236	Future capital outlays
Building Reserve	<u>1</u>	Future capital outlays
Total Restricted	<u>\$927,764</u>	

Other Significant Commitments

Encumbrances

<u>Fund</u>	<u>Amount of Encumbrance</u>
General	<u>\$354,906</u>

NOTE 10. RESTATEMENTS

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

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
Governmental Activities	<u>\$19,118</u>	Prior year accumulated depreciation adjustment

NOTE 11. 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 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 12. 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.

FLORENCE-CARLTON PUBLIC SCHOOL
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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 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.

**REQUIRED SUPPLEMENTAL
INFORMATION**

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Florence-Carlton Public Schools, Ravalli County, Montana
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2011

	General Fund			Transportation				
	BUDGETED AMOUNTS ORIGINAL	FINAL	ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET	BUDGETED AMOUNTS ORIGINAL	FINAL	ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
RESOURCES (INFLOWS):								
Local revenue	\$ 1,018,149	\$ 1,018,149	\$ 1,048,810	\$ 30,661	\$ 373,491	\$ 373,491	\$ 328,761	\$ (44,730)
County revenue					49,500	49,500	48,201	(1,299)
State revenue	4,097,455	4,097,455	3,746,848	(310,607)	69,158	69,158	64,731	(4,427)
Federal revenue			421,530	421,530				
Amounts available for appropriation	\$ 5,115,604	\$ 5,115,604	\$ 5,257,197	\$ 141,593	\$ 492,149	\$ 492,149	\$ 441,693	\$ (50,456)
CHARGES TO APPROPRIATIONS (OUTFLOWS):								
Instructional - regular	\$ 3,447,925	\$ 3,447,925	\$ 3,433,176	\$ 14,749	\$ -	\$ -	\$ -	\$ -
Instructional - special education	330,165	330,165	263,565	66,600	-	-	-	-
Instructional - vocational education	-	-	5,372	(5,372)	-	-	-	-
Instructional - adult education	-	-	-	-	-	-	-	-
Supporting services - operations & maintenance	571,276	571,276	672,890	(101,614)	-	-	-	-
Supporting services - general	34,842	34,842	33,359	1,483	-	-	-	-
Supporting services - educational media services	152,423	152,423	145,575	6,848	-	-	-	-
Administration - general	142,711	142,711	131,217	11,494	-	-	-	-
Administration - school	268,173	268,173	262,267	5,906	-	-	-	-
Administration - business	90,579	90,579	77,486	13,093	-	-	-	-
Student transportation	-	-	-	-	520,564	520,564	468,584	51,980
Extracurricular	181,111	181,111	162,288	18,823	-	-	-	-
School food	-	-	-	-	-	-	-	-
Capital outlay	29,569	29,569	30,300	(29,569)	-	-	-	-
Total charges to appropriations	\$ 5,248,774	\$ 5,279,074	\$ 5,217,495	\$ 61,579	\$ 520,564	\$ 520,564	\$ 468,584	\$ 51,980
Net change in fund balance			\$ 39,702				\$ (26,891)	
Fund balance - beginning of the year			\$ 427,079				\$ 159,418	
Restatements								
Fund balance - beginning of the year - restated			\$ 427,079				\$ 159,418	
Fund balance - end of the year			\$ 466,781				\$ 132,527	

Florence-Carlton Public Schools, Ravalli County, Montana
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2011

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Local revenue	\$ -	\$ -	2,379	2,379
County revenue	592,264	592,264	605,764	13,500
State revenue	-	-	-	-
Federal revenue	-	-	-	-
Amounts available for appropriation	\$ 592,264	\$ 592,264	\$ 608,143	\$ 15,879
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	430,504	430,504	426,973	3,531
Instructional - special education	94,039	94,039	25,809	68,230
Instructional - vocational education	-	784	322	462
Instructional - adult education	22,783	22,783	23,277	(494)
Supporting services - operations & maintenance	5,662	5,662	4,003	1,659
Supporting services - general	18,900	18,900	18,847	53
Supporting services - educational media services	12,111	12,111	12,210	(99)
Administration - general	36,209	36,209	35,721	488
Administration - school	7,534	7,534	7,643	(109)
Administration - business	8,798	8,798	8,662	136
Student transportation	15,783	15,783	13,265	2,518
Extracurricular	-	-	9,895	(9,895)
School food	-	-	-	-
Capital outlay	-	-	-	-
Total charges to appropriations	\$ 653,107	\$ 653,107	\$ 586,627	\$ 66,480
Net change in fund balance			21,516	
Fund balance - beginning of the year			267,915	
Restatements			-	
Fund balance - beginning of the year - restated			267,915	
Fund balance - end of the year			289,431	

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	\$ 5,257,197	\$ 441,693	\$ 608,143
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 5,257,197</u>	<u>\$ 441,693</u>	<u>\$ 608,143</u>
Uses/Outflows of resources			
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 5,217,495	\$ 468,584	\$ 586,627
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	286,917	877	-
- Encumbrances reported at the end of the year	(354,906)	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 5,149,506</u>	<u>\$ 469,461</u>	<u>\$ 586,627</u>

Note B

The Miscellaneous Programs fund is a major special revenue funds 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, 2011

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%.

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SUPPLEMENTAL INFORMATION
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Florence-Carleton Public School
Ravalli County, Montana
SCHEDULE OF ENROLLMENT
For the Year Ended June 30, 2011

Fall Enrollment - October, 2010
Elementary School District

	FALL		
	Per Enrollment Reports	Audit Per District Records	Difference
(a) Pre-Kindergarten	0	0	0
(b) Kindergarten Full	51	51	0
(c) Kindergarten Part	0	0	0
(d) Grades 1-6	381	381	0
(e) Grades 7-8	144	144	0
(f) Total Elementary (add lines a through d)	576	576	0

Part-time Students

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
Kinder - Full	0	0	0	0	0	0	0	0	0
Kinder - Part	0	0	N/A	N/A	0	0	N/A	N/A	0
1-6	0	0	4	0	0	0	0	0	+4
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	261	261	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, 2011
Elementary School District

	SPRING		
	Per Enrollment Reports	Audit Per District Records	Difference
(j) Pre-Kindergarten	0	0	0
(k) Kindergarten - Full	51	51	0
(l) Kindergarten - Part	0	0	0
(m) Grades 1-6	372	372	0
(n) Grades 7-8	140	140	0
(o) Total Elementary (add lines j through m)	563	563	0

Part-time Students

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
Kinder - Full	0	0	0	0	0	0	0	0	0
Kinder - Part	0	0	N/A	N/A	0	0	N/A	N/A	0
1-6	0	0	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	260	260	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 School
Ravalli County, Montana
EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS
Fiscal Year Ended June 30, 2011

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Transfers In(Out)	Ending Balance
4C English	\$ 67	\$ -	\$ -	\$ -	\$ 67
T1 Field Trip	37	-	-	-	37
1st Grade Field Trip	-	430	424	-	6
2nd Grade Field Trip	-	77	77	-	-
3rd Grade Field Trip	-	98	-	-	98
4th Grade Field Trip	3	259	130	-	132
5th Grade Field Trip	46	869	869	-	46
7th Grade Field Trip	65	585	652	33	31
8th Grade Field Trip	1,526	8,295	8,302	(1,519)	-
Activity Receipts	32,604	43,700	9,997	(39,399)	26,908
Adult Education	-	749	-	-	749
Admin. Pop Mach.	160	-	-	-	160
ACT Prep	13	4,455	3,567	(860)	41
Art Club	413	4,513	2,525	428	2,829
Boys/Girls State	37	-	-	-	37
BIO 2	5,942	-	-	-	5,942
Boys Basketball	-	327	5,372	5,045	-
Boys Basketball Student	3,109	5,113	5,704	-	2,518
Boys Basketball-Divisional	-	1,683	2,897	1,214	-
Boys Basketball-State	-	2,670	8,508	5,838	-
Branzell/Washington DC	547	2,267	2,458	1,089	1,445
Cheerleaders	331	5,846	4,530	-	1,647
JMG	169	-	-	-	169
Key Club	1,144	3,254	3,706	1,186	1,878
Class of 2016	266	-	-	-	266
Class of 2017	1,631	74	352	(66)	1,287
Class of 2012	849	1,053	1,694	1,264	1,472
Class of 2013	2,599	757	550	-	2,806
Class of 2014	133	-	135	1,526	1,524
Class of 2015	-	-	-	2,015	2,015
Coffee Fund	2	1,816	1,088	(59)	671
Computer Lab	78	-	-	-	78
Cookbook Sales	208	-	-	-	208
Drama Club	1,729	32	18	-	1,743
Elementary Incentive	2,887	2,929	2,492	(154)	3,170
Elementary Music	15	115	126	-	4
Elementary Student Council	174	310	103	-	381
Elementary Yearbook	454	2,896	2,363	60	1,047
England Trip/Falcon Flyer	580	2,171	2,028	-	723
English AP FT	-	526	-	-	526
Environmental Club	177	20	-	-	197
F Club	130	150	-	-	280
Falcon View	-	1,204	1,551	347	-
Falcon Yearbook	3,974	3,340	1,488	276	6,102
Family Center - MS	357	441	510	235	523
Family Center - Elementary	861	-	453	-	408
Fine Arts	238	-	-	-	238
Football	-	182	3,045	2,863	-
Football Student	1,206	3,069	4,145	-	130
Foreign Language Club	33	-	-	-	33
Geraghty's English Class	181	-	-	-	181
German Club	160	-	146	-	14
Girls Basketball	-	-	4,288	4,288	-
Girls Basketball Student	977	7,366	7,284	-	1,059
Greece Trip	1	-	-	-	1
HS Incentive	197	1,186	66	-	1,317
Junior Board (FSB)	-	1,000	-	(1,000)	-
In & Out	4,886	1,013	1,521	-	4,378
Industrial Arts	1,990	1,354	1,548	-	1,796
Interest	-	641	-	(641)	-

Florence-Carlton Public School
Ravalli County, Montana
EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS (Continued)
Fiscal Year Ended June 30, 2011

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Transfers In(Out)	Ending Balance
Interest/Adjustments	11,343	1,009	462	(387)	11,503
Library	127	354	216	-	265
Lab Account	527	-	146	-	381
Learning Center (Sp Ed)	2,258	-	1,182	-	1,076
Library/Book Fair	326	4,087	3,867	-	546
Lunch	4,301	-	775	916	4,442
Mass Media	190	-	-	-	190
MCT	349	879	-	-	1,228
MS 6th Grade Health	37	-	-	-	37
MS 8th Grade Book Club	458	350	236	-	572
Middle School Yearbook	2,945	1,656	1,370	-	3,231
MS FCMSPA	1,029	3,503	1,216	(1,957)	1,359
MS Incentive	10	316	49	(235)	42
MS Student Council	460	-	-	-	460
Music - Band	5,719	13,992	11,248	788	9,251
Music - Choir	693	2,393	2,117	-	969
National Honor Society	872	799	1,050	542	1,163
NSF Checks/Charges	-	-	1,028	1,028	-
Outdoor Classroom	565	6,657	47	-	7,175
FCPT	9,245	35,208	37,055	(60)	7,338
Parking Pass	3,844	-	-	-	3,844
Pep Band	55	560	860	465	220
Pep Club	200	-	-	-	200
Physics Class	188	-	-	-	188
Picture Restoration	84	-	-	-	84
PSAT	7	314	312	-	9
Reader Board	58	-	-	-	58
Spanish Club	845	80	49	-	876
Science Olympiad	-	56	53	-	3
Science Elective	-	1,692	959	-	733
Softball	-	-	1,413	1,413	-
Softball Div	-	-	1,417	1,417	-
Softball Student	2,737	300	-	-	3,037
Softball-State	-	-	3,517	3,517	-
Student Council	6,006	3,896	5,978	611	4,535
Student Fines	5,455	1,370	1,064	-	5,761
Student Council Concessions	1,499	21,257	15,583	(4,865)	2,308
Teachers Pop	570	1,108	492	-	1,186
Track	-	114	2,018	1,904	-
Track Student	40	300	-	-	340
Track-Divisional	-	-	272	272	-
Track State	-	-	880	880	-
Volleyball	-	14	4,930	4,916	-
Volleyball Student	2,288	4,160	3,771	-	2,677
Volleyball District Tournament	-	4,500	4,500	-	-
Volleyball - Divisionals	-	52	1,748	1,696	-
Volleyball State	-	1,015	3,218	2,203	-
Weight Room	1,374	-	1,240	-	134
Wrestling	-	246	926	680	-
Wrestling Student	1,406	1,267	1,536	-	1,137
Wrestling State	-	337	584	247	-
Yo-Yo	151	-	-	-	151
Misc Charges	-	-	-	-	-
Total	\$ 141,447	\$ 232,676	\$ 216,096	\$ -	\$ 158,027

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SINGLE AUDIT SECTION

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Florence-Carlton Public Schools, Ravalli County, Montana
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Fiscal Year Ended June 30, 2011

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures June 30, 2011</u>
<u>U.S. Department of Agriculture</u>			
<i>Passed through Montana Office of Public Instruction:</i>			
School Breakfast Program	10.553	N/A	\$ 13,121
National School Lunch Program (Food Distribution) (1)	10.555	N/A	13,687
National School Lunch Program	10.555	N/A	105,291
Total U.S. Department of Agriculture			\$ 132,099
<u>U.S. Department of Education</u>			
<i>Passed through Bitterroot Special Education Cooperative:</i>			
Special Education - Grants to States IDEA, Part B	84.027A	41-9690-77-10-ALLO	\$ 124,970
ARRA - Special Education - Grants to States - IDEA, Part B	84.391	41-9690-9210	47,752
<i>Passed through Montana Office of Public Instruction:</i>			
Title I Grants to Local Educational Agencies	84.010A	41-0743-31-10	\$ 11,208
Title I Grants to Local Educational Agencies	84.010A	041 0743 3111	69,604
Career and Technical Education - Basic Grants to States	84.048A	041 0743 8111	12,576
Title II, Part D, Educational Technology State Grants	84.318	041 0743 6011	715
Title II, Part A, Improving Teacher Quality State Grants	84.367	41-0743-14-10	4,332
Title II, Part A, Improving Teacher Quality State Grants	84.367	041 0743 1411	18,907
ARRA - Title I Grants to Local Educational Agencies	84.389	041 0743 9110	54,171
ARRA - State Fiscal Stabilization Fund	84.394	N/A	229,612
ARRA - Education Jobs Fund	84.410	N/A	191,927
Total U.S. Department of Education			\$ 765,774
Total Federal Financial Assistance			\$ 897,873

(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, 2011

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 for Florence-Carlton Public School, Ravalli County, Montana, as of and for the year ended June 30, 2011, which collectively comprise the Florence-Carlton Public School's basic financial statements and have issued our report thereon dated March 26, 2012. 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 11-1. 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 noncompliance or other matters that are required to be reported under *Government 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 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 26, 2012

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, 2011. 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, 2011.

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 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, CPAs, P.C.

March 26, 2012

FLORENCE-CARLTON PUBLIC SCHOOL

RAVALLI COUNTY, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2011

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
84.410	ARRA - Education Jobs 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

11-1 Student Activity Internal Control

Condition:

The receipts for fund raisers did not include supporting documentation for tracking the number or items sold and how much revenue should have been generated.

Criteria:

Internal controls over cash receipting should be adequate to ensure that the proper amount of money which should have been collected is collected and deposited.

Effect:

Internal controls over the cash receipting for fund raisers were not adequate to ensure that all monies which should have been collected were collected.

Cause:

Documentation of the quantity of items purchased and sold is not required to be included with deposits of revenues.

Recommendation:

We recommend that for all fund raising and concession type activities for which a product is sold, that documentation be kept of the amount of product purchased/sold and that this be reconciled with the revenues deposited.

Auditee Response:

We concur and will implement the recommendations.

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 PRIOR AUDIT REPORT RECOMMENDATIONS

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

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

<u>Recommendation</u>	<u>Action Taken</u>
10-1 Student activity internal controls	Repeated

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

March 26, 2012

