

HOT SPRINGS PUBLIC SCHOOLS

SANDERS COUNTY, MONTANA

Fiscal Year Ended June 30, 2012

AUDIT REPORT

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

HOT SPRINGS PUBLIC SCHOOLS

SANDERS COUNTY, MONTANA

Fiscal Year Ended June 30, 2012

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HOT SPRINGS PUBLIC SCHOOLS
SANDERS COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2012

BOARD OF TRUSTEES

Julie White	Chairperson
Frank Salmi	Vice Chairperson
Terry Prongua	Trustee
Dirk Roosma	Trustee
Kim Baker	Trustee

DISTRICT OFFICIALS

Kevin Meredith	District Superintendent
Carmin Jackson	Business Manager
Carol Turk	County Superintendent
Robert Zimmerman	County Attorney

**Hot Springs School District
Management Discussion and Analysis
As of June 30, 2012**

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, 2012. Comparative information year ended June 30, 2011 and the year ended June 30, 2012 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 Principles (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, whereas 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 had two capital outlay projects during the fiscal year that were not budgeted. These projects resulted in a budget shortfall.
3. Student Transportation –During the 2012 school year, the District athletic teams were not quite as successful as in the years past. Therefore the District did not expend the total budget for tournament expense for the State and Divisional tournaments.
4. Extracurricular – In fiscal year 2012 the District discontinued the football co-op with Plains, MT and started a six man football team locally. This required the District to purchase new equipment and uniforms for the 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 **\$1,865,072** at fiscal year ending June 30, 2012.

The majority of the decrease in net assets can attribute to the District's use of procurement cards (P-Cards) for year-end purchases. The P-Card company offers cash back rebates on all purchases and using the card allows the District more flexibility for how we purchase products. When the District began using the cards for year-end orders, it recognized a significant increase in the accounts payable liability. This is due to the nature of the activity and when the card was actually charged for the merchandise. Merchandise charged prior to June 30, is recorded as an accounts payable, merchandise charge after June 30 is recorded as an encumbrance.

Hot Springs School District Condensed Statement of Net Assets

Assets	2010-2011	2011-2012
Current Assets	\$ 1,064,763	\$ 1,174,339
Noncurrent Assets	<u>1,743,140</u>	<u>1,634,186</u>
Total Assets	\$ <u>2,807,903</u>	\$ <u>2,808,525</u>
Liabilities		
Current Liabilities	\$ 87,368	\$ 169,215
Noncurrent Liabilities	<u>750,170</u>	<u>774,238</u>
Total Liabilities	\$ <u>837,538</u>	\$ <u>943,453</u>
Net Assets	\$ <u>1,970,365</u>	\$ <u>1,865,072</u>
Net Assets		
Invested in Capital Assets, net of related debt	\$ 1,173,140	\$ 1,104,186
Restricted	406,351	370,501
Unrestricted	<u>390,874</u>	<u>390,385</u>
Total Net Assets	\$ <u>1,970,365</u>	\$ <u>1,865,072</u>

Hot Springs School District
Changes in Net Assets

Revenues

Program Revenues	2010-2011	2011-2012
Charges For Services	\$ 27,558	\$ 26,295
Operating Grants & Contributions	647,333	544,397
Capital Grants & Contributions	3,327	-
General Revenues		
Property Taxes	484,849	477,764
Nonrestricted Grants & Entitlements	1,281,256	1,291,636
Investment Earnings	11,451	7,631
Miscellaneous (other revenue)	69,789	87,424
State Entitlement (block grants)	33,927	72,284
State Technology	1,736	1,735
County Retirement	<u>203,297</u>	<u>115,130</u>
Total Revenues	<u>\$ 2,764,523</u>	<u>\$ 2,624,296</u>

Expenses

Program Expenses

Instructional - regular	\$ 1,141,491	\$ 1,226,190
Instructional - special education	246,274	218,291
Instructional - vocational education	140,294	138,373
Instructional - adult education	2,760	1,412
Supporting services - operations & maintenance	336,368	275,888
Supporting services - general	7,062	4,063
Supporting services - educational media services	39,998	30,188
Administration - general	126,530	122,668
Administration - school	172,154	168,222
Administration - finance	61,058	61,781
Student transportation	218,528	231,468
Extracurricular	56,740	76,167
School food	100,614	99,325
Debt Service Expense - Interest	29,865	26,931
Unallocated Depreciation	<u>46,427</u>	<u>50,818</u>
Total Expenses	<u>\$ 2,726,163</u>	<u>\$ 2,731,815</u>

Changes in Net Assets	<u>\$ 38,360</u>	<u>\$ (107,519)</u>
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Revenues

Total revenues for the fiscal year ended June 30, 2012 were approximately \$2.62 million. Total revenue consists primarily of general revenues approximately 75%. The remaining 25% of revenues are program revenues.

The District experienced a loss in revenue of approximately \$100,000. The reason for this decrease can be attributed to the expiration American Recovery and Reinvestment Act (ARRA). In fiscal year 2010-2011 the District received \$100,600 in ARRA funds through the Title I, Part A grant and IDEA grant.

In addition to the loss of the ARRA funds, revenue shortfalls can be attributed to declining enrollment and economic conditions of county in regards to interest rates and property taxes.

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 districts spending increased by \$5,652 from school year 2011 to 2012. Due to decreasing enrollment, the District operates under a “bare bones” budget.

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

	2010-2011		2011-2012	
Expenses Supported with General Revenues (from taxes and other sources for general school use)	\$ 2,047,945	76%	\$ 2,161,123	79%
Expenses Supported with Program Revenues	<u>678,218</u>	24%	<u>570,692</u>	21%
Total Expenditures Related To Gov't Activities	<u>\$ 2,726,163</u>		<u>\$ 2,731,815</u>	

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, driver’s education fees, and federal grants.

Significant Events and Trends

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.

In 2010 President Obama signed into law the American Recovery and Reinvestment Act. This program expired in September 2011. Expenditures previously supported by these grants must be absorbed by the District in the other funds.

Capital Assets

The District did not experience incur material changes in capital assets.

**Hot Springs School District
Capital Assets**

	2010-2011	2011-2012
Land & Land Improvements	\$ 100,040	\$ 100,040
Buildings & Improvements - net depreciation	1,386,811	1,335,993
Machinery & Equipment - net depreciation	<u>256,289</u>	<u>198,153</u>
Total Expenditures Related To Gov't Activities	\$ <u>1,743,140</u>	\$ <u>1,634,186</u>

Debt Administration

The District entered into a long term capital lease on behalf of the M & MT Enterprises. The total lease obligation remaining is \$23,045. Lease payments are deducted from the payment made to M & MT Enterprises for the bus contract. This contract will conclude at the end of fiscal year 2013.

In 2003 the District passed a 30 year general obligation bond to construct a new gymnasium. The general obligation bond was decreased by \$40,000 in fiscal year 2012.

In fiscal year 2013 the current portion of the capital lease (\$22,221) will be due.

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

**Hot Springs School District
Debt Administration**

	2010-2011	2011-2012
General Obligation Bonds	\$ 570,000	\$ 530,000
Capital Lease/Postemployment Benefits	210,849	277,178
Compensated Absences	<u>38,303</u>	<u>43,504</u>
Total Expenditures Related To Gov't Activities	\$ <u>819,152</u>	\$ <u>850,682</u>

The District's Future

Declining enrollment has negatively affected the Districts state entitlements and budgeting authority. In fiscal year 2013 the District projects a maximum general fund budget of \$1,580,607. This is an approximate budget shortfall of \$54,859. The Board elected to adopt a Reduction in Force (RIF) plan in lieu of a mill levy. The District will cut its music program, reduced the elementary secretary three hours per day, reduce the high school secretary one month, and eliminate two summer maintenance positions. These cuts will balance the budget.

During the legislative session of 2013, the Legislature adopted SB 175 that provided an increase in the state entitlements. These entitlement changes and an increase in enrollment will result in an approximate increase of \$72,000 in funding for our District.

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, and (406) 741-2964.

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

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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, 2012, and the respective changes in financial position, and 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 June 27, 2013 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding for other post employment benefits other than pensions on pages 2 through 8, 33 through

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The schedule of revenues and expenditures for the extracurricular fund and the schedule of enrollment are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of revenues and expenditures for the extracurricular fund and the schedule of enrollment 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 been 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.

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

June 27, 2013

Hot Springs Public Schools, Sanders County, Montana
Statement of Net Assets
June 30, 2012

		Governmental Activities
ASSETS		
Current assets:		
Cash and investments	\$	1,080,255
Taxes and assessments receivable, net		46,111
Accounts receivable - net		13,143
Due from other governments		34,830
Total current assets	\$	1,174,339
Noncurrent assets		
Capital assets - land	\$	100,040
Capital assets - depreciable, net		1,534,146
Total noncurrent assets	\$	1,634,186
Total assets	\$	2,808,525
LIABILITIES		
Current liabilities		
Accounts payable	\$	92,771
Current portion of long-term liabilities		21,221
Current portion of long-term capital liabilities		40,000
Current portion of compensated absences payable		15,223
Total current liabilities	\$	169,215
Noncurrent liabilities		
Noncurrent portion of long-term liabilities	\$	255,957
Noncurrent portion of long-term capital liabilities		490,000
Noncurrent portion of compensated absences		28,281
Total noncurrent liabilities	\$	774,238
Total liabilities	\$	943,453
NET ASSETS		
Invested in capital assets, net of related debt	\$	1,104,186
Restricted for capital projects		103,128
Restricted for debt service		47,749
Restricted for special projects		219,624
Unrestricted		390,385
Total net assets	\$	1,865,072
Total liabilities and net assets	\$	2,808,525

See accompanying Notes to the Financial Statements

Hot Springs Public Schools, Sanders County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Program Revenues		Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets
Functions/Programs	Expenses	Charges for Services	Primary Government	Governmental Activities
Primary government:				
Governmental activities:				
Instructional - regular	\$ 1,226,190	\$ 2,253	\$ 234,906	\$ (989,031)
Instructional - special education	218,291	-	156,790	(61,501)
Instructional - vocational education	138,373	-	7,867	(130,506)
Instructional - adult education	1,412	-	-	(1,412)
Supporting services - operations & maintenance	275,888	-	-	(275,888)
Supporting services - general	4,063	-	-	(4,063)
Supporting services - educational media services	30,188	-	-	(30,188)
Administration - general	122,668	-	-	(122,668)
Administration - school	168,222	-	-	(168,222)
Administration - business	61,781	-	-	(61,781)
Student transportation	231,468	-	74,114	(157,354)
Extracurricular	76,197	-	-	(76,197)
School food	99,325	24,042	70,720	(4,563)
Debt service expense - interest	26,931	-	-	(26,931)
Unallocated depreciation*	50,818	-	-	(50,818)
Total governmental activities	\$ 2,731,815	\$ 26,295	\$ 544,397	\$ (2,161,123)
Total primary government	\$ 2,731,815	\$ 26,295	\$ 544,397	\$ (2,161,123)
General Revenues:				
Property taxes for general purposes				\$ 477,764
Grants and entitlements not restricted to specific programs				1,291,636
Investment earnings				7,631
Miscellaneous (other revenue)				87,424
State entitlement (block grants)				72,284
State technology				1,735
County retirement				115,130
Total general revenues, special items and transfers				\$ 2,053,604
Change in net assets				\$ (107,519)
Net assets - beginning				\$ 1,970,365
Restatements				2,226
Net assets - beginning - restated				\$ 1,972,591
Net assets - end				\$ 1,865,072

* 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, 2012

	<u>General</u>	<u>Elementary Miscellaneous Programs</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Current assets:				
Cash and investments	\$ 721,764	\$ 16,384	\$ 342,107	\$ 1,080,255
Taxes and assessments receivable, net	28,687	-	17,424	46,111
Accounts receivable - net	13,143	-	-	13,143
Due from other funds	-	-	174	174
Due from other governments	3,641	23,722	196,696	224,059
Total assets	<u>\$ 767,235</u>	<u>\$ 40,106</u>	<u>\$ 556,401</u>	<u>\$ 1,363,742</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 73,418	\$ 11,549	\$ 7,804	\$ 92,771
Due to other funds	174	-	-	174
Due to other governments	-	21,750	167,479	189,229
Deferred revenue	28,687	-	17,424	46,111
Total liabilities	<u>\$ 102,279</u>	<u>\$ 33,299</u>	<u>\$ 192,707</u>	<u>\$ 328,285</u>
FUND BALANCES				
Restricted	\$ -	\$ 6,807	\$ 363,694	\$ 370,501
Assigned	23,370	-	-	23,370
Unassigned	641,586	-	-	641,586
Total fund balance	<u>\$ 664,956</u>	<u>\$ 6,807</u>	<u>\$ 363,694</u>	<u>\$ 1,035,457</u>
Total liabilities and fund balance	<u>\$ 767,235</u>	<u>\$ 40,106</u>	<u>\$ 556,401</u>	<u>\$ 1,363,742</u>

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, 2012

Total fund balances - governmental funds	\$ 1,035,457
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,634,186
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.	46,111
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(850,682)
Total net assets - governmental activities	<u>\$ 1,865,072</u>

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, 2012

	General	Elementary Miscellaneous Programs	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local revenue	\$ 387,716	\$ 5,283	\$ 246,473	\$ 639,472
County revenue	-	-	151,788	151,788
State revenue	1,253,817	119,733	90,155	1,463,705
Federal revenue	90,159	227,380	84,233	401,772
Total revenues	\$ 1,731,692	\$ 352,396	\$ 572,649	\$ 2,656,737
EXPENDITURES				
Instructional - regular	\$ 771,343	\$ 265,844	\$ 93,056	\$ 1,130,243
Instructional - special education	87,397	119,733	11,161	218,291
Instructional - vocational education	117,156	-	21,217	138,373
Instructional - adult education	-	-	1,412	1,412
Supporting services - operations & maintenance	254,856	-	17,496	272,352
Supporting services - general	3,759	-	304	4,063
Supporting services - educational media services	24,535	3,313	2,340	30,188
Administration - general	90,413	-	32,255	122,668
Administration - school	148,649	-	19,573	168,222
Administration - business	45,380	-	16,401	61,781
Student transportation	12,834	83	169,986	182,903
Extracurricular	70,510	323	5,364	76,197
School food	1,070	-	98,255	99,325
Debt service expense - principal	-	-	58,382	58,382
Debt service expense - interest	-	-	26,931	26,931
Total expenditures	\$ 1,627,902	\$ 389,296	\$ 574,133	\$ 2,591,331
Excess (deficiency) of revenues over expenditures	\$ 103,790	\$ (36,900)	\$ (1,484)	\$ 65,406
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of general capital asset dispositi	\$ -	\$ -	\$ 894	\$ 894
Resource transfers from other districts	-	-	189,229	189,229
Resource transfers to other districts	-	(21,750)	(167,479)	(189,229)
Transfers in	-	-	1,640	1,640
Transfers out	(1,640)	-	-	(1,640)
Total other financing sources (uses)	\$ (1,640)	\$ (21,750)	\$ 24,284	\$ 894
Net Change in Fund Balance	\$ 102,150	\$ (58,650)	\$ 22,800	\$ 66,300
Fund balances - beginning	\$ 560,580	\$ 65,457	\$ 340,894	\$ 966,931
Restatements	2,226	-	-	2,226
Fund balances - beginning, restated	\$ 562,806	\$ 65,457	\$ 340,894	\$ 969,157
Fund balance - ending	\$ 664,956	\$ 6,807	\$ 363,694	\$ 1,035,457

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, 2012

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

Net change in fund balances - total governmental funds	\$ 66,300
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
- Depreciation expense	(108,954)
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)	(33,335)
The change in compensated absences is shown as an expense in the Statement of Activities	(5,201)
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	58,382
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	(84,711)
Change in net assets - Statement of Activities	\$ <u>(107,519)</u>

See accompanying Notes to the Financial Statements

Hot Springs Public Schools, Sanders County, Montana
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and short-term investments	\$ 60,483	\$ 46,896
Total assets	\$ 60,483	\$ 46,896
LIABILITIES		
Warrants payable	\$ -	\$ 46,896
Total liabilities	\$ -	\$ 46,896
NET ASSETS		
Assets held in trust	\$ 60,483	

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, 2012

		<u>Private Purpose Trust Funds</u>
ADDITIONS		
Contributions:		
Student activities	\$	<u>69,208</u>
DEDUCTIONS		
Student activities	\$	<u>64,035</u>
Change in net assets	\$	<u>5,173</u>
Net Assets - Beginning of the year	\$	55,310
Net Assets - End of the year	\$	<u><u>60,483</u></u>

See accompanying Notes to the Financial Statements

HOT SPRINGS PUBLIC SCHOOLS
SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

In determining the financial reporting entity, the District complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the District appointed a voting majority of the component units' board; the District is either able to impose its will on the unit or a financial benefit or burden relationship exists. In addition, the District complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the District.

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.

HOT SPRINGS PUBLIC SCHOOLS
SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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

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

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

Fund Financial Statements:

Basis of Presentation

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are organized into categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category. 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 SPRINGS PUBLIC SCHOOLS
SANDERS COUNTY, MONTANA
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June 30, 2012

Consolidation of Elementary and High School Districts into a K-12 District

In March of 2012, District Board of Trustees approved a resolution for consolidation of the Elementary and High School districts, which are separate legal entities, into one K-12 district affecting July of 2012. As a result of this consolidation, district closed all elementary funds to the related high school funds and transferred all monies to the high school funds at the end of fiscal year 2012, as follows:

<u>Transfer from Elementary Fund</u>	<u>Amount</u>	<u>Transfer to High School Fund</u>
General	\$ 94,334	General
Transportation	37,192	Transportation
Bus Depreciation	49,813	Bus Depreciation
Retirement	42,901	Retirement
Miscellaneous Programs	21,750	Miscellaneous Programs
Adult Education	1,203	Adult Education
Compensated Absence	4,644	Compensated Absence
Impact Aid	295,196	Impact Aid
Technology	7,520	Technology
Flexibility	61,917	Flexibility
Debt Service	23,749	Debt Service
Building	<u>457</u>	Building
Total	<u>\$ 640,676</u>	

District also reported these transfers as due to and due from other governments, because cash has not been transferred to the high school district at the County Treasurer as of June 30, 2012. The related transfers, due from other governments, and due to other governments, are presented on the fund financial statements. The noted transfers, receivables, and liability have no effect on the government-wide financial statements, therefore, no disclosure is required.

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.

HOT SPRINGS PUBLIC SCHOOLS
SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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.

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

Fiduciary Funds

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

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

Student Extracurricular Activities Fund – The Student Extracurricular Activities Fund is authorized by Section 20-9-504, MCA, to account for various student activities, such as athletics, clubs, classes, student government organizations, student publications and other such activities. Separate fund accounts within the Extracurricular Fund are maintained to account for these various activities. Unlike other district funds, the money for these activities may be maintained in bank accounts outside the control of the County Treasurer. The fund is administered by

HOT SPRINGS PUBLIC SCHOOLS
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June 30, 2012

school district administrators, faculty members, and student organizations under the guidelines and policies established by the Board of Trustees and in accordance with the "Student Activity Fund Accounting" guidelines. Required guidelines are available from the Montana Association of School Business Officials (MASBO) or from OPI.

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, 2012, consisted of certificates of deposit, savings accounts, money market accounts and demand deposit accounts. 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 Sanders County deposits and investments is available from Sanders County Treasurer's office, 1111 Main Street, Thompson Falls, Montana, 59873. Fair value approximates carrying value for investments as of June 30, 2012. 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.

Deposits

The District's deposit balance at year end was \$60,483 and the bank balance was \$59,683 and 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.

HOT SPRINGS PUBLIC SCHOOLS
SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

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. At year end, if the inventory is significant, it must be recorded as an asset.

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
Machinery and equipment	8 - 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 2012 Basic Financial Statements. The government has elected not to retroactively report general infrastructure assets.

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

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2012</u>
Capital assets not being depreciated:			
Land	\$ 100,040	\$ -	\$ 100,040
Other capital assets:			
Buildings	\$ 2,414,930	\$ -	\$ 2,414,930
Machinery and equipment	<u>601,061</u>	<u>-</u>	<u>601,061</u>
Total other capital assets at historical cost	<u>\$ 3,015,991</u>	<u>\$ -</u>	<u>\$ 3,015,991</u>
Less accumulated depreciation	<u>\$ (1,372,891)</u>	<u>\$(108,954)</u>	<u>\$ (1,481,845)</u>
Total	<u>\$ 1,743,140</u>	<u>\$(108,954)</u>	<u>\$ 1,634,186</u>

HOT SPRINGS PUBLIC SCHOOLS
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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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

Governmental Activities:	
Instructional – regular	\$ 6,035
Supporting services – operations and maintenance	3,536
Student transportation	48,565
Unallocated	<u>50,818</u>
Total governmental activities depreciation expense	<u>\$108,954</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, 2012, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2012</u>	Due within <u>one year</u>
General obligation bonds	\$ 570,000	\$ -	\$ (40,000)	\$ 530,000	\$ 40,000
Loans/Contracted debt	41,427	-	(18,382)	23,045	21,221
Compensated absences	38,303	5,201	-	43,504	15,223
Other post-employment benefits *	<u>169,422</u>	<u>84,382</u>	-	<u>254,133</u>	-
Total	<u>\$ 819,152</u>	<u>\$ 89,912</u>	<u>\$ (58,382)</u>	<u>\$ 850,682</u>	<u>\$ 76,444</u>

*See Note 9

In prior years the general fund and the compensated absences fund were 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, 2012 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2012</u>
Elementary Gym Bond	01/23/2003	3.00%	20 yrs	07/01/2023	\$ 400,000	Varies	\$ 265,000
High School Gym Bond	01/23/2003	3.00%	20 yrs	07/01/2023	<u>400,000</u>	Varies	<u>265,000</u>
					<u>\$ 800,000</u>		<u>\$ 530,000</u>

Reported in the governmental activities

HOT SPRINGS PUBLIC SCHOOLS
SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Annual requirement to amortize debt:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
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>\$ 530,000</u>	<u>\$152,580</u>

Loans/Contracted Debt

<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, 2012</u>
Midwest Leasing-Bus Lease Reported in the governmental activities	08/07/2008	5.71%	5 yrs	08/01/2013	\$95,928	\$ <u>23,045</u>

Annual requirement to amortize debt:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 21,221	\$ 1,255
2014	<u>1,824</u>	<u>8</u>
Total	<u>\$ 23,045</u>	<u>\$ 1,263</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 services. 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.

HOT SPRINGS PUBLIC SCHOOLS
SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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

NOTE 7. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2012, were as follows:

<u>Purpose</u>	Due to/from other funds:		<u>Amount</u>
	<u>Receivable Fund</u>	<u>Payable Fund</u>	
Maintain Compensated Absences Balance	High School Compensated Absences – Nonmajor Governmental	High School General – Major Governmental	\$ <u>174</u>

Interfund Transfers

The following is an analysis of operating transfers in and out during Fiscal Year 2012:

<u>Purpose</u>	<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Fund Compensated Absences	General – Major Governmental	Elementary Compensated Absences – Nonmajor Governmental	\$ 1,466
Fund Compensated Absences	General – Major Governmental	High School Compensated Absences – Nonmajor Governmental	<u>174</u>
			\$ <u>1,640</u>

NOTE 8. 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. The plans are cost-sharing multiple-employer defined benefit plans that provide retirement, disability and death benefits to plan members and beneficiaries, with amounts determined by the State. However, PERS members may have chosen the defined contribution retirement plan. Under this plan it puts the employee in control of investments options and their retirement is based upon the cash in their investment account.

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, 2012, were:

HOT SPRINGS PUBLIC SCHOOLS
SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

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

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

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

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

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

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

The District's contributions for the years ended June 30, 2010, 2011, and 2012, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>	<u>TRS</u>
2010	\$14,844	\$73,968
2011	\$14,272	\$72,262
2012	\$14,086	\$73,934

NOTE 9. POSTEMPLOYMENT HEALTHCARE PLAN

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

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

HOT SPRINGS PUBLIC SCHOOLS
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NOTES TO THE FINANCIAL STATEMENTS
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Funding Status and funding Progress. The funded status of the plan as of June 30, 2010, was as follows:

Actuarial Accrued Liability (AAL)	\$ 582,080
Actuarial value of plan assets	\$ <u> -</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$ <u>582,080</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 889,458
UAAL as a percentage of covered payroll	65%

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

Annual Required Contribution (ARC)	\$ 84,711
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost (expense)	<u>84,711</u>
Contributions made	\$ <u> -</u>
Increase in net OPEB obligation	\$ <u>84,711</u>
Net OPEB obligation - beginning of year	\$ <u>169,422</u>
Net OPEB obligation - end of year	\$ <u>254,133</u>

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

Actuarial cost method	Unit Credit Cost Method
Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	0.34%
Average salary increase (Consumer Price Index)	2.80%

HOT SPRINGS PUBLIC SCHOOLS
SANDERS COUNTY, MONTANA
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June 30, 2012

Health care cost rate trend (Federal Office of the Actuary)

<u>Year</u>	<u>% Increase</u>
2010	3.90%
2011	5.20%
2012	5.50%
2013	6.10%
2014	6.60%
2015	6.70%
2016	7.00%
2017	6.80%
2018	6.80%
2019 and after	6.60%

NOTE 10. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

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

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

Restricted Fund Balance

<u>Fund</u>	<u>Amount</u>	<u>Reason Restricted</u>
Elementary Miscellaneous Programs	\$ 6,807	Third Party Grantor Restrictions
High School Transportation	68,825	Student Transportation
High School Bus Depreciation	102,214	Student Transportation
High School Food Services	11,569	School Food
High School Retirement	82,882	Employer Retirement Benefits for All Qualified Staff
High School Miscellaneous Programs	31,739	Third Party Grantor Restrictions
High School Adult Education	2,243	Supporting Services – Operations & Maintenance
High School Traffic Education	1,882	Instructional – Regular
High School Compensated Absences	7,780	Instructional – Regular
High School Technology Fund	13,300	Supporting Services – Operations & Maintenance
High School Debt Service	39,969	Debt Service
High School Building	914	Supporting Services – Operations & Maintenance
High School Interlocal Agreement	<u>377</u>	Instructional – Regular
Total	<u>\$370,501</u>	

Other Significant Commitments

<u>Fund</u>	<u>Amount</u>	<u>Reason Assigned</u>
General	<u>\$ 23,370</u>	Instructional - Regular

HOT SPRINGS PUBLIC SCHOOLS
SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 11. RESTATEMENTS

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

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
General	\$ <u>2,226</u>	Prior period revenue adjustment

NOTE 12. JOINT VENTURES

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

The District is a member of the Northwest Montana Education Cooperative. The purpose is to maintain and employ personnel to oversee and coordinate the operation and management of education services including joint purchases of materials and the curriculum development process. The Cooperative is comprised of 22 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 \$4,729 for fiscal year ended June 30, 2012. Separate financial statements are available from the Flathead County Education Cooperative.

The District is also 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 \$7,416 for the fiscal year ended June 30, 2012. Separate financial statements are available from the Sanders County Educational Services Cooperative, P.O. Box 129, Thompson Falls, MT 59873.

NOTE 13. SERVICES PROVIDED BY OTHER GOVERNMENTS

County Provided Services

The District is provided various financial services by Sanders County. The County also serves as cashier and treasurer for the District for tax and assessment collections and other revenues received by the County which are subject to distribution to the various taxing jurisdictions located in the County. The collections made by the County on behalf of the District are accounted for in an agency fund in the District's name and are periodically remitted to the District by the County Treasurer. No service charges have been recorded by the District or the County.

HOT SPRINGS PUBLIC SCHOOLS
SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 14. RISK MANAGEMENT

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

Insurance Policies:

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

Insurance Pools:

The Montana Schools Group Insurance Authority (MSGIA) was created pursuant to the Interlocal Cooperation Act by execution of an Interlocal Agreement creating the MSGIA. The MSGIA is responsible for paying all workers' compensation claims of the member school districts. Each member of the MSGIA is jointly and severally liable for 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 16. SUBSEQUENT EVENTS

District has consolidated into K-12 School district, effective July 1, 2012.

The District was awarded a Quality Schools Facility and Technology Grant in April 2013 for \$497,240. The grant will be used to build a new FCS/Art Building.

**REQUIRED SUPPLEMENTAL
INFORMATION**

Hot Springs Public Schools, Sanders County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2012

	General		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	BUDGETED AMOUNTS ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Local revenue	\$ 316,339	\$ 310,962	\$ 322,817	\$ 11,855
State revenue	1,254,620	1,259,997	1,253,817	(6,180)
Federal revenue	-	-	-	-
Amounts available for appropriation	<u>\$ 1,570,959</u>	<u>\$ 1,570,959</u>	<u>\$ 1,576,634</u>	<u>\$ 5,675</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 731,854	\$ 731,052	\$ 732,100	\$ (1,048)
Instructional - special education	90,595	90,595	87,397	3,198
Instructional - vocational education	123,956	123,956	118,744	5,212
Supporting services - operations & maintenance	217,195	217,195	237,656	(20,461)
Supporting services - general	4,811	4,811	4,023	788
Supporting services - educational media services	30,818	30,818	29,355	1,463
Administration - general	91,748	91,748	91,037	711
Administration - school	156,779	156,781	148,417	8,364
Administration - business	47,626	47,626	45,658	1,968
Student transportation	22,424	22,424	12,834	9,590
Extracurricular	58,962	58,962	66,309	(7,347)
School food	-	-	1,070	(1,070)
Total charges to appropriations	<u>\$ 1,576,768</u>	<u>\$ 1,575,968</u>	<u>\$ 1,574,600</u>	<u>\$ 1,368</u>
OTHER FINANCING SOURCES (USES)				
Resource transfers from other districts	-	-	(357,113)	(357,113)
Resource transfers to other districts	-	-	357,113	357,113
Transfers out	-	-	(1,640)	(1,640)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,640)</u>	<u>\$ (1,640)</u>
Net change in fund balance			<u>394</u>	
Fund balance - beginning of the year			162,607	
Restatements			2,226	
Fund balance - beginning of the year - restated			<u>164,833</u>	
Fund balance - end of the year			<u><u>165,227</u></u>	

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

	General
Sources/Inflows of resources	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,576,634
Combined funds (GASBS 54) revenues	155,058
	1,731,692
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	\$ 1,731,692
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,574,600
Combined funds (GASBS 54) expenditures	14,368
- Encumbrances reported at the beginning of the year	62,685
- Encumbrances reported at the end of the year	(23,751)
	1,627,902
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 1,627,902

Note B

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

Hot Springs Public Schools, Sanders County
REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) nit Credit Cost Methc (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
July 1, 2009	\$ -	\$ 582,080	\$ 582,080	0%	\$ 889,458	65%

SUPPLEMENTAL INFORMATION

**Hot Springs Public Schools
Sanders County, Montana
SCHEDULE OF ENROLLMENT
For the Year Ended June 30, 2012**

Fall Enrollment - October, 2011

Elementary School District

	FALL		
	Per Enrollment	Audit Per	Difference
	Reports	District Records	
(a) Pre-Kindergarten	0	0	0
(b) Kindergarten - Full	18	18	0
(c) Kindergarten - Part	0	0	0
(d) Grades 1-6	89	89	0
(e) Grades 7-8	26	26	0
(f) Total Elementary (add lines a through e)	133	133	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	Difference
	Reports	District Records	
(g) Grades 9-12	60	60	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, 2012

Elementary School District

	SPRING		
	Per Enrollment	Audit Per	Difference
	Reports	District Records	
(j) Pre-Kindergarten	0	0	0
(k) Kindergarten - Full	17	17	0
(l) Kindergarten - Part	0	0	0
(m) Grades 1-6	89	89	0
(n) Grades 7-8	24	24	0
(o) Total Elementary (add lines j through n)	130	130	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	Audit Per	Difference
	Reports	District Records	
(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, 2012

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Ending Balance
"H" Club	\$ 104	\$ -	\$ -	\$ 104
Class of 2011	-	-	-	-
Class of 2012	1,968	455	2,423	-
Class of 2013	923	1,621	1,404	1,140
Class of 2014	936	188	150	974
Class of 2015	358	797	276	879
Class of 2016	198	250	-	448
AAA	-	1,418	-	1,418
Annual	7,487	2,518	3,552	6,453
Athletics	1,784	28,099	26,001	3,882
Cheerleading	81	-	-	81
District Service	-	9,812	9,812	-
Drama	249	642	877	14
Elementary Ed Tech	-	-	-	-
Elementary	3,173	-	255	2,918
Family Consumer Service	198	202	294	106
FCCLA	2,083	3,141	3,376	1,848
Junior High	697	147	50	794
Music	1,633	125	1,222	536
Native American Club	631	34	151	514
PEP Club	1,007	-	132	875
Registration & Misc.	2,342	5,693	6,975	1,060
RIF	2,371	301	314	2,358
Shop & Mechanics	1,199	21	-	1,220
Student Council	69	1,529	1,380	218
Tripp Memorial	382	-	-	382
Uncategorized	-	163	-	163
Vending H.S.	3,545	-	-	3,545
Petty Cash	800	-	-	800
Scholarship Fund	21,092	12,052	5,391	27,753
Total	\$ <u>55,310</u>	\$ <u>69,208</u>	\$ <u>64,035</u>	\$ <u>60,483</u>

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
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, 2012, which collectively comprise the Hot Springs Public Schools' basic financial statements and have issued our report thereon dated June 27, 2013. 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

Management of Hot Springs Public Schools is responsible for establishing and maintaining effective 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.

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 certain deficiencies in internal control over financial reporting, described below that we consider to be significant deficiencies in internal control over financial reporting as item 12-1.

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.

12-1 Food Service Inventory

Condition:

The District did not maintain a running inventory listing.

Criteria:

Internal control should be place to ensure the safekeeping of assets.

Effect:

A control weakness in that only a beginning and ending inventory each year is completed and receipt of goods and usage reports are not reconciled to the change in inventory.

Cause:

The District has obtained software to manage inventory for food service but has not fully implemented the software.

Recommendation:

The District should implement control procedures to track inventory. The records should include beginning inventory, receipt of goods, use of goods with ending inventory calculated by each inventory item used in the food service. The ending inventory should then be periodically compared to a manual count of the inventory items on hand and any differences investigated.

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 instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described below as items 12-2 through 12-4.

12-2 Title I Highly Qualified Compliance

Condition:

We noted two paraprofessionals paid from Title I in which there was no support indicating highly qualified.

Criteria:

According to the OMB Compliance Supplement related to Title I: "A paraprofessional must hold a high-school diploma or its recognized equivalent and meet one of the following requirements:

- (1) Have completed at least two years of study at an institution of higher education.
- (2) Have obtained an associate's or higher degree.

- (3) Have met a rigorous standard of quality, and can demonstrate through a formal State or local academic assessment knowledge of, and the ability to assist in instructing, reading/language arts, writing, and mathematics, or reading readiness, writing readiness, and mathematics readiness.”

Effect:

The District had not obtained support for two paraprofessionals paid from Title I indicating that they meet the highly qualified criteria.

Cause:

The District had not requested and obtained the required documentation.

Recommendation:

The District should obtain the required documentation related to all staff paid from Title I to ensure compliance with the highly qualified criteria.

12-3 Time and Effort Reporting – Schoolwide Program Title I

Condition:

The District did not have time and effort certifications for the Title I employees.

Criteria:

If a school operating a schoolwide program does not consolidate Federal funds with State and local funds in a consolidated schoolwide pool, an employee who works, in whole or in part, on a Federal program or cost objective must document time and effort as follows:

- (a) An employee who works solely on a single cost objective (i.e., a single Federal program whose funds have not been consolidated or Federal programs whose funds have been consolidated but not with State and local funds) must furnish a semi-annual certification that he/she has been engaged solely in activities that support the single cost objective. The certifications must be signed by the employee or a supervisory official having first-hand knowledge of the work performed by the employee in accordance with OMB Circular A-87, Attachment B, paragraph 8.h.(3).
- (b) An employee who works on multiple activities or cost objectives (e.g., in part on a Federal program whose funds have not been consolidated in a consolidated schoolwide pool and in part on Federal programs supported with funds consolidated in a schoolwide pool or on activities that are not part of the same cost objective) must maintain time and effort distribution records in accordance with OMB Circular A-87, Attachment B, paragraph 8.h.(4), (5), and (6). The employee must document the portion of time and effort dedicated to:
 - (i) The Federal program or cost objective; and
 - (ii) Each other program or cost objective supported by consolidated Federal funds or other revenue sources.

Effect:

The district was not in compliance with the time and effort certification requirements of the Title I schoolwide program.

Cause:

The District was not aware of the requirement.

Recommendation:

The district should implement procedures to ensure semiannual time and effort certifications are obtained from staff working in a schoolwide federal program.

12-4 Non-Public School Participation Documentation

Condition:

The district did not have adequate supporting documentation of a mailing to the non-public schools offering participation in the federal programs.

Criteria: The OMB Compliance Supplement must indicate the District must “after timely and meaningful consultation with private school officials, must provide equitable services to eligible private school children, their teachers, and their families.”

Effect:

Supporting documentation was not available to indicate the District communicated timely with nonpublic schools.

Cause:

An error was made in not maintaining documentation related to the mailing of the letters to the nonpublic schools.

Recommendation:

The district should maintain certification of the mailing to the nonpublic schools each fiscal year.

Hot Springs Public Schools’ response to the findings identified in our audit is described in the Auditee’s Response to Findings. 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 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.

June 27, 2013

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
Hot Springs Public Schools
Sanders County
Hot Springs, Montana

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

<u>Recommendation</u>	<u>Action Taken</u>
Managerial Review of Adjustments	Implemented
Accounts Payable	Implemented
Enrollment	Implemented
Food Service Inventory	Repeated
Audit Report Submission	Implemented
Title I Highly Qualified Compliance	Repeated
Title I Schoolwide Time and Effort Reporting	Repeated
Non-Public School Participation Documentation	Repeated

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

June 27, 2013

Hot Springs Public Schools #14-J

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

Superintendent
(406) 741-3285
Clerk/Business Manager
(406) 741-2964
High School Office
(406) 741-2962 • Fax (406) 741-3287
Elementary School Office
(406) 741-2014 • Fax (406) 741-2015

May 23, 2013

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

Regarding: School District Audit - For Year Ended June 30, 2012

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, 2012 as follows:

Food Service Inventory

Throughout fiscal year 2013 the District has maintained an inventory on a more consistent basis. The District will continue to work towards a more acceptable inventory record keeping system.

Title I Highly Qualified Compliance

All District Aides have met the Highly Qualified criteria as of October 2012.

Contact Person: Kevin Meredith, Superintendent

Time and Effort Reporting – Schoolwide Title I Program

The District has implemented this requirement for fiscal 2013.

Contact Person: Kevin Meredith, Superintendent

Non-Public School Participation Documentation – Schoolwide Title I Program

The District has implemented this requirement for fiscal 2013.

Contact Person: Kevin Meredith, Superintendent

Sincerely,

Kevin Meredith

Kevin Meredith
Superintendent

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