

HOT SPRINGS PUBLIC SCHOOLS

SANDERS COUNTY, MONTANA

Fiscal Year Ended June 30, 2009

**AUDIT REPORT**

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

HOT SPRINGS PUBLIC SCHOOLS

SANDERS COUNTY, MONTANA

Fiscal Year Ended June 30, 2009

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HOT SPRINGS PUBLIC SCHOOLS

SANDERS COUNTY, MONTANA

**ORGANIZATION**

Fiscal year Ended June 30, 2009

**BOARD OF TRUSTEES**

Terry Prongua  
Julie White  
Dirk Roosma  
Kim Baker  
Frank Salmi  
Carol Heath  
Shiela Matt

Chairperson  
Vice Chairperson  
Trustee  
Trustee  
Trustee  
Trustee  
Trustee

**DISTRICT OFFICIALS**

Larry Markuson  
Carmen Jackson  
Kathy McEldery  
Coleen Magera

District Superintendent  
Business Manager  
County Superintendent  
County Attorney

**Hot Springs School District  
Management Discussion and Analysis  
As of June 30, 2009**

**Management Discussion and Analysis**

The Business Manager/Clerk of the Hot Springs School District has provided this MD&A to give the reader of these statements an overview of the financial position and activities of the school district for the year ended June 30, 2009. Comparative information year ended June 30, 2008 and the year ended June 30, 2009 are required in the MD&A.

**Using This Financial Report**

The general format of this report is required by Statement #34 of the Governmental Accounting Standards Board (GASB). Components and purposes of the report are explained below.

**Reporting the School District as a Whole**

The report includes two district-wide statements that focus on operations of the District as a whole. These statements measure inputs and outflows using an economic resources measurement focus, and use the accrual basis of accounting. Activities that are fiduciary in nature are not included in these statements.

- The Statement of Net Assets demonstrates the resources the District would have remaining if all obligations were settled. The statement categorizes assets to show that some assets are very liquid. Liquid assets are cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Noncurrent assets are invested in “fixed” or “capital” assets. These assets are buildings, equipment, and other long lived property such as land. Generally some assets are reserved to fund budgets of the following year until tax revenues are received.
- The Statement of Activities shows the amounts of revenues divided into two categories, program specific revenues and general school revenues. These revenues are used to support the District’s various functions.
- Both the Statement of Net Assets and the Statement of Activities divide the District’s activities into three categories:
  1. Governmental Activities – School functions, including instruction, student services, administration, etc. These activities are funded through property taxes, and state and federal revenues.
  2. Proprietary (business-type) activities – The District does not have proprietary activities.
  3. Component Units – The District does not serve as a component unit.

**Reporting the District’s Most Significant Funds**

The fund statements provide detailed information about the funds used by the District. State law and Generally Accepted Accounting Principals (GAAP) established the fund structure of school districts. School districts are required by state law to segregate money generated for a specific purpose, like transportation and debt service, in separate fund accounts.

The fund statements report balances and activities of the most significant, or “major” funds separately. The activities of less significant funds are combined under a single category. Significance of funds is determined using three factors; the proportional size of the fund, the relative importance of the activities of the fund to the district’s operations, and the existence of legal budget requirements. Internal Service Funds are never reported as major funds, but are combined and presented in a separate set of financial statements.

The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance are shown for governmental funds such as the general funds, special revenue funds for transportation, school food service, debt service and capital outlay funds. These funds represent the majority of the District’s activities and are accounted for by using the modified accrual basis.

Fund statements include a reconciliation of the governmental fund statements to the district-wide statements. The most significant differences are due to the use of different presentation bases. The district-wide statements are presented using the accrual basis of accounting, where as the statements for the governmental funds use the modified accrual basis. In addition, general capital assets and general long term debt are reported in the district-wide statements but not in the fund statements.

### **Reporting the District’s Trust and Fiduciary Responsibilities**

The District is the trustee, or fiduciary for the student extracurricular fund. This report includes the activities of this fund in a separate Statement of Fiduciary Net Assets and Changes in Fiduciary Net Assets. This fund is excluded from the districts statements because the assets cannot be used to fund the Districts operations.

The District is responsible for ensuring the assets of the extracurricular fund are used for their intended purpose.

### **Budget to Actual Comparisons**

The Budgetary Comparison Schedule shows how actual expenditures compared to the original and final budgeted expenditures for the general fund.

The following significant variances between the final expenditure budget and the actual expenditures exist:

1. Instructional – At the school year end, the District uses remaining monies to purchase year end supplies and equipment. This can account for the majority of the variances with the District’s spending.
2. Support Services – Operations & Maintenance – The District budgets vacation and sick leave termination pay for staff to prepare for a potential termination. The District did not incur a change in staff for the fiscal year 2009 and the surplus in budget is directly related to the unused vacation and sick leave budgeted expenses.
3. Administration – See #2
4. Extracurricular –During the 2009 school year, the District had the opportunity to send their volleyball, girl’s basketball and boy’s basketball teams to the divisional tournament; and the girl’s basketball team advanced to the state tournament. These tournaments are held at facilities more than 3 hours away from Hot Springs. When the District sends their athletic teams to these tournaments it necessitates an added expense for transportation, meals and lodging.
5. School Food – Due to the Districts high percentage of students qualified for the Free & Reduced lunch program, the District continues to supplant the school lunch program.

### **The District as a Whole**

Net assets can be a useful indicator of a government's financial position. The Hot Springs School Districts assets exceeded liabilities by **\$2,021,128** at fiscal year ending June 30, 2009.

During the fiscal year 2009 the District received less tax monies than in fiscal year 2008. This coupled with the replacement of a 2004 route bus, and the purchase of a school pickup for the maintenance department resulted in a decrease in assets.

The District entered into a lease agreement with Northland Financial Services to lease two route buses on behalf of the bus contractor M & MT Enterprises. The payments on the lease are being deducted from the contractor's payments, but the District must account for the liability incurred with the lease.

In 2004 the District began paying on a bond levy. As the bond is paid down, the districts liabilities will decline.

<b>Hot Springs School District</b>		
<b>Condensed Statement of Net Assets</b>		
<b>Assets</b>	<b>2007-2008</b>	<b>2008-2009</b>
Current Assets	\$ 999,453	\$ 981,651
Non Current Assets	1,862,904	1,810,924
<b>Total Assets</b>	<b>\$2,862,357</b>	<b>\$2,792,575</b>
<b>Liabilities</b>		
Current Liabilities	72,796	\$ 78,112
Noncurrent Liabilities	658,522	693,335
<b>Total Liabilities</b>	<b>\$ 731,318</b>	<b>\$ 771,447</b>
<b>Net Assets</b>		
Invested in Capital Assets, net of related debt	\$1,192,904	\$1,170,924
Restricted	736,934	701,341
Unrestricted	201,201	148,863
<b>Total Net Assets</b>	<b>\$2,131,039</b>	<b>\$2,021,128</b>

**Hot Springs School District  
Changes in Net Assets**

**Revenues**

<b>Program Revenues</b>	<b>2007 -2008</b>	<b>2008 - 2009</b>
Charges For Services	\$ 149,339	\$ 28,127
Operating Grants & Contributions	402,260	493,928
<b>General Revenues</b>		
Property Taxes	407,953	464,763
Nonrestricted Grants & Entitlements	1,331,923	1,277,297
Investment Earnings	30,216	24,942
Miscellaneous (other revenue)	1,887	21,403
Indirect Costs	1,006	0
Personal Property Tax Reimbursement	1,424	0
State Entitlement (block grants)	63,806	64,291
State Technology	1,693	0
County Retirement	198,717	147,859
Microsoft Settlement	30,873	0
<b>Total Revenues</b>	<b>\$2,621,097</b>	<b>\$2,522,610</b>

**Expenses**

<b>Program Expenses</b>		
Instructional - regular	\$1,087,669	\$1,047,281
Instructional - special education	96,302	130,165
Instructional - vocational education	142,847	151,645
Instructional - adult education	374	2752
Supporting services - operations & maintenance	264,825	331,437
Supporting services - general	5,942	4,849
Supporting services - educational media services	35,410	35,265
Administration - general	101,373	110,610
Administration - school	172,919	168,030
Administration - finance	56,982	54,349
Student transportation	210,662	292,035
Extracurricular	81,751	78,845
School food	136,381	119,863
Debt Service Expense - Interest	29,750	33,145
Unallocated Depreciation	50,818	62,088
<b>Total Expenses</b>	<b>\$2,474,005</b>	<b>\$2,622,359</b>
Excess(deficiency) before special items and transfers	\$ 147,092	\$ (99,749)
Gain (loss) on sale of Capital Assets	0	(10,162)
<b>Changes in Net Assets</b>	<b>\$ 147,092</b>	<b>\$(109,911)</b>

### Revenues

Total revenues for the fiscal year ended June 30, 2009 were approximately \$2.52 million. Total revenue consists primarily of general revenues approximately 80%. The remaining 20% of revenues are program revenues.

In fiscal year 2008 the State awarded districts with one time only entitlements for deferred maintenance, Indian education, and full time kindergarten start up costs. Hot Springs received \$103,487 in one time only monies in 2008. These entitlements were not received in 2009 and can be attributed to the decrease in revenues received in 2009.

Program revenues are 47% funded by federal grant programs. The remaining balance consists of Special Education, School Food Services, Student Transportation, Local Donations, Drivers Ed Fees, and Adult Ed Fees.

### Expenses

The District's spending increased by **\$148,354** from school year 2008 to 2009. A few summer maintenance projects contributed to the spending increase, the District re-keyed the entire school, installed an office air conditioner in the high school building, and had the elementary heating system serviced. The District also purchased a replacement bus.

#### **Hot Springs School District Spending Levels Compared to Resource Levels**

	<b>2007-2008</b>		<b>2008-2009</b>	
Expenses Supported with General Revenues (from taxes and other sources for general school use)	\$1,922,406	<b>78%</b>	\$2,100,304	<b>80%</b>
Expenses Supported with Program Revenues	<u>551,559</u>	<b>22%</b>	<u>522,055</u>	<b>20%</b>
<b>Total Expenditures Related To Gov't Activities</b>	<b><u>\$2,474,005</u></b>		<b><u>\$2,622,359</u></b>	

The District supports the majority of its expenses with general revenues. General revenues encompass property taxes, state grant and entitlement monies, impact aid, interest on investments, and county retirement. Program revenues include Adult Education fees, Drivers Ed fees, and federal grants.

### Significant Events and Trends

In 2008 the State contributed approximately \$120,000 to the District to help relieve the costs of capital outlay and start up costs for a full-time Kindergarten program. These one-time only monies are restricted in their use.

The District receives funds through the Federal Government's Impact Aid Program. This program provides money for schools that are impacted by federal non-taxable land in their district. Currently Hot Springs School District does not supplant the general fund with Impact Aid dollars. The money is used for emergency situations and capital outlay.



### Capital Assets

In 2009 the District purchased a replacement bus, and a truck and trailer for the maintenance department.

<b>Hot Springs School District Capital Assets</b>		
	<b>2007-2008</b>	<b>2008-2007</b>
Land & Land Improvements	\$ 100,040	\$ 100,040
Buildings & Improvements - net depreciation	\$ 1,539,262	\$ 1,510,633
Machinery & Equipment - net depreciation	\$ 223,602	\$ 200,251
<b>Total Expenditures Related To Gov't Activities</b>	<b>\$ 1,862,904</b>	<b>\$ 1,810,924</b>

### Debt Administration

The District entered into a long term capital lease on behalf of the M & MT Enterprises. The total lease obligation was \$95,928; of which \$17,625 was paid in fiscal year 2009. Lease payments are deducted from the payment made to M & MT Enterprises for the bus contract.

In 2004 the District passed a 30 year general obligation bond to construct a new gymnasium. The general obligation bond was decreased by \$30,000 in fiscal year 2009.

In fiscal year 2010 the current portion of the general obligation bond (\$30,000) and the capital lease payment (\$16,369) will be due.

District paid Total District long term debt obligations are described below:

<b>Hot Springs School District Debt Administration</b>		
	<b>2007-2008</b>	<b>2008-2009</b>
General Obligation Bonds	\$ 640,000	\$ 610,000
Capital Lease	0	61,934
Compensated Absences	18,255	21,401
<b>Total Expenditures Related To Gov't Activities</b>	<b>\$ 658,255</b>	<b>\$ 693,335</b>

### The District's Future

Declining enrollment has negatively affected the Districts state entitlements and budgeting authority. In fiscal year 2010 the District projects a maximum general fund budget of \$1,561,442. The Hot Springs Education Association negotiated a 2.75% increase in salary and the District was assessed a 9% increase in health insurance costs. Employee salaries and related expenses make up approximately 61% of the District's budget, monetary commitments has a large significance on the budget.

In the 2009 Legislative session the State was allocated \$121.628 million of the federal American Recovery and Investment Act for educational purposes. Of this allocation the legislature appropriated \$62.104 million to K-12 education. The monies will be allocated to schools based on the basic and per-ANB entitlements in each year of the biennium, resulting in an approximate increase of 3%.

After the 2011 biennium, the basic and per-ANB entitlement will drop to a 1%, 3% increase respectively. This may cause some hardship on the District's budgeting authority resulting in request of additional levying authority from local taxpayers.

In 2011 the District's health insurance carrier, MUST, proposed a 35% increase in premiums. The District elected to change insurance carriers to Montana Schools Health and Wellness Program through Blue Cross Blue Shield. The insurance policy is a High Deductible Health Plan and the District will not incur a large increase in premium. In order to leave MUST, the District will be assessed a fee of approximately \$13,000.

**Contact Information**

If you have any questions about this report or need additional information, please contact the Business Manager at the Hot Springs School District, PO Box 1005, Hot Springs, MT 59845, 406-741-2964.

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

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

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**INDEPENDENT AUDITOR'S REPORT**

Hot Springs Public Schools  
Sanders County  
Hot Springs, Montana

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hot Springs Public Schools, Sanders County, Montana, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Hot Springs Public Schools 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 Hot Springs Public Schools, Sanders County, Montana, as of June 30, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2010, on our consideration of the Hot Springs Public Schools' 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.

The management's discussion and analysis and budgetary comparison information on pages 2 through 8 and 32 through 34, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Revenues and Expenditures for the extracurricular fund and the Schedule of Enrollment is presented for purposes of additional analysis, and is not a required part of the basic financial statements of Hot Springs Public Schools, Sanders County, Montana. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

May 12, 2010

**Hot Springs Public Schools, Sanders County, Montana**  
**Statement of Net Assets**  
**June 30, 2009**

		<b>Governmental Activities</b>
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$	890,999
Taxes and assessments receivable, net		67,419
Due from other governments		18,733
Other debits		4,500
Total current assets	\$	981,651
Noncurrent assets		
Capital assets - land	\$	100,040
Capital assets - depreciable, net		1,710,884
Total noncurrent assets	\$	1,810,924
Total assets	\$	2,792,575
<b>LIABILITIES</b>		
Current liabilities		
Due to other governments	\$	16,675
Current portion of long-term liabilities		16,369
Current portion of long-term capital liabilities		30,000
Current portion of compensated absences payable		15,068
Total current liabilities	\$	78,112
Noncurrent liabilities		
Noncurrent portion of long-term liabilities	\$	61,934
Noncurrent portion of long-term capital liabilities		610,000
Noncurrent portion of compensated absences		21,401
Total noncurrent liabilities	\$	693,335
Total liabilities	\$	771,447
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$	1,170,924
Restricted for capital projects		120,037
Restricted for debt service		46,231
Restricted for special projects		535,073
Unrestricted		148,863
Total net assets	\$	2,021,128
Total liabilities and net assets	\$	2,792,575

See accompanying Notes to the Financial Statements

**Hot Springs Public Schools, Sanders County, Montana**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2009**

	<b>Program Revenues</b>			<b>Net (Expenses) Revenues and Changes in Net Assets</b>
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Primary Government Governmental Activities</b>
<b>Functions/Programs</b>				
<b>Primary government:</b>				
Governmental activities:				
Instructional - regular	\$ 1,047,281	\$ 1,250	\$ 249,553	\$ (796,478)
Instructional - special education	130,165	-	81,480	(48,685)
Instructional - vocational education	151,645	-	1,945	(149,700)
Instructional - adult education	2,752	213	-	(2,539)
Supporting services - operations & maintenance	331,437	505	1,550	(329,382)
Supporting services - general	4,849	-	-	(4,849)
Supporting services - educational media services	35,265	-	-	(35,265)
Administration - general	110,610	-	-	(110,610)
Administration - school	168,030	-	-	(168,030)
Administration - business	54,349	-	-	(54,349)
Student transportation	292,035	-	85,670	(206,365)
Extracurricular	78,845	-	-	(78,845)
School food	119,863	26,159	73,730	(19,974)
Debt service expense - interest	33,145	-	-	(33,145)
Unallocated depreciation*	62,088	-	-	(62,088)
Total governmental activities	\$ 2,622,359	\$ 28,127	\$ 493,928	\$ (2,100,304)
Total primary government	\$ 2,622,359	\$ 28,127	\$ 493,928	\$ (2,100,304)
General Revenues:				
Property taxes for general purposes				\$ 464,763
Grants and entitlements not restricted to specific programs				1,277,297
Investment earnings				24,942
Miscellaneous (other revenue)				21,403
State entitlement (block grants)				64,291
County retirement				147,859
Gain (loss) on sale of capital assets				(10,162)
Total general revenues, special items and transfers				\$ 1,990,393
Change in net assets				\$ (109,911)
Net assets - beginning				\$ 2,131,039
Net assets - end				\$ 2,021,128

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

Hot Springs Public Schools, Sanders County, Montana  
Balance Sheet  
Governmental Funds  
June 30, 2009

	General Fund	Elementary Transportation	Elementary Miscellaneous Programs	Elementary Impact Aid	High School Transportation	High School Impact Aid	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>								
Current assets:								
Cash and investments	\$ 167,552	\$ 53,529	\$ 27,182	\$ 216,883	\$ 36,437	\$ 129,695	\$ 259,721	\$ 890,999
Taxes and assessments receivable, net	42,543	10,207	-	-	6,832	-	7,837	67,419
Due from other funds	15,465	-	-	-	-	-	5,023	20,488
Due from other governments	13,722	641	1,421	-	370	-	2,579	18,733
Other debits	-	-	-	-	-	-	4,500	4,500
Total assets	\$ 239,282	\$ 64,377	\$ 28,603	\$ 216,883	\$ 43,639	\$ 129,695	\$ 279,660	\$ 1,002,139
<b>LIABILITIES</b>								
Current liabilities:								
Due to other funds	\$ 523	\$ 5,000	\$ -	\$ -	\$ 7,975	\$ 5,500	\$ 1,490	\$ 20,488
Due to other governments	-	6,175	6,000	4,500	-	-	-	16,675
Deferred revenue	42,543	10,207	-	-	6,832	-	7,837	67,419
Total liabilities	\$ 43,066	\$ 21,382	\$ 6,000	\$ 4,500	\$ 14,807	\$ 5,500	\$ 9,327	\$ 104,582
<b>FUND BALANCES</b>								
Reserved for encumbrances	\$ 36,341	\$ -	\$ 1,961	\$ -	\$ -	\$ -	\$ 1,641	\$ 39,943
Reserved for debt service	-	-	-	-	-	-	46,231	46,231
Reserved for capital projects	-	-	-	-	-	-	120,037	120,037
Reserved for operations	154,213	28,568	-	-	20,938	-	69,694	273,413
Unreserved reported in general fund	5,662	14,427	-	-	-	-	-	5,662
Unreserved reported in special revenue funds	-	-	20,642	212,383	7,894	124,195	32,730	412,271
Total fund balance	\$ 196,216	\$ 42,995	\$ 22,603	\$ 212,383	\$ 28,832	\$ 124,195	\$ 270,333	\$ 897,557
Total liabilities and fund balance	\$ 239,282	\$ 64,377	\$ 28,603	\$ 216,883	\$ 43,639	\$ 129,695	\$ 279,660	\$ 1,002,139

See accompanying Notes to the Financial Statements



**Hot Springs Public Schools, Sanders County, Montana**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Assets**  
**June 30, 2009**

<b>Total fund balances - governmental funds</b>	\$ 897,557
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,810,924
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.	67,419
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(754,772)
<b>Total net assets - governmental activities</b>	<b>\$ <u>2,021,128</u></b>

See accompanying Notes to the Financial Statements

**Hot Springs Public Schools, Sanders County, Montana**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**(Governmental Funds)**  
**For the Fiscal Year Ended June 30, 2009**

	General Fund	Elementary Transportation	Elementary Miscellaneous Programs	Elementary Impact Aid	High School Transportation	High School Impact Aid	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>								
Local revenue	\$ 278,603	\$ 83,352	\$ -	\$ 6,227	\$ 55,271	\$ 4,042	\$ 93,148	\$ 520,643
County revenue	-	25,701	-	-	17,134	-	144,935	187,770
State revenue	1,288,532	29,610	37,142	-	19,635	-	50,733	1,425,652
Federal revenue	-	-	225,268	35,064	-	26,475	80,940	367,747
Total revenues	\$ 1,567,135	\$ 138,663	\$ 262,410	\$ 41,291	\$ 92,040	\$ 30,517	\$ 369,756	\$ 2,501,812
<b>EXPENDITURES</b>								
Instructional - regular	\$ 709,555	\$ -	\$ 241,069	\$ -	\$ -	\$ -	\$ 87,150	\$ 1,037,774
Instructional - special education	85,252	-	35,087	-	-	-	9,826	130,165
Instructional - vocational education	126,994	-	-	-	-	-	24,651	151,645
Instructional - adult education	-	-	-	-	-	-	2,752	2,752
Supporting services - operations & maintenance	243,593	-	34,978	1,165	-	15,710	33,243	328,689
Supporting services - general	4,533	-	-	-	-	-	316	4,849
Supporting services - educational media services	32,411	-	376	-	-	-	2,478	35,265
Administration - school	81,819	14,869	200	56	7,504	55	6,107	110,610
Administration - general	149,590	-	-	-	-	-	18,440	168,030
Administration - business	27,183	14,108	-	-	8,601	-	3,753	53,645
Student transportation	20,021	137,349	-	-	94,659	-	4,528	256,557
Extracurricular	73,449	-	-	-	-	-	5,396	78,845
School food	4,744	-	-	4,500	-	4,500	105,619	119,363
Debt service expense - principal	-	10,575	-	-	7,050	-	30,000	47,625
Debt service expense - interest	-	2,623	-	-	1,748	-	28,774	33,145
Capital outlay	-	-	-	-	-	-	66,458	66,458
Total expenditures	\$ 1,559,144	\$ 179,524	\$ 311,710	\$ 5,721	\$ 119,562	\$ 20,265	\$ 429,491	\$ 2,625,417
Excess (deficiency) of revenues over expenditures	\$ 7,991	\$ (40,861)	\$ (49,300)	\$ 35,570	\$ (27,522)	\$ 10,252	\$ (59,735)	\$ (123,605)
<b>OTHER FINANCING SOURCES (USES)</b>								
Proceeds of general long term debt	\$ -	\$ 57,557	\$ -	\$ -	\$ 38,371	\$ -	\$ -	\$ 95,928
Transfers in	\$ 155	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 230	\$ 385
Transfers out	\$ (230)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (155)	\$ (385)
Total other financing sources (uses)	\$ (75)	\$ 57,557	\$ -	\$ -	\$ 38,371	\$ -	\$ 75	\$ 95,928
Net change in fund balance	\$ 7,916	\$ 16,696	\$ (49,300)	\$ 35,570	\$ 10,849	\$ 10,252	\$ (59,660)	\$ (27,677)
Fund balances - beginning	\$ 188,300	\$ 26,299	\$ 71,903	\$ 176,813	\$ 17,983	\$ 113,943	\$ 329,993	\$ 925,234
Fund balance - ending	\$ 196,216	\$ 42,995	\$ 22,603	\$ 212,383	\$ 28,832	\$ 124,195	\$ 270,333	\$ 897,557

See accompanying Notes to the Financial Statements

**Hot Springs Public Schools, Sanders 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, 2009**

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

**Net change in fund balances - total governmental funds** \$ (27,677)

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 66,458
- Depreciation expense (108,276)

In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:

- Gain on the sale of capital assets (10,162)

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) 20,798

The change in compensated absences is shown as an expense in the Statement of Activities

(2,749)

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 47,625

Long term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets:

- Proceeds from the sale of long-term debt (95,928)

**Change in net assets - Statement of Activities** \$ (109,911)

See accompanying Notes to the Financial Statements

**Hot Springs Public Schools, Sanders County, Montana**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2009**

	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and short-term investments	\$ 58,699	\$ 124,668
Total assets	\$ 58,699	\$ 124,668
<b>LIABILITIES</b>		
Warrants payable	\$ -	\$ 113,992
Due to others	-	10,676
Total liabilities	\$ -	\$ 124,668
Assets held in trust	\$ 58,699	

See accompanying Notes to the Financial Statements

**Hot Springs Public Schools, Sanders County, Montana**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2009**

		<u>Private Purpose Trust Funds</u>
<b>ADDITIONS</b>		
Student activities	\$	67,585
Total additions	\$	<u>67,585</u>
 <b>DEDUCTIONS</b>		
Student activities	\$	63,159
Total deductions	\$	<u>63,159</u>
Change in net assets	\$	<u>4,426</u>
Net Assets - Beginning of the year	\$	54,273
Net Assets - End of the year	\$	<u><u>58,699</u></u>

See accompanying Notes to the Financial Statements

HOT SPRING PUBLIC SCHOOLS  
SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2009

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

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

**Financial Reporting Entity**

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

*Primary Government*

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

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

**Basis of Presentation, Measurement Focus and Basis of Accounting.**

***Government-wide Financial Statements:***

*Basis of Presentation*

The Government-wide Financial Statements (the Statement of Net 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. 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 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

HOT SPRING PUBLIC SCHOOLS  
SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2009

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

HOT SPRING PUBLIC SCHOOLS  
SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2009

- 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 30 days. 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.

*Elementary Transportation* – This is a special revenue fund used to account for the elementary busing.

*Elementary Miscellaneous 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.



HOT SPRING PUBLIC SCHOOLS  
SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2009

*Elementary Impact Aid Fund* – This fund is for the purpose of the receipt and expenditure of Public Law 81-874 Impact Aid.

*High School Transportation* – This is a special revenue fund used to account for the high schools busing.

*High School Impact Aid Fund* – This fund is for the purpose of the receipt and expenditure of Public Law 81-874 Impact Aid.

***Fiduciary Funds***

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* – Are agency funds authorized by Section 20-0-220, MCA, for the purpose of reducing bookkeeping requirements associated with issuing warrants.

**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, 2009, consisted of time deposits, demand deposits, money market deposits and savings deposits.

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 Sanders County deposits and investments is available from Sanders County Treasurer's office, 1111 Main Street, Thompson Fall, Montana, 59873. Fair value approximates carrying value for investments as of June 30, 2009. The County's investment pool is not rated.

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

HOT SPRING PUBLIC SCHOOLS  
SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2009

**Deposits**

The District's deposit balance at year end was \$58,696 and the bank balance was \$58,222. The District's bank balance 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 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.

**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	.....	20-50 years
Equipment	.....	8-20 years

HOT SPRING PUBLIC SCHOOLS  
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**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2009

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 2009 Basic Financial Statements. The government has no general infrastructure assets.

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

	Balance July 1, 2009	Additions	Retirements	Balance June 30, 2009
Capital assets not being depreciated:				
Land	\$ <u>100,040</u>	\$ _____	\$ _____	\$ <u>100,040</u>
Other Capital Assets:				
Buildings	\$ 2,414,930	\$ _____	\$ _____	\$ 2,414,930
Machinery and Equipment	<u>480,226</u>	<u>90,158</u>	<u>(67,718)</u>	<u>502,666</u>
Total other Capital Assets at historical cost	\$ <u>2,895,156</u>	\$ <u>90,158</u>	\$ <u>(67,718)</u>	\$ <u>2,917,596</u>
Less Accumulated Depreciation	\$ <u>(1,132,292)</u>	\$ <u>(108,276)</u>	\$ <u>33,856</u>	\$ <u>(1,206,712)</u>
Total	\$ <u>1,862,904</u>	\$ <u>(18,118)</u>	\$ <u>(33,862)</u>	\$ <u>1,810,924</u>

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

Governmental Activities:	
Instructional – regular	\$ 6,758
Supporting services – operations and maintenance	2,748
Administration – finance	704
Student transportation	35,478
School food	500
Unallocated	<u>62,088</u>
Total governmental activities depreciation expense	<u>\$ 108,276</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, 2009, the following changes occurred in liabilities reported in long-term debt:

HOT SPRING PUBLIC SCHOOLS  
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June 30, 2009

Governmental Activities:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Due within</u> <u>one year</u>
General Obligation Bonds	\$ 670,000	\$ -	\$(30,000)	\$ 640,000	\$ 30,000
Contracted Debt	-	95,928	(17,625)	78,303	16,369
Compensated Absences	<u>33,720</u>	<u>2,749</u>	<u>-</u>	<u>36,469</u>	<u>15,068</u>
Total	<u>\$ 703,720</u>	<u>\$ 98,677</u>	<u>\$(47,625)</u>	<u>\$ 754,772</u>	<u>\$ 61,437</u>

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 follows:

<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>
Elementary Gym Bond	01/23/2003	3.0%	20 yrs	07/01/2023	\$400,000	Varies	\$ 320,000
High School Gym Bond	01/23/2003	3.0%	20 yrs	07/01/2023	<u>400,000</u>	Varies	<u>320,000</u>
					<u>\$800,000</u>		<u>\$ 640,000</u>

Annual requirement to amortize debt:

<u>For Fiscal</u> <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 30,000	\$ 27,300
2011	40,000	26,252
2012	40,000	24,648
2013	40,000	23,052
2014	40,000	21,448
2015	40,000	19,852
2016	40,000	18,248
2017	50,000	16,612
2018	50,000	14,508
2019	50,000	12,360
2020	50,000	10,160
2021	50,000	7,912
2022	60,000	5,608
2023	<u>60,000</u>	<u>2,820</u>
Total	<u>\$ 640,000</u>	<u>\$ 230,780</u>

HOT SPRING PUBLIC SCHOOLS  
SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2009

**Contracted Debt**

The District is leasing buses under a five-year note payment agreement with Midwest Leasing. The buses are not titled to the District, and are pledged as collateral for the lease. The buses are titled to M&MT Enterprises which the District contracts with for bus services. Due to the school not having title of the buses, the debt is shown as a noncapital long-term liability. The terms of the loan and amortization are as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2009</u>
Midwest Leasing-Bus Lease	08/07/2008	5.712%	5 yrs	08/01/2013	<u>\$ 95,928</u>	<u>\$ 78,303</u>

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 16,369	\$ 3,795
2011	18,882	3,115
2012	20,015	1,982
2013	21,213	783
2014	<u>1,824</u>	<u>9</u>
Total	<u>\$ 78,303</u>	<u>\$ 9,684</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 ten days of leave at full salary for sick leave. Unused days of sick leave each year will be allowed to accumulate to 40 days at the end of each school year. Upon termination, compensation for accumulated leave will be determined as follows: 12.5% times the number of unused sick days of 40 or less times terminations salary divided by 187 if applicable, the number of sick days over 40 times \$15.

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

HOT SPRING PUBLIC SCHOOLS  
SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2009

**NOTE 7. DEFICIT FUND BALANCES/NET ASSETS**

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for deficit</u>	<u>How deficit will be eliminated</u>
High School Food Services	\$ <u>(26)</u>	Over spent expenditures	Future revenues

**NOTE 8. INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of June 30, 2009, were as follows:

<u>Purpose</u>	<u>Due to/from other funds:</u> <u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
To correct distribution of fuel costs	Elementary General – Major Governmental	Elementary Transportation – Major Governmental	\$ 5,000
To correct principle salary distribution error	Elementary Retirement – Nonmajor Governmental	Elementary General – Major Governmental	293
To fund compensated absences liability	Elementary Compensated Absences – Nonmajor Governmental	Elementary General – Major Governmental	230
To decrease compensated absence liability	High School General Fund – Major Governmental	High School Compensated Absences – Nonmajor Governmental	155
To correct principle salary distribution error	High School General Fund – Major Governmental	High School Miscellaneous Programs – Nonmajor Governmental	1,335
To correct distribution of equipment costs	High School General Fund – Major Governmental	High School Impact Aid – Major Governmental	1,000
To support food service program	High School Hot Lunch Program – Nonmajor Governmental	High School Impact Aid – Major Governmental	4,500
To correct principle salary distribution error	High School General Fund – Major Governmental	High School Transportation – Major Governmental	1,575
To correct distribution of fuel costs	High School General Fund – Major Governmental	High School Transportation – Major Governmental	<u>6,400</u>
Total			<u>\$20,488</u>

**Interfund Transfers**

The following is an analysis of operating transfers in and out during Fiscal Year 2009:

<u>Purpose</u>	<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Transfer to or from Compensated Absence Fund	Elementary Compensated Absences – Nonmajor Governmental	Elementary General – Major Governmental	\$ 230
Transfer to or from Compensated Absence Fund	High School General – Major Governmental	High School Compensated Absences – Nonmajor Governmental	<u>155</u>
			\$ <u>385</u>

HOT SPRING PUBLIC SCHOOLS  
SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 9. STATE-WIDE RETIREMENT PLANS**

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

Contribution rates are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll for the fiscal year ended June 30, 2009, were:

	<u>PERS</u>	<u>TRS</u>
Employer	6.80%	7.47%
Employee	6.90%	7.15%
State	0.235%	0.20%

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, 2007, 2008, and 2009, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>	<u>TRS</u>
2007	\$ 10,904	\$ 65,070
2008	\$ 13,854	\$ 69,118
2009	\$ 14,259	\$ 72,218

**NOTE 10. POST EMPLOYMENT BENEFITS**

Terminated employees may remain on the District's health insurance plan for up to 18 months if they pay the monthly premiums. This benefit is required under the federal COBRA law. 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.

HOT SPRING PUBLIC SCHOOLS  
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**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2009

The District had four retired employees and no terminated employees participating in the plan as of June 30, 2009.

**NOTE 11. 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	\$ 154,213
Reserved for Encumbrances	<u>36,341</u>
Total General Fund	\$ <u>190,554</u>
 <u>Special Revenue Funds</u>	
Elementary Transportation Fund	
Reserved for Operations	\$ 28,568
High School Transportation Fund	
Reserved for Operations	20,938
Elementary Retirement Fund	
Reserved for Operations	39,088
High School Retirement Fund	
Reserved for Operations	30,606
Elementary Miscellaneous Programs	
Reserved for Encumbrances	1,961
High School Miscellaneous Programs	
Reserved for Encumbrances	1,641
Elementary Bus Depreciation	
Reserved for Replacement	60,685
High School Bus Depreciation	
Reserved for Replacement	59,352
Elementary Compensated Absences Fund	
Reserved for Compensated Absences Liability	3,027
High School Compensated Absences Fund	
Reserved for Compensated Absences Liability	<u>3,683</u>
Total Special Revenue Funds	\$ <u>249,549</u>
 <u>Debt Service Funds</u>	
Elementary Debt Service Funds	
Reserved for General Obligation Bond Repayment	\$ 21,826
High School Debt Service Funds	
Reserved for General Obligation Bond Repayment	<u>17,695</u>
Total Debt Service Funds	\$ <u>39,521</u>
 Total	 \$ <u><u>479,624</u></u>



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SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2009

**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**

The District is a member of the Sanders County Educational Services Cooperative. The Cooperative is comprised of six member districts, each of which contributes to the operating costs of providing special educational services to the participating districts. Each year each member District appoints a member to the Joint Advisory Board. From this Board, a four member management council is elected to administer to the Cooperative.

The District's contributions for the payment of the special educational services provided was \$3,592 for the fiscal year ended June 30, 2009. Separate financial statements are available from the Sanders County Educational Services Cooperative, P.O. Box 129, Thompson Falls, MT 59873.

**Northwest Montana Educational Cooperative**

The District is a member of the Northwest Montana Education Cooperative. The purpose of the cooperative is to maintain and employ personnel to oversee and coordinate the operation and management of educational services including, but not limited to, joint purchases of materials and the curriculum development process in each of the participating district. The Cooperative is comprised of 24 member 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. Every year, each member district appoints a member to the Joint Advisory Board. From this board, a five member Management Council is elected to administer the Cooperative. The County Superintendent of Schools is the prime fiscal agent. The District's contribution to the Cooperative was \$5,234 for fiscal year ended June 30, 2009. Separate financial statements are available from the Flathead County Education Cooperative.

**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.

HOT SPRING PUBLIC SCHOOLS  
SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2009

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.

**NOTE 14. PENDING LITIGATION**

There was no pending or threatened litigation or unasserted claims or assessments against the District at June 30, 2009.

**REQUIRED SUPPLEMENTAL  
INFORMATION**

Hot Springs Public Schools, Sanders County, Montana  
 Budgetary Comparison Schedule  
 For the Fiscal Year Ended June 30, 2009

	General Fund				Elementary Transportation			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	(BUDGETARY BASIS) See Note A		ORIGINAL	FINAL	(BUDGETARY BASIS) See Note A	
<b>RESOURCES (INFLOWS):</b>								
Local revenue	\$ 289,360	\$ 289,360	\$ 278,603	\$ (10,757)	\$ 72,767	\$ 72,767	\$ 83,352	\$ 10,585
County revenue	-	-	-	-	26,086	26,086	25,701	(385)
State revenue	1,288,534	1,288,534	1,288,532	(2)	29,995	29,995	29,610	(385)
Federal revenue	-	-	-	-	-	-	-	-
Amounts available for appropriation	\$ 1,577,894	\$ 1,577,894	\$ 1,567,135	\$ (10,759)	\$ 128,848	\$ 128,848	\$ 138,663	\$ 9,815
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>								
Instructional - regular	\$ 702,673	\$ 702,673	\$ 709,980	\$ (7,307)	-	-	-	-
Instructional - special education	90,596	90,596	90,290	306	-	-	-	-
Instructional - vocational education	127,759	127,759	124,449	3,310	-	-	-	-
Supporting services - operations & maintenance	249,741	249,741	242,581	7,160	-	-	-	-
Supporting services - general	4,390	4,390	4,148	242	-	-	-	-
Supporting services - educational media services	30,203	30,203	30,092	111	-	-	-	-
Administration - general	88,240	88,240	81,767	6,473	16,110	16,110	14,869	1,241
Administration - school	170,026	170,026	149,731	20,295	-	-	-	-
Administration - business	29,782	29,782	26,530	3,252	15,362	15,362	14,108	1,254
Student transportation	19,679	19,679	20,021	(342)	97,808	97,808	79,782	18,026
Extracurricular	58,753	58,753	69,964	(11,211)	-	-	-	-
School food	8,416	8,416	4,744	3,672	-	-	-	-
Debt service expense - principal	-	-	-	-	-	-	10,575	(10,575)
Debt service expense - interest	-	-	-	-	-	-	2,623	(2,623)
Total charges to appropriations	\$ 1,580,258	\$ 1,580,258	\$ 1,554,297	\$ 25,961	\$ 129,280	\$ 129,280	\$ 121,957	\$ 7,323
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	-	155	155	-	-	-	-
Transfers out	-	-	(230)	(230)	-	-	-	-
Total other financing sources (uses)	-	-	(75)	(75)	-	-	-	-
Net change in fund balance			\$ 12,763				\$ 16,706	
Fund balance - beginning of the year			\$ 147,112				\$ 26,289	
Fund balance - beginning of the year - restated			\$ 147,112				\$ 26,289	
<b>Fund balance - end of the year</b>			\$ 159,875				\$ 42,995	

Hot Springs Public Schools, Sanders County, Montana  
 Budgetary Comparison Schedule  
 For the Fiscal Year Ended June 30, 2009

	High School Transportation				VARIANCE WITH FINAL BUDGET
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A		
	ORIGINAL	FINAL			
<b>RESOURCES (INFLOWS):</b>					
Local revenue	\$ 48,657	\$ 48,657	\$ 55,271	\$ 6,614	
County revenue	17,390	17,390	17,134	(256)	
State revenue	19,891	19,891	19,635	(256)	
Federal revenue	-	-	-	-	
Amounts available for appropriation	\$ 85,938	\$ 85,938	\$ 92,040	\$ 6,102	
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>					
Instructional - regular	-	-	-	\$ -	
Instructional - special education	-	-	-	-	
Instructional - vocational education	-	-	-	-	
Supporting services - operations & maintenance	-	-	-	-	
Supporting services - general	-	-	-	-	
Supporting services - educational media services	-	-	-	-	
Administration - general	8,796	8,796	7,504	1,292	
Administration - school	-	-	-	-	
Administration - business	9,276	9,276	8,601	675	
Student transportation	68,523	68,523	56,281	12,242	
Extracurricular	-	-	-	-	
School food	-	-	-	-	
Debt service expense - principal	-	-	7,050	(7,050)	
Debt service expense - interest	-	-	1,748	(1,748)	
Total charges to appropriations	\$ 86,595	\$ 86,595	\$ 81,184	\$ 5,411	
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	
Transfers out	-	-	-	-	
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -	
Net change in fund balance			\$ 10,856		
Fund balance - beginning of the year			\$ 17,976		
Fund balance - beginning of the year - restated			\$ 17,976		
<b>Fund balance - end of the year</b>			\$ 28,832		

**Hot Springs Public Schools, Sanders 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>Elementary Transportation</u>	<u>High School Transportation</u>
<b>Sources/Inflows of resources</b>			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,567,135	\$ 138,663	\$ 92,040
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	\$ 1,567,135	\$ 138,663	\$ 92,040
<b>Uses/Outflows of resources</b>			
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,554,297	\$ 121,957	\$ 81,184
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	41,188	10	7
- Encumbrances reported at the end of the year	(36,341)	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 1,559,144	\$ 121,967	\$ 81,191

# **SUPPLEMENTAL INFORMATION**

**Hot Springs Public Schools  
Sanders County, Montana  
SCHEDULE OF ENROLLMENT  
For the Year Ended June 30, 2009**

**Fall Enrollment - October, 2008**

**Elementary School District**

	FALL		
	Per Enrollment	Audit Per	
	<u>Reports</u>	<u>District Records</u>	<u>Difference</u>
(a) Pre-Kindergarten	0	0	0
(b) Kindergarten Full	17	17	0
(c) Kindergarten Part	0	0	0
(d) Grades 1-6	102	102	0
(e) Grades 7-8	28	28	0
(f) Total Elementary (add lines a through e)	147	147	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**

	FALL		
	Per Enrollment	Audit Per	
	<u>Reports</u>	<u>District Records</u>	<u>Difference</u>
(g) Grades 9-12	62	62	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, 2009**

**Elementary School District**

	SPRING		
	Per Enrollment	Audit Per	
	<u>Reports</u>	<u>District Records</u>	<u>Difference</u>
(j) Pre-Kindergarten	0	0	0
(k) Kindergarten - Full	18	18	0
(l) Kindergarten - Full	0	0	0
(m) Grades 1-6	102	102	0
(n) Grades 7-8	28	28	0
(o) Total Elementary (add lines j through n)	148	148	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	1	0	0	0	1	0	0	0
7-8	0	0	0	0	0	0	0	0	0

**High School District**

	SPRING		
	Per Enrollment	Audit Per	
	<u>Reports</u>	<u>District Records</u>	<u>Difference</u>
(p) Grades 9-12	60	60	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



Hot Springs Public Schools  
 Sanders County, Montana  
 EXTRACURRICULAR FUND  
**SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS**  
 Fiscal Year Ended June 30, 2009

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Ending Balance
"H" Club	\$ 104	\$ -	\$ -	\$ 104
Class of 2008	-	35	35	-
Class of 2009	3,293	1,661	4,954	-
Class of 2010	2,480	2,348	284	4,544
Class of 2011	1,537	859	72	2,324
Class of 2012	799	723	389	1,133
Class of 2013	361	530	333	558
Class of 2014	-	1,042	546	496
Annual	6,275	2,971	542	8,704
Athletics	5,128	24,829	26,269	3,688
Cheerleading	216	175	70	321
District Service	(128)	16,730	16,602	-
Drama	553	913	1,205	261
Elementary Tech Ed	1,933	406	-	2,339
Elementary	234	37	-	271
Family Consumer Science	157	207	267	97
FCCLA	1,526	5,706	4,849	2,383
Junior High	212	943	818	337
Native American Club	274	432	-	706
PEP Club	9	1,203	439	773
Performing Arts (Music)	1,554	166	-	1,720
Petty Cash	800	-	-	800
Reg & Misc	1,123	2,395	1,657	1,861
RIF	2,476	914	811	2,579
Scholarship Fund	19,631	704	2,500	17,835
Shop & Mech	1,026	219	-	1,245
Student Council	243	460	518	185
Tripp Memorial	382	100	-	482
Vending H.S.	2,594	358	-	2,952
Total	\$ <u>54,792</u>	\$ <u>67,066</u>	\$ <u>63,160</u>	\$ <u>58,698</u>

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

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

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**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***

District  
Hot Springs Public Schools  
Sanders County  
Hot Springs, Montana

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hot Springs Public Schools, Sanders County, Montana, as of and for the year ended June 30, 2009, which collectively comprise the Hot Springs Public Schools' basic financial statements and have issued our report thereon dated May 12, 2010. 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 Hot Springs Public Schools' 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 Hot Springs Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hot Springs Public Schools' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Hot Springs Public Schools' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described below to be significant deficiencies in the internal control over financial reporting.

**09-1 Credit Card Documentation and Electric Company Claims**

**Condition:**

We noted the following during review of expenditures:

1. Six restaurant receipts did not include the detail of the purchases.
2. Five receipts were not included with the claims.
3. Two months reviewed, the payment was made late resulting in finance charges.
4. Two of the electric company payments were made late resulting in late fees and non payment fees.

**Criteria:**

A good control procedure ensures all receipts are received and includes all supporting documentation and payments are made in a timely manner.

**Effect:**

Inadequate supporting documentation was maintained and finance charges were assessed.

**Cause:**

Some users of the credit card were not providing adequate documentation for charges; small dollars were passed on when paying the claims; invoices were received after checks/warrants were issued.

**Recommendation:**

The District should implement procedures to ensure all payments are made timely with adequate supporting documentation.

**09-2 Transportation Fund**

**Condition:**

The school district did not report the revenue received from M&MT Enterprises for the lease payments being made on their behalf. The school district reported the expenses to M&MT Enterprises less the lease payment.

**Criteria:**

GAAP (Generally Accepted Accounting Principles) requires all revenue that is received be reported as revenue.

**Effect:**

Revenues were understated by \$12,098 in Elementary Transportation and \$8,065 in High School Transportation.

**Cause:**

School District was unaware of how to process the transaction.

**Recommendation:**

We recommend that the District report the lease money received from M&MT Enterprises as revenue and report the full expenditure for the transportation costs. This has been corrected for the audit report.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiencies described above are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hot Springs Public Schools' 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*.

Hot Springs Public Schools' response to the findings identified in our audit is described in the Auditee's Response to Findings included in this report. We did not audit Hot Springs Public Schools' response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the District, management, 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.*

May 12, 2010

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

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

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

District  
Hot Springs Public Schools  
Sanders County  
Hot Springs, Montana

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

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

May 12, 2010

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

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

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**REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS**

District  
Hot Springs Public Schools  
Sanders County  
Hot Springs, Montana

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

<u>Recommendation</u>	<u>Action Taken</u>
Taxes Receivable	Implemented

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

May 12, 2010

# Hot Springs Public Schools #14-J

Proudly Serving Students in Grades K-12  
301 Broadway Street • P.O. Box 1005 • Hot Springs, MT 59845



June 7, 2010

Department of Commerce  
Local Government Service  
P.O. Box 200547  
Helena, MT 59620

Regarding: School District Audit - For Year Ended June 30, 2009

Dear Audit Review Supervisor:

School District #14-J has responded to the recommendations stated in the audit report submitted by Denning, Downey, & Associates P.C. for fiscal year ending June 30, 2009 as follows:

## **Transportation Fund**

The District will report lease payments deducted from the bus contract paid to M & MT Enterprises as revenue and the full expenditure for the lease payments.

## **Credit Card Documentation and Electric Company Claims**

1. The District will require detailed receipts for all Credit Card Transactions.
2. The District has implemented a bi-monthly claim processing policy to ensure all payments are made in a timely manner, alleviating the finance charge issue.

Sincerely,

*Larry L. Markuson*

Larry Markuson  
Superintendent

Cc: Office of Public Instruction  
Denning, Downey & Associates, P.C.