

Billings Public Schools

415 North 30th Street Billings, Montana 59101

2016



Comprehensive Annual
Financial Report (CAFR)
July 1, 2015 through June 30, 2016

BILLINGS SCHOOL DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

Prepared by the Business Services Department
Mike Arnold, Chief Financial Officer

Billings Public Schools
415 North 30th Street
Billings, Montana 59101-1298

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SECTION I – INTRODUCTORY

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BILLINGS PUBLIC SCHOOLS

ORGANIZATION

BOARD OF TRUSTEES For Fiscal Year 2015-2016

Elementary and High School Single Member District

1	Tanya Ludwig	Trustee
2	Janna Hafer	Trustee
3	Dr. Greta Besch Moen	Trustee, Chair
4	Joseph Raffiani	Trustee, Vice Chair
5	Rob Rogers	Trustee
6	Mike Leo	Trustee
7	Kevin Toohill Joseph Oravec	Trustee (May 2013– May 2016) Trustee

High School Nominating District

A	Gordon Klasna	Trustee
B	Susan Layton	Trustee

OFFICIALS

Terry Nelsen Bouck	Superintendent
Jeana Lervick	District Clerk

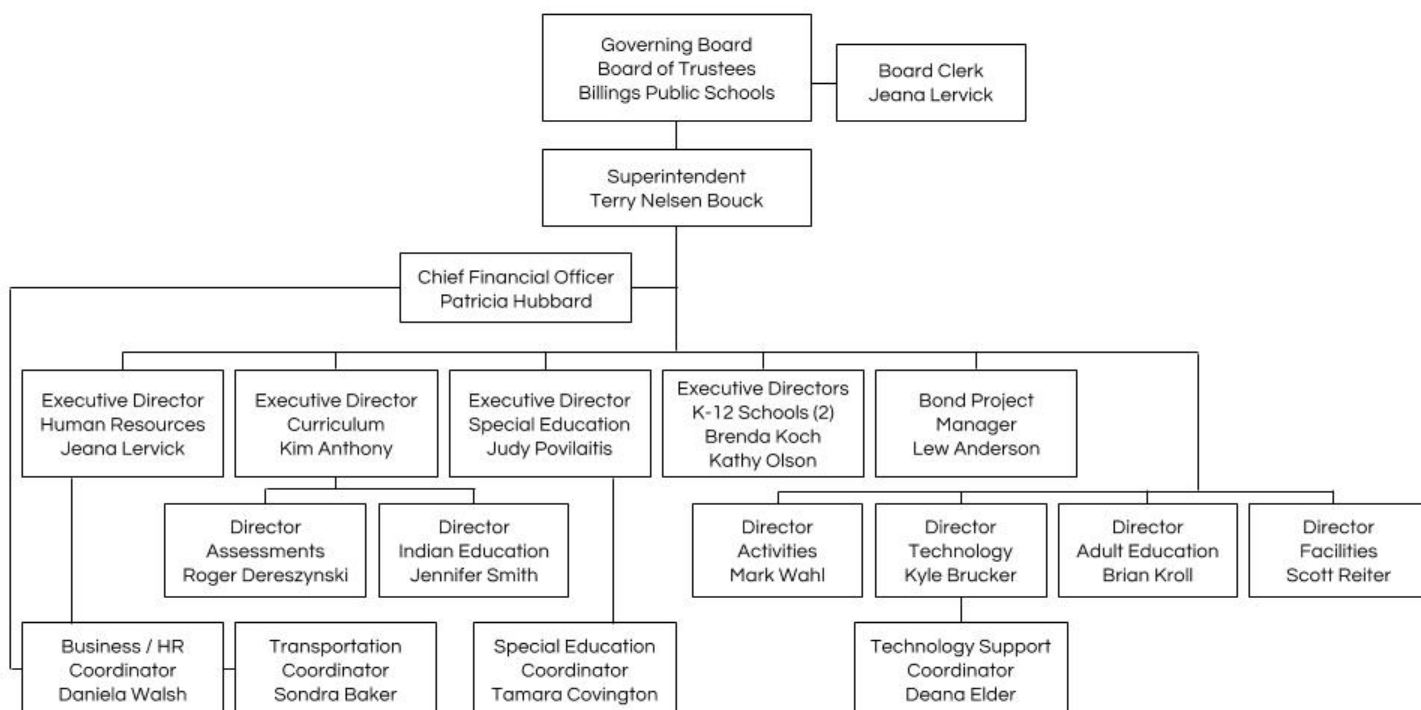
Elementary Single Member District Area:

- 1 South Billings
- 2 Northeast Billings
- 3 North Billings
- 4 Central Billings
- 5 Central Billings
- 6 Northwest Billings
- 7 Southwest Billings

High School District Area:

- A Lockwood Elementary District
B Elder Grove, Elysian, Canyon Creek, Morin,
Yellowstone Academy, Independent, and
Blue Creek Elementary Districts

BILLINGS PUBLIC SCHOOLS ORGANIZATIONAL CHART





Business Services
415 North 30th Street
Billings, MT 59101-1298
www.billingschools.org

December 12, 2016

Greta Besch Moen, Ph.D, Chair
Members of the Board of Trustees and Billings Community
Billings Public Schools
415 North 30th Street
Billings, Montana 59101

Dear Board Members and Billings Community:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) for Billings Public Schools for the fiscal year ended June 30, 2016. The purpose of this report is to provide the Board of Trustees, district management, voters, grantor agencies, and other interested parties with reliable financial information about Billings Public Schools. This report presents complete information about the district's financial position at year-end and financial activities during fiscal year 2016.

Responsibility for the accuracy of the presentation, including all disclosures, rests with the school district's Business Services Department who prepared this report. We believe the information, as presented, is accurate in all material aspects, and is presented in a manner to present fairly the financial position and results of operations of the various funds of the district. All disclosures necessary to enable the reader to gain an adequate understanding of the district's financial activities have been included.

Generally Accepted Accounting Principles (GAAP) requires a Management Discussion and Analysis (MD&A) that includes a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the auditor's report in the financial section.

Billings Public Schools engaged Eide Bailly LLP, an independent auditor, to conduct the district's audit for the fiscal year ended June 30, 2016. The auditor's report is presented as the first component of the financial section of this report.

PROFILE OF THE DISTRICT

Geographically, Billings Public Schools covers an area greater than the city of Billings. The school system includes two legally separate districts, Elementary District No. 2 and High School District No. 2. The Elementary District covers approximately 33 square miles and has an estimated population of 111,902. The High School District covers approximately 740 square miles, and encompasses nine elementary districts including; Billings, Lockwood, Elder Grove, Elysian, Canyon Creek, Morin, Yellowstone Academy, Independent, and Blue Creek. The estimated population of the High School District is 132,584.

The school system is a public entity under the authority of the state of Montana. The Elementary District No. 2 and High School District No. 2 are separate legal entities that make up one independent reporting entity within the criteria established in section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

The Elementary District is governed by a board of seven trustees elected by the voters of single member districts of the Billings Elementary District. The High School District is governed by a board of nine trustees that include the seven Elementary District trustees and two additional trustees elected by voters in the other elementary districts. The superintendent, who acts as chief administrative officer, is selected by the board of trustees. Terry Nelsen Bouck was hired on July 1, 2012 and served as the superintendent during the period examined in this report. The leadership at the board level remained the same with the annual reorganization meeting in May.

All funds of the district are included in this report. The district serves over 16,000 students and provides a full range of educational services appropriate to grade levels from pre-kindergarten through 12th grade, as well as adult education. These include regular and enriched academic education, special education, and occupational education. These basic programs are supplemented by a wide variety of offerings in fine arts, athletics, and other specific student based clubs.

The school aged population peaked in the state of Montana in the mid-1990s. Since then most districts have dropped in enrollment to varying degrees impacting their funding, staffing, and educational offerings. The Billings School District was not immune as it dropped and eventually reached a plateau during the first decade of this century. In May 2013, the district garnered community support with the passage of a \$1.1 million Elementary General Fund Levy and a \$1.2 million Technology Levy. Both these levies are permanent and will provide resources for future years. The general fund levy allowed the district to hire new teachers to help meet accreditation standards due to overcrowding and higher student to teacher ratios. The technology levy helped the district meet basic curriculum needs and online testing requirements by upgrading, purchasing equipment and providing necessary support and training. A demographic study completed by an independent consultant projects the student K-12 count to increase by 632 students in the next five years.

The district has aging buildings with the oldest building constructed in 1910 and most recent built in 2016. There have been additions made to the buildings over the years and currently bond proceeds are being used to update various facilities. The district has 20 school buildings currently running at over 100% current functional capacity. Because of the concerns regarding overcrowded classrooms and increasing enrollments, the district completed a comprehensive facility master plan for all of its facilities in 2013. The Facility Master Plan presents a funding structure and priorities for capital improvements. The Board of Trustees conducted a successful bond levy election in November of 2013 in the amount of \$122.3 million with a voter approval rate of 54%. In January 2014 the District sold the first installment of the \$122.3 million bond issuance. The \$80.9 million sold in January has been used to fund deferred maintenance, Broadwater and McKinley renovations, technology infrastructure and a new middle school in the heights (Medicine Crow Middle School). The second installation of the 2013 bonds were sold in September 2015 to finish the deferred maintenance projects and complete the second new middle school on the west end (Ben Steele Middle School).

The Billings Education Foundation and the various parent organizations are separate legal entities. The impacts of these individual entities are considered immaterial to the overall financial status of the district and, as such, are not included in these financial statements.

The district is required by state law to annually adopt budgets for certain funds, generally those supported by property taxes. The elementary and high school board of trustees must meet to legally adopt final budgets on or before August 25th immediately preceding the school year. The Board of Trustees has the legal authority to establish budgets for the districts within the parameters established by the State of Montana. The primary building blocks of the district's overall financial planning include appropriated governmental funds for: General, Transportation, Tuition, Retirement, Adult Education, Technology Acquisition, Flexibility, Debt Service, and Building Reserve. The budgetary control is at the fund level as required by Montana Law.

ECONOMIC CONDITION AND OUTLOOK

Local Economy

The Billings School District is located in south-central Montana within Yellowstone County. Billings is the largest city in Montana and serves as the county seat.

Billings benefits from a diverse economy as a regional center for agriculture, retail, medical services, transportation, education, law and government services. The Billings area is a regional center for the energy industry with three major oil refineries located within the county. Billings has seen significant growth in industries that serve rural areas including professional and technical services, wholesale trade, and finance and insurance. Yellowstone County's economy continues to grow fueled by rising consumer demand and retail trade. Despite a collapse in oil prices because of oversupply, production remained relatively steady through last year, and Yellowstone County's economy preserved through brisk construction and other healthy sectors. The state is near full employment and is finally seeing wage growth, including in the retail sector. Montana's tourism business continues to provide opportunities to Billings which has adopted the nickname, "Montana's trailhead." Billings serves as a major starting point for visitors to Yellowstone and Grand Teton national parks. Healthcare remains a bright spot in the Billings economy. In the next decade, hospitals, clinics and other facilities will add 16,000 jobs in Yellowstone County just to meet needs of an aging Baby Boomer population and other growth. Growth in the sector slowed over the last five years but is expected to return to previous levels. Higher education opportunities continue to grow at MSU-Billings, City College and Rocky Mountain College as evidenced by steady enrollment at all three institutions. The city is a major trade center for eastern Montana and northern Wyoming. The absence of a sales tax attracts customers from northern Wyoming.

Major Initiatives

Our continual long range strategic planning initiative has helped us to identify major areas in need of enhancement within our district and the Billings community. Identifying those needs and determining which programs and activities to enhance was only half the battle. We recognize that when we all work together to implement the elements of our strategic plan the results will be closing the achievement gap between students, increasing graduations rates and preparing our students for career, college and life in an ever- changing world. Over the past year Billings Public schools has taken on the following initiatives: High school redistricting; converting to a 6-8 middle school model; focusing on career and technical education; building and opening two new middle schools; and expanding dual credit opportunities for high school students.

Financial Information

Management of the district is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the district are protected from losses, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of the control should not exceed the benefit likely to be derived and the valuation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the district's internal accounting controls adequately safeguard assets and provide reasonable assurance of accurate recording of financial transactions.

As a recipient of federal and state financial assistance, the district is also required to undergo an audit in conformity with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The analysis of balances and transactions of the individual funds are presented in detail in the MD&A.

Montana law requires that Billings Public Schools publish audited financial statements within six months of the close of each fiscal year.

This Comprehensive Annual Financial Report exceeds that requirement. The scope of the audit concentrates on the following areas:

1. Management Section: report on compliance with laws and regulations and report on the internal control structure.
2. Financial Section: report on financial statements in accordance with GAAP.
3. Single Audit Section (Uniform Guidance): report on financial statements, internal control, compliance, audit findings and questioned costs.

The above requirements have been complied with and the auditor's opinion has been included in this report.

Certificates of Excellence

This report has been prepared following guidelines recommended by the Government Finance Officers Association (GFOA) of the United States and the Association of School Business Officials (ASBO). The district has been awarded the Certificate of Achievement for Excellence in Financial Reporting by the GFOA and the Certificate of Excellence by ASBO for fiscal years 2007 - 2015. The awards are valid for a period of one year only. We believe our current report continues to conform to the GFOA and ASBO requirements, and we will submit it for determination of its eligibility for a renewed award.

Acknowledgements

The preparation of the annual financial report was made possible by the dedicated efforts of the Business Services Department.

In closing, we would like to thank the trustees for their interest and support in planning and conducting the operations of the district in a responsible manner.

Respectfully Submitted,



Terry Nelsen Bouck
Superintendent



Michael Arnold
Chief Financial Officer



Daniela Walsh
Business/HR Services Coordinator

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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Billings Public Schools
Montana**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

**The Certificate of Excellence in Financial Reporting Award
is presented to**

Billings Public Schools

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2015.**

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.



Brenda Burkett

Brenda R. Burkett, CPA, CSBA, SFO
President

John D. Musso

John D. Musso, CAE, RSBA
Executive Director

SECTION II - FINANCIAL SECTION

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Independent Auditor's Report

To the Board of Trustees
Billings Public Schools
Billings, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Billings Public Schools as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Billings Public Schools' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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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 Billings Public Schools, as of June 30, 2016, and the respective changes in financial position and, where, applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of funding progress, schedule of proportional share of the net pension liability, and schedule of contributions on pages 14 - 21 and 52 - 58 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Billings Public School's financial statements. The introductory section, combining and individual non-major fund financial statements, budgetary schedules, State of Montana mandated schedule of changes in fiduciary net position (extracurricular) and enrollment schedule and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is also not a required part of the financial statements.

The combining and individual non-major fund financial statements, budgetary schedules, State of Montana mandated schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, budgetary schedules, State of Montana mandated schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2016, on our consideration of Billings Public School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering Billings Public School's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Billings, Montana
December 12, 2016

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The following discussion and analysis of Billings Public School's (referred to as the "the district" or the "government") financial performance provides an overview of the district's financial activities for the year ended June 30, 2016. We encourage the readers to consider the information presented here in conjunction with additional information presented in the financial statements and footnotes.

FINANCIAL HIGHLIGHTS

- Revenues from government wide activities increased \$2 million (from 2015 to 2016) to \$177.3 million. This represents a 1.1% increase over the prior year.
- Governmental activity expenses increased \$3.56 million over 2015 to \$166.7 million. This represents a 2.2% increase over the prior year.
- At year-end, the governmental funds reported total fund balances of \$84.1 million, an increase of \$6 million over the prior year, mainly due to the issuance of bonds.
- The district added a total of \$5.5 million to its general fund reserves.
- The 2016 general fund expenditure budget was \$113.4 million, an increase of \$2.5 million or 2.25% over the prior year.
- In fiscal 2016 \$33 million in voter approved bonds were issued. The proceeds are being used for the purpose of providing funds to pay a portion of the costs of building or improving schools in accordance with the district's facility master plan.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district.

The first two statements are *government-wide financial statements* that provide both short-term and long-term information about the district's overall financial status.

The remaining statements are *fund financial statements* that focus on individual parts of the district, reporting the district's operations in more detail than the government-wide statements.

- The *governmental funds* statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.
- The *proprietary funds* statements provide information on internal service funds used to provide services to all other district funds.
- *Fiduciary funds* statements provide information about the financial relationships in which the district acts solely as a trustee or agent for the benefit of others.

The financial statements also include *notes* that explain some information in the statements and provide more detailed data.

The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the district's budget to actual amounts for the year.

**Figure A-1
Organization of Billings Public Schools Annual
Financial Report**

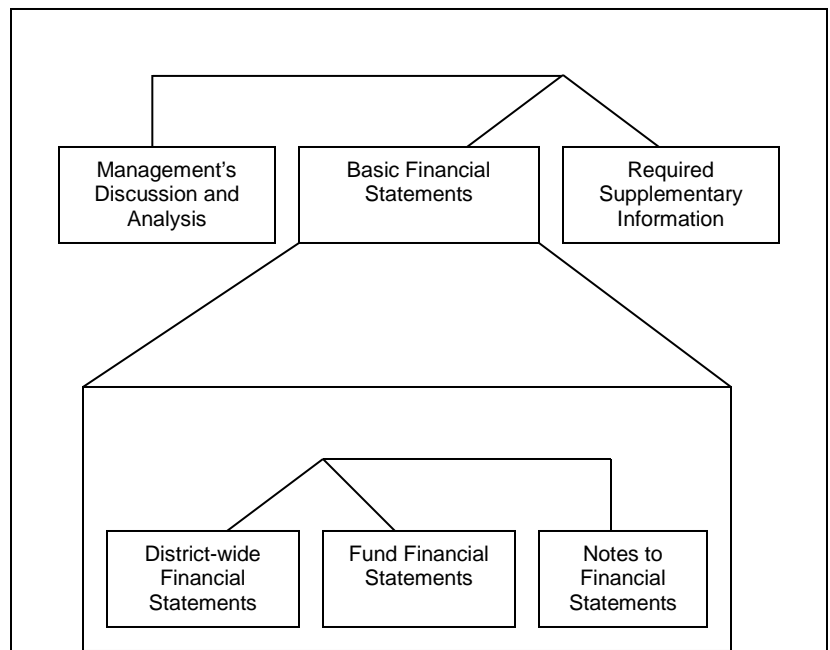


Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 Major Features of Government-Wide and Fund Financial Statements			
	Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	Statement of net position Statement of activities	Balance Sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of changes in net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term. Funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the district's financial statements, including the portion of the district's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Government-wide financial statements One of the most important questions asked about the district's finances is, "Is the government, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities (pages 22 and 23) report information about the district as a whole and about its activities in a way that helps answer this question. These statements include all assets, liabilities, deferred outflows of resources and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report net position and the changes in it. You can think of net position - the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources - as one way to measure the district's financial health, or financial position. Over time, increases or decreases in net position is an indicator of whether the district's financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the property tax base, economy, enrollment and the State's funding of educational costs to assess the district's overall health.

BILLINGS PUBLIC SCHOOLS

MANAGEMENT DISCUSSION & ANALYSIS

Fund financial statements The fund financial statements provide detailed information about the most significant funds—not the district as a whole. Some funds are required to be established by State law. Also, the governing body establishes many other funds to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other money. The district utilizes the following funds:

Governmental funds—Basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements (pages 24 and 26) provide a detailed short-term view of the general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations (pages 25 and 27, respectively).

Proprietary funds—The district maintains one proprietary fund type which contains internal service funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the district's various functions. When the district charges customers for the services it provides, whether to outside customers or to other departments of the district, these services are generally reported in proprietary funds. The district uses three internal service funds (two insurance funds and one purchasing fund) to account for services provided to the other funds of the district. The internal service funds use the same accounting method as the government-wide statements and are included with the governmental activities shown on those statements.

The three internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. The basic proprietary fund financial statements can be found on pages 28, 29 and 30 of this report. The district has no material business-type activities.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds use the accrual basis of accounting. The district excludes these activities from the other financial statements because it cannot use these assets to finance its operations. The district is responsible for ensuring that the assets are used for their intended purposes.

THE DISTRICT AS A WHOLE AS OF JUNE 30, 2016

Following are condensed schedules of net position and changes in net position:

NET POSITION:	2016	2015
Current and other assets	\$ 102,220,372	\$ 100,466,808
Capital assets	163,337,042	126,469,091
Total assets	265,557,414	226,935,899
Deferred outflows of resources	13,788,917	12,568,913
Other liabilities	11,440,846	13,534,911
Long-term liabilities outstanding	296,388,272	254,328,236
Total Liabilities	307,829,118	267,863,147
Deferred inflows of resources	6,860,940	17,575,089
Net Position:		
Net investment in capital assets	51,729,935	51,771,080
Restricted	16,398,869	15,270,912
Unrestricted	(103,472,531)	(112,975,416)
Total net position	\$ (35,343,727)	\$ (45,933,424)

BILLINGS PUBLIC SCHOOLS
MANAGEMENT DISCUSSION & ANALYSIS

CHANGE IN NET POSITION:	2016	2015
Revenues:		
Program revenues:		
Charges for services	\$ 3,602,156	\$ 2,956,454
Operating grants and contributions	34,311,787	34,661,238
Capital grants and contributions	177,026	97,003
General revenues:		
Taxes	51,132,533	48,002,113
State sources	70,416,754	71,443,518
County sources	15,643,024	15,458,169
Interest	582,535	580,470
Contributions and donations	838,217	1,242,275
Miscellaneous	568,855	836,905
Total revenues	<u>177,272,887</u>	<u>175,278,145</u>
Expenses:		
Instruction	97,005,016	96,651,543
Support services:		
Students	12,726,817	12,710,349
Instructional staff	8,909,748	7,940,616
General administration	2,094,473	2,060,920
Administration	10,911,561	10,285,418
Business	2,336,752	2,424,217
Operation and maintenance	12,297,661	12,298,862
Student transportation	5,795,959	5,713,291
Food services	6,285,333	5,975,077
Community services	6,150	10,100
Extracurricular	2,729,817	2,602,188
Interest on long-term debt	5,583,903	4,455,186
Total expenses	<u>166,683,190</u>	<u>163,127,767</u>
Change in net position	10,589,697	12,150,378
Net position, beginning	<u>(45,933,424)</u>	<u>(58,083,802)</u>
Net position, ending	<u><u>(35,343,727)</u></u>	<u><u>(45,933,424)</u></u>

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements provide information about the activities of the district as a whole and present a longer-term view of the finances. For governmental activities, fund statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the district's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which the district acts solely as a trustee or agent for the benefit of those outside of the district.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the district's net position and changes in net position. The 2016 revenues exceeded expenses by \$10.6 million.

	<u>2016</u>	<u>2015</u>	<u>% Change</u>
Revenues	\$ 177,272,887	\$ 175,278,145	1.1%
Expenses	<u>166,683,190</u>	<u>163,127,767</u>	2.2%
Change in net position	<u>\$ 10,589,697</u>	<u>\$ 12,150,378</u>	

For the sixth year in a row, revenues exceeded expenses.

In 2016, net position (deficit) increased \$10.6 million.

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Net investment in capital assets	\$ 51,729,935	\$ 51,771,080	\$ (41,145)
Restricted	16,398,869	15,270,912	1,127,957
Unrestricted	<u>(103,472,531)</u>	<u>(112,975,416)</u>	<u>9,502,885</u>
Total net position (deficit)	<u>\$(35,343,727)</u>	<u>\$(45,933,424)</u>	<u>\$ 10,589,697</u>

The largest portion of the district's net position (\$51.7 million) is capital assets which include investments in land, buildings, equipment, and improvements less any outstanding debt used to acquire the assets. Most of these capital assets do not generate revenue and instead generate future liabilities because of the associated maintenance costs. Under state law the facilities and equipment which are used to provide services to students and the community can only be sold if the asset is declared to be surplus property. Future funding to complete the required maintenance of assets and to retire the remaining debt related to acquisition of these assets must be provided from unreserved amounts from the district's different funding sources. The district issued \$33 million in voter approved bonds in 2015 to address a portion of the deferred maintenance costs. Due to bond related projects, the district continues to reduce its estimated deferred maintenance costs to approximately \$75 million.

The 2016 net position restricted for debt service and other purposes totaling \$16.4 million cannot be reallocated to cover other district expenses.

Unrestricted net position can be used to finance day-to-day operations without constraints established by debt covenants, legislative restrictions, or other legal requirements. The current unrestricted balance is a deficit of \$103 million.

The district's unfunded liability for the service credit and termination pay benefits plan, compensated absences and other postemployment benefits (OPEB) in 2016 was \$34 million. The liability is funded on a pay-as-you-go basis rather than an actuarial basis with the reasonable expectation that projected benefits disbursements will increase substantially. The financial statement amortization of this liability disregards the average number of years before retirement of the district's employees. The district's retirement plans may be unsustainable at current benefit levels. The district will need to address the sustainability of these benefits programs.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant sources of funds. To be reported as a major fund, total assets, liabilities, revenues, or expenditures of an individual fund must contribute at least 10 percent of the corresponding total (assets, liabilities, etc.) for all funds. Individual funds are generally allocated or designated for special purposes and in some instances have a mix of restricted, committed, assigned and unassigned fund balances. The fund balances for 2015 were \$78.1 million, while 2016 totals were \$84.1 million. The major funds were the general and elementary building funds. The general fund balance increased by \$5.5 million due to budget savings. The elementary building fund balance decreased by \$2.1 million mainly due to bond proceeds being spent on deferred maintenance, two elementary school renovations and the construction of two new middle schools.

The combined balance for all funds increased by \$6.0 million in 2016.

Budgeted expenditures must be adopted by the Board of Trustees prior to the expenditure of governmental funds. If budgeted expenditures are not recognized during the fiscal year, authorization for the expenditure of unused funds lapses at the end of the fiscal year. If projected expenditures are insufficient to meet district requirements, the Board can adopt a budget amendment after a public hearing that can be held at any time during the fiscal year. The Board did not adopt any budget amendments during 2016.

BILLINGS PUBLIC SCHOOLS
MANAGEMENT DISCUSSION & ANALYSIS

GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund is always reported as a major fund (See Note 1). This fund reported a total fund balance of \$16.5 million, an increase of \$5.5 million over the prior year.

The table below summarizes actual general fund revenues and expenditures for 2016 and 2015. Revenue increased by 6.5% due to a combination of increased state funding as per state mandated inflationary increases; local tax levy increases; and student enrollment increases.

A major portion of the 4.3% increased expenditures was due to increased employment costs. The district also receives an annual increase in budget authority as per state law, which is used to fund increased employment and instructional expenses.

	2016	2015	Change
Revenues:			
Property taxes	\$ 35,308,571	\$ 32,304,925	\$ 3,003,646
State aid	62,603,411	61,324,702	1,278,709
State other	19,668,366	16,650,212	3,018,154
Tuition	204,913	210,943	(6,030)
Interest	60,076	158,421	(98,345)
Total revenues	<u>\$ 117,845,337</u>	<u>\$ 110,649,203</u>	<u>\$ 7,196,134</u>
Expenditures			
Instruction	\$ 72,272,258	\$ 68,687,271	\$ 3,584,987
Support Services			
Students	7,078,580	7,143,315	(64,735)
Instructional staff	6,598,488	5,898,708	699,780
General administration	1,684,614	1,711,703	(27,089)
School administration	8,805,402	8,119,218	686,184
Business services	1,829,231	2,146,282	(317,051)
Operation and maintenance	11,021,525	11,030,807	(9,282)
Student transportation	74,376	28,222	46,154
Extracurricular	2,352,522	2,172,992	179,530
Capital outlay	580,466	709,158	(128,692)
Debt service	84,250	84,250	-
Total expenditures	<u>\$ 112,381,712</u>	<u>\$ 107,731,926</u>	<u>\$ 4,649,786</u>

There were no significant budget and actual General fund revenue variances in 2016. Significant budget and actual General fund expenditures variances were as follows: Budgetary savings; un-anticipated enrolment set-asides not utilized; cost of retirements less than anticipated; and deferred maintenance picked up by bond proceeds.

BILLINGS PUBLIC SCHOOLS
MANAGEMENT DISCUSSION & ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The district's 2016 capital project budget was used to complete the projects funded by the general fund and bond funds authorized by the voters. Construction in progress as of June 30, 2016 of \$75 million consists primarily of projects funded by bond proceeds.

The following schedule presents capital asset balances net of depreciation for the fiscal years ended June 30, 2016 and 2015. The district had \$163.3 million invested in a broad range of capital assets, including technology, equipment and school buildings. Additional information on the district's capital assets can be found in Note 3 of this report.

	2016	2015	Change
Land	\$ 4,859,721	\$ 4,859,721	\$ -
Construction in progress	75,533,258	49,468,790	26,064,468
Improvements other than buildings	3,063,973	814,811	2,249,162
Buildings and improvements	78,282,543	69,902,734	8,379,809
Machinery and equipment	1,597,547	1,423,035	174,512
Total	<u>\$ 163,337,042</u>	<u>\$ 126,469,091</u>	<u>\$ 36,867,951</u>

Debt Administration – A summary of the district's outstanding long-term debt for the years ended June 30, 2016 and 2015 is presented below:

	2016	2015	Change
General obligation bonds	\$135,869,502	\$ 105,654,502	\$ 30,215,000
Limited obligation bonds	168,500	252,750	(84,250)
Premium	12,253,247	7,742,169	4,511,078
Total bonds	148,291,249	113,649,421	34,641,828
Compensated absences	10,352,208	10,663,718	(311,510)
Service credit and term pay benefits	10,451,107	11,910,307	(1,459,200)
Other postemployment benefits	14,266,000	13,546,000	720,000
Total	<u>\$183,360,564</u>	<u>\$ 149,769,446</u>	<u>\$ 33,591,118</u>

At year-end, the district had \$183.4 million in outstanding long-term debt/liabilities. The current portion, which is due within one year, is equal to \$5.15 million.

Under current state statutes, a district's general obligation bonded debt issuances are subject to a legal limitation based on taxable value. As of June 30, 2016, the district's total debt outstanding was well below the legal limit of \$809 million. The district has a AA- rating from Standard & Poor's Ratings Services for general obligation debt and a Aa3 from Moody's Investor Service.

Additional information on the district's long-term debt can be found in Note 3 of this report.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the resources it receives. If you have questions about this report or need additional information, contact Chief Financial Officer, Mike Arnold, at Billings Public Schools, 415 North 30th Street, Billings, Montana, 59101.

BASIC FINANCIAL STATEMENTS

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BILLINGS PUBLIC SCHOOLS
STATEMENT OF NET POSITION
June 30, 2016

ASSETS	
Cash and cash equivalents	\$ 99,376,613
Receivables:	
Property taxes, net	776,633
Governments	1,152,279
Other	914,847
Capital assets not being depreciated-land and construction in progress	80,392,979
Capital assets, net of accumulated depreciation	<u>82,944,063</u>
 Total assets	 <u>265,557,414</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Pension plans	<u>13,788,917</u>
 Total deferred outflows of resources	 <u>13,788,917</u>
 LIABILITIES	
Accounts payable and accrued expenses	11,107,095
Accrued interest payable	258,705
Due to other governmental agencies	58,193
Unearned revenue	16,853
Noncurrent liabilities:	
Due within one year:	
Bonds	4,114,250
Compensated absences	1,035,221
Due in more than one year:	
Bonds	144,176,999
Compensated absences	9,316,987
Service credit and termination pay benefits payable	10,451,107
Other postemployment benefits	14,266,000
Net pension liability	<u>113,027,708</u>
 Total liabilities	 <u>307,829,118</u>
 DEFERRED INFLOWS OF RESOURCES	
Pension plans	<u>6,860,940</u>
 Total deferred inflows of resources	 <u>6,860,940</u>
 NET POSITION (DEFICIT)	
Net investment in capital assets	51,729,935
Restricted for:	
Instruction	5,822,346
Support services:	
Students	3,087
School administration	250,670
Business services	3,031
Operation and maintenance	1,349,935
Student transportation	1,311,332
Food services	141,485
Capital projects	16,899
Debt service	7,500,084
Unrestricted	<u>(103,472,531)</u>
 Total net position (deficit)	 <u>\$ (35,343,727)</u>

BILLINGS PUBLIC SCHOOLS

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Instruction	\$ 97,005,016	\$ 840,445	\$ 21,370,784	\$ -	\$ (74,793,787)
Support services:					
Students	12,726,817	-	4,904,952	-	(7,821,865)
Instructional staff	8,909,748	-	359,684	-	(8,550,064)
General administration	2,094,473	-	13,146	-	(2,081,327)
School administration	10,911,561	-	772,539	-	(10,139,022)
Business services	2,336,752	-	44,006	-	(2,292,746)
Operation and maintenance	12,297,661	418,069	174,679	-	(11,704,913)
Student transportation	5,795,959	40,285	1,696,549	-	(4,059,125)
Food services	6,285,333	2,303,357	3,907,706	-	(74,270)
Community services	6,150	-	-	-	(6,150)
Extracurricular	2,729,817	-	50,196	177,026	(2,502,595)
Interest	5,583,903	-	1,017,546	-	(4,566,357)
Total	166,683,190	3,602,156	34,311,787	177,026	(128,592,221)
General revenues:					
Property taxes					51,132,533
Intergovernmental:					
State aid					63,509,530
State other					6,907,224
County					15,643,024
Interest					582,535
Contributions and donations not restricted for specific programs					838,217
Miscellaneous					568,855
Total general revenues					139,181,918
Change in net position					10,589,697
Net position (deficit) - beginning					(45,933,424)
Net position (deficit) - ending					\$ (35,343,727)

BILLINGS PUBLIC SCHOOLS

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2016

	General	Elementary Building	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 17,534,654	\$ 46,189,345	\$ 27,420,569	\$ 91,144,568
Receivables:				
Property taxes, net	500,439	-	276,194	776,633
Governments	-	-	1,152,279	1,152,279
Other	187,829	2,612	434,994	625,435
Total assets	<u>\$ 18,222,922</u>	<u>\$ 46,191,957</u>	<u>\$ 29,284,036</u>	<u>\$ 93,698,915</u>
LIABILITIES				
Accounts payable	\$ 1,396,633	\$ 6,307,019	\$ 1,351,980	\$ 9,055,632
Payable to other governments	-	-	58,193	58,193
Unearned revenue	162,027	2,612	16,853	181,492
Total liabilities	<u>1,558,660</u>	<u>6,309,631</u>	<u>1,427,026</u>	<u>9,295,317</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	173,664	-	112,681	286,345
Total deferred inflows of resources	<u>173,664</u>	<u>-</u>	<u>112,681</u>	<u>286,345</u>
FUND BALANCES				
Restricted	-	36,684,142	16,544,893	53,229,035
Committed	-	-	4,221,789	4,221,789
Assigned	274,135	3,198,184	6,977,647	10,449,966
Unassigned	16,216,463	-	-	16,216,463
Total fund balances	<u>16,490,598</u>	<u>39,882,326</u>	<u>27,744,329</u>	<u>84,117,253</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 18,222,922</u>	<u>\$ 46,191,957</u>	<u>\$ 29,284,036</u>	<u>\$ 93,698,915</u>

BILLINGS PUBLIC SCHOOLS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2016

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

Total fund balances, governmental funds	\$ 84,117,253
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	163,337,042
Other long-term assets are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the funds.	450,984
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	13,788,917
Deferred inflows of resources related to pensions	(6,860,940)
Internal service funds are used by management to charge the cost of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	(7,841,352)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The details of these balances follows:	
General obligation bonds	(136,038,002)
Issuance premium (to be amortized over life of debt)	(12,253,247)
Compensated absences	(10,306,862)
Accrued interest payable	(258,705)
Service credit and termination pay benefits	(10,451,107)
Net pension liability	<u>(113,027,708)</u>
Net position (deficit) of governmental activities	<u>\$ (35,343,727)</u>

BILLINGS PUBLIC SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2016

	General	Elementary Building	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 35,308,571	\$ -	\$ 18,056,458	\$ 53,365,029
Intergovernmental:				
County	-	-	16,477,104	16,477,104
State aid	62,603,411	-	906,119	63,509,530
State other	19,668,366	-	5,674,526	25,342,892
Federal	-	-	15,011,200	15,011,200
Tuition	204,913	-	-	204,913
Charge for services	-	24,406	2,990,521	3,014,927
Interest	60,076	297,500	173,402	530,978
Miscellaneous	-	28,252	1,409,659	1,437,911
Total revenues	117,845,337	350,158	60,698,989	178,894,484
EXPENDITURES				
Current:				
Instruction	72,270,831	-	24,985,118	97,255,949
Support services:				
Students	7,078,580	-	5,501,082	12,579,662
Instructional staff	6,598,488	11,645	2,241,743	8,851,876
General administration	1,684,614	-	417,106	2,101,720
School administration	8,805,402	-	2,400,763	11,206,165
Business services	1,829,231	5,072	532,048	2,366,351
Operation and maintenance	11,021,525	427,223	1,261,874	12,710,622
Student transportation	74,376	-	5,740,047	5,814,423
Food services	1,427	-	6,163,776	6,165,203
Community services	-	-	6,150	6,150
Extracurricular	2,352,522	-	283,798	2,636,320
Capital outlay	580,466	40,330,591	218,018	41,129,075
Debt service:				
Principal	84,250	-	2,785,000	2,869,250
Interest and other charges	-	275,573	5,856,921	6,132,494
Total expenditures	112,381,712	41,050,104	58,393,444	211,825,260
Excess (deficiency) of revenues over expenditures	5,463,625	(40,699,946)	2,305,545	(32,930,776)
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	33,000,000	-	33,000,000
Premium on long-term debt issued	-	5,119,685	-	5,119,685
Insurance recoveries	-	528,061	331,433	859,494
Total other financing sources (uses)	-	38,647,746	331,433	38,979,179
Net change in fund balances	5,463,625	(2,052,200)	2,636,978	6,048,403
Fund balances - beginning	11,026,973	41,934,526	25,107,351	78,068,850
Fund balances - ending	\$ 16,490,598	\$ 39,882,326	\$ 27,744,329	\$ 84,117,253

BILLINGS PUBLIC SCHOOLS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

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

Net change in fund balances - total governmental funds	\$ 6,048,403
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.	
This is the amount by which capital outlay (\$41,129,075) exceeded depreciation (\$4,438,150) in the current period.	36,690,925
The net effect of various transactions involving capital assets (i.e., sales and donations) is to increase net position.	177,026
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(2,213,484)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The details of these transactions follows:	
Issuance of long-term debt	(33,000,000)
Premium on long-term debt issued	(5,119,685)
Amortization of premium on long-term debt issued	608,607
Repayment of principal on long-term debt	2,869,250
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Accrued interest	(60,016)
Service credit and termination pay benefits	1,459,200
Compensated absences	291,737
Pension expense	3,465,235
The internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain activities of the internal service funds is reported with the governmental activities.	(627,501)
Change in net position of governmental activities	<u>\$ 10,589,697</u>

BILLINGS PUBLIC SCHOOLS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016

	Internal Service Funds
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 8,232,045
Accounts receivable, net	<u>289,412</u>
Total current assets	<u>8,521,457</u>
LIABILITIES	
Current liabilities:	
Accounts payable	2,051,463
Compensated absences	<u>4,535</u>
Total current liabilities	<u>2,055,998</u>
Noncurrent liabilities:	
Compensated absences	40,811
Other postemployment benefits	<u>14,266,000</u>
Total noncurrent liabilities	<u>14,306,811</u>
Total liabilities	<u>16,362,809</u>
NET POSITION (DEFICIT)	
Unrestricted	<u>(7,841,352)</u>
Total net position (deficit)	<u><u>\$ (7,841,352)</u></u>

BILLINGS PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2016

	<u>Internal Service Funds</u>
OPERATING REVENUES	
Charges for services	<u>\$ 18,313,859</u>
Total operating revenues	<u>18,313,859</u>
OPERATING EXPENSES	
Personal services - salaries	228,635
Personal services - benefits	47,622
Purchased property services	95,162
Other purchased services	1,456,220
Supplies and materials	92,921
Insurance claims and expenses	16,342,362
Other postemployment benefits	<u>720,000</u>
Total operating expenses	<u>18,992,917</u>
Operating loss	<u>(679,058)</u>
NONOPERATING REVENUES	
Interest revenue	<u>51,557</u>
Total nonoperating revenues	<u>51,557</u>
Change in net position	(627,501)
Net position (deficit) - beginning	<u>(7,213,851)</u>
Net position (deficit) - ending	<u><u>\$ (7,841,352)</u></u>

BILLINGS PUBLIC SCHOOLS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2016

	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from health insurance premiums	\$ 18,078,081
Cash received from interfund services	383,486
Medical claims paid	(16,179,545)
Cash paid to employees health insurance services	(127,681)
Cash paid to employees interfund services	(169,680)
Cash paid to suppliers for goods and services health insurance services	(1,376,212)
Cash paid to suppliers for goods and services interfund services	<u>(196,589)</u>
Net cash provided by operating activities	<u>411,860</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	<u>51,557</u>
Net cash provided by investing activities	<u>51,557</u>
Change in cash and cash equivalents	463,417
Cash and cash equivalents - beginning	<u>7,768,628</u>
Cash and cash equivalents - ending	<u><u>\$ 8,232,045</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	\$ (679,058)
Adjustment to reconcile operating loss to net cash provided by operating activities:	
Other post-employment benefits	720,000
Decrease in accounts receivable	238,989
Decrease in prepaid items	102,911
Increase in accounts payable	48,967
Decrease in unearned revenue	(176)
Decrease in compensated absences	<u>(19,773)</u>
Net cash provided by operating activities	<u><u>\$ 411,860</u></u>

BILLINGS PUBLIC SCHOOLS
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2016

	Private Purpose Trust Fund- Extracurricular	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 2,645,929	\$ 7,287,517
Total assets	2,645,929	7,287,517
LIABILITIES		
Accounts payable	25,098	7,287,517
Total liabilities	25,098	7,287,517
NET POSITION		
Net position held in trust	\$ 2,620,831	\$ -

BILLINGS PUBLIC SCHOOLS
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
For the Year Ended June 30, 2016

	Private Purpose Trust Fund- Extracurricular
ADDITIONS	
Contributions:	
Student extracurricular activities	<u>\$ 3,318,881</u>
Total contributions	<u>3,318,881</u>
Investment earnings:	
Interest	<u>17,682</u>
Total net investment earnings	<u>17,682</u>
Total additions	<u>3,336,563</u>
DEDUCTIONS	
Student extracurricular activities	<u>3,296,806</u>
Total deductions	<u>3,296,806</u>
Change in net position	39,757
Net position - beginning	<u>2,581,074</u>
Net position - ending	<u><u>\$ 2,620,831</u></u>

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the district are prepared in accordance with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

The district adopted the provisions of the following GASB statements:

GASB Statement No. 72, Fair Value Measurement and Application. This Statement addresses accounting and financial reporting issues related to fair value measurements.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP).

The district's significant accounting policies are described below.

Reporting Entity

The district was established under Montana law to provide educational services below the college and university level to residents of the district. The district consists of two legally separate entities: an elementary district and a high school district. Both are managed by a central Board of Trustees and by a central administration appointed by and responsible to the Board. The Board of Trustees annually adopts a procedure committing fund balance resources in accordance with GASB 54.

Yellowstone County (the "County") provides substantial services to the district; tax billing, cash collections, debt payments and warrant redemption. The County also maintains the district's cash and invests available funds at the direction of the district. The County Commissioners have a legal obligation to set levy amounts and to approve the budget adopted by the district. However, despite the degree of services provided, the district does not qualify as a component unit of the County.

Although the district consists of two separate statutory entities, it is managed and operated as a single primary government. These financial statements present, as a single reporting entity, all activities of the primary government. A primary government is defined as having a separately elected governing body, being legally separate, and fiscally independent.

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the district. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. Fiduciary funds are excluded from the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include 1) charges for service which report fees and other charges provided by a given function or identifiable activity 2) operating grants and contributions and 3) capital grants. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements (fiduciary fund financial statements include agency funds, which have no measurement focus). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related 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. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the district considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as

BILLINGS PUBLIC SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS

well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the internal service fund's principal ongoing operations. Operating revenues are charges for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The district reports the following major governmental funds:

The general fund is the district's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The elementary building fund accounts for bond or insurance proceeds, federal funds or property sold by the district for building or construction projects. The building fund is a non-budgeted fund.

Additionally, the district reports the following fund types:

Internal service funds account for the financing of services provided by one department or agency to other departments or agencies on a cost reimbursement basis. The internal service funds account for the activities of the health insurance fund, the insurance deductible fund and the purchasing/printing fund.

Agency funds are custodial in nature and are used to account for assets that the district holds for others in an agency capacity. The agency funds account for the payroll and claims clearing funds.

The district has a private-purpose trust fund, the student extracurricular fund, which accounts for the extracurricular student activities.

Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance

Cash and Investments

Cash and investments, except amounts in the extracurricular funds, the flexible benefits fund and the petty cash accounts, are held by the County Treasurer. The County Treasurer invests the District's cash at the direction of the government as required by state statute. Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). STIP is an investment program managed and administered under the direction of the Montana Board of Investments (MBOI) as authorized by the Unified Investment Program. The STIP portfolio is reported at fair value basis versus amortized cost.

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. The government had no nonrecurring fair value measurements. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Cash on hand, demand, savings and time deposits, STIP and short-term investments with original maturities of three months or less from the date of acquisition are considered cash equivalents.

Receivables

All property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 6 percent of the outstanding balance at June 30, 2016. The allowance at June 30, 2016, was \$49,572.

Most property taxes are levied in September of each fiscal year, based on assessments as of the prior January 1. Real property taxes are billed as of November 1 and are payable in two payments, November 30 and May 31. Unpaid taxes are considered delinquent on December 1 and June 1, at which time the applicable property is subject to lien, and penalties and interest are assessed. Most personal property taxes are due and payable on January 1 and become delinquent February 1. Property taxes are maintained and collected by the County Treasurer.

BILLINGS PUBLIC SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS

Inventories

Inventory items purchased are recorded as expenditures/expenses at the time of purchase. Inventory at year-end was not material and therefore not recorded.

Capital Assets

Capital assets, which include land, construction in progress, buildings, improvements other than buildings and machinery and equipment, are reported in the government-wide financial statements. Capital assets are defined by the district as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings	10-60
Machinery and equipment	5-20

Collections Not Capitalized

Certain collections of historic artifacts and works of art are not reported in the accompanying financial statements. These assets have not been capitalized because they meet all of the conditions that qualify them as collections that are not required to be capitalized. These conditions are that the collections are held for public exhibition or education in the furtherance of public service; not held for financial gain; the collections are protected, kept unencumbered, cared for, and preserved; and, any sale proceeds are expected to be used to acquire other items for the collections.

Compensated Absences

Liabilities associated with accumulated vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Classified employees (non-teaching) earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Accumulated vacation is restricted under state statute to a maximum accumulation of two times the amount earned annually. Vacation leave is absorbed by time off from work, or, with certain limitations, may be payable to the employee upon termination.

Sick leave is accumulated for classified and certified employees at the rate of 12 days per year with no limit on the carry over amount. Upon retirement or resignation, classified and certified employees are eligible for sick leave compensation at one fourth of the accumulated amount.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond issuance costs are recognized as an expense in the period incurred. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

The district reports decreases in net position that relate to future period(s) as deferred outflows of resources in a separate section of its statement of net position. Deferred outflows of resources are related to district's pension plans and consist of differences between expected and actual results, changes in actuarial assumptions, differences between actual and expected contributions and contributions made to the pension plans subsequent to the measurement date. No deferred outflows of resources affect the governmental funds financial statements in the current year.

The district's statement of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s). Deferred inflows of resources are reported in the district's statement of net position for actual pension plan investment earnings in excess of the expected

BILLINGS PUBLIC SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS

amounts and differences between actual and expected contributions included in determining pension expense. In the governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The government will not recognize the related revenues until they are available under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes are reported in the governmental funds balance sheet.

It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Net Position

In the government-wide statements, equity is classified as net position and displayed in three components:

Net Investment in capital assets - consists of capital assets (net of accumulated depreciation), plus capital-related deferred outflows of resources, less capital-related borrowings and deferred inflows of resources.

Restricted - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted – any portion of net position that does not meet the definition of “net investment in capital assets” or “restricted.”

Proprietary fund equity is classified the same as in the government-wide statements.

Fund Balance

In the fund statements, governmental fund equity is classified as fund balance. The following classifications describe the relative strength of the spending constraints:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed fund balance - amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority (i.e., governing body). The government establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the government intends to use for a specific purpose. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The district establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption or amendment of the budget. Assigned fund balance in the general fund represents amounts available to fund the subsequent year's budget and to cover payroll and operating expenditures due to the timing of tax receipts. The Board of Trustees has designated the Superintendent, or his designee, individually and/or collectively, as having authority to express assignments in the District's governmental funds. The Board of Trustees has adopted policy 7000, Financial Management and annually adopts procedure 7000-P3 Fund Balance Resources for Special Revenue Funds to comply with GASB 54.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the district considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the district considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing body has provided otherwise in its commitment or assignment actions.

Miscellaneous Revenue

Miscellaneous revenue includes other revenue from local sources which is not classified elsewhere.

Estimates

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The health insurance fund, an internal service fund, had a deficit net position of \$8,156,518 as of June 30, 2016. The deficit exists in the health insurance fund because of the unfunded liability for other postemployment benefits. The district is in the process of reviewing the funding of the health insurance fund in order to reduce or eliminate the deficit.

NOTE 3. DETAILED NOTES ON ALL FUNDS

Equity in Pooled Cash and Investments

As discussed in Note 1, the district participates in the County's investment pool. The pooled cash is invested by the County Treasurer in accordance with State statute. Interest earnings are distributed to the district based on average daily balances. The County Treasurer withdraws funds as needed to pay warrants. Investment risk related to the district's share of the pool is not determinable. Information related to the pool can be obtained from the County. Demand and savings accounts held outside of the County pool were covered by FDIC insurance. The uninsured portion was covered by collateral held by financial institutions or by their departments or agents, but not in the district's name. The amount of collateral held for the district's deposits as of June 30, 2016, exceeded the amount required by State statute. The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2016 to support the value of shares in the pool. The district does not currently have a policy on custodial credit risk. Along with limitations placed on investments by state law, the County minimizes custodial risk by restrictions set forth by County policy. The County maintains a listing of financial institutions which are approved for investment purposes.

The County's investment policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by State statute, and the percentage of the portfolio which may be invested in certain instruments with longer terms to maturity. The objectives of the policy, in order of priority, are safety, liquidity, and yield. The County has established an oversight committee, comprised of various County officials and representatives of other local governments with large cash balances, to monitor and review the management of public funds maintained in the investment pool in accordance with Title 7, Chapter 6, Part 2 of the Montana Code Annotated and as qualified by Attorney General Opinion Vol. 42, No. 25. The Treasurer prepares and submits a comprehensive investment report to the members of the oversight committee and the investment pool participants every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost, and fair value.

Disaggregation of Payable Balances

Payables as of June 30, 2016, were as follows:

	Vendors	Salaries and Benefits	Claims incurred but not reported	Total
General	\$ 662,105	\$ 734,528	\$ -	\$ 1,396,633
Elementary building	6,286,206	20,813	-	6,307,019
Internal service funds	39,995	6,773	2,004,695	2,051,463
Nonmajor governmental funds	1,016,882	335,098	-	1,351,980
	<u>\$ 8,005,188</u>	<u>\$ 1,097,212</u>	<u>\$ 2,004,695</u>	<u>\$ 11,107,095</u>

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 4,859,721	\$ -	\$ -	\$ 4,859,721
Construction in progress	49,468,790	36,574,416	(10,509,948)	75,533,258
Total capital assets, not being depreciated	<u>54,328,511</u>	<u>36,574,416</u>	<u>(10,509,948)</u>	<u>80,392,979</u>
Capital assets, being depreciated:				
Buildings/improvements	117,650,646	12,291,465	-	129,942,111
Improvements other than buildings	1,214,916	2,399,904	-	3,614,820
Machinery and equipment	9,569,934	550,264	-	10,120,198
Total capital assets, being depreciated	<u>128,435,496</u>	<u>15,241,633</u>	<u>-</u>	<u>143,677,129</u>
Less accumulated depreciation for:				
Buildings/improvements	(47,747,912)	(3,911,656)	-	(51,659,568)
Improvements other than buildings	(400,105)	(150,742)	-	(550,847)
Machinery and equipment	(8,146,899)	(375,752)	-	(8,522,651)
Total accumulated depreciation	<u>(56,294,916)</u>	<u>(4,438,150)</u>	<u>-</u>	<u>(60,733,066)</u>
Total capital assets, being depreciated, net	<u>72,140,580</u>	<u>10,803,483</u>	<u>-</u>	<u>82,944,063</u>
Total capital assets, net	<u>\$ 126,469,091</u>	<u>\$ 47,377,899</u>	<u>\$ (10,509,948)</u>	<u>\$ 163,337,042</u>

Depreciation expense was charged to district activities as follows:

Instruction	\$ 3,398,314
Support services-students	306,687
Support services-instructional staff	178,867
Support services-general administration	15,090
Support services-administration	66,600
Support services-business	14,451
Operation and maintenance	189,432
Student transportation	8,381
Food services	124,871
Extracurricular	135,457
	<u>\$ 4,438,150</u>

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

Long-Term Debt

During the year ended June 30, 2016, the following changes occurred in long-term debt:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 105,654,502	\$ 33,000,000	\$ (2,785,000)	\$ 135,869,502	\$ 4,030,000
Limited obligation bonds	252,750	-	(84,250)	168,500	84,250
Premium	7,742,169	5,119,685	(608,607)	12,253,247	-
Total bonds payable	113,649,421	38,119,685	(3,477,857)	148,291,249	4,114,250
Compensated absences	10,663,718	7,959,275	(8,270,785)	10,352,208	1,035,221
Service credit and termination pay benefits	11,910,307	3,578,116	(5,037,316)	10,451,107	-
Other postemployment benefits	13,546,000	1,702,000	(982,000)	14,266,000	-
Total	\$ 149,769,446	\$ 51,359,076	\$ (17,767,958)	\$ 183,360,564	\$ 5,149,471

A substantial portion of compensated absences and the service credit and termination pay benefits are paid from the General fund. The OPEB obligation is paid from the Health Insurance fund, an internal service fund.

General Obligation Bonds

On December 29, 2010, the district issued general obligation school building bonds in the amount of \$12,000,000. General obligation bonds are direct obligations and pledge the full faith and credit of the district. The bonds were designated as Qualified School Construction Bonds (QSCB) and Qualified Zone Academy Bonds (QZAB). As such, the district is entitled to receive payments from the United States Treasury Department equal to 100% of the interest payments. The proceeds from these general obligation bonds will be used for the purpose of rehabilitating or improving various school facilities within the district. The bonds bear interest at 5.4% per annum and will be paid back through sixteen annual sinking fund deposits. The sinking fund deposits, along with earnings on those deposits, will be used to retire the bonds on June 15, 2027. The district will reduce the annual bond payment by the amount of interest earnings from the sinking fund. The elementary and high school debt service funds will be servicing 100% of the general obligation debt payments.

On July 26, 2012, the district issued general obligation school building bonds in the amount of \$4,540,000. General obligation bonds are direct obligations and pledge the full faith and credit of the district. The bonds were designated as Qualified Zone Academy Bonds (QZAB). As such, the district is entitled to receive payments from the United States Treasury Department equal to 100% of the interest payments. The proceeds from these general obligation bonds will be used for the purpose of rehabilitating or improving various school facilities within the district. The bonds bear interest at 4.25% per annum and will be paid back through twenty annual sinking fund deposits. The sinking fund deposits, along with earnings on those deposits, will be used to retire the bonds on June 15, 2032. The district will reduce the annual bond payment by the amount of interest earnings from the sinking fund. The elementary debt service fund will be servicing 100% of the general obligation debt payments.

On July 26, 2012, the district issued general obligation school building bonds in the amount of \$1,271,000. General obligation bonds are direct obligations and pledge the full faith and credit of the district. The bonds were designated as Qualified Zone Academy Bonds (QZAB). As such, the owners of the tax credit bonds are allowed a credit against their federal income tax liability. The proceeds from these general obligation bonds will be used for the purpose of rehabilitating or improving various school facilities within the district. The applicable tax credit rate was 4.25%. The bonds will be paid back through ten annual sinking fund deposits. The sinking fund deposits, along with earnings on those deposits, will be used to retire the bonds on June 15, 2032. The district will reduce the annual bond payment by the amount of interest earnings from the sinking fund. The elementary debt service fund will be servicing 100% of the general obligation debt payments.

On July 26, 2012, the district issued general obligation school building bonds in the amount of \$8,333,502. General obligation bonds are direct obligations and pledge the full faith and credit of the district. The bonds were designated as Qualified Energy Conservation Bonds (QECB). As such, the district is entitled to receive payments from the United States Treasury Department equal to 70% of the interest payments. The proceeds from these general obligation bonds will be used for the purpose of rehabilitating or improving various school facilities within the district. The bonds bear interest at 4.25% per annum and will be paid back through twenty annual sinking fund deposits. The sinking fund deposits, along with earnings on those deposits, will be used to retire the bonds on June 15, 2032. The district will reduce the annual bond payment by the amount of interest earnings from the sinking fund. The elementary and high school debt service funds will be servicing 100% of the general obligation debt payments.

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

On January 30, 2014, the district issued general obligation school building bonds in the amount of \$80,900,000. General obligation bonds are direct obligations and pledge the full faith and credit of the district. The proceeds from these general obligation bonds will be used for the purpose of providing funds to pay a portion of the costs of building or improving schools in accordance with the district's facilities master plan. Interest rates range from 2.125% to 5.000% payable semiannually on December 15 and June 15. The bonds can be redeemed at par on June 15, 2025 or any date thereafter. The bonds mature beginning June 15, 2015 through 2034. The elementary debt service fund will be servicing 100% of the general obligation debt payments.

On September 29, 2015, the district issued general obligation school building bonds in the amount of \$33,000,000. General obligation bonds are direct obligations and pledge the full faith and credit of the district. The proceeds from these general obligation bonds will be used for the purpose of providing funds to pay a portion of the costs of building or improving schools in accordance with the district's facilities master plan. Interest rates range from 3.0% to 5.00% payable semiannually on December 15 and June 15. The bonds can be redeemed at par on June 15, 2025 or any date thereafter. The bonds mature beginning June 15, 2017 through 2035. The elementary debt service fund will be servicing 100% of the general obligation debt payments.

Limited Obligation Bonds

On December 29, 2008, the district issued limited obligation school building bonds in the amount of \$773,250. The proceeds from these limited obligation bonds was used to improve, repair, or rehabilitate existing facilities at Beartooth Elementary School, Riverside Middle School and Ponderosa Elementary School. The bonds bear interest at 0% per annum and will be paid back through ten annual sinking fund deposits. The sinking fund deposits, along with earnings on those deposits, will be used to retire the bonds on June 15, 2018. The district will reduce the annual bond payment by the amount of interest earnings from the sinking fund. The elementary general fund services 100% of the limited obligation debt payments.

Annual debt service requirements to maturity for the bonds payable are as follows:

Year ending June 30,	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 4,030,000	\$ 6,208,924	\$ 84,250	-
2018	4,150,000	6,088,024	84,250	-
2019	4,315,000	5,922,024	-	-
2020	4,505,000	5,730,574	-	-
2021	4,720,000	5,518,124	-	-
2022-2026	26,900,000	24,283,720	-	-
2027-2031	45,995,000	14,602,995	-	-
2032-2035	41,254,502	3,249,174	-	-
	<u>\$ 135,869,502</u>	<u>\$ 71,603,559</u>	<u>\$ 168,500</u>	<u>\$ -</u>

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

Fund Balances

As of June 30, 2016, fund balances are comprised of the following:

	General Fund	Elementary Building Fund	Total Nonmajor Funds	Total Governmental Funds
Restricted:				
Instruction	\$ -	\$ -	\$ 5,793,384	\$ 5,793,384
Support services:				
Students	-	-	3,087	3,087
School administration	-	-	250,670	250,670
Business services	-	-	3,031	3,031
Operation and maintenance	-	-	1,349,935	1,349,935
Student transportation	-	-	1,290,724	1,290,724
Food services	-	-	141,485	141,485
Capital projects	-	36,684,142	16,899	36,701,041
Debt service	-	-	7,695,678	7,695,678
Committed:				
Instruction	-	-	2,265,621	2,265,621
Support services:				
Students	-	-	1,911,324	1,911,324
Operation and maintenance	-	-	6	6
Community services	-	-	44,838	44,838
Assigned:				
Instruction	10,879	-	3,159,267	3,170,146
Support services:				
Students	565	-	984,203	984,768
Instructional staff	81,320	2,194	1,396,430	1,479,944
General administration	-	-	530,571	530,571
School administration	-	-	126,773	126,773
Business services	-	4,949	462,108	467,057
Operation and maintenance	27,327	3,191,041	318,295	3,536,663
Capital projects	154,044	-	-	154,044
Unassigned	16,216,463	-	-	16,216,463
	<u>\$ 16,490,598</u>	<u>\$ 39,882,326</u>	<u>\$ 27,744,329</u>	<u>\$ 84,117,253</u>

NOTE 4. OTHER INFORMATION

Risk Management

The district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; professional liability (i.e., errors and omissions); workers compensation (i.e., employee injuries); medical insurance costs; and environmental damages. A variety of methods is used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for theft, damage or destruction of assets, professional liabilities and employee medical costs. The district participates in the Montana Schools Group's Workers' Compensation Risk Retention Program, a state-wide public risk pool currently operating as a common risk management and insurance program for the member school districts. The district pays quarterly premiums for its employee injury insurance coverage. The agreement for formation of the pool provides that it will be self-sustaining through member premiums. There are no deductibles or maximum coverage limits in the plan. Given lack of coverage available, the district has no coverage for potential losses from environmental damages. Coverage limits and the deductibles on the commercial policies have remained relatively constant for the last several years. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

Self-Insurance

During the year ended June 30, 2016, employees of the district were covered by a medical self-insurance plan (the "plan"). The district contributed approximately \$684 per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay contributions for dependents. In spring of 2013 the district opened two in house clinics to manage health care cost. Claims were paid by a third party administrator acting on behalf of the district.

The administrative contract between the district and the third party administrator is renewable annually and administrative fees and stop-loss premiums are included in the contractual provisions. The district was protected against unanticipated catastrophic individual loss by stop-loss coverage through Optum. Stop-loss coverage was in effect for individual claims exceeding \$165,000.

The costs associated with the medical self-insurance plan are reported as interfund transactions. Accordingly, they are treated as operating revenues in the internal service fund and as operating expenditures in the governmental funds. The liability as of June 30, 2016, is based on the requirements of GASB Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability includes an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not result in an exact amount.

Changes in the claims liability amount during fiscal year 2016 and 2015 were:

	Liability July 1,	Curent Year Claims and Changes in Estimates	Claims Payments	Liability June 30,
2014-15	1,446,458	15,453,588	(14,966,635)	1,933,411
2015-16	1,933,411	16,342,362	(16,271,078)	2,004,695

Subsequent Events

The district has evaluated subsequent events through December 12, 2016, the date which the financial statements were available to be issued, and determined that no subsequent event activity required disclosure.

Commitments and Contingencies

At year-end, the district had commitments outstanding, in the form of purchase orders, of approximately \$291,653, primarily for construction projects, equipment and supplies. The following schedule displays encumbrances for the general fund and nonmajor funds in the aggregate.

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted:			
Instruction	\$ -	\$ 619	\$ 619
Support services:			
Operation and maintenance	-	16,899	16,899
Assigned:			
Instruction	10,879	-	10,879
Support services:			
Students	565	-	565
Instructional staff	81,320	-	81,320
Operation and maintenance	27,327	-	27,327
Capital outlay	154,044	-	154,044
	<u>\$ 274,135</u>	<u>\$ 17,518</u>	<u>\$ 291,653</u>

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the district expects such amounts, if any, to be immaterial.

BILLINGS PUBLIC SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS

Presently there are no significant outstanding lawsuits. In the opinion of the district's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the district.

Retirement Plans

Plan Descriptions

The Teacher's Retirement System (TRS) is a mandatory-participation multiple-employer cost sharing defined-benefit public pension plan that provides retirement services to individuals employed as teachers, administrators, and in other professional and skilled positions employed in public education in Montana. The TRS Board is the governing body and the TRS staff administers the system in conformity with the laws set forth in Title 19, chapter 20 of the Montana Code Annotated (MCA), and administrative rules set forth in Title 2, chapter 44 of the Administrative Rules of Montana. Additional information pertaining to membership, benefit structure, and prior years' actuarial valuations, as well as links to applicable statutes and administrative rules, may be obtained by visiting the TRS web site at trs.mt.gov.

The Public Employees Retirement System (PERS) Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 and 3, MCA. The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the defined benefit and defined contribution retirement plans. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service. Additional information pertaining to membership, benefit structure, and prior years' actuarial valuations, as well as links to applicable statutes and administrative rules, may be obtained by visiting the PERS web site at mpera.mt.gov.

Pension Benefits

Teachers' Retirement System

TRS provides retirement, disability, and death benefits. Through June 30, 2013, all members enrolled in TRS participated in a single-tiered plan ("Tier One"). Employees with a minimum of 25 years of service or who have reached age 60 with 5 years of service are eligible to receive an annual retirement benefit equal to creditable service years divided by 60 times the average final compensation. Final compensation is the average of the highest three consecutive years of earned compensation. Benefits fully vest after 5 years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits. Beginning July 1, 2013, new members in TRS participate in a second benefit tier ("Tier Two"), which differs from Tier One as follows:

- Tier Two uses a 5-year average final compensation (as opposed to 3-year AFC in Tier One).
- Tier Two provides for unreduced service retirement benefits at age 60 with 5 years of creditable service or at age 55 with at least 30 years of creditable service (rather than at age 60 with 5 years of service or at any age with creditable service in 25 years in Tier One).
- Tier Two provides for early retirement benefits with 5 years of creditable service at age 55 (rather than age 50 in Tier One).
- Tier Two has a one percent higher normal employee contribution rate (though a temporary 1% supplemental employee contribution rate is also now currently in place for Tier One members).
- Tier Two provides for an enhanced benefit calculation - $1.85\% \times \text{AFC} \times \text{years of creditable service}$ - for members retiring with at least 30 years of creditable service and at least 60 years of age (rather than $1.6667 \times \text{AFC} \times \text{years of creditable service}$).

A guaranteed annual benefit adjustment (GABA) is payable on January 1st of each calendar year for each retiree who has received at least 36 monthly retirement benefit payments prior to that date. The GABA is applicable to both Tier One and Tier Two members. The GABA for Tier One members is 1.5% of the benefit payable as of January 1st. For Tier Two members the GABA each year may vary from 0.5% to 1.5% based on the retirement system's funding status and the period required to amortize any unfunded accrued actuarial liability as determined in the prior actuarial valuation.

Public Employees Retirement System

Plan members hired prior to July 1, 2011 are eligible to retire at age 60 with 5 years of membership service, age 65 regardless of years of membership service or any age with 30 years of membership service. Benefits are calculated as follows: 1) if less than 25 years of membership service, 1.785% of the member's highest average compensation (HAC) multiplied by years of service credit or 2) if 25 years of membership service or more, 2% of HAC multiplied by years of service credit.

Plan members hired on or after July 1, 2011 are eligible to retire at age 65 with 5 years of membership service or age 70 regardless of years of membership service. Benefits are calculated as follows: 1) if less than 10 years of membership service, 1.5% of the member's HAC multiplied by years of service credit, 2) if between 10 and 30 years of membership service, 1.785% of HAC multiplied by years of service credit, or 3) if 30 years of membership service or more, 2% of HAC multiplied by years of service credit.

BILLINGS PUBLIC SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS

Plan members hired prior to July 1, 2011 are eligible for early retirement at age 50 with 5 years of membership service or any age under age 60 with 25 years of membership service. Plan members hired on or after July 1, 2011 are eligible for early retirement at age 55 with 5 years of membership service. Benefits are actuarially reduced.

For members who have been retired at least 12 months, a Guaranteed Annual Benefit Adjustment (GABA) will be made each year equal to 1). 3% for members hired prior to July 1, 2007, 2). 1.5% for members hired between July 1, 2007 and June 30, 2013 or, 3). Members hired on or after July 1, 2013: a). 1.5% for each year PERS is funded at or above 90%; b). 1.5% is reduced by .1% for each 2% PERS is funded below 90%; and c). 0% whenever the amortization period for PERS is 40 years or more.

Member and Employer Contributions

Teachers' Retirement System

The TRS funding policy provides for monthly employee and employer contributions at rates specified by state law. Plan members, for the fiscal year ending June 30, 2016, were required to contribute 8.15% of their earned compensation. TRS employers were required to contribute 8.67% of earned compensation. Pursuant to 19-20-609, MCA, the employer contribution rate will increase by 0.10% each year beginning July 1, 2014 through fiscal year 2024. The State's General Fund contributes an additional 2.49% of earned compensation. Finally, the State is also required to contribute \$25 million in perpetuity payable July 1st of each year.

Public Employees Retirement System

All members contribute 7.9% of their compensation. Interest is credited to member accounts at the rates determined by the Board. All member contributions will be decreased to 6.9% on January 1 following the actuary valuation results that project the amortization period to drop below 25 years. Member contributions are made through an "employer pick-up" arrangement that results in deferral of taxes on the contributions.

Employers contribute 7.9% of each member's compensation. This was temporarily increased from 6.9% on July 1, 2013. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The employer additional contributions terminates on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates. The State's General Fund contributes an additional .37% of earned compensation. Effective July 1, 2013, contributions are also made to the system from the Coal Tax Fund. Beginning July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

Net Pension Liability, Pension Expense (Revenue), and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2016, the district recorded a liability of \$98,299,904 (TRS) and \$14,727,804 (PERS) for its proportionate share of the net pension liability.

TRS and PERS have a special funding situation in which the State of Montana is legally responsible for making contributions directly to TRS and PERS on behalf of the district. Due to the existence of this special funding situation, the district is required to report the portion of the State of Montana's proportionate share of the collective net pension liability. The district's and State of Montana's proportionate share of the net pension liability are presented below:

	Net Pension Liability June 30, 2016	
	TRS	PERS
Employer proportionate share	\$ 98,299,904	\$ 14,727,804
State of Montana proportionate share associated with employer	65,807,012	692,057
Total	<u>\$ 164,106,916</u>	<u>\$ 15,419,861</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The district's proportion of the net pension liability was based on the district's contributions received by TRS and PERS during the measurement period July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all TRS and PERS participating employers. At June 30, 2016, the district's proportion was 5.9829 and 1.0552 percent for TRS and PERS, respectively.

For the year ended June 30, 2016, the district recognized \$6,176,417 (TRS) and \$616,500 (PERS) for its proportionate share of the pension expense. The district also recognized grant revenue of 2,956,362 (TRS) and \$396,454 (PERS) for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the district. Total pension expense recognized was \$9,132,779 and \$1,012,954 for TRS and PERS, respectively.

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

At June 30, 2016, the district reported its proportionate share of TRS and PERS deferred outflows and inflows of resources from the following sources:

	TRS		PERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,036,563	\$ -	\$ -	\$ 89,104
Changes in assumptions	1,391,104	207,602	-	-
Net difference between projected and actual earnings on pension plan investments	-	5,278,621	-	1,246,865
Changes in the employer's proportion and differences between employer's contributions and the employer's proportionate contributions	1,086,946	-	15,805	38,748
Employer contributions subsequent to measurement date	9,205,589	-	1,052,910	-
	<u>\$ 12,720,202</u>	<u>\$ 5,486,223</u>	<u>\$ 1,068,715</u>	<u>\$ 1,374,717</u>

Amounts reported as deferred outflows of resources related to pensions resulting from the district's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense as follows:

Year Ended June 30:	TRS	PERS
2017	\$ (743,892)	\$ (563,485)
2018	(743,545)	(563,485)
2019	(1,838,285)	(556,228)
2020	1,354,112	324,286

Actuarial Assumptions

For each of the retirement plans, the total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	TRS	PERS
Investment rate of return, net of investment and administrative expenses	7.75%	7.75%
Salary increases	4.00%	4.00%
Inflation	3.25%	3.00%

Mortality rates for the TRS retirement plan were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB. Mortality rates for the PERS retirement plan is based on the RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the TRS and PERS plans. The most recent TRS analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated May 1, 2014, which is located on the TRS website. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. The most recent PERS analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated June 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption. These factors include rates of return adopted by similar public sector systems, as well as the utilization of a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the TRS' and PERS' target asset allocation as of June 30, 2015, and are summarized in the following table:

Asset Class	TRS		PERS	
	Target Asset Allocation	Long-Term Expected Real Rate of Return	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash equivalents	0.0%	0.00%	2.0%	-0.25%
Domestic equity	36.0%	4.80%	36.0%	4.55%
Foreign equity	18.0%	6.05%	18.0%	6.10%
Fixed income	26.0%	1.68%	24.0%	1.25%
Private equity	12.0%	8.50%	12.0%	8.00%
Real estate	8.0%	4.50%	8.0%	4.25%
	<u>100.0%</u>		<u>100.0%</u>	

Discount Rate

Teachers Retirement System

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. In addition to the contributions, the State general fund will contribute \$25 million annually to TRS payable July 1st of each year. Based on those assumptions, the TRS' fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2119. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

Public Employees Retirement System

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and nonemployer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the PERS' fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2123. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

Sensitivity Analysis

The following presents the employer's proportionate share net pension liability calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net pension liability-TRS	\$ 135,056,154	\$ 98,299,904	\$ 67,371,626
Net pension liability-PERS	22,707,087	14,727,804	7,989,485

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

Service Credit and Termination Pay Benefit Plan

The Billings Public Schools Service Credit and Termination Pay Benefit Plan (the "Plan") is a single-employer, defined-benefit plan covering employees that belong to the following unions or groups; Billings Education Association (BEA), Billings Classified Employees Association (BCEA), Montana Public Employees Association (MPEA), Administrators and Administrative Support. The Plan was established by the Board of Trustees through union agreements and agreements with other employee groups. The Plan does not issue a separate report. Billings Public Schools does not prefund the Plan but finances it on a pay-as-you-go basis. Following is a summary of Plan benefit provisions:

Service Credit

Eligibility	10 years of service with Billings Public Schools
Benefit	<p>A single amount is payable upon termination or retirement. The amount is dependent on the employee group; the number of years of service credit and the rate of pay.</p> <p>BEA and Administrators; \$100 per year of service prior to June 30, 1986 plus 2 1/2 days of pay for each full year of service after July 1, 1986. No service credit is paid to any teacher or administrator with more than 35 years of service.</p> <p>BCEA, MPEA and Administrative Support: 2 1/2 days of pay for each full year of service.</p>
Rate of Pay	BEA and Administrators: Highest daily rate. BCEA, MPEA and Administrative Support: Most recent daily rate.
Form of Benefit	Lump sum upon termination
Death Benefit	Full value of the service credit benefit as if the date of death had been the employee's date of termination.

TRS Option 1 Benefit

Eligibility	Employees who are eligible for retirement with TRS at 25 years of service or age 60 and 5 years of service for Normal Retirement, or age 50 and 5 years of service for Early Retirement.
Benefit	<p>TRS Employees may increase their monthly retirement benefit by including their Termination Pay (service credit, sick leave, and vacation leave) in the calculation of their Average Final Compensation. This option is also available to beneficiaries of eligible TRS employees who had not yet retired.</p> <p>As of October 1, 2011, administrators' vacation pay was frozen for the purpose of payment within the district's severance package. As of July 1, 2011, no newly employed administrator is entitled to include vacation pay in the severance payment. Vacation severance pay for administrators is paid at the daily rate earned as of June 30, 2012.</p>
Employee Cost	Termination Pay x Employee Rate x Total years of Creditable Service
Employer Cost	Termination Pay x Employer Rate x Total years of Creditable Service

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

Billings Public School's annual pension cost and net pension obligation to the Plan for the current year were as follows:

Annual required contribution	\$ 3,498,714
Interest on net pension obligation	476,412
Adjustment to annual required contribution	<u>(397,010)</u>
Annual pension cost	3,578,116
Contributions made	<u>(5,037,316)</u>
Change in net pension obligation	(1,459,200)
Net pension obligation-beginning of year	<u>11,910,307</u>
Net pension obligation-end of year	<u>\$ 10,451,107</u>

The annual required contribution (ARC) for the current year was determined as part of the June 30, 2015 actuarial valuation using the entry age actuarial cost method. This report was updated for 2016 with new population information. Under this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of the individual's projected compensation between entry age and assumed exit. The actuarial computations assumed a 3.25% inflation factor in computing future salaries and a discount rate of 4% in determining present value of projected benefits. The portion of this actuarial present value allocated to a valuation year is called the normal cost. The normal cost was first calculated for each individual employee. The normal cost rate is defined to equal the total of the individual normal costs, divided by the total pay rate.

The portion of this actuarial present value not provided for at a valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability (AAL). The excess of the AAL over the actuarial value of the assets, if any, is called the Unfunded Actuarial Accrued Liability (UAAL). The UAAL is amortized as a level percentage of the projected salaries of present and future employees covered by the Plan. The amortization of the UAAL assumes that contributions are made as a level percentage of pay for a period of years. In accordance with GASB Statement 27 guidelines, the maximum amortization period for the UAAL is 40 years for the first ten years following the effective date of the Statement, June 15, 1997. For the Billings Public Schools the ten year period ended June 30, 2006. Effective fiscal year 2007, the maximum amortization period for GASB Statement 27 purposes is 30 years on an open basis. The benefits from both the service credit benefit plan and the TRS Option 1 benefit plan are computed separately, but reported as one cost rate for purposes of determining the ARC.

The actuarial assumptions included a 4% annual rate increase in general wage levels, an annual discount rate of 4% per year and that 90% of TRS employees will elect TRS Option 1.

Three year trend information is as follows:

Year Ending June 30,	Annual Pension Cost (APC)	Contribution as a Percentage of APC	Net Pension Obligation (NPO)
2014	\$ 3,445,493	91%	\$ 11,536,157
2015	3,535,132	89%	11,910,307
2016	3,578,116	141%	10,451,107

Following is the Schedule of Funding Progress:

Actuarial valuation date	June 30, 2015
Actuarial value of assets	\$ -
Actuarial value of liabilities	\$ 35,882,772
Unfunded actuarial accrued liabilities (UAAL)	\$ 35,882,772
Funded ratio	0%
Covered payroll	\$ 83,550,579
UAAL as a percentage of covered payroll	43%

Funded Status and Funding Progress. As of June 30, 2015, the Plan was 0% funded. The actuarial accrued liability for benefits was \$35,882,772, and the actuarial value of assets is \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$35,882,772.

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and other trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Postemployment Benefits Other Than Pensions

Plan Descriptions. The Billings Public Schools postemployment benefit plan is a single employer defined benefit plan that is self-funded for pre Medicare medical/prescription drug benefits and insures for Medicare supplement benefits and retiree life insurance. The plan was established in accordance with Section 20-3-331, MCA.

Funding Policy. The required contribution is based on pay-as-you-go financing requirements.

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

Annual required contribution	\$ 1,644,000
Interest on net OPEB obligation	542,000
Adjustment to annual required contribution	<u>(484,000)</u>
Annual OPEB cost (expense)	1,702,000
Contributions made	<u>(982,000)</u>
Increase in net OPEB obligation	720,000
Net OPEB obligation - beginning of year	<u>13,546,000</u>
Net OPEB obligation - end of year	<u><u>\$ 14,266,000</u></u>

The Billings Public Schools' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 and the two preceding years are as follows:

Year Ending June 30,	Annual OPEB Cost (AOC)	Percentage of Annual AOC Contributed	Net OPEB Obligation (NOO)
2014	\$ 1,972,000	46%	\$ 12,651,000
2015	2,065,000	57%	13,546,000
2016	1,702,000	58%	14,266,000

Funded Status and Funding Progress. As of June 30, 2016, the Plan was 0% funded. The actuarial accrued liability for benefits was \$22,462,000, and the actuarial value of assets is \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$22,462,000. The covered payroll (annual payroll of active employees covered by the plan) was \$83,083,000 and the ratio of the UAAL to the covered payroll was 27.0%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

BILLINGS PUBLIC SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS

In the July 1, 2015 actuarial valuation (the most recent valuation), the projected unit credit method was used. The actuarial assumptions included a 4.0% investment rate of return which is based on the expected long term investment return of the employer's own investments used to pay plan benefits and an annual healthcare cost trend rate of 8.0% reduced by decrements of .5% to an ultimate rate of 4.5%. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The amortization of UAAL is done over a period of 30 years. The plan does not issue a separate report.

Future Implementation of GASB Pronouncements

The GASB has issued the following pronouncements:

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 74, Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 75, Statement 75 replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions. Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 77, Tax Abatement Disclosures. This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

GASB Statement No. 79, Certain External Investment Pools and Pool Participants. The requirements of paragraphs 18, 19, 23–26, and 40 are effective for reporting periods beginning after December 15, 2015.

GASB Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

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REQUIRED SUPPLEMENTARY INFORMATION

BILLINGS PUBLIC SCHOOLS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND

ACTUAL GENERAL FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 34,088,176	\$ 34,088,176	\$ 35,308,571	\$ -	\$ 35,308,571
Intergovernmental:					
State aid	62,603,411	62,603,411	62,603,411	-	62,603,411
State other	16,312,674	16,312,674	16,315,550	3,352,816	19,668,366
Tuition	200,000	200,000	204,913	-	204,913
Interest	153,837	153,837	49,461	10,615	60,076
Total revenues	113,358,098	113,358,098	114,481,906	3,363,431	117,845,337
EXPENDITURES					
Current:					
Instructional	72,596,036	72,369,584	69,828,235	2,442,596	72,270,831
Support services:					
Students	7,005,572	7,002,250	6,840,264	238,316	7,078,580
Instructional staff	5,947,846	6,039,894	6,262,165	336,323	6,598,488
General administration	1,747,648	1,747,644	1,658,884	25,730	1,684,614
Administration	8,134,527	8,139,213	8,555,903	249,499	8,805,402
Business	1,721,703	1,721,699	1,781,385	47,846	1,829,231
Operation and maintenance	11,254,785	11,289,969	10,849,245	172,280	11,021,525
Student transportation	10,342	10,342	52,368	22,008	74,376
Food services	4,938	4,938	-	1,427	1,427
Extracurricular	2,278,347	2,278,347	2,302,326	50,196	2,352,522
Debt Service:					
Principal	85,500	85,500	84,250	-	84,250
Capital Outlay	1,660,854	1,758,718	385,136	195,330	580,466
Total expenditures	112,448,098	112,448,098	108,600,161	3,781,551	112,381,712
Excess (deficiency) of revenues over expenditures	910,000	910,000	5,881,745	(418,120)	5,463,625
OTHER FINANCING USES					
Transfers out	(910,000)	(910,000)	(4,100,000)	4,100,000	-
Total other financing uses	(910,000)	(910,000)	(4,100,000)	4,100,000	-
Net change in fund balances	\$ -	\$ -	1,781,745	3,681,880	5,463,625
Fund balances - beginning			8,382,836	2,644,137	11,026,973
Fund balances - ending			\$ 10,164,581	\$ 6,326,017	\$ 16,490,598

NOTES TO THE BUDGET AND ACTUAL SCHEDULES

State law requires budgets be prepared for certain funds - generally those supported by property tax revenues. Budgets are prepared on the modified accrual basis. State law requires only that a fund's total expenditures not exceed total budgeted expenditures. Budgets may be amended as defined by State law. There were no budget amendments during the year.

The general fund budget is based on the State of Montana's foundation program which is based primarily on enrollment. Budgets of other funds are based on expected revenues and expenditures. The Board of Trustees approves the original budget by the second Monday in August.

State law permits the inclusion of obligations (encumbrances) for construction in progress and the purchase of personal property as expenditures for budget purposes. The budget to GAAP differences consist of merging the compensated absences and multi-district cooperative funds with the general fund for financial statement presentation purposes and encumbrances for the current and prior year.

The District consists of two legally separate entities. State law requires separate legally adopted annual budgets for the elementary and high school general funds. This schedule is a summary of the elementary general and high school general subfunds.

BILLINGS PUBLIC SCHOOLS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL ELEMENTARY GENERAL SUBFUND For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 21,375,702	\$ 21,375,702	\$ 22,100,989	\$ -	\$ 22,100,989
Intergovernmental:					
State aid	41,311,905	41,311,905	41,311,905	-	41,311,905
State other	11,194,943	11,194,943	11,195,262	-	11,195,262
Tuition	170,000	170,000	176,051	-	176,051
Interest	102,683	102,683	31,475	7,156	38,631
Total revenues	74,155,233	74,155,233	74,815,682	7,156	74,822,838
EXPENDITURES					
Current:					
Instructional	49,279,898	49,152,344	47,482,537	36,796	47,519,333
Support services:					
Students	4,973,303	4,973,032	4,873,733	-	4,873,733
Instructional staff	3,974,212	4,028,123	4,385,060	121,368	4,506,428
General administration	1,099,537	1,099,533	1,021,370	11,000	1,032,370
Administration	4,961,463	4,970,626	5,344,016	-	5,344,016
Business	1,145,189	1,145,185	1,184,400	2,573	1,186,973
Operation and maintenance	6,683,668	6,716,514	6,486,882	2,658	6,489,540
Student transportation	10,342	10,342	27,555	-	27,555
Food services	3,292	3,292	-	-	-
Extracurricular	519,802	519,802	533,560	-	533,560
Debt Service:					
Principal	85,500	85,500	84,250	-	84,250
Capital Outlay	539,027	570,940	168,754	(17,564)	151,190
Total expenditures	73,275,233	73,275,233	71,592,117	156,831	71,748,948
Excess (deficiency) of revenues over expenditures	880,000	880,000	3,223,565	(149,675)	3,073,890
OTHER FINANCING USES					
Transfers out	(880,000)	(880,000)	(2,070,000)	2,070,000	-
Total other financing uses	(880,000)	(880,000)	(2,070,000)	2,070,000	-
Net change in fund balances	\$ -	\$ -	1,153,565	1,920,325	3,073,890
Fund balances - beginning			5,555,668	1,591,891	7,147,559
Fund balances - ending			\$ 6,709,233	\$ 3,512,216	\$ 10,221,449

BILLINGS PUBLIC SCHOOLS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL HIGH SCHOOL GENERAL SUBFUND For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 12,712,474	\$ 12,712,474	\$ 13,207,582	\$ -	\$ 13,207,582
Intergovernmental:					
State aid	21,291,506	21,291,506	21,291,506	-	21,291,506
State other	5,117,731	5,117,731	5,120,288	3,352,816	8,473,104
Tuition	30,000	30,000	28,862	-	28,862
Interest	51,154	51,154	17,986	3,459	21,445
Total revenues	39,202,865	39,202,865	39,666,224	3,356,275	43,022,499
EXPENDITURES					
Current:					
Instructional	23,316,138	23,217,240	22,345,698	2,405,800	24,751,498
Support services:					
Students	2,032,269	2,029,218	1,966,531	238,316	2,204,847
Instructional staff	1,973,634	2,011,771	1,877,105	214,955	2,092,060
General administration	648,111	648,111	637,514	14,730	652,244
Administration	3,173,064	3,168,587	3,211,887	249,499	3,461,386
Business	576,514	576,514	596,985	45,273	642,258
Operation and maintenance	4,571,117	4,573,455	4,362,363	169,622	4,531,985
Student transportation	-	-	24,813	22,008	46,821
Food services	1,646	1,646	-	1,427	1,427
Extracurricular	1,758,545	1,758,545	1,768,766	50,196	1,818,962
Capital Outlay	1,121,827	1,187,778	216,382	212,894	429,276
Total expenditures	39,172,865	39,172,865	37,008,044	3,624,720	40,632,764
Excess (deficiency) of revenues over expenditures	30,000	30,000	2,658,180	(268,445)	2,389,735
OTHER FINANCING USES					
Transfers out	(30,000)	(30,000)	(2,030,000)	2,030,000	-
Total other financing uses	(30,000)	(30,000)	(2,030,000)	2,030,000	-
Net change in fund balances	\$ -	\$ -	628,180	1,761,555	2,389,735
Fund balances - beginning			2,827,168	1,052,246	3,879,414
Fund balances - ending			\$ 3,455,348	\$ 2,813,801	\$ 6,269,149

BILLINGS PUBLIC SCHOOLS**SCHEDULES OF FUNDING PROGRESS - SERVICE CREDIT AND TERMINATION PAY BENEFIT PLAN
AND OTHER POST-EMPLOYMENT BENEFIT PLAN****SCHEDULE OF FUNDING PROGRESS-SERVICE CREDIT AND TERMINATION PAY BENEFIT PLAN**

Actuarial Valuation Date *	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UALL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UALL as a Percentage of Covered Payroll [(b-a)/c]
6/30/2015	\$ -	\$ 35,882,772	\$ 35,882,772	0%	\$ 83,550,579	42.9%
6/30/2013	-	36,238,928	36,238,928	0%	82,059,626	44.2%
6/30/2011	-	36,843,296	36,843,296	0%	82,307,548	44.8%

* Actuarial update is required every two years

SCHEDULE OF FUNDING PROGRESS-OTHER POST-EMPLOYMENT BENEFIT PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UALL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UALL as a Percentage of Covered Payroll [(b-a)/c]
6/30/2016	\$ -	\$ 22,462,000	\$ 22,462,000	0%	\$ 83,083,000	27.0%
6/30/2015	-	24,634,000	24,634,000	0%	80,274,000	30.7%
6/30/2014	-	23,555,000	23,555,000	0%	77,606,000	30.4%

BILLINGS PUBLIC SCHOOLS
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS AND PUBLIC EMPLOYEES RETIREMENT SYSTEMS OF MONTANA
For the Year Ended June 30,

<u>Teachers Retirement System:</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability	5.9829%	5.9426%
Employer's proportionate share of the net pension liability associated with the employer	\$ 98,299,904	\$ 91,447,722
State of Montana's proportionate share of the net pension liability associated with the employer	<u>65,807,012</u>	<u>62,631,322</u>
Total	<u>\$ 164,106,916</u>	<u>\$ 154,079,044</u>
Pensionable payroll	\$ 75,956,754	\$ 74,941,045
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	129.42%	122.03%
Plan fiduciary net position as a percentage of the total pension liability	69.30%	70.36%
 <u>Public Employees Retirement System:</u>	 <u>2016</u>	 <u>2015</u>
Employer's proportion of the net pension liability	1.0536%	1.0522%
Employer's proportionate share of the net pension liability associated with the employer	\$ 14,727,804	\$ 13,111,068
State of Montana's proportionate share of the net pension liability associated with the employer	<u>692,057</u>	<u>612,898</u>
Total	<u>\$ 15,419,861</u>	<u>\$ 13,723,966</u>
Pensionable payroll	\$ 12,712,639	\$ 12,323,696
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	115.85%	106.39%
Plan fiduciary net position as a percentage of the total pension liability	78.40%	79.90%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

BILLINGS PUBLIC SCHOOLS
SCHEDULE OF CONTRIBUTIONS
TEACHERS AND PUBLIC EMPLOYEES RETIREMENT SYSTEMS OF MONTANA
For the Year Ended June 30,

<u>Teachers Retirement System:</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 9,205,589	\$ 8,391,444
Contributions in relation to the contractually required contributions	<u>9,205,589</u>	<u>8,391,444</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Pensionable payroll	\$ 78,169,994	\$ 75,956,754
Contributions as a percentage of covered-employee payroll	11.78%	11.05%
 <u>Public Employees Retirement System:</u>	 <u>2016</u>	 <u>2015</u>
Contractually required contributions	\$ 1,052,910	\$ 1,032,813
Contributions in relation to the contractually required contributions	<u>1,052,910</u>	<u>1,032,813</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Pensionable payroll	\$ 12,837,782	\$ 12,712,639
Contributions as a percentage of covered-employee payroll	8.20%	8.12%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

BILLINGS PUBLIC SCHOOLS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN INFORMATION

For the Year Ended June 30, 2016

Teacher's Retirement System

Changes of Benefit Terms:

The following changes to the plan provision were made as identified:

The 2013 Montana Legislature passed HB 377 which provides additional revenue and created a two tier benefit structure. A Tier One Member is a person who first became a member before July 1, 2013 and has not withdrawn their member's account balance. A Tier Two Member is a person who first becomes a member on or after July 1, 2013 or after withdrawing their member's account balance, becomes a member again on or after July 1, 2013.

The GABA for Tier 1 members has also been modified as follows:

- If the most recent actuarial valuation of the System shows that the funded ratio is less than 90%, then the maximum increase that can be granted is 0.50%.
- If the funded ratio is at least 90% and the increase is not projected to cause the System's funded ratio to be less than 85%, an increase can be granted that is greater than 0.50% but not more than 1.50%.

The second tier benefit structure for members hired on or after July 1, 2013 is summarized below:

- Final Average Compensation: Average of earned compensation paid in five consecutive years of full-time service that yields the highest average.
- Service Retirement: Eligible to receive a service retirement benefit if the member has been credited with at least five full years of creditable service and has attained the age of 60; or has been credited with 30 or more years of full-time or part-time creditable service and has attained age 55.
- Early Retirement: Eligible to receive an early retirement allowance if a member is not eligible for service retirement but has at least five years of creditable service and attained age 55.
- Professional Retirement Option: If the member has been credited with 30 or more years of service and has attained the age of 60 they are eligible for an enhanced allowance equal to 1.85% of average final compensation times all service at retirement. Otherwise, the multiplier used to calculate the retirement allowance will be equal to 1.67%.
- Annual Contribution: 8.15% of member's earned compensation.
- Supplemental Contribution Rate: On or after July 1, 2023, the TRS Board may require a supplemental contribution up to 0.5% if the following three conditions are met:

The average funded ratio of the System based on the last three annual actuarial valuations is equal to or less than 80%; and

The period necessary to amortize all liabilities of the System based on the latest annual actuarial valuation is greater than 20 years; and

A State or employer contribution rate increase or a flat dollar contribution to the Retirement System Trust fund has been enacted that is equivalent to or greater than the supplemental contribution rate imposed by the TRS Board.

- Disability Retirement: A member will not be eligible for a disability retirement if the member is or will be eligible for a service retirement on the date of termination.
- Guaranteed Annual Benefit Adjustment (GABA): If the most recent actuarial valuation shows that Retirement System liabilities are at least 90% funded and the provision of the increase is not projected to cause the System's liabilities to be less than 85% funded, the GABA may increase from the 0.5% floor up to 1.5%, as set by the Board.

HB 377 increased revenue from the members, employers and the State as follows:

- Annual State contribution equal to \$25 million paid to the System in monthly installments.
- One-time contribution payable to the Retirement System by the trustees of a school district maintaining a retirement fund. The one-time contribution to the Retirement System shall be the amount earmarked as an operating reserve in excess of 20% of the adopted retirement fund budget for the fiscal year 2013. The amount received was \$22 million in FY 2014.

BILLINGS PUBLIC SCHOOLS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN INFORMATION For the Year Ended June 30, 2016

- 1% supplemental employer contribution. This will increase the current employer rates:

School Districts contributions will increase from 7.47% to 8.47%

The Montana University System and State Agencies will increase from 9.85% to 10.85%.

The supplemental employer contribution will increase by 0.1% each fiscal year for fiscal year 2014 thru fiscal year 2024. Fiscal years beginning after June 30, 2024 the total supplemental employer contribution will be equal to 2%.

- Members hired prior to July 1, 2013 (Tier 1) under HB 377 are required to contribute a supplemental contribution equal to an additional 1% of the member's earned compensation.
- Each employer is required to contribute 9.85% of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position to the System.

Changes in actuarial assumptions and other inputs:

The following changes to the actuarial assumptions were adopted in 2015:

- Correctly reflect the proportion of members that are assumed to take a refund of contributions upon termination and appropriately reflect the three year COLA deferral period for Tier 2 Members.
- The 0.63% load applied to the projected retirement benefits of the university members "to account for larger than average annual compensation increases observed in the years immediately preceding retirement" is not applied to benefits expected to be paid to university members on account of death, disability and termination (prior to retirement eligibility).
- The actuarial valuation was updated to reflect the assumed rate of retirement for university members at age 60 is 8.50% as stated in the actuarial valuation report.
- The actuarial valuation was updated to reflect the fact that vested terminations are only covered by the \$500 death benefit for the one year following their termination and, once again when the terminated member commences their deferred retirement annuity (they are not covered during the deferral period). Additionally, only the portion of the terminated members that are assumed to "retain membership in the System" are covered by the \$500 death benefit after termination.

The following changes to the actuarial assumptions were adopted in 2014:

- Assumed rate of inflation was reduced from 3.50% to 3.25%.
- Payroll Growth Assumption was reduced from 4.50% to 4.00%.
- Assumed real wage growth was reduced from 1.00% to 0.75%.
- Investment return assumption was changed from net of investment and administrative expenses to net of investment expenses only.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:

For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.

For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.

- Mortality among disabled members was updated to the following:

For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.

For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

BILLINGS PUBLIC SCHOOLS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN INFORMATION For the Year Ended June 30, 2016

Public Employees Retirement System

Changes of Benefit Terms:

The following changes to the plan provision were made as identified:

2013 Legislative Changes:

Working Retirees - House Bill 95 - PERS, SRS, and FURS, effective July 1, 2013:

- The law requires employer contributions on working retiree compensation.
- Member contributions are not required.
- Working retiree limitations are not impacted. PERS working retirees may still work up to 960 hours a year, without impacting benefits.

Highest Average Compensation (HAC) Cap - House Bill 97, effective July 1, 2013:

- All PERS members hired on or after July 1, 2013 are subject to a 110% annual cap on compensation considered as part of a member's highest or final average compensation.
- All bonuses paid to PERS members on or after July 1, 2013 will not be treated as compensation for retirement purposes.

House Bill 454 - Permanent Injunction Limits Application of the GABA Reduction passed under HB 454 Guaranteed Annual Benefit Adjustment (GABA) - for PERS. After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007 and before July 1, 2013
- Members hired on or after July 1, 2013:
 - a) 1.5% each year PERS is funded at or above 90%;
 - b) 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and,
 - c) 0% whenever the amortization period for PERS is 40 years or more.

2015 Legislative Changes:

General Revisions - House Bill 101, effective January 1, 2016:

Second Retirement Benefit - for PERS:

1. Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again:
 - Refund of member's contributions from second employment plus regular interest (currently 0.25%);
 - No service credit for second employment;
 - Start same benefit amount the month following termination; and
 - GABA starts again in the January immediately following second retirement.
2. For members who retire before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:
 - Member receives a recalculated retirement benefit based on laws in effect at second retirement; and,
 - GABA starts in the January after receiving recalculated benefit for 12 months.

BILLINGS PUBLIC SCHOOLS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN INFORMATION

For the Year Ended June 30, 2016

3. For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:
 - Refund of member's contributions from second employment plus regular interest (currently 0.25%);
 - No service credit for second employment;
 - Start same benefit amount the month following termination; and,
 - GABA starts again in the January immediately following second retirement.
4. For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate five or more years of service credit before retiring again:
 - Member receives same retirement benefit as prior to return to service;
 - Member receives second retirement benefit for second period of service based on laws in effect at second retirement; and,
 - GABA starts on both benefits in January after member receives original and new benefit for 12 months.

Revise DC Funding Laws - House Bill 107, effective July 1, 2015:

Employer Contributions and the Defined Contribution Plan – for PERS and MUS-RP:

The PCR was paid off effective March 2016 and the contributions of 2.37%, .47%, and the 1.0% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member's account.

Changes in actuarial assumptions and other inputs:

None

Method and assumptions used in calculations of actuarially determined contributions:

	TRS	PERS
Acturial cost method	Entry age	Entry age
Amortization method	Level percentage of pay, open	Level percentage of pay, open
Remaining amortization period	26 years	30 years
Asset valuation method	4 year smoothed market	4 year smoothed market
Inflation	3.25%	3.00%
Salary increases	4 to 8.51% including inflation for non-university members and 5% for university members	4%
Investment rate of return	7.75%, net of pension plan investment expense and including inflation	7.75%, net of pension plan investment expense and including inflation

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OTHER SUPPLEMENTARY INFORMATION

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General Fund

The General fund is the general operating fund of the district. All general tax revenues and other receipts that are not allocated by law to another fund are accounted for in this fund. General operating expenditures, instructional expenditures and capital outlay are paid from the General fund. Because Billings Public Schools is comprised of two legal entities (Elementary and High School), the General fund (in addition to almost every other budgeted fund) has an elementary and high school portion. As one of two *major* funds, combining general subfund schedules have been presented to show the reader activity in the separate entities that comprise the General fund, in total.

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BILLINGS PUBLIC SCHOOLS

COMBINING BALANCE SHEET

ALL GENERAL SUBFUNDS

June 30, 2016

	Elementary General Subfund	High School General Subfund	Total
ASSETS			
Cash and cash equivalents	\$ 10,864,928	\$ 6,669,726	\$ 17,534,654
Receivables:			
Property taxes, net	296,296	204,143	500,439
Other	180,085	7,744	187,829
Total assets	<u>\$ 11,341,309</u>	<u>\$ 6,881,613</u>	<u>\$ 18,222,922</u>
LIABILITIES			
Accounts payable	\$ 847,941	\$ 548,692	\$ 1,396,633
Unearned revenue	162,027	-	162,027
Total liabilities	<u>1,009,968</u>	<u>548,692</u>	<u>1,558,660</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	109,892	63,772	173,664
Total deferred inflows of resources	<u>109,892</u>	<u>63,772</u>	<u>173,664</u>
FUND BALANCES			
Assigned	122,697	151,438	274,135
Unassigned	10,098,752	6,117,711	16,216,463
Total fund balances	<u>10,221,449</u>	<u>6,269,149</u>	<u>16,490,598</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,341,309</u>	<u>\$ 6,881,613</u>	<u>\$ 18,222,922</u>

BILLINGS PUBLIC SCHOOLS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

ALL GENERAL SUBFUNDS

For the Year Ended June 30, 2016

	Elementary General Subfund	High School General Subfund	Total
REVENUES			
Property taxes	\$ 22,100,989	\$ 13,207,582	\$ 35,308,571
Intergovernmental:			
State aid	41,311,905	21,291,506	62,603,411
State other	11,195,262	8,473,104	19,668,366
Tuition	176,051	28,862	204,913
Interest	38,631	21,445	60,076
Total revenues	<u>74,822,838</u>	<u>43,022,499</u>	<u>117,845,337</u>
EXPENDITURES			
Current:			
Instruction	47,519,333	24,751,498	72,270,831
Support services:			
Students	4,873,733	2,204,847	7,078,580
Instructional staff	4,506,428	2,092,060	6,598,488
General administration	1,032,370	652,244	1,684,614
School administration	5,344,016	3,461,386	8,805,402
Business services	1,186,973	642,258	1,829,231
Operation and maintenance	6,489,540	4,531,985	11,021,525
Student transportation	27,555	46,821	74,376
Food services	-	1,427	1,427
Extracurricular	533,560	1,818,962	2,352,522
Capital outlay	151,190	429,276	580,466
Debt service:			
Principal	84,250	-	84,250
Total expenditures	<u>71,748,948</u>	<u>40,632,764</u>	<u>112,381,712</u>
Net change in fund balances	3,073,890	2,389,735	5,463,625
Fund balances - beginning	<u>7,147,559</u>	<u>3,879,414</u>	<u>11,026,973</u>
Fund balances - ending	<u>\$ 10,221,449</u>	<u>\$ 6,269,149</u>	<u>\$ 16,490,598</u>

Nonmajor Governmental Funds - By Fund Type

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BILLINGS PUBLIC SCHOOLS
 COMBINING BALANCE SHEET
 ALL NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
 June 30, 2016

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 18,371,360	\$ 7,694,835	\$ 1,354,374	\$ 27,420,569
Receivables:				
Property taxes, net	146,846	129,348	-	276,194
Governments	1,152,279	-	-	1,152,279
Other	434,994	-	-	434,994
Total assets	<u>\$ 20,105,479</u>	<u>\$ 7,824,183</u>	<u>\$ 1,354,374</u>	<u>\$ 29,284,036</u>
LIABILITIES				
Accounts payable	\$ 1,284,756	\$ 65,394	\$ 1,830	\$ 1,351,980
Payable to other governments	58,193	-	-	58,193
Unearned revenue	16,853	-	-	16,853
Total liabilities	<u>1,359,802</u>	<u>65,394</u>	<u>1,830</u>	<u>1,427,026</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	<u>49,570</u>	<u>63,111</u>	<u>-</u>	<u>112,681</u>
Total deferred inflows of resources	<u>49,570</u>	<u>63,111</u>	<u>-</u>	<u>112,681</u>
FUND BALANCES				
Restricted	7,496,371	7,695,678	1,352,544	16,544,593
Committed	4,221,789	-	-	4,221,789
Assigned	6,977,947	-	-	6,977,947
Total fund balances	<u>18,696,107</u>	<u>7,695,678</u>	<u>1,352,544</u>	<u>27,744,329</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 20,105,479</u>	<u>\$ 7,824,183</u>	<u>\$ 1,354,374</u>	<u>\$ 29,284,036</u>

BILLINGS PUBLIC SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

ALL NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE

For the Year Ended June 30, 2016

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
REVENUES				
Property taxes	\$ 10,298,714	\$ 7,757,744	\$ -	\$ 18,056,458
Intergovernmental:				
County	16,477,104	-	-	16,477,104
State aid	-	906,119	-	906,119
State other	5,674,526	-	-	5,674,526
Federal	13,993,654	1,017,546	-	15,011,200
Charges for services	2,960,162	-	30,359	2,990,521
Interest	131,634	35,095	6,673	173,402
Miscellaneous	1,405,560	-	4,099	1,409,659
Total revenues	50,941,354	9,716,504	41,131	60,698,989
EXPENDITURES				
Current:				
Instruction	24,985,118	-	-	24,985,118
Support services:				
Students	5,500,865	-	217	5,501,082
Instructional staff	2,241,743	-	-	2,241,743
General administration	417,106	-	-	417,106
School administration	2,400,763	-	-	2,400,763
Business services	529,883	-	2,165	532,048
Operation and maintenance	1,145,643	-	116,231	1,261,874
Student transportation	5,740,047	-	-	5,740,047
Food services	6,163,776	-	-	6,163,776
Community services	6,150	-	-	6,150
Extracurricular	283,798	-	-	283,798
Capital outlay	211,893	-	6,125	218,018
Debt service				
Principal	-	2,785,000	-	2,785,000
Interest and other charges	-	5,856,921	-	5,856,921
Total expenditures	49,626,785	8,641,921	124,738	58,393,444
Excess (deficiency) of revenues over expenditures	1,314,569	1,074,583	(83,607)	2,305,545
OTHER FINANCING SOURCES				
Insurance recoveries	-	-	331,433	331,433
Total other financing sources	-	-	331,433	331,433
Net change in fund balances	1,314,569	1,074,583	247,826	2,636,978
Fund balances - beginning	17,381,538	6,621,095	1,104,718	25,107,351
Fund balances - ending	\$ 18,696,107	\$ 7,695,678	\$ 1,352,544	\$ 27,744,329

Nonmajor Special Revenue Funds

Budgeted:

Transportation Fund – (Elementary and High School) To account for revenue and expenditures for the District's pupil transportation programs.

Tuition Fund – (Elementary and High School) To account for tuition payments for pupils who are residents of the District but attend school outside the District.

Retirement Fund – (Elementary and High School) To account for the employer's contribution to the Teachers' Retirement System, the Public Employees' Retirement System, Unemployment Compensation, and the employer's share of Social Security.

Adult Education Fund – (Elementary and High School) To account for revenue and expenditures involved with the adult education program.

Technology Fund – (Elementary and High School) To account for the purchase and maintenance of a portion of the District's technological assets.

Flexibility Fund – (Elementary and High School) To account for revenues and expenditures for authorized purposes established by the Montana Legislature.

Non-Budgeted:

School Food Fund - (High School) To account for the District's food service program.

Miscellaneous Programs Fund – (Elementary and High School) To account for Federal, State and Local grants and indirect cost monies received by the District.

Traffic Education Fund – (High School) To account for expenditures related to Drivers Education and the related tuition charged.

Lease Rental Fund - (High School) To account for the revenues and expenditures related to the lease or rental of school property.

Miscellaneous Trust Fund - (Elementary and High School) To account for the revenues and expenditures related to miscellaneous activities.

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BILLINGS PUBLIC SCHOOLS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2016

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	Elementary Transportation	High School Transportation	High School School Food	Elementary Tuition	High School Tuition
ASSETS					
Cash and cash equivalents	\$ 855,182	\$ 628,882	\$ (83,424)	\$ 449,809	\$ 233,486
Receivables:					
Property taxes, net	35,710	24,131	-	21,706	10,471
Governments	-	-	69,474	-	-
Other	1,163	-	332,912	-	-
Total assets	<u>\$ 892,055</u>	<u>\$ 653,013</u>	<u>\$ 318,962</u>	<u>\$ 471,515</u>	<u>\$ 243,957</u>
LIABILITIES					
Accounts payable	\$ 127,111	\$ 106,625	\$ 177,477	\$ 29,900	\$ 27,800
Payable to other governments	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	127,111	106,625	177,477	29,900	27,800
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	13,148	7,460	-	7,455	2,857
Total deferred inflows of resources	<u>13,148</u>	<u>7,460</u>	<u>-</u>	<u>7,455</u>	<u>2,857</u>
FUND BALANCES					
Restricted	751,796	538,928	141,485	434,160	213,300
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Total fund balances	<u>751,796</u>	<u>538,928</u>	<u>141,485</u>	<u>434,160</u>	<u>213,300</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 892,055</u>	<u>\$ 653,013</u>	<u>\$ 318,962</u>	<u>\$ 471,515</u>	<u>\$ 243,957</u>

BILLINGS PUBLIC SCHOOLS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2016

	Elementary Retirement	High School Retirement	Elementary Miscellaneous Programs	High School Miscellaneous Programs	Elementary Adult Education
ASSETS					
Cash and cash equivalents	\$ 2,073,401	\$ 1,188,865	\$ 6,207,552	\$ 721,845	\$ 280,410
Receivables:					
Property taxes, net	-	-	-	-	6,002
Governments	-	-	799,502	162,671	-
Other	-	-	3,052	-	-
Total assets	<u>\$ 2,073,401</u>	<u>\$ 1,188,865</u>	<u>\$ 7,010,106</u>	<u>\$ 884,516</u>	<u>\$ 286,412</u>
LIABILITIES					
Accounts payable	\$ 55,045	\$ 101,059	\$ 473,716	\$ 18,955	\$ 21,248
Payable to other governments	-	-	58,193	-	-
Unearned revenue	-	-	13,238	3,615	-
Total liabilities	55,045	101,059	545,147	22,570	21,248
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	-	-	-	-	2,249
Total deferred inflows of resources	-	-	-	-	2,249
FUND BALANCES					
Restricted	2,018,356	1,087,806	31,767	317,491	262,915
Committed	-	-	-	-	-
Assigned	-	-	6,433,192	544,455	-
Total fund balances	<u>2,018,356</u>	<u>1,087,806</u>	<u>6,464,959</u>	<u>861,946</u>	<u>262,915</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,073,401</u>	<u>\$ 1,188,865</u>	<u>\$ 7,010,106</u>	<u>\$ 884,516</u>	<u>\$ 286,412</u>

BILLINGS PUBLIC SCHOOLS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2016

Page 3 of 4

	High School Adult Education	High School Traffic Education	High School Lease Rental	Elementary Technology	High School Technology
ASSETS					
Cash and cash equivalents	\$ 820,232	\$ 213,540	\$ 422	\$ 360,350	\$ 270,651
Receivables:					
Property taxes, net	15,270	-	-	15,868	17,688
Governments	-	120,632	-	-	-
Other	-	-	-	-	-
Total assets	<u>\$ 835,502</u>	<u>\$ 334,172</u>	<u>\$ 422</u>	<u>\$ 376,218</u>	<u>\$ 288,339</u>
LIABILITIES					
Accounts payable	\$ 42,421	\$ 64,596	\$ -	\$ 5,716	\$ 6,852
Payable to other governments	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	42,421	64,596	-	5,716	6,852
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	4,810	-	-	6,017	5,574
Total deferred inflows of resources	<u>4,810</u>	<u>-</u>	<u>-</u>	<u>6,017</u>	<u>5,574</u>
FUND BALANCES					
Restricted	788,271	269,576	422	364,485	275,913
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Total fund balances	<u>788,271</u>	<u>269,576</u>	<u>422</u>	<u>364,485</u>	<u>275,913</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 835,502</u>	<u>\$ 334,172</u>	<u>\$ 422</u>	<u>\$ 376,218</u>	<u>\$ 288,339</u>

BILLINGS PUBLIC SCHOOLS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2016

	Elementary Flexibility	High School Flexibility	Elementary Miscellaneous Trust	High School Miscellaneous Trust	Total
ASSETS					
Cash and cash equivalents	\$ 1,057,206	\$ 1,059,890	\$ 658,010	\$ 1,375,051	\$ 18,371,360
Receivables:					
Property taxes, net	-	-	-	-	146,846
Governments	-	-	-	-	1,152,279
Other	-	-	97,867	-	434,994
Total assets	\$ 1,057,206	\$ 1,059,890	\$ 755,877	\$ 1,375,051	\$ 20,105,479
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 13,877	\$ 12,358	\$ 1,284,756
Payable to other governments	-	-	-	-	58,193
Unearned revenue	-	-	-	-	16,853
Total liabilities	-	-	13,877	12,358	1,359,802
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	-	-	-	-	49,570
Total deferred inflows of resources	-	-	-	-	49,570
FUND BALANCES					
Restricted	-	-	-	-	7,496,671
Committed	1,057,206	1,059,890	742,000	1,362,693	4,221,789
Assigned	-	-	-	-	6,977,647
Total fund balances	1,057,206	1,059,890	742,000	1,362,693	18,696,107
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,057,206	\$ 1,059,890	\$ 755,877	\$ 1,375,051	\$ 20,105,479

BILLINGS PUBLIC SCHOOLS

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COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS For the Year Ended June 30, 2016

	Elementary Transportation	High School Transportation	High School School Food	Elementary Tuition	High School Tuition
REVENUES					
Property taxes	\$ 2,651,271	\$ 1,565,774	\$ -	\$ 1,700,184	\$ 710,195
Intergovernmental:					
County	562,644	271,436	-	-	-
State other	766,902	356,572	7,820	-	-
Federal	-	-	3,898,459	-	-
Charges for services	38,221	2,064	2,303,357	-	-
Interest	2,751	2,123	134	3,997	1,933
Miscellaneous	400	-	-	-	-
Total revenues	4,022,189	2,197,969	6,209,770	1,704,181	712,128
EXPENDITURES					
Current:					
Instruction	-	-	-	1,357,400	618,309
Support services:					
Students	-	-	-	-	-
Instructional staff	-	-	-	-	-
General administration	194,424	112,020	-	-	-
School administration	2	-	-	-	-
Business services	778	344	-	-	-
Operation and maintenance	5,733	5,280	-	-	-
Student transportation	3,636,313	1,904,156	-	-	-
Food services	-	-	6,163,776	-	-
Community services	-	-	-	-	-
Extracurricular	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	3,837,250	2,021,800	6,163,776	1,357,400	618,309
Net change in fund balances	184,939	176,169	45,994	346,781	93,819
Fund balances - beginning	566,857	362,759	95,491	87,379	119,481
Fund balances - ending	\$ 751,796	\$ 538,928	\$ 141,485	\$ 434,160	\$ 213,300

BILLINGS PUBLIC SCHOOLS

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COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS For the Year Ended June 30, 2016

	Elementary Retirement	High School Retirement	Elementary Miscellaneous Programs	High School Miscellaneous Programs	Elementary Adult Education
REVENUES					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 444,334
Intergovernmental:					
County	10,146,222	5,496,802	-	-	-
State other	-	-	3,591,681	264,155	-
Federal	-	-	9,582,520	512,675	-
Charges for services	-	-	-	-	-
Interest	10,763	4,766	63,078	-	1,590
Miscellaneous	-	-	141,162	195,139	673
Total revenues	10,156,985	5,501,568	13,378,441	971,969	446,597
EXPENDITURES					
Current:					
Instruction	7,364,860	3,532,306	8,390,294	511,107	284,416
Support services:					
Students	829,531	327,583	3,434,238	-	-
Instructional staff	603,371	299,005	432,776	41,159	-
General administration	68,488	42,174	-	-	-
School administration	866,120	541,217	297,893	1,689	248,137
Business services	177,077	128,847	222,837	-	-
Operation and maintenance	613,937	388,536	17,920	-	22,712
Student transportation	141,202	50,032	8,344	-	-
Food services	-	-	-	-	-
Community services	-	-	-	-	-
Extracurricular	85,017	198,763	-	18	-
Capital outlay	19,973	-	8,000	139,101	-
Total expenditures	10,769,576	5,508,463	12,812,302	693,074	555,265
Net change in fund balances	(612,591)	(6,895)	566,139	278,895	(108,668)
Fund balances - beginning	2,630,947	1,094,701	5,898,820	583,051	371,583
Fund balances - ending	\$ 2,018,356	\$ 1,087,806	\$ 6,464,959	\$ 861,946	\$ 262,915

BILLINGS PUBLIC SCHOOLS

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COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS For the Year Ended June 30, 2016

	High School Adult Education	High School Traffic Education	High School Lease Rental	Elementary Technology	High School Technology
REVENUES					
Property taxes	\$ 985,179	\$ -	\$ -	\$ 1,141,840	\$ 1,099,937
Intergovernmental:					
County	-	-	-	-	-
State other	-	120,632	-	67,652	35,852
Federal	-	-	-	-	-
Charges for services	306,985	309,535	-	-	-
Interest	4,573	1,358	3	5,680	4,026
Miscellaneous	-	3,005	-	10,834	-
Total revenues	1,296,737	434,530	3	1,226,006	1,139,815
EXPENDITURES					
Current:					
Instruction	642,730	433,731	-	830,963	609,147
Support services:					
Students	202,105	-	-	-	-
Instructional staff	-	-	-	427,496	399,367
General administration	-	-	-	-	-
School administration	445,705	-	-	-	-
Business services	-	-	-	-	-
Operation and maintenance	91,525	-	-	-	-
Student transportation	-	-	-	-	-
Food services	-	-	-	-	-
Community services	-	-	-	-	-
Extracurricular	-	-	-	-	-
Capital outlay	1,897	-	-	8,943	4,405
Total expenditures	1,383,962	433,731	-	1,267,402	1,012,919
Net change in fund balances	(87,225)	799	3	(41,396)	126,896
Fund balances - beginning	875,496	268,777	419	405,881	149,017
Fund balances - ending	\$ 788,271	\$ 269,576	\$ 422	\$ 364,485	\$ 275,913

BILLINGS PUBLIC SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS For the Year Ended June 30, 2016

	Elementary Flexibility	High School Flexibility	Elementary Miscellaneous Trust	High School Miscellaneous Trust	Total
REVENUES					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 10,298,714
Intergovernmental:					
County	-	-	-	-	16,477,104
State other	206,725	256,535	-	-	5,674,526
Federal	-	-	-	-	13,993,654
Charges for services	-	-	-	-	2,960,162
Interest	6,028	5,639	4,479	8,713	131,634
Miscellaneous	-	-	727,086	327,261	1,405,560
Total revenues	212,753	262,174	731,565	335,974	50,941,354
EXPENDITURES					
Current:					
Instruction	47,757	6,194	259,350	96,554	24,985,118
Support services:					
Students	-	-	397,430	309,978	5,500,865
Instructional staff	-	-	12,866	25,703	2,241,743
General administration	-	-	-	-	417,106
School administration	-	-	-	-	2,400,763
Business services	-	-	-	-	529,883
Operation and maintenance	-	-	-	-	1,145,643
Student transportation	-	-	-	-	5,740,047
Food services	-	-	-	-	6,163,776
Community services	-	-	-	6,150	6,150
Extracurricular	-	-	-	-	283,798
Capital outlay	-	-	29,574	-	211,893
Total expenditures	47,757	6,194	699,220	438,385	49,626,785
Net change in fund balances	164,996	255,980	32,345	(102,411)	1,314,569
Fund balances - beginning	892,210	803,910	709,655	1,465,104	17,381,538
Fund balances - ending	\$ 1,057,206	\$ 1,059,890	\$ 742,000	\$ 1,362,693	\$ 18,696,107

BILLINGS PUBLIC SCHOOLS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL

NONMAJOR SPECIAL REVENUE FUND

ELEMENTARY TRANSPORTATION FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 2,585,451	\$ 2,585,451	\$ 2,651,271	\$ -	\$ 2,651,271
Intergovernmental:					
County	615,000	615,000	562,644	-	562,644
State other	819,258	819,258	766,902	-	766,902
Charges for services	35,000	35,000	38,221	-	38,221
Interest	-	-	2,751	-	2,751
Miscellaneous	-	-	400	-	400
Total revenues	<u>4,054,709</u>	<u>4,054,709</u>	<u>4,022,189</u>	<u>-</u>	<u>4,022,189</u>
EXPENDITURES					
Current:					
Support services:					
General administration	128,000	128,000	194,424	-	194,424
School administration	-	-	2	-	2
Business services	-	-	778	-	778
Operation and maintenance	7,754	7,754	5,733	-	5,733
Student transportation	<u>3,918,955</u>	<u>3,918,955</u>	<u>3,636,313</u>	<u>-</u>	<u>3,636,313</u>
Total expenditures	<u>4,054,709</u>	<u>4,054,709</u>	<u>3,837,250</u>	<u>-</u>	<u>3,837,250</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	184,939	-	184,939
Fund balances - beginning			<u>566,857</u>	<u>-</u>	<u>566,857</u>
Fund balances - ending			<u>\$ 751,796</u>	<u>\$ -</u>	<u>\$ 751,796</u>

BILLINGS PUBLIC SCHOOLS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL

NONMAJOR SPECIAL REVENUE FUND

HIGH SCHOOL TRANSPORTATION FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 1,517,513	\$ 1,517,513	\$ 1,565,774	\$ -	\$ 1,565,774
Intergovernmental:					
County	297,000	297,000	271,436	-	271,436
State other	382,136	382,136	356,572	-	356,572
Charges for services	500	500	2,064	-	2,064
Interest	-	-	2,123	-	2,123
Total revenues	2,197,149	2,197,149	2,197,969	-	2,197,969
EXPENDITURES					
Current:					
Support services:					
General administration	153,200	153,200	112,020	-	112,020
Business services	-	-	344	-	344
Operation and maintenance	5,635	5,635	5,280	-	5,280
Student transportation	2,038,314	2,038,314	1,904,156	-	1,904,156
Total expenditures	2,197,149	2,197,149	2,021,800	-	2,021,800
Net change in fund balances	\$ -	\$ -	176,169	-	176,169
Fund balances - beginning			362,759	-	362,759
Fund balances - ending			\$ 538,928	\$ -	\$ 538,928

BILLINGS PUBLIC SCHOOLS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL

NONMAJOR SPECIAL REVENUE FUND

ELEMENTARY TUITION FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 1,737,238	\$ 1,737,238	\$ 1,700,184	\$ -	\$ 1,700,184
Interest	-	-	3,997	-	3,997
Total revenues	<u>1,737,238</u>	<u>1,737,238</u>	<u>1,704,181</u>	<u>-</u>	<u>1,704,181</u>
EXPENDITURES					
Current:					
Instruction	<u>1,824,617</u>	<u>1,824,617</u>	<u>1,357,400</u>	<u>-</u>	<u>1,357,400</u>
Total expenditures	<u>1,824,617</u>	<u>1,824,617</u>	<u>1,357,400</u>	<u>-</u>	<u>1,357,400</u>
Net change in fund balances	<u>\$ (87,379)</u>	<u>\$ (87,379)</u>	346,781	-	346,781
Fund balances - beginning			<u>87,379</u>	<u>-</u>	<u>87,379</u>
Fund balances - ending			<u>\$ 434,160</u>	<u>\$ -</u>	<u>\$ 434,160</u>

BILLINGS PUBLIC SCHOOLS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL

NONMAJOR SPECIAL REVENUE FUND

HIGH SCHOOL TUITION FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 718,542	\$ 718,542	\$ 710,195	\$ -	\$ 710,195
Interest	-	-	1,933	-	1,933
Total revenues	718,542	718,542	712,128	-	712,128
EXPENDITURES					
Current:					
Instruction	838,024	838,024	618,309	-	618,309
Total expenditures	838,024	838,024	618,309	-	618,309
Net change in fund balances	<u>\$ (119,482)</u>	<u>\$ (119,482)</u>	93,819	-	93,819
Fund balances - beginning			119,481	-	119,481
Fund balances - ending			<u>\$ 213,300</u>	<u>\$ -</u>	<u>\$ 213,300</u>

BILLINGS PUBLIC SCHOOLS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL

NONMAJOR SPECIAL REVENUE FUND

ELEMENTARY RETIREMENT FUND

For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts, Budgetary Basis</u>	<u>Budget to GAAP Differences</u>	<u>Actual Amounts, GAAP Basis</u>
REVENUES					
Intergovernmental:					
County	\$ 10,329,052	\$ 10,329,052	\$ 10,146,222	\$ -	\$ 10,146,222
Interest	-	-	10,763	-	10,763
Total revenues	<u>10,329,052</u>	<u>10,329,052</u>	<u>10,156,985</u>	<u>-</u>	<u>10,156,985</u>
EXPENDITURES					
Current:					
Instructional	7,227,911	7,272,785	7,364,860	-	7,364,860
Support services:					
Students	903,906	860,227	829,531	-	829,531
Instructional staff	2,668,183	800,488	603,371	-	603,371
General administration	-	26,950	68,488	-	68,488
School administration	-	943,300	866,120	-	866,120
Business services	-	150,250	177,077	-	177,077
Operation and maintenance	-	550,000	613,937	-	613,937
Student transportation	-	116,500	141,202	-	141,202
Extracurricular	-	79,500	85,017	-	85,017
Capital Outlay	-	-	19,973	-	19,973
Total expenditures	<u>10,800,000</u>	<u>10,800,000</u>	<u>10,769,576</u>	<u>-</u>	<u>10,769,576</u>
Net change in fund balances	<u>\$ (470,948)</u>	<u>\$ (470,948)</u>	(612,591)	-	(612,591)
Fund balances - beginning			<u>2,630,947</u>	<u>-</u>	<u>2,630,947</u>
Fund balances - ending			<u>\$ 2,018,356</u>	<u>\$ -</u>	<u>\$ 2,018,356</u>

BILLINGS PUBLIC SCHOOLS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL

NONMAJOR SPECIAL REVENUE FUND

HIGH SCHOOL RETIREMENT FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Intergovernmental:					
County	\$ 5,600,000	\$ 5,600,000	\$ 5,496,802	\$ -	\$ 5,496,802
Interest	-	-	4,766	-	4,766
Total revenues	5,600,000	5,600,000	5,501,568	-	5,501,568
EXPENDITURES					
Current:					
Instructional	3,637,165	3,637,165	3,532,306	-	3,532,306
Support services:					
Students	385,349	385,349	327,583	-	327,583
Instructional staff	261,219	261,219	299,005	-	299,005
General administration	36,959	36,959	42,174	-	42,174
School administration	640,363	640,363	541,217	-	541,217
Business services	113,581	113,581	128,847	-	128,847
Operation and maintenance	321,336	321,336	388,536	-	388,536
Student transportation	26,936	26,936	50,032	-	50,032
Food services	14,120	14,120	-	-	-
Extracurricular	162,972	162,972	198,763	-	198,763
Total expenditures	5,600,000	5,600,000	5,508,463	-	5,508,463
Net change in fund balances	\$ -	\$ -	(6,895)	-	(6,895)
Fund balances - beginning			1,094,701	-	1,094,701
Fund balances - ending			\$ 1,087,806	\$ -	\$ 1,087,806

BILLINGS PUBLIC SCHOOLS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL

NONMAJOR SPECIAL REVENUE FUND

ELEMENTARY ADULT EDUCATION FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 449,798	\$ 449,798	\$ 444,334	\$ -	\$ 444,334
Interest	-	-	1,590	-	1,590
Miscellaneous	-	-	673	-	673
Total revenues	449,798	449,798	446,597	-	446,597
EXPENDITURES					
Current:					
Instructional	298,330	310,390	284,416	-	284,416
Support services:					
School administration	282,100	270,040	248,137	-	248,137
Operation and maintenance	28,000	28,000	22,712	-	22,712
Total expenditures	608,430	608,430	555,265	-	555,265
Net change in fund balances	\$ (158,632)	\$ (158,632)	(108,668)	-	(108,668)
Fund balances - beginning			371,583	-	371,583
Fund balances - ending			\$ 262,915	\$ -	\$ 262,915

BILLINGS PUBLIC SCHOOLS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL

NONMAJOR SPECIAL REVENUE FUND

HIGH SCHOOL ADULT EDUCATION FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 983,777	\$ 983,777	\$ 985,179	\$ -	\$ 985,179
Charges for services	305,000	305,000	306,985	-	306,985
Interest	-	-	4,573	-	4,573
Total revenues	<u>1,288,777</u>	<u>1,288,777</u>	<u>1,296,737</u>	<u>-</u>	<u>1,296,737</u>
EXPENDITURES					
Current:					
Instructional	831,893	783,826	643,349	(619)	642,730
Support services:					
Students	144,570	206,532	202,105	-	202,105
Instructional staff	1,371	1,371	-	-	-
General administration	2,310	2,310	-	-	-
School administration	512,029	472,973	445,705	-	445,705
Operation and maintenance	107,827	114,043	87,253	4,272	91,525
Capital Outlay	-	18,945	18,796	(16,899)	1,897
Total expenditures	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,397,208</u>	<u>(13,246)</u>	<u>1,383,962</u>
Net change in fund balances	<u>\$ (311,223)</u>	<u>\$ (311,223)</u>	(100,471)	13,246	(87,225)
Fund balances - beginning			<u>871,224</u>	<u>4,272</u>	<u>875,496</u>
Fund balances - ending			<u>\$ 770,753</u>	<u>\$ 17,518</u>	<u>\$ 788,271</u>

BILLINGS PUBLIC SCHOOLS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL

NONMAJOR SPECIAL REVENUE FUND

ELEMENTARY TECHNOLOGY FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 1,200,000	\$ 1,200,000	\$ 1,141,840	\$ -	\$ 1,141,840
Intergovernmental:					
State other	68,360	68,360	67,652	-	67,652
Interest	-	-	5,680	-	5,680
Miscellaneous	-	-	10,834	-	10,834
Total revenues	<u>1,268,360</u>	<u>1,268,360</u>	<u>1,226,006</u>	<u>-</u>	<u>1,226,006</u>
EXPENDITURES					
Current:					
Instructional	1,180,704	1,186,082	830,963	-	830,963
Support services:					
Instructional staff	471,453	466,075	405,413	22,083	427,496
Capital Outlay	-	-	8,943	-	8,943
Total expenditures	<u>1,652,157</u>	<u>1,652,157</u>	<u>1,245,319</u>	<u>22,083</u>	<u>1,267,402</u>
Net change in fund balances	<u>\$ (383,797)</u>	<u>\$ (383,797)</u>	(19,313)	(22,083)	(41,396)
Fund balances - beginning			<u>383,798</u>	<u>22,083</u>	<u>405,881</u>
Fund balances - ending			<u>\$ 364,485</u>	<u>\$ -</u>	<u>\$ 364,485</u>

BILLINGS PUBLIC SCHOOLS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL

NONMAJOR SPECIAL REVENUE FUND

HIGH SCHOOL TECHNOLOGY FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 1,099,459	\$ 1,099,459	\$ 1,099,937	\$ -	\$ 1,099,937
Intergovernmental:					
State other	36,199	36,199	35,852	-	35,852
Interest	-	-	4,026	-	4,026
Total revenues	<u>1,135,658</u>	<u>1,135,658</u>	<u>1,139,815</u>	<u>-</u>	<u>1,139,815</u>
EXPENDITURES					
Current:					
Instructional	824,996	834,474	608,696	451	609,147
Support services:					
Instructional staff	428,512	423,903	398,587	780	399,367
Capital Outlay	<u>29,937</u>	<u>25,068</u>	<u>4,405</u>	<u>-</u>	<u>4,405</u>
Total expenditures	<u>1,283,445</u>	<u>1,283,445</u>	<u>1,011,688</u>	<u>1,231</u>	<u>1,012,919</u>
Net change in fund balances	<u>\$ (147,787)</u>	<u>\$ (147,787)</u>	128,127	(1,231)	126,896
Fund balances - beginning			<u>147,786</u>	<u>1,231</u>	<u>149,017</u>
Fund balances - ending			<u>\$ 275,913</u>	<u>\$ -</u>	<u>\$ 275,913</u>

BILLINGS PUBLIC SCHOOLS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL

NONMAJOR SPECIAL REVENUE FUND

ELEMENTARY FLEXIBILITY FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Intergovernmental:					
State other	\$ 206,725	\$ 206,725	\$ 206,725	\$ -	\$ 206,725
Interest	-	-	6,028	-	6,028
Total revenues	<u>206,725</u>	<u>206,725</u>	<u>212,753</u>	<u>-</u>	<u>212,753</u>
EXPENDITURES					
Current:					
Instructional	<u>1,098,934</u>	<u>1,098,934</u>	<u>47,757</u>	<u>-</u>	<u>47,757</u>
Total expenditures	<u>1,098,934</u>	<u>1,098,934</u>	<u>47,757</u>	<u>-</u>	<u>47,757</u>
Net change in fund balances	<u>\$ (892,209)</u>	<u>\$ (892,209)</u>	164,996	-	164,996
Fund balances - beginning			<u>892,210</u>	<u>-</u>	<u>892,210</u>
Fund balances - ending			<u>\$ 1,057,206</u>	<u>\$ -</u>	<u>\$ 1,057,206</u>

BILLINGS PUBLIC SCHOOLS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL

NONMAJOR SPECIAL REVENUE FUND

HIGH SCHOOL FLEXIBILITY FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Intergovernmental:					
State other	\$ 256,535	\$ 256,535	\$ 256,535	\$ -	\$ 256,535
Interest	-	-	5,639	-	5,639
Total revenues	256,535	256,535	262,174	-	262,174
EXPENDITURES					
Current:					
Instructional	1,060,445	1,060,445	6,194	-	6,194
Total expenditures	1,060,445	1,060,445	6,194	-	6,194
Net change in fund balances	<u>\$ (803,910)</u>	<u>\$ (803,910)</u>	255,980	-	255,980
Fund balances - beginning			803,910	-	803,910
Fund balances - ending			<u>\$ 1,059,890</u>	<u>\$ -</u>	<u>\$ 1,059,890</u>

Nonmajor Debt Service Funds

Budgeted:

Debt Service Fund - (Elementary and High School) Debt Service funds are used to account for the annual payment of principal, interest, and expenditures on long-term obligation debt. Under State of Montana statutes, this fund is also used to pay special improvement District assessment charges against District-owned property.

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BILLINGS PUBLIC SCHOOLS
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 June 30, 2016

	Elementary Debt Service	High School Debt Service	Total
ASSETS			
Cash and cash equivalents	\$ 4,397,094	\$ 3,297,741	\$ 7,694,835
Receivables:			
Property taxes, net	121,005	8,343	129,348
Total assets	<u>\$ 4,518,099</u>	<u>\$ 3,306,084</u>	<u>\$ 7,824,183</u>
LIABILITIES			
Accounts payable	\$ -	\$ 65,394	\$ 65,394
Total liabilities	<u>-</u>	<u>65,394</u>	<u>65,394</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	60,514	2,597	63,111
Total deferred inflows of resources	<u>60,514</u>	<u>2,597</u>	<u>63,111</u>
FUND BALANCES			
Restricted	4,457,585	3,238,093	7,695,678
Total fund balances	<u>4,457,585</u>	<u>3,238,093</u>	<u>7,695,678</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,518,099</u>	<u>\$ 3,306,084</u>	<u>\$ 7,824,183</u>

BILLINGS PUBLIC SCHOOLS**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****NONMAJOR DEBT SERVICE FUNDS**

For the Year Ended June 30, 2016

	Elementary Debt Service	High School Debt Service	Total
REVENUES			
Property taxes	\$ 7,234,290	\$ 523,454	\$ 7,757,744
Intergovernmental:			
State aid	784,185	121,934	906,119
Federal	530,019	487,527	1,017,546
Interest	24,020	11,075	35,095
	<u>8,572,514</u>	<u>1,143,990</u>	<u>9,716,504</u>
Total revenues			
	<u>8,572,514</u>	<u>1,143,990</u>	<u>9,716,504</u>
EXPENDITURES			
Debt service:			
Principal	2,785,000	-	2,785,000
Interest and other charges	5,285,775	571,146	5,856,921
	<u>8,070,775</u>	<u>571,146</u>	<u>8,641,921</u>
Total expenditures			
	<u>8,070,775</u>	<u>571,146</u>	<u>8,641,921</u>
Net change in fund balances	501,739	572,844	1,074,583
Fund balances - beginning	3,955,846	2,665,249	6,621,095
Fund balances - ending	<u>\$ 4,457,585</u>	<u>\$ 3,238,093</u>	<u>\$ 7,695,678</u>

BILLINGS PUBLIC SCHOOLS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL

NONMAJOR DEBT SERVICE FUND

ELEMENTARY DEBT SERVICE FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 7,392,197	\$ 7,392,197	\$ 7,234,290	\$ -	\$ 7,234,290
Intergovernmental:					
State aid	-	-	784,185	-	784,185
Federal	530,019	530,019	530,019	-	530,019
Interest	-	-	24,020	-	24,020
Total revenues	<u>7,922,216</u>	<u>7,922,216</u>	<u>8,572,514</u>	<u>-</u>	<u>8,572,514</u>
EXPENDITURES					
Debt Service:					
Principal	3,633,576	3,633,576	2,785,000	-	2,785,000
Interest and other charges	<u>5,394,217</u>	<u>5,394,217</u>	<u>5,285,775</u>	<u>-</u>	<u>5,285,775</u>
Total expenditures	<u>9,027,793</u>	<u>9,027,793</u>	<u>8,070,775</u>	<u>-</u>	<u>8,070,775</u>
Net change in fund balances	<u>\$ (1,105,577)</u>	<u>\$ (1,105,577)</u>	501,739	-	501,739
Fund balances - beginning			<u>3,955,846</u>	<u>-</u>	<u>3,955,846</u>
Fund balances - ending			<u>\$ 4,457,585</u>	<u>\$ -</u>	<u>\$ 4,457,585</u>

BILLINGS PUBLIC SCHOOLS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL

NONMAJOR DEBT SERVICE FUND

HIGH SCHOOL DEBT SERVICE FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 534,832	\$ 534,832	\$ 523,454	\$ -	\$ 523,454
Intergovernmental:					
State aid	-	-	121,934	-	121,934
Federal	487,527	487,527	487,527	-	487,527
Interest	-	-	11,075	-	11,075
Total revenues	<u>1,022,359</u>	<u>1,022,359</u>	<u>1,143,990</u>	<u>-</u>	<u>1,143,990</u>
EXPENDITURES					
Debt Service:					
Principal	654,588	654,588	-	-	-
Interest and other charges	<u>571,070</u>	<u>571,070</u>	<u>571,146</u>	<u>-</u>	<u>571,146</u>
Total expenditures	<u>1,225,658</u>	<u>1,225,658</u>	<u>571,146</u>	<u>-</u>	<u>571,146</u>
Net change in fund balances	<u>\$ (203,299)</u>	<u>\$ (203,299)</u>	572,844	-	572,844
Fund balances - beginning			<u>2,665,249</u>	<u>-</u>	<u>2,665,249</u>
Fund balances - ending			<u>\$ 3,238,093</u>	<u>\$ -</u>	<u>\$ 3,238,093</u>

Nonmajor Capital Projects Funds

Budgeted:

Building Reserve Fund - (Elementary and High School) To account for the financial resources segregated for the acquisition, construction or repair of major capital facilities.

Nonbudgeted:

Building Fund - (High School) To account for the proceeds of bonds, insurance proceeds for damaged property or the sale or rental of property.

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BILLINGS PUBLIC SCHOOLS
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 June 30, 2016

	High School Building	Elementary Building Reserve	High School Building Reserve	Total
ASSETS				
Cash and cash equivalents	\$ 861,537	\$ 269,743	\$ 223,094	\$ 1,354,374
Total assets	<u>\$ 861,537</u>	<u>\$ 269,743</u>	<u>\$ 223,094</u>	<u>\$ 1,354,374</u>
LIABILITIES				
Accounts payable	\$ 1,830	\$ -	\$ -	\$ 1,830
Total liabilities	<u>1,830</u>	<u>-</u>	<u>-</u>	<u>1,830</u>
FUND BALANCES				
Restricted	<u>859,707</u>	<u>269,743</u>	<u>223,094</u>	<u>1,352,544</u>
Total fund balances	<u>859,707</u>	<u>269,743</u>	<u>223,094</u>	<u>1,352,544</u>
Total liabilities and fund balances	<u>\$ 861,537</u>	<u>\$ 269,743</u>	<u>\$ 223,094</u>	<u>\$ 1,354,374</u>

BILLINGS PUBLIC SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR CAPITAL PROJECTS FUNDS

For the Year Ended June 30, 2016

	High School Building	Elementary Building Reserve	High School Building Reserve	Total
REVENUES				
Charges for services	\$ 30,359	\$ -	\$ -	\$ 30,359
Interest	3,636	1,662	1,375	6,673
Miscellaneous	4,099	-	-	4,099
Total revenues	38,094	1,662	1,375	41,131
EXPENDITURES				
Current:				
Support services:				
Students	217	-	-	217
Business services	2,165	-	-	2,165
Operation and maintenance	116,231	-	-	116,231
Capital outlay	6,125	-	-	6,125
Total expenditures	124,738	-	-	124,738
Excess (deficiency) of revenues over expenditures	(86,644)	1,662	1,375	(83,607)
OTHER FINANCING SOURCES				
Insurance recoveries	331,433	-	-	331,433
Total other financing sources	331,433	-	-	331,433
Net change in fund balances	244,789	1,662	1,375	247,826
Fund balances - beginning	614,918	268,081	221,719	1,104,718
Fund balances - ending	\$ 859,707	\$ 269,743	\$ 223,094	\$ 1,352,544

BILLINGS PUBLIC SCHOOLS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL

NONMAJOR CAPITAL PROJECTS FUND

ELEMENTARY BUILDING RESERVE FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Interest	\$ -	\$ -	\$ 1,662	\$ -	\$ 1,662
Total revenues	-	-	1,662	-	1,662
EXPENDITURES					
Capital Outlay	263,081	263,081	-	-	-
Total expenditures	268,081	268,081	-	-	-
Net change in fund balances	<u>\$ (268,081)</u>	<u>\$ (268,081)</u>	1,662	-	1,662
Fund balances - beginning			268,081	-	268,081
Fund balances - ending			<u>\$ 269,743</u>	<u>\$ -</u>	<u>\$ 269,743</u>

BILLINGS PUBLIC SCHOOLS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL

NONMAJOR CAPITAL PROJECTS FUND

HIGH SCHOOL BUILDING RESERVE FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Interest	\$ -	\$ -	\$ 1,375	\$ -	\$ 1,375
Total revenues	-	-	1,375	-	1,375
EXPENDITURES					
Capital Outlay	221,719	221,719	-	-	-
Total expenditures	221,719	221,719	-	-	-
Net change in fund balances	<u>\$ (221,719)</u>	<u>\$ (221,719)</u>	1,375	-	1,375
Fund balances - beginning			221,719	-	221,719
Fund balances - ending			<u>\$ 223,094</u>	<u>\$ -</u>	<u>\$ 223,094</u>

Proprietary Funds

Internal Service Funds:

Internal service funds are used to account for services provided by other departments or agencies of the government, or to other governments on a cost reimbursement basis.

Warehouse Fund - This fund is used to account for supplies, equipment and printing provided to other departments of the Billings Public Schools.

Self-Insurance Health Fund - This fund is used to account for the insurance premiums collected and claims paid out for employees, retirees and ex-employees on the COBRA plan.

Self-Insurance Property Fund - This fund is used to account for revenues collected and deductibles paid out for property and liability claims.

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BILLINGS PUBLIC SCHOOLS
COMBINING STATEMENT OF NET POSITION-
ALL INTERNAL SERVICE FUNDS
June 30, 2016

	<u>Warehouse</u>	<u>Self-Insurance Health</u>	<u>Self-Insurance Property</u>	<u>Total Internal Service Funds</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 359,614	\$ 7,872,081	\$ 350	\$ 8,232,045
Accounts receivables, net	-	289,412	-	289,412
Prepaid items	-	-	-	-
	<u>359,614</u>	<u>8,161,493</u>	<u>350</u>	<u>8,521,457</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	15,301	2,036,162	-	2,051,463
Unearned revenue	-	-	-	-
Compensated absences	2,950	1,585	-	4,535
	<u>18,251</u>	<u>2,037,747</u>	<u>-</u>	<u>2,055,998</u>
Noncurrent liabilities:				
Compensated absences	26,547	14,264	-	40,811
Other postemployment benefits	-	14,266,000	-	14,266,000
	<u>26,547</u>	<u>14,280,264</u>	<u>-</u>	<u>14,306,811</u>
Total liabilities	<u>44,798</u>	<u>16,318,011</u>	<u>-</u>	<u>16,362,809</u>
NET POSITION (DEFICIT)				
Unrestricted	<u>314,816</u>	<u>(8,156,518)</u>	<u>350</u>	<u>(7,841,352)</u>
Total net position (deficit)	<u>\$ 314,816</u>	<u>\$ (8,156,518)</u>	<u>\$ 350</u>	<u>\$ (7,841,352)</u>

BILLINGS PUBLIC SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION-

ALL INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2016

	Warehouse	Self-Insurance Health	Self-Insurance Property	Total Internal Service Funds
OPERATING REVENUES				
Charges for services	\$ 383,486	\$ 17,930,373	\$ -	\$ 18,313,859
Total operating revenues	383,486	17,930,373	-	18,313,859
OPERATING EXPENSES				
Personal services - salaries	132,288	96,347	-	228,635
Personal services - benefits	34,472	13,150	-	47,622
Purchased property services	76,096	19,066	-	95,162
Other purchased services	-	1,456,220	-	1,456,220
Supplies and materials	89,082	3,839	-	92,921
Insurance claims and expenses	-	16,342,362	-	16,342,362
Other postemployment benefits	-	720,000	-	720,000
Miscellaneous	9,995	-	-	9,995
Total operating expenses	341,933	18,650,984	-	18,992,917
Operating income (loss)	41,553	(720,611)	-	(679,058)
NONOPERATING REVENUES				
Interest revenue	3,695	47,862	-	51,557
Total nonoperating revenues	3,695	47,862	-	51,557
Change in net position	45,248	(672,749)	-	(627,501)
Net position - beginning	269,568	(7,483,769)	350	(7,213,851)
Net position - ending	\$ 314,816	\$ (8,156,518)	\$ 350	\$ (7,841,352)

BILLINGS PUBLIC SCHOOLS
COMBINING STATEMENT OF CASH FLOWS-
ALL INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2016

	Warehouse	Self-Insurance Health	Self- Insurance Property	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from health insurance premiums	\$ -	\$ 18,078,081	\$ -	\$ 18,078,081
Cash received from interfund services	383,486	-	-	383,486
Medical claims paid	-	(16,179,545)	-	(16,179,545)
Cash paid to employees health insurance services	-	(127,681)	-	(127,681)
Cash paid to employees for interfund services	(169,680)	-	-	(169,680)
Cash paid to suppliers for goods and services health insurance services	-	(1,376,212)	-	(1,376,212)
Cash paid to suppliers for goods and services interfund services	(196,589)	-	-	(196,589)
Net cash provided by operating activities	17,217	394,643	-	411,860
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	3,695	47,862	-	51,557
Net cash provided by investing activities	3,695	47,862	-	51,557
Change in cash and cash equivalents	20,912	442,505	-	463,417
Cash and cash equivalents - beginning	338,702	7,429,576	350	7,768,628
Cash and cash equivalents - ending	\$ 359,614	\$ 7,872,081	\$ 350	\$ 8,232,045
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 41,553	\$ (720,611)	\$ -	\$ (679,058)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:				
Other post-employment benefits	-	720,000	-	720,000
Decrease in accounts receivable	-	238,989	-	238,989
Decrease in prepaid items	-	102,911	-	102,911
Increase (decrease) in accounts payable	(22,685)	71,652	-	48,967
Decrease in unearned revenue	-	(176)	-	(176)
Decrease in compensated absences	(1,651)	(18,122)	-	(19,773)
Net cash provided by operating activities	\$ 17,217	\$ 394,643	\$ -	\$ 411,860

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Fiduciary Funds

Private-Purpose Trust Funds:

Extracurricular Fund (Elementary and High School) - To account for revenues and expenditures involved with extracurricular activities.

Agency Funds:

Payroll Clearing Fund (High School) - To account for payroll liabilities within one fund.

Cafeteria/Flex Plan Fund (High School) - To account for cafeteria plans under IRC Section 125 administered by a third party.

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BILLINGS PUBLIC SCHOOLS
 COMBINING STATEMENT OF NET POSITION
 ALL PRIVATE-PURPOSE TRUST FUNDS
 June 30, 2016

	Elementary Extracurricular	High School Extracurricular	Total
ASSETS			
Cash and cash equivalents	\$ 505,684	\$ 2,140,245	\$ 2,645,929
Total assets	505,684	2,140,245	2,645,929
LIABILITIES			
Accounts payable	5,516	19,582	25,098
Total liabilities	5,516	19,582	25,098
NET POSITION			
Net position held in trust	\$ 500,168	\$ 2,120,663	\$ 2,620,831

BILLINGS PUBLIC SCHOOLS
COMBINING STATEMENT OF CHANGES IN NET POSITION
ALL PRIVATE-PURPOSE TRUST FUNDS
For the Year Ended June 30, 2016

	Elementary Extracurricular	High School Extracurricular	Total
ADDITIONS			
Contributions:			
Student extracurricular activities	\$ 515,459	\$ 2,803,422	\$ 3,318,881
Investment earnings:			
Interest	3,412	14,270	17,682
Total additions	518,871	2,817,692	3,336,563
DEDUCTIONS			
Student extracurricular activities	525,223	2,771,583	3,296,806
Total deductions	525,223	2,771,583	3,296,806
Change in net position	(6,352)	46,109	39,757
Net position - beginning	506,520	2,074,554	2,581,074
Net position - ending	\$ 500,168	\$ 2,120,663	\$ 2,620,831

BILLINGS PUBLIC SCHOOLS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

For the Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
PAYROLL CLEARING FUND				
ASSETS				
Cash	\$ 6,328,518	\$ 116,363,269	\$ 115,693,808	\$ 6,997,979
Other receivables	19,442	-	19,442	-
Total assets	<u>6,347,960</u>	<u>116,363,269</u>	<u>115,713,250</u>	<u>6,997,979</u>
LIABILITIES				
Accounts payable	<u>6,347,960</u>	<u>115,713,250</u>	<u>116,363,269</u>	<u>6,997,979</u>
Total liabilities	<u>6,347,960</u>	<u>115,713,250</u>	<u>116,363,269</u>	<u>6,997,979</u>
CAFETERIA/FLEX PLAN FUND				
ASSETS				
Cash	<u>278,890</u>	<u>1,078,294</u>	<u>1,067,646</u>	<u>289,538</u>
Total assets	<u>278,890</u>	<u>1,078,294</u>	<u>1,067,646</u>	<u>289,538</u>
LIABILITIES				
Accounts payable	<u>278,890</u>	<u>1,067,646</u>	<u>1,078,294</u>	<u>289,538</u>
Total liabilities	<u>278,890</u>	<u>1,067,646</u>	<u>1,078,294</u>	<u>289,538</u>
TOTAL AGENCY FUNDS				
ASSETS				
Cash	<u>6,607,408</u>	<u>117,441,563</u>	<u>116,761,454</u>	<u>7,287,517</u>
Total assets	<u>6,626,850</u>	<u>117,441,563</u>	<u>116,780,896</u>	<u>7,287,517</u>
LIABILITIES				
Accounts payable	<u>6,626,850</u>	<u>116,780,896</u>	<u>117,441,563</u>	<u>7,287,517</u>
Total liabilities	<u>\$ 6,626,850</u>	<u>\$ 116,780,896</u>	<u>\$ 117,441,563</u>	<u>\$ 7,287,517</u>

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**SUPPLEMENTAL INFORMATION MANDATED BY
MONTANA OFFICE OF PUBLIC INSTRUCTION**

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BILLINGS PUBLIC SCHOOLS
SCHEDULE OF CHANGES IN NET POSITION
EXTRACURRICULAR
For the Year Ended June 30, 2016

Location	Balance July 1, 2015	Revenues	Expenditures	Balance June 30, 2016
Career Center	\$ 105,334	\$ 144,770	\$ 121,284	\$ 128,820
Senior High School	472,928	704,202	690,149	486,981
West High School	515,100	979,793	1,001,780	493,113
Skyview High School	306,080	637,993	647,235	296,838
Middle Schools-Athletics	342,210	104,244	133,655	312,799
Lewis & Clark Middle School	9,666	73,062	63,819	18,909
Lincoln Education Center	165	556	374	347
Riverside Middle School	26,239	35,857	37,829	24,267
Will James Middle School	35,024	127,507	119,148	43,383
Castlerock Middle School	42,159	83,049	76,478	48,730
Arrowhead Elementary	7,358	13,952	12,934	8,376
Beartooth Elementary	3,579	6,568	6,537	3,610
Bench Elementary	3,794	3,436	3,843	3,387
Boulder Elementary	200	1,502	1,431	271
Broadwater Elementary	385	3,214	1,916	1,683
Burlington Elementary	9,123	5,676	8,110	6,689
Central Heights Elementary	2,798	6,850	7,126	2,522
Highland Elementary	1,296	1,071	1,474	893
McKinley Elementary	2,177	3,448	3,965	1,660
Meadowlark Elementary	2,943	5,500	6,407	2,036
Miles Elementary	3,328	7,813	5,322	5,819
Newman Elementary	4,147	3,181	3,467	3,861
Orchard Elementary	367	3,464	3,318	513
Poly Elementary	1,884	4,727	4,476	2,135
Ponderosa Elementary	4,698	4,141	5,360	3,479
Special Olympics	54	-	-	54
Rose Park Elementary	730	278	50	958
Sandstone Elementary	246	2	-	248
Adult Education	839	5	528	316
Washington Elementary	1,593	8	357	1,244
Big Sky Elementary	479	3,565	3,610	434
Exec Director of Activities	654,460	255,964	219,869	690,555
Coordinator of Music	19,691	111,165	104,955	25,901
	<u>\$ 2,581,074</u>	<u>\$ 3,336,563</u>	<u>\$ 3,296,806</u>	<u>\$ 2,620,831</u>

This schedule has been summarized by school. A detail schedule is available upon request.

BILLINGS PUBLIC SCHOOLS

ENROLLMENT SCHEDULE

For the Year Ended June 30, 2016

	Per Enrollment Reports	Audit Per District Records	Difference
Fall Enrollment - October 2015			
Elementary School District			
K - 6:			
(a) Kindergarten (enrolled 720+ hours per year)	1,208	1,207	(1)
(b) Kindergarten (enrolled 181-719 hours per year)	25	25	-
(c) Kindergarten (enrolled < 181 hours per year)	-	-	-
(d) Grades 1-6 (enrolled 720+ hours per year)	7,452	7,452	-
(e) Grades 1-6 (enrolled 181-719 hours per year)	1	1	-
(f) Grades 1-6 (enrolled < 181 hours per year)	-	-	-
7-8:			
(g) Grades 7-8 (enrolled 720+ hours per year)	2,488	2,488	-
(h) Grades 7-8 (enrolled 181-719 hours per year)	8	8	-
(i) Grades 7-8 (enrolled < 181 hours per year)	-	-	-
(j) Total Elementary (add lines a through i)	11,182	11,181	(1)
High School District:			
(k) Grades 9-12 (enrolled 720+ hours per year)	5,139	5,139	-
(l) Grades 9-12 (enrolled 181-719 hours per year)	32	32	-
(m) Grades 9 - 12 (enrolled < 181 hours per year)	4	4	-
(n) Total High School (add lines k through m)	5,175	5,175	-
(o) 19 Year-olds included on line k	-	-	-
(p) Job Corp	-	-	-
(q) Montana Youth Challenge	10	10	-
Spring Enrollment - February 2016			
Elementary School District			
K - 6:			
(a) Kindergarten (enrolled 720+ hours per year)	1,208	1,208	-
(b) Kindergarten (enrolled 181-719 hours per year)	25	25	-
(c) Kindergarten (enrolled < 181 hours per year)	-	-	-
(d) Grades 1-6 (enrolled 720+ hours per year)	7,476	7,476	-
(e) Grades 1-6 (enrolled 181-719 hours per year)	2	2	-
(f) Grades 1-6 (enrolled < 181 hours per year)	-	-	-
7-8:			
(g) Grades 7-8 (enrolled 720+ hours per year)	2,480	2,480	-
(h) Grades 7-8 (enrolled 181-719 hours per year)	8	8	-
(i) Grades 7-8 (enrolled < 181 hours per year)	-	-	-
(j) Total Elementary (add lines a through i)	11,199	11,199	-
High School District:			
(k) Grades 9-12 (enrolled 720+ hours per year)	5,023	5,023	-
(l) Grades 9-12 (enrolled 181-719 hours per year)	37	37	-
(m) Grades 9 - 12 (enrolled < 181 hours per year)	6	6	-
(n) Total High School (add lines k through m)	5,066	5,066	-
(o) 19 Year-olds included on line k	-	-	-
(p) Job Corp	-	-	-
(q) Montana Youth Challenge	-	-	-
(r) Early Graduates	21	21	-

SECTION III - STATISTICAL SECTION

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SECTION III – STATISTICAL SECTION

This part of Billings Public Schools comprehensive annual financial report presents detailed information as a means for understanding what information in the financial statements, note disclosures, and required supplementary information says about the district's overall financial health.

Contents	Page
Financial Trends	101-109
<i>These schedules contain trend information to help the reader understand how the district's financial performance and well-being have changed over time.</i>	
Revenue Capacity	110-112
<i>These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.</i>	
Debt Capacity	113-117
<i>These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	118-119
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.</i>	
Operating Information	120-126
<i>The schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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BILLINGS PUBLIC SCHOOLS
NET POSITION - GOVERNMENTAL ACTIVITIES
Last Ten Fiscal Years
(accrual basis of accounting)

Table 1

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net investment in capital assets	\$ 58,767,183	\$ 61,191,582	\$ 60,569,790	\$ 60,775,788	\$ 59,798,909	\$ 57,733,805	\$ 55,266,962	\$ 52,466,677	\$ 51,771,080	\$ 51,729,935
Restricted	13,266,250	12,533,071	14,612,086	13,131,943	7,457,520	7,793,006	10,730,765	10,916,571	15,270,912	16,398,869
Unrestricted (deficit)	<u>(4,326,828)</u>	<u>(6,105,856)</u>	<u>(12,737,076)</u>	<u>(15,821,877)</u>	<u>(13,230,538)</u>	<u>(14,127,147)</u>	<u>(12,518,164)</u>	<u>(8,862,940)</u>	<u>(112,975,416)</u>	<u>(103,472,531)</u>
Total net position	<u>\$ 67,706,605</u>	<u>\$ 67,618,797</u>	<u>\$ 62,444,800</u>	<u>\$ 58,085,854</u>	<u>\$ 54,025,891</u>	<u>\$ 51,399,664</u>	<u>\$ 53,479,563</u>	<u>\$ 54,520,308</u>	<u>\$ (45,933,424)</u>	<u>\$ (35,343,727)</u>

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1 Implemented GASB Statements 68 and 71

BILLINGS PUBLIC SCHOOLS

CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES

Last Ten Fiscal Years

(accrual basis of accounting)

Table 2

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses:										
Instruction	\$ 78,052,218	\$ 85,812,039	\$ 88,164,245	\$ 91,294,560	\$ 94,100,760	\$ 90,996,777	\$ 92,876,108	\$ 96,301,172	\$ 96,651,543	\$ 97,005,016
Support services:										
Students	9,117,020	9,298,820	9,601,125	10,384,550	10,978,889	11,562,508	11,518,499	12,203,272	12,710,349	12,726,817
Instructional staff	5,878,241	6,555,906	6,945,475	7,115,837	7,541,224	7,768,857	7,760,274	8,060,342	7,940,616	8,909,748
General administration	1,354,664	1,476,711	1,312,581	1,607,281	1,559,394	2,183,458	1,728,213	1,917,754	2,060,920	2,094,473
School administration	8,248,789	9,003,814	9,069,215	9,642,520	10,149,144	10,076,339	9,790,142	10,166,229	10,285,418	10,911,561
Business services	1,842,122	2,019,626	1,880,984	1,948,020	2,258,772	2,321,858	2,002,743	2,103,298	2,424,217	2,336,752
Operation and maintenance	10,713,640	12,421,095	12,140,124	12,232,630	12,244,035	12,055,291	12,395,350	12,666,923	12,298,862	12,297,661
Student transportation	4,375,271	4,658,373	5,136,849	5,037,035	5,220,799	5,550,126	5,713,801	5,527,358	5,713,291	5,795,959
Food services	4,180,626	4,701,734	5,146,099	5,253,191	5,872,264	5,893,493	5,697,047	5,707,254	5,975,077	6,285,333
Community services	14,953	14,050	19,891	26,363	30,563	16,681	17,822	14,149	10,100	6,150
Extracurricular	1,920,491	2,291,969	2,328,064	2,351,072	2,458,540	2,399,701	2,563,371	2,553,595	2,602,188	2,729,817
Other current charges	-	-	11,479	12,350	12,874	13,693	-	-	-	-
Interest	177,913	117,618	29,399	46,167	316,332	670,408	1,625,782	2,523,052	4,455,186	5,583,903
Total expenses	125,875,948	138,371,755	141,785,530	146,951,576	152,743,590	151,509,190	153,689,152	159,744,398	163,127,767	166,683,190
Program revenues:										
Charges for services:										
Instruction	612,530	626,047	712,110	782,219	733,494	714,937	796,991	745,180	773,615	840,445
Support services:										
Operation and maintenance	70,401	41,025	41,494	33,606	32,415	50,315	64,230	64,694	57,034	418,069
Student transportation	44,857	43,180	42,381	42,288	38,379	39,704	39,393	34,550	36,618	40,285
Food services	2,253,548	2,305,026	2,367,209	2,378,896	2,362,415	2,452,515	2,271,012	2,185,261	2,089,187	2,303,357
Operating grants and contributions	27,164,473	28,928,094	26,530,143	33,980,885	37,940,966	30,073,832	31,165,921	31,443,773	34,661,238	34,311,787
Capital grants and contributions	240,298	628,251	892,912	77,188	77,586	48,665	139,927	54,637	97,003	177,026
Total program revenues	30,386,107	32,571,623	30,586,249	37,295,082	41,185,255	33,379,968	34,477,474	34,528,095	37,714,695	38,090,969
Net expense	(95,489,841)	(105,800,132)	(111,199,281)	(109,656,494)	(111,558,335)	(118,129,222)	(119,211,678)	(125,216,303)	(125,413,072)	(128,592,221)
General revenues:										
Property taxes	33,088,889	34,701,063	34,991,351	35,921,360	38,512,088	39,255,766	40,099,921	41,926,382	48,002,113	51,132,533
Unrestricted intergovernmental:										
State aid	46,174,525	48,956,800	50,341,181	49,764,090	48,029,784	54,645,645	57,753,278	60,768,215	64,120,939	63,509,530
State other	6,173,289	5,714,923	5,724,096	5,678,388	5,721,040	5,720,810	6,484,021	6,244,913	7,322,579	6,907,224
County	11,252,174	11,946,780	13,211,358	12,124,782	13,525,559	13,636,532	14,978,791	15,809,305	15,458,169	15,643,024
Interest	1,050,145	1,064,579	681,026	411,620	293,422	217,250	133,528	196,214	580,470	582,535
Contributions and donations	1,146,765	581,134	835,415	937,984	1,146,735	988,900	995,403	1,127,943	1,242,275	838,217
Miscellaneous	209,184	271,266	235,112	459,324	269,744	1,038,092	534,177	496,534	828,766	568,855
Gain on disposal of capital assets	242,559	2,475,779	-	-	-	-	-	-	8,139	-
Transfers	-	-	5,745	-	-	-	-	-	-	-
Total general revenues	99,337,530	105,712,324	106,025,284	105,297,548	107,498,372	115,502,995	120,979,119	126,569,506	137,563,450	139,181,918
Change in net position	\$ 3,847,689	\$ (87,808)	\$ (5,173,997)	\$ (4,358,946)	\$ (4,059,963)	\$ (2,626,227)	\$ 1,767,441	\$ 1,353,203	\$ 12,150,378	\$ 10,589,697

BILLINGS PUBLIC SCHOOLS
FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

Table 3

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General fund										
Reserved	\$ 401,505	\$ 28,815	\$ 362,860	\$ 293,025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	3,520,361	4,856,734	5,327,292	5,058,315	-	-	-	-	-	-
Assigned	-	-	-	-	223,775	623,244	804,770	1,261,432	695,086	274,135
Unassigned	-	-	-	-	3,792,265	4,015,233	4,950,752	6,848,264	10,331,887	16,216,463
Total general fund	<u>\$ 3,921,866</u>	<u>\$ 4,885,549</u>	<u>\$ 5,690,152</u>	<u>\$ 5,351,340</u>	<u>\$ 4,016,040</u>	<u>\$ 4,638,477</u>	<u>\$ 5,755,522</u>	<u>\$ 8,109,696</u>	<u>\$ 11,026,973</u>	<u>\$ 16,490,598</u>
All other governmental funds										
Reserved	\$ 1,299,601	\$ 264,236	\$ 224,169	\$ 102,655	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	11,762,496	10,557,303	16,060,472	15,374,310	-	-	-	-	-	-
Capital projects funds	2,822,725	4,266,136	1,181,569	1,167,397	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	1,659	-
Restricted	-	-	-	-	17,959,108	12,268,876	18,773,122	99,009,127	53,835,242	53,229,035
Committed	-	-	-	-	2,085,667	2,319,633	2,610,838	3,209,175	3,869,220	4,221,789
Assigned	-	-	-	-	7,020,122	6,024,273	6,816,264	5,288,065	9,335,756	10,175,831
Total all other governmental funds	<u>\$ 15,884,822</u>	<u>\$ 15,087,675</u>	<u>\$ 17,466,210</u>	<u>\$ 16,644,362</u>	<u>\$ 27,064,897</u>	<u>\$ 20,612,782</u>	<u>\$ 28,200,224</u>	<u>\$ 107,506,367</u>	<u>\$ 67,041,877</u>	<u>\$ 67,626,655</u>

1

1 The District adopted GASB Statement No. 54-Fund Balance Reporting and Governmental Fund Type Definitions, effective July 1,2010.

BILLINGS PUBLIC SCHOOLS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

Table 4

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Property taxes	\$ 32,619,080	\$ 35,073,362	\$ 35,782,052	\$ 35,327,094	\$ 37,869,957	\$ 39,518,352	\$ 40,006,403	\$ 42,518,450	\$ 47,163,854	\$ 53,365,029
Intergovernmental:										
County	12,037,153	12,709,341	13,970,410	12,883,209	14,285,342	14,480,834	15,862,391	16,621,981	16,313,938	16,477,104
State aid	46,174,525	48,956,800	50,341,181	49,764,090	48,029,784	54,645,645	57,753,278	60,768,215	64,120,939	63,509,530
State other	19,476,346	21,492,469	19,256,945	21,216,653	19,694,027	20,936,835	22,328,332	22,299,555	26,390,195	25,342,892
Federal	12,740,171	12,387,987	12,177,195	17,684,193	22,964,040	14,013,505	14,438,010	14,576,455	14,689,534	15,011,200
Tuition	211,263	195,406	148,290	201,019	216,974	144,228	243,312	215,980	210,943	204,913
Charges for services	2,784,051	2,839,302	2,963,437	3,034,287	2,968,423	3,111,333	2,947,509	2,818,719	2,754,282	3,014,927
Interest	985,219	975,588	577,704	358,384	259,395	188,638	116,722	168,041	525,184	530,978
Miscellaneous	1,915,554	1,451,927	1,708,205	1,397,308	1,417,179	1,301,766	1,529,580	1,624,477	2,119,360	1,437,911
Total revenues	128,943,362	136,082,182	136,925,419	141,866,237	147,705,121	148,341,136	155,225,537	161,611,873	174,288,229	178,894,484
Expenditures										
Instruction	75,118,883	81,669,804	80,508,374	85,968,472	90,169,831	87,658,280	90,187,253	92,966,202	95,684,521	97,255,949
Support services:										
Students	8,585,269	9,057,352	9,101,560	10,028,276	10,774,961	11,420,156	11,286,445	11,968,564	12,823,247	12,579,662
Instructional staff	5,992,282	6,445,953	6,656,922	6,934,825	7,370,246	7,660,634	7,596,063	7,931,366	7,863,139	8,851,876
General administration	1,238,727	1,372,481	1,270,351	1,561,130	1,470,957	2,095,958	1,785,865	1,897,129	2,060,623	2,101,720
School administration	7,969,204	8,984,368	8,554,701	9,274,540	10,048,181	10,196,532	9,553,940	10,224,366	10,579,520	11,206,165
Business services	1,734,354	1,896,926	1,688,771	1,791,715	2,208,878	2,234,008	1,960,014	2,054,553	2,469,323	2,366,351
Operations and maintenance	10,529,579	12,311,325	11,749,344	11,946,381	12,025,975	12,166,696	12,164,592	12,475,533	12,393,710	12,710,622
Student transportation	4,338,968	4,636,606	5,049,102	4,961,862	5,177,545	5,518,265	5,707,029	5,511,248	5,707,091	5,814,423
Food services	4,117,271	4,629,179	5,068,481	5,109,148	5,788,739	5,807,668	5,598,212	5,606,418	5,865,132	6,165,203
Community services	14,953	14,050	19,891	26,363	30,563	16,681	17,822	14,149	10,100	6,150
Extracurricular	1,846,502	2,213,481	2,225,258	2,340,782	2,410,349	2,248,253	2,435,096	2,424,350	2,505,235	2,636,320
Other current charges	-	-	11,479	12,350	12,874	13,693	-	-	-	-
Capital outlay	3,440,539	2,924,602	2,535,609	2,797,520	2,725,219	6,566,027	10,837,415	14,217,934	46,298,754	41,129,075
Debt service										
Principal	2,576,269	2,682,454	150,143	229,595	236,253	199,015	165,203	124,227	1,474,250	2,869,250
Interest	153,967	93,796	64,196	42,301	515,521	653,852	1,412,218	1,767,896	6,170,436	6,132,494
Total expenditures	127,656,767	138,932,377	134,654,182	143,025,260	150,966,092	154,455,718	160,707,167	169,183,935	211,905,081	211,825,260
Excess (deficiency) of revenues over expenditures	1,286,595	(2,850,195)	2,271,237	(1,159,023)	(3,260,971)	(6,114,582)	(5,481,630)	(7,572,062)	(37,616,852)	(32,930,776)
Other financing sources (uses)										
Transfers in	-	322,502	370,545	181,725	-	-	9,845	-	196,450	-
Transfers out	-	(322,502)	(349,511)	(188,362)	-	-	(9,845)	-	(196,450)	-
Premium on long-term debt issued	-	-	-	-	-	-	-	8,332,379	-	5,119,685
Insurance recoveries	-	-	112,617	-	281,206	284,904	41,615	-	61,500	859,494
Long-term debt issued	-	408,564	773,250	-	12,000,000	-	14,144,502	80,900,000	-	33,000,000
Sale of capital assets	247,559	2,608,167	5,000	5,000	65,000	-	-	-	8,139	-
Total other financing sources (uses)	247,559	3,016,731	911,901	(1,637)	12,346,206	284,904	14,186,117	89,232,379	69,639	38,979,179
Net change in fund balances	\$ 1,534,154	\$ 166,536	\$ 3,183,138	\$ (1,160,660)	\$ 9,085,235	\$ (5,829,678)	\$ 8,704,487	\$ 81,660,317	\$ (37,547,213)	\$ 6,048,403
Debt service as a percentage of non-capital expenditures	2.20%	2.04%	0.16%	0.19%	0.51%	0.58%	1.05%	1.22%	4.62%	5.27%

BILLINGS PUBLIC SCHOOLS
GENERAL FUND EXPENDITURES BY FUNCTION
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

Table 5

Fiscal Year	Support Services							
	Instruction	Students	Instructional Staff	General Administration	School Administration	Business Services	Operation and Maintenance	Student Transportation
2007	\$ 55,197,847	\$ 5,740,609	\$ 4,636,544	\$ 1,132,599	\$ 6,386,532	\$ 969,121	\$ 8,316,670	\$ 13,657
2008	60,765,662	6,242,820	5,050,350	1,299,542	7,237,252	1,080,768	8,717,531	17,616
2009	60,197,185	6,270,596	5,132,096	1,207,359	6,854,511	1,402,720	10,639,761	47,181
2010	62,217,372	6,412,634	5,000,683	1,455,004	7,182,901	1,317,101	10,750,560	81,841
2011	65,096,669	7,187,725	5,803,981	1,311,896	7,535,626	1,782,780	10,828,842	47,398
2012	64,228,160	6,865,200	5,743,805	1,696,286	7,640,231	1,623,144	10,593,673	20,604
2013	66,777,286	6,850,794	5,865,148	1,419,132	7,435,562	1,692,700	10,820,835	26,459
2014	68,011,115	6,992,701	6,063,526	1,562,697	8,095,258	1,786,921	11,146,363	34,289
2015	68,686,471	7,143,315	5,898,708	1,711,703	8,119,218	2,146,282	11,030,807	28,222
2016	72,270,831	7,078,580	6,598,488	1,684,614	8,805,402	1,829,231	11,021,525	74,376

Fiscal Year	Community Services	Extracurricular	Capital Outlay	Debt Service	Total
2007	\$ 6,600	\$ 1,618,881	\$ 69,834	\$ 47,516	\$ 84,136,410
2008	6,600	1,936,752	294,915	82,500	92,732,308
2009	6,600	1,984,423	653,694	150,143	94,546,269
2010	13,200	2,065,022	463,818	245,740	97,205,876
2011	6,600	2,108,957	567,459	243,574	102,521,507
2012	-	1,973,861	461,616	203,367	101,049,947
2013	-	2,133,334	475,317	166,963	103,663,530
2014	585	2,124,122	676,220	124,426	106,618,223
2015	800	2,172,992	709,158	84,250	107,731,926
2016	-	2,353,949	580,466	84,250	112,381,712

BILLINGS PUBLIC SCHOOLS
PROPERTY TAX ASSESSMENT AND COLLECTIONS
Last Ten Fiscal Years

Table 6

Fiscal Year	Assessed Value	Estimated Actual Value	Percent of Assessed Value to Est. Actual Value	Mill Levy	Taxes Levied	Collected within the Fiscal Year of the Levy		Tax Collections after Levy Year	Total Collections to Date	
						Amount Collected *	Percent of Levy		Amount Collected	Percent of Levy
Elementary District:										
2007	\$ 147,991,032	\$ 5,110,110,578	2.90%	135.32	\$ 20,026,146	\$ 20,140,046	100.57%	\$ -	\$ 20,140,046	100.57%
2008	157,587,840	5,498,218,964	2.87%	131.28	20,688,132	20,664,888	99.89%	-	20,664,888	99.89%
2009	166,020,027	5,114,046,567	3.25%	121.87	20,232,861	20,566,137	101.65%	-	20,566,137	101.65%
2010	167,860,468	5,335,244,057	3.15%	123.45	20,722,375	19,532,418	94.26%	1,146,354	20,678,772	99.79%
2011	175,218,296	6,623,402,263	2.65%	128.81	22,569,869	21,435,922	94.98%	450,978	21,886,900	96.97%
2012	177,014,509	5,985,087,238	2.96%	128.09	22,673,788	22,336,226	98.51%	331,190	22,667,416	99.97%
2013	176,069,203	6,154,532,525	2.86%	134.13	23,616,162	23,205,489	98.26%	314,028	23,519,517	99.59%
2014	178,803,178	6,455,299,303	2.77%	144.10	25,765,538	25,064,410	97.28%	631,015	25,695,425	99.73%
2015	175,238,138	6,572,130,535	2.67%	179.93	31,530,598	30,637,906	97.17%	615,070	31,252,976	99.12%
2016	194,587,614	11,650,594,235	1.67%	178.55	34,743,618	34,618,695	99.64%	-	34,618,695	99.64%
High School District:										
2007	\$ 188,925,557	\$ 6,458,283,952	2.93%	65.51	\$ 12,376,513	\$ 12,398,385	100.18%	\$ -	\$ 12,398,385	100.18%
2008	201,862,127	6,986,260,379	2.89%	71.68	14,469,477	14,408,474	99.58%	-	14,408,474	99.58%
2009	214,427,450	6,659,116,956	3.22%	70.31	15,076,394	15,215,915	100.93%	-	15,215,915	100.93%
2010	220,537,239	7,075,610,744	3.12%	70.42	15,530,232	14,601,758	94.02%	895,861	15,497,619	99.79%
2011	231,740,662	8,623,253,538	2.69%	70.92	16,435,048	15,662,531	95.30%	387,712	16,050,243	97.66%
2012	235,424,143	7,974,802,129	2.95%	71.10	16,738,657	16,322,166	97.51%	303,167	16,625,333	99.32%
2013	235,345,707	8,256,450,287	2.85%	70.40	16,568,338	16,120,642	97.30%	398,130	16,518,772	99.70%
2014	238,407,131	8,647,326,911	2.76%	71.44	17,031,805	16,462,130	96.66%	539,041	17,001,171	99.82%
2015	235,586,169	8,873,443,960	2.65%	69.82	16,448,626	16,004,297	97.30%	424,591	16,428,888	99.88%
2016	264,033,676	15,451,136,712	1.71%	66.53	17,566,160	17,513,945	99.70%	-	17,513,945	99.70%

* Tax collections through fiscal year 2009 include delinquent taxes from prior years.
Effective July 1, 2009, tax collections include only current year tax collections

Source: Montana Department of Revenue
Yellowstone County Treasurer

BILLINGS PUBLIC SCHOOLS

Table 7

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Fiscal Year	Forest and Agricultural Land	Residential	Commerical	Total Taxable Assessed Value	Taxable Assessed Value as a Percentage of Estimated Actual Value	Estimated Actual Value	Total Direct Rate
Elementary District:							
2007	\$ 3,565,615	\$ 4,197,880,161	\$ 1,632,711,609	\$ 5,834,157,385	2.09%	\$ 121,683,077	135.32
2008	3,413,317	4,661,208,425	1,263,352,242	5,927,973,984	2.10%	124,359,961	131.28
2009	3,372,871	6,295,883,405	2,625,268,300	8,924,524,576	1.43%	127,270,362	121.87
2010	3,332,900	6,859,523,976	2,061,518,265	8,924,375,141	1.43%	127,941,070	123.45
2011	3,352,379	6,922,553,883	2,018,786,035	8,944,692,297	1.43%	128,232,379	128.81
2012	3,320,188	6,984,712,335	2,035,516,027	9,023,548,550	1.43%	128,968,649	128.09
2013	4,631,400	7,107,652,066	2,068,862,067	9,181,145,533	1.42%	130,684,588	134.13
2014	3,854,085	7,238,734,848	2,096,221,003	9,338,809,936	1.43%	133,362,823	144.10
2015	5,235,734	8,047,407,705	2,452,260,873	10,504,904,312	1.45%	152,548,497	179.93
2016	3,222,429	8,131,584,232	2,428,808,679	10,563,615,340	1.45%	153,203,366	178.55
High School District:							
2007	\$ 26,843,911	\$ 4,999,588,401	\$ 2,224,319,557	\$ 7,250,751,869	2.11%	\$ 152,931,034	65.51
2008	26,605,046	5,496,071,756	1,898,689,415	7,421,366,217	2.13%	157,765,607	71.68
2009	24,984,639	7,539,081,625	3,816,144,112	11,380,210,376	1.44%	163,809,089	70.31
2010	25,105,396	8,141,452,809	3,185,196,435	11,351,754,640	1.45%	164,819,503	70.42
2011	25,121,843	8,240,575,293	3,141,091,614	11,406,788,750	1.46%	166,280,833	70.92
2012	25,170,347	8,329,054,288	3,167,868,899	11,522,093,534	1.46%	167,972,135	71.10
2013	36,168,900	8,518,455,953	3,220,194,087	11,774,818,940	1.45%	171,115,813	70.40
2014	35,370,729	8,718,821,777	3,283,878,353	12,038,070,859	1.46%	175,897,177	71.44
2015	38,539,098	9,756,798,419	3,952,410,000	13,747,747,517	1.48%	203,948,304	69.82
2016	27,176,869	9,884,831,869	3,898,833,351	13,810,842,089	1.48%	204,765,579	66.53

BILLINGS PUBLIC SCHOOLS

Table 8

PRINCIPAL PROPERTY TAX PAYERS IN THE ELEMENTARY DISTRICT

Current Year and Nine Years Ago

Taxpayer	2016			2007		
	Assessed Valuation	Rank	Percentage of Total District Assessed Valuation	Assessed Valuation	Rank	Percentage of Total District Assessed Valuation
Phillips 66 Company	\$16,918,785	1	8.69%	\$ -	-	0.00%
Northwestern Energy - Trans & Dis	13,472,820	2	6.92%	10,058,176	1	6.58%
Charter Communications Inc	3,762,075	3	1.93%	-	-	0.00%
Montana Dakota Utilities - Gas	2,630,499	4	1.35%	1,200,726	6	0.79%
Century Link, LLC	2,078,411	5	1.07%	-	-	0.00%
Phillips 66 Pipeline LLC	1,748,846	6	0.90%	-	-	0.00%
Verizon Wireless	1,132,066	7	0.58%	-	-	0.00%
AT&T Mobility	1,031,820	8	0.53%	-	-	0.00%
Yellowstone Pipeline Co	958,574	9	0.49%	-	-	0.00%
Rimrock Owner LP	923,652	10	0.47%	-	-	0.00%
ConocoPhillips	-	-	0.00%	8,561,921	2	5.60%
Bresnan Broadband DBA MT Telegraph	-	-	0.00%	5,332,413	3	3.49%
PPL Montana LLC	-	-	0.00%	3,842,966	4	2.51%
Quest Corporation	-	-	0.00%	2,509,501	5	1.64%
Macerch Rimrock Limited Partnership	-	-	0.00%	875,526	7	0.57%
Conoco Pipe Line Co	-	-	0.00%	695,174	8	0.45%
Walmart Real Estate Business Trust	-	-	0.00%	610,738	9	0.40%
Rocky Mountain Pipeline System LLC	-	-	0.00%	608,461	10	0.40%
Total	<u>\$44,657,548</u>		<u>22.95%</u>	<u>\$ 34,295,602</u>		<u>22.44%</u>

Source: Montana Department of Revenue

BILLINGS PUBLIC SCHOOLS

Table 8a

PRINCIPAL PROPERTY TAX PAYERS IN THE HIGH SCHOOL DISTRICT

Current Year and Nine Years Ago

Taxpayer	2016			2007		
	Assessed Valuation	Rank	Percentage of Total District Assessed Valuation	Assessed Valuation	Rank	Percentage of Total District Assessed Valuation
Phillips 66 Company	\$ 16,921,689	1	7.19%	\$ -	-	0.00%
Northwester Energy - Trans & Dis	15,651,324	2	6.65%	11,890,550	1	6.14%
ExxonMobile Corporation	8,836,771	3	3.75%	-	-	0.00%
Charter Communications	3,762,075	4	1.60%	-	-	0.00%
Montana Dakota Utilities - Gas	3,217,868	5	1.37%	1,200,726	7	0.62%
Phillips 66 Pipeline	2,413,580	6	1.03%	-	-	0.00%
Centurylink Inc	2,347,716	7	1.00%	-	-	0.00%
AT&T Mobility LLC	1,408,651	8	0.60%	-	-	0.00%
Verizon Wireless	1,341,528	9	0.57%	-	-	0.00%
Yellowstone Energy Limited Partnership	1,128,354	10	0.48%	-	-	0.00%
ConocoPhillips Company	-	-	0.00%	8,563,115	2	4.42%
Bresnan Broadband DBA MT Telegraph	-	-	0.00%	5,332,413	3	2.75%
Exxon Mobile Corporation	-	-	0.00%	4,667,871	4	2.41%
PPL Montana LLC	-	-	0.00%	3,861,855	5	1.99%
Quest Corporation	-	-	0.00%	2,920,817	6	1.51%
Macerch Rimrock Limited Partnership	-	-	0.00%	875,526	8	0.45%
Conoco Pipeline Co	-	-	0.00%	850,153	9	0.44%
WWC Holding Co (Alltel)	-	-	0.00%	647,498	10	0.33%
Total	\$ 57,029,556		24.23%	\$ 40,810,524		21.06%

Source: Montana Department of Revenue

BILLINGS PUBLIC SCHOOLS
REVENUE BY SOURCE - ALL GOVERNMENTAL FUND TYPES
For the Fiscal Year Ended June 30, 2016
(modified accrual basis of accounting)

Table 9

<u>Source</u>	<u>Actual Revenue</u>	<u>Percent of Total Revenue</u>
Revenue from local and intermediate sources:		
Property taxes	\$ 53,365,029	29.83%
Tuition	204,913	0.11%
Interest	530,978	0.30%
Charges for service	3,014,927	1.69%
County retirement	15,643,024	8.74%
County transportation	834,080	0.47%
Miscellaneous	1,437,911	0.80%
Total revenue from local and intermediate sources	75,030,862	41.94%
Revenue from state sources:		
Direct state aid	44,751,406	25.02%
State quality educator	3,499,996	1.96%
State at risk	450,783	0.25%
State Indian education for all	353,227	0.20%
State American Indian achievement gap	380,480	0.21%
State special education allowable cost payment	4,915,012	2.75%
State Data for Achievement	338,340	0.19%
State Natural Resource Development	502,406	0.28%
State guaranteed tax base aid	18,758,124	10.49%
State transportation	834,080	0.47%
State Medicaid	2,937,526	1.64%
State school block grant	6,625,084	3.70%
State on-behalf payment	3,352,816	1.87%
State other	1,153,142	0.64%
Total revenue from state sources	88,852,422	49.67%
Revenue from federal sources:		
Federal grants	11,112,741	6.21%
Federal food service	3,898,459	2.18%
Total revenue from federal sources	15,011,200	8.39%
Total revenue	\$ 178,894,484	100.00%

Source: District Financial Records

BILLINGS PUBLIC SCHOOLS
GENERAL FUND REVENUE BY SOURCE
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

Table 10

Year	Property Taxes	State of Montana	Federal	Tuition	Interest	Miscellaneous	Total
2007	\$ 26,213,125	\$ 58,050,178	\$ -	\$ 211,263	\$ 71,821	\$ 4,813	\$ 84,551,200
2008	29,915,283	63,450,861	-	195,406	84,912	49,529	93,695,991
2009	30,661,819	64,844,217	-	148,290	75,979	9,263	95,739,568
2010	30,054,248	63,876,342	2,493,094	201,019	64,393	177,968	96,867,064
2011	31,890,655	62,290,861	6,755,483	216,974	32,234	-	101,186,207
2012	32,602,150	68,856,591	45,406	144,228	18,796	5,213	101,672,384
2013	32,307,421	72,210,365	-	243,312	9,632	-	104,770,730
2014	33,357,543	75,379,776	-	215,980	19,098	-	108,972,397
2015	32,304,925	77,974,914	-	210,943	158,421	-	110,649,203
2016	35,308,571	82,271,777	-	204,913	60,076	-	117,845,337

BILLINGS PUBLIC SCHOOLS
GENERAL FUND REVENUE PER STUDENT
 Last Ten Fiscal years
 (modified accrual basis of accounting)

Table 11

Year	District Revenue	State Revenue	Federal Revenue	Total Revenue	October Enrollment	Revenue Per Student			
						District	State	Federal	Total
2007	\$ 26,501,022	\$ 58,050,178	\$ -	\$ 84,551,200	15,556	1,704	3,732	-	5,436
2008	30,245,130	63,450,861	-	93,695,991	15,503	1,951	4,093	-	6,044
2009	30,895,351	64,844,217	-	95,739,568	15,481	1,996	4,189	-	6,185
2010	30,497,628	63,876,342	2,493,094	96,867,064	15,676	1,945	4,075	159	6,179
2011	32,139,863	62,290,861	6,755,483	101,186,207	15,714	2,045	3,964	430	6,439
2012	32,770,387	68,856,591	45,406	101,672,384	15,965	2,053	4,313	3	6,369
2013	32,560,365	72,210,365	-	104,770,730	16,220	2,007	4,452	-	6,459
2014	33,592,621	75,379,776	-	108,972,397	16,268	2,065	4,634	-	6,699
2015	32,674,289	77,974,914	-	110,649,203	16,318	2,002	4,778	-	6,780
2016	35,573,560	82,271,777	-	117,845,337	16,356	2,175	5,030	-	7,205

Source: District Records

BILLINGS PUBLIC SCHOOLS

Table 12

Ratio of General Obligation Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	Population	Assessed Value	General Obligation Bonded Debt	Less: Amounts Available in Debt Service Funds	Net General Obligation Bonded Debt	Percentage of Net G.O. Bonded Debt to Assessed Value	Net G.O. Bonded Debt per Capita	Net G.O. Bonded Debt as a % of Per Capita Income
Elementary District								
2007	101,650	\$ 147,991,032	\$ 2,615,000	\$ 1,247,786	\$ 1,367,214	0.92%	\$ 13.45	0.05%
2008	102,000	157,587,840	-	-	-	0.00%	-	0.00%
2009	102,500	166,020,027	-	-	-	0.00%	-	0.00%
2010	105,500	167,860,468	-	-	-	0.00%	-	0.00%
2011	107,934	175,218,296	4,420,000	111,676	4,308,324	2.46%	39.92	0.12%
2012	107,977	177,014,509	4,420,000	407,252	4,012,748	2.27%	37.16	0.10%
2013	107,857	176,069,203	14,784,502	1,531,348	13,253,154	7.53%	122.88	0.31%
2014	109,059	178,803,178	104,180,290	2,451,448	101,728,842	56.89%	932.79	2.18%
2015	110,248	175,238,138	102,289,421	3,955,846	98,333,575	56.11%	891.93	2.09%
2016	111,902	194,587,614	136,931,249	4,457,585	132,473,664	68.08%	1,183.84	2.66%
High School District								
2007	111,650	\$ 188,925,557	\$ -	\$ -	\$ -	0.00%	\$ -	0.00%
2008	113,000	201,862,127	-	-	-	0.00%	-	0.00%
2009	121,700	214,427,450	-	-	-	0.00%	-	0.00%
2010	125,000	220,537,239	-	-	-	0.00%	-	0.00%
2011	123,145	231,740,662	7,580,000	-	7,580,000	3.27%	61.55	0.18%
2012	127,987	235,424,143	7,580,000	641,386	6,938,614	2.95%	54.21	0.14%
2013	127,011	235,345,707	11,360,000	1,370,152	9,989,848	4.24%	78.65	0.20%
2014	128,281	238,407,131	11,360,000	2,064,230	9,295,770	3.90%	72.46	0.17%
2015	130,625	235,586,169	11,360,000	2,665,249	8,694,751	3.69%	66.56	0.16%
2016	132,584	264,033,676	11,360,000	3,238,093	8,121,907	3.08%	61.26	0.14%

Source and other information:

1 Census taken every ten years. Actual census figures given for 2011.

2 All other years are estimated by City/County Planning department , Yellowstone County, Montana

3 Department Revenue/State of Montana/Yellowstone County , Montana, Assessors office
(these amounts do not include the incremental increases to the tax increment district).

BILLINGS PUBLIC SCHOOLS

Ratio of Outstanding Debt by Type

Last Ten Fiscal Years

Table 13

Fiscal Year	General Obligation Bonds	Capital Leases	Limited Obligation Bonds	Notes Payable	Total Outstanding Debt	Percentage of Personal Income (1)	Population	Debt Per Capita
2007	\$ 2,615,000	\$ -	\$ -	\$ 327,076	\$ 2,942,076	0.10%	111,650	\$ 26.35
2008	-	-	-	668,186	668,186	0.02%	113,000	5.91
2009	-	-	758,250	533,043	1,291,293	0.03%	121,700	10.61
2010	-	-	674,000	387,698	1,061,698	0.03%	125,000	8.49
2011	12,000,000	-	589,750	235,695	12,825,445	0.31%	123,145	104.15
2012	12,000,000	-	505,500	120,930	12,626,430	0.26%	127,987	98.65
2013	26,144,502	-	421,250	39,977	26,605,729	0.53%	127,011	209.48
2014	115,203,290	-	337,000	-	115,540,290	2.11%	128,281	900.68
2015	113,396,671	-	252,750	-	113,649,421	2.04%	130,625	870.04
2016	148,122,749	-	168,500	-	148,291,249	2.51%	132,584	1,118.47

(1) Personal income is disclosed on table 17

BILLINGS PUBLIC SCHOOLS
COMPUTATION OF LEGAL DEBT MARGIN
For the Year Ended June 30, 2016

Table 14

Elementary District:	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Maximum debt limit	\$ 114,004,638	\$ 140,269,440	\$ 144,564,325	\$ 159,167,625	\$ 163,878,075	\$ 173,621,490	\$ 180,280,680	\$ 187,023,650	\$ 380,545,000	\$ 384,973,600
Total net debt applicable to limit	2,834,141	447,685	357,139	259,758	5,167,666	5,006,523	15,232,536	96,021,502	94,547,252	124,678,002
Legal debt margin	<u>\$ 111,170,497</u>	<u>\$ 139,821,755</u>	<u>\$ 144,207,186</u>	<u>\$ 158,907,867</u>	<u>\$ 158,710,409</u>	<u>\$ 168,614,967</u>	<u>\$ 165,048,144</u>	<u>\$ 91,002,148</u>	<u>\$ 285,997,748</u>	<u>\$ 260,295,598</u>
Total net debt applicable to limit as a percentage of debt limit	2.49%	0.32%	0.25%	0.16%	3.15%	2.88%	8.45%	51.34%	24.85%	32.39%
High School District:										
Maximum debt limit	\$ 131,491,917	\$ 153,391,170	\$ 163,003,680	\$ 178,979,580	\$ 174,945,980	\$ 186,698,955	\$ 190,562,190	\$ 199,032,120	\$ 411,396,870	\$ 424,453,320
Total net debt applicable to limit	107,935	220,501	175,904	127,940	7,657,779	7,619,907	11,373,193	11,360,000	11,360,000	11,360,000
Legal debt margin	<u>\$ 131,383,982</u>	<u>\$ 153,170,669</u>	<u>\$ 162,827,776</u>	<u>\$ 178,851,640</u>	<u>\$ 167,288,201</u>	<u>\$ 179,079,048</u>	<u>\$ 179,188,997</u>	<u>\$ 187,672,120</u>	<u>\$ 400,036,870</u>	<u>\$ 413,093,320</u>
Total net debt applicable to limit as a percentage of debt limit	0.08%	0.14%	0.11%	0.07%	4.38%	4.08%	5.97%	5.71%	2.76%	2.68%
Debt Limitation Calculation										
	Elementary		High School							
2015/16 Statewide Average Per ANB	\$ 32,800		\$ 79,130							
X FY16 ANB	<u>11,737</u>		<u>5,364</u>							
Total	<u>384,973,600</u>		<u>424,453,320</u>							
X Debt Limit Rate of 1.0	<u>1.00</u>		<u>1.00</u>							
Equals: Maximum Debt Capacity	384,973,600		424,453,320							
Less: bonded indebtedness	124,678,002		11,360,000							
Less: other indebtedness	<u>-</u>		<u>-</u>							
Estimated Debt Capacity Remaining	<u>\$ 260,295,598</u>		<u>\$ 413,093,320</u>							

Note: ANB, Average Number Belonging, is calculated by averaging the previous year's october, december and february enrollment figures.

Montana Codes Annotated Section 20-9-406 provides for the issuance of bonds to an amount not to exceed the greater of 1) 50% of the latest available taxable valuation of property which is subject to taxation within the District or 2) the statewide average taxable valuation per student multiplied by the average number of students belonging in a particular district multiplied by 50%. The District used the statewide average taxable value method.

BILLINGS PUBLIC SCHOOLS

Table 15

COMPUTATION OF DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT

For the Year Ended June 30, 2016

Governmental Unit	Debt	Applicable to Elementary District		Applicable to Portion of High School District Lying Outside Elementary District	
DIRECT BONDED INDEBTEDNESS					
		Percent	Amount	Percent	Amount
Elementary District:					
General Obligation Bonds	\$ 124,509,502	100.00%	\$ 124,509,502	0.00%	\$ -
Limited Obligation Bonds	168,500	100.00%	168,500	0.00%	-
Elementary District Total	124,678,002		124,678,002		-
High School District:					
General Obligation Bonds	11,360,000	84.00%	9,542,400	16.00%	1,817,600
High School District Total	11,360,000		9,542,400		1,817,600
Total Direct Debt	<u>\$ 136,038,002</u>		<u>\$ 134,220,402</u>		<u>\$ 1,817,600</u>
OVERLAPPING BONDED INDEBTEDNESS					
Yellowstone County:					
Various Issues	\$ 4,150,000	57.70%	\$ 2,394,550	18.80%	\$ 780,200
City of Billings:					
Various Issues	24,195,000	56.67%	13,711,307	12.13%	2,934,854
Total Overlapping Debt	28,345,000		16,105,857		3,715,054
Total Direct and Overlapping Debt	<u>\$ 164,383,002</u>		<u>\$ 150,326,259</u>		<u>\$ 5,532,654</u>

Source and other information:

Does not include special assessment with government commitment or tax increment debt

Finance Department, Yellowstone County, Montana.

City of Billings, Montana

The percentage of overlapping debt applicable to the District is estimated using taxable property values.

Applicable percentages were estimated by determining the portion of the other government's taxable value that is within the district's boundaries and dividing it by the other government's total taxable value.

BILLINGS PUBLIC SCHOOLS

Table 16

RATIO OF ANNUAL DEBT SERVICE FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL SUBFUND EXPENDITURES

Last Ten Fiscal Years

(budget basis of accounting)

Fiscal Year	Principal	Interest and Fiscal Charges	Total Debt Service	Total General Subfund Expenditures	Percentage of Debt Service to General Subfund Expenditures
Elementary:					
2007	\$ 2,540,000	\$ 141,950	\$ 2,681,950	\$ 52,109,893	5.1%
2008	2,615,000	78,750	2,693,750	57,048,871	4.7%
2009	-	-	-	58,207,632	0.0%
2010	-	-	-	60,318,907	0.0%
2011	-	110,058	110,058	64,858,599	0.2%
2012	-	239,680	239,680	64,820,488	0.4%
2013	-	582,139	582,139	66,987,206	0.9%
2014	-	628,104	628,104	69,868,558	0.9%
2015	1,390,000	5,599,366	6,989,366	70,203,949	10.0%
2016	2,785,000	5,561,348	8,346,348	71,748,948	11.6%
High School:					
2007	\$ -	\$ -	\$ -	\$ 32,026,517	0.0%
2008	-	-	-	35,683,437	0.0%
2009	-	-	-	36,402,333	0.0%
2010	-	-	-	36,886,969	0.0%
2011	-	188,742	188,742	37,662,908	0.5%
2012	-	409,820	409,820	36,229,459	1.1%
2013	-	552,174	552,174	36,676,324	1.5%
2014	-	571,020	571,020	36,749,665	1.6%
2015	-	571,070	571,070	37,527,977	1.5%
2016	-	571,146	571,146	40,632,764	1.4%

Source: District Financial Records

BILLINGS PUBLIC SCHOOLS
DEMOGRAPHIC STATISTICS
 Last Ten Fiscal Years

Table 17

Year	Elementary District Population	High School District Population	Per Capita Income	Total Elementary District Personal Income (1)	Total High School District Personal Income (1)	Median Age	School Enrollment	Unemployment Rate
2007	101,650	111,650	\$ 26,491	\$ 2,692,810,150	\$ 2,957,720,150	39.3	15,556	2.6%
2008	102,000	113,000	28,427	2,899,554,000	3,212,251,000	37.5	15,503	3.1%
2009	102,500	121,700	30,427	3,118,767,500	3,702,965,900	36.8	15,481	4.4%
2010	105,500	125,000	32,427	3,421,048,500	4,053,375,000	38.1	15,676	5.8%
2011	107,934	123,145	33,289	3,593,014,926	4,099,373,905	38.3	15,714	5.6%
2012	107,977	127,987	38,488	4,155,818,776	4,925,963,656	38.5	15,965	4.9%
2013	107,857	127,011	39,640	4,275,451,480	5,034,716,040	38.4	16,220	4.2%
2014	109,059	128,281	42,720	4,659,000,480	5,480,164,320	37.8	16,268	4.0%
2015	110,248	130,625	42,735	4,711,448,280	5,582,259,375	36.8	16,318	4.0%
2016	111,902	132,584	44,573	4,987,751,164	5,909,630,976	38.0	16,356	0.0%

Sources and other information:

Bureau of Business and Economic Research

National Center for Education Statistics

(1) Calculated using Yellowstone County Per Capita Personal Income applied to the estimated District population.

BILLINGS PUBLIC SCHOOLS

Table 18

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

2016		2007	
Private Employers By Class, Alphabetically	Employer Class Size	Private Employers By Class, Alphabetically	Employer Class Size
Billings Clinic	9	Better Business Systems	9
St. Vincent Healthcare	9	Deaconess Billings Clinic	9
Wal-Mart	9	St. Vincent Healthcare	9
Albertsons Food & Drug	8	Albertsons Food & Drug	8
Charter Communications	8	First Interstate Bank	8
First Interstate Bank	8	Wal-Mart	8
St. John's Lutheran Home	8	Wells Fargo	8
Wells Fargo	8	Billings Gazette	7
Advanced Employment Services	7	Cenex	7
Cabelas Wholesale	7	Computer Claims Administration	7
CHS Inc. (Cenex)	7	ConocoPhillips	7
Costco	7	ExxonMobil	7
ExxonMobil	7	Food Services of America	7
Phillips 66 Company	7	Rocky Mountain College	7
Rocky Mountain College	7	St. John's Lutheran Home	7
Scheels	7	Sysco Food Services	7
Sysco Food Services	7	Target	7
UPS	7	Turner Industries Group	7
WeldTech Services	7	Yellowstone Boys and Girls Ranch	7
Yellowstone Boys and Girls Ranch	7	United Parcel Service	6

Public Employers By Class, Alphabetically	Employer Class Size	Public Employers By Class, Alphabetically	Employer Class Size
Billings Public Schools #2	9	Billings Public Schools #2	9
Montana State University Billings	8	Montana State University Billings	8
City of Billings	8	City of Billings	8
Yellowstone County	7	Yellowstone County	7

Size Class Breakdown
Class 6: 100-249 employees
Class 7: 250-499 employees
Class 8: 500-999 employees
Class 9: 1,000+ employees

Note: The percentage of total employment that each listed employer represents is not available.

Source: Montana Department of Labor & Industry (Research and Analysis Bureau)
Based on Yellowstone County

BILLINGS PUBLIC SCHOOLS

Table 19

OPERATING STATISTICS

Last Ten Fiscal Years

(accrual basis of accounting)

Fiscal Year	Expenses (1)	Enrollment	Cost per Pupil	Percentage Change	Certified Staff (FTE) (2)	Pupil/ Certified Staff Ratio
2007	\$ 127,668,852	15,556	\$ 8,207	6.93%	1,126.4	13.8
2008	138,371,755	15,503	8,925	8.75%	1,201.8	12.9
2009	141,785,530	15,481	9,159	2.61%	1,169.2	13.2
2010	147,171,358	15,676	9,388	2.51%	1,163.4	13.5
2011	152,743,590	15,714	9,720	3.54%	1,133.2	13.9
2012	151,509,190	15,965	9,490	-2.37%	1,101.9	14.5
2013	153,378,480	16,220	9,456	-0.36%	1,120.7	14.5
2014	159,744,398	16,268	9,820	3.84%	1,144.9	14.2
2015	163,127,767	16,318	9,997	1.81%	1,137.3	14.3
2016	166,683,190	16,356	10,191	1.94%	1,143.2	14.3

1 Expenses are from Statement of Activities

2 Certified Staff is comprised of Teachers, Librarians, Counselors, Psychologists, Speech Pathologists, OT/PT, Social Workers, Audiologists and Grant Writers.

BILLINGS PUBLIC SCHOOLS
EMPLOYEE FULL TIME EQUIVALENCY (FTE) BY FUNCTION
Last Ten Fiscal Years

Table 20

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Instruction										
Certified Staff	993.1	1,067.9	1,031.5	1,027.3	992.9	974.8	995.9	1,012.7	1,003.8	1,009.5
Classified Employees	192.1	191.6	196.5	194.6	196.6	202.5	202.9	202.4	196.8	199.4
Support Services										
Administrators	5.0	5.0	5.0	5.0	5.0	4.0	4.0	5.0	6.0	6.0
Administrative Support	1.0	1.0	1.0	1.0	1.0	-	-	-	-	-
Certified Staff	131.3	131.9	135.7	134.1	137.3	125.1	123.8	131.2	132.5	132.7
Classified Employees	63.3	65.6	64.3	63.2	64.2	65.6	64.9	64.2	59.9	61.2
General Administration										
Administrators	6.5	6.7	7.7	8.7	8.3	13.7	10.0	6.9	8.9	9.9
Administrative Support	13.5	12.5	11.5	11.5	10.5	10.5	10.5	10.5	14.5	12.5
Certified Staff	1.0	1.0	1.0	1.0	2.0	1.0	-	-	-	-
Classified Employees	23.1	22.5	21.4	19.4	21.6	20.8	19.4	19.2	19.0	21.5
Building Administration										
Administrators	42.5	48.0	46.0	45.9	45.9	45.0	45.0	48.0	48.0	47.0
Administrative Support	1.0	1.0	-	-	-	-	-	-	-	-
Certified Staff	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Classified Employees	81.8	81.3	80.2	79.4	79.7	81.4	80.6	80.9	78.5	79.2
Operations and Maintenance										
Administrators	2.0	2.0	2.0	2.0	2.0	2.0	1.0	1.0	1.0	1.0
Classified Employees	123.7	142.9	144.8	143.2	144.7	143.1	142.8	142.5	142.8	144.7
Student Transportation										
Administrators	1.0	2.0	1.0	1.0	1.3	1.0	1.0	1.0	1.0	1.0
Administrative Support	1.0	1.0	1.0	1.0	-	-	-	-	-	-
Classified Employees	32.5	34.2	31.5	28.9	28.6	42.8	35.1	33.1	32.8	33.3
Extracurricular Activities										
Administrators	1.0	1.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Classified Employees	3.5	2.7	2.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0
Total	1,720.9	1,822.8	1,787.1	1,771.2	1,745.6	1,737.3	1,741.9	1,763.6	1,750.5	1,763.9
	Summary			Admin	Admin Support	Certified Staff	Classified Employees	Total FTE		
Instruction				-	-	1,009.5	199.4	1,208.9		
Support Services				6.0	-	132.7	61.2	199.9		
General Administration				9.9	12.5	-	21.5	43.9		
Building Administration				47.0	-	1.0	79.2	127.2		
Operations and Maintenance				1.0	-	-	144.7	145.7		
Student Transportation				1.0	-	-	33.3	34.3		
Extracurricular Activities				1.0	-	-	3.0	4.0		
				65.9	12.5	1,143.2	542.3	1,763.9		

Source: District Records

BILLINGS PUBLIC SCHOOLS
CERTIFIED STAFF EDUCATION AND EXPERIENCE
November 1, 2015

Table 21

<u>Educational Attainment</u>	<u>Full Time Equivalent</u>	<u>Percent of Total</u>
Bachelor's Degree	182.9	16%
Bachelor's Degree + 15 Credits	62.6	5%
Bachelor's Degree + 30 Credits	53.3	5%
Bachelor's Degree + 45 Credits	55.3	5%
Bachelor's Degree + 60 Credits	45.8	4%
Bachelor's Degree + 75 Credits	28.6	3%
Bachelor's Degree + 90 Credits	27.3	2%
Bachelor's Degree + 105 Credits	145.7	13%
Master's Degree	126.3	11%
Master's Degree + 15 Credits	61.6	5%
Master's Degree + 30 Credits	42.2	4%
Master's Degree + 45 Credits	307.6	27%
Doctorate's Degree	<u>4.0</u>	<u>0%</u>
Total	<u><u>1,143.2</u></u>	<u><u>100%</u></u>
<u>Years of Experience</u>	<u>Full Time Equivalent</u>	<u>Percent of Total</u>
0-5	400.4	35%
6-10	224.8	20%
11-15	224.8	20%
16-20	140.8	12%
21-25	95.4	8%
26 and Above	<u>57.0</u>	<u>5%</u>
Total	<u><u>1,143.2</u></u>	<u><u>100%</u></u>

Source: District Records

	Year Built	Year Additions Built	Square Footage	Functional Capacity (1)	Enrollment	Percentage of Capacity Used
Elementary						
<u>K-6 Schools:</u>						
Alkali Creek	1979	-	41,710	402	361	89.80%
Arrowhead	1978	-	41,728	466	439	94.21%
Beartooth	1974	1980	40,834	440	504	114.55%
Bench	1955	1974, 1978	35,413	352	406	115.34%
Big Sky	1986	-	42,853	412	440	106.80%
Bitterroot	1964	1965, 1970	31,710	352	385	109.38%
Boulder	1962	1971, 2007	41,688	352	483	137.22%
Broadwater	1910	1916, 1920, 1956, 2015	56,301	400	363	90.75%
Burlington	1956	1957	33,368	332	307	92.47%
Central Heights	1962	1965, 1979	35,592	314	398	126.75%
Eagle Cliffs	1986	-	46,634	470	430	91.49%
Highland	1947	1956	32,703	292	304	104.11%
McKinley	1906	1918, 1958, 2015	56,391	400	310	77.50%
Meadowlark	1964	1971, 2007	45,445	412	486	117.96%
Miles	1955	1957, 1965	31,443	294	305	103.74%
Newman	1953	1957	30,040	254	302	118.90%
Orchard	1960	1948, 1956, 1987, 2006	61,502	450	359	79.78%
Poly	1952	1955, 1960	34,388	322	344	106.83%
Ponderosa	1965	2007	41,500	382	323	84.55%
Rimrock	1952	1976, 1979	31,086	-	-	0.00%
Rose Park	1958	1962	31,576	294	295	100.34%
Sandstone	1978	-	41,621	464	518	111.64%
Washington	1948	1952, 1962	45,869	264	282	106.82%
<u>7-8 Schools</u>						
Castle Rock	1979	-	112,801	715	817	114.27%
Lewis & Clark	1956	1962	144,095	743	765	102.96%
Riverside	1963	1979	88,026	604	582	96.36%
Will James	1967	1974	106,500	664	673	101.36%
<u>High Schools:</u>						
Career Center	1975	-	137,230		N/A	N/A
Senior	1940	1953, 1967, 1974	229,895	1,445	1,842	127.47%
Skyview	1987	-	247,667	1,454	1,489	102.41%
West	1959	1962, 1966, 1975, 1976	239,887	1,484	1,844	124.26%
<u>Administration:</u>						
Lincoln Center	1913	1921, 1935, 1951, 1964, 1968, 1985	136,805			
Facilities	1958	1962	24,000			
Warehouse	1994	-	40,000			
<u>Vacant Land Sites:</u>						
Elem. - 10 acres						
H.S. - 40 acres						

Source: District Records

Note: Rimrock Elementary has been closed since 2008, but is still owned by the District

(1) Tied to facilities master plan

BILLINGS PUBLIC SCHOOLS

Table 23

PERCENTAGE OF STUDENTS WHO QUALIFIED FOR FREE AND REDUCED LUNCH

Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>Elementary Schools:</u>										
<u>K-6 Schools:</u>										
Alkali Creek^	24.4%	20.1%	19.6%	19.2%	23.8%	23.6%	24.8%	24.1%	21.3%	20.2%
Arrowhead	4.2%	4.9%	5.2%	4.6%	5.3%	8.0%	7.3%	8.7%	7.6%	8.0%
Beartooth (1) (2)	N/A	35.9%	41.8%	46.7%	40.1%	44.7%	45.8%	47.9%	46.5%	45.0%
Bench	49.2%	55.2%	60.3%	61.3%	59.0%	61.0%	61.7%	61.5%	63.1%	65.8%
Big Sky	18.5%	22.1%	22.7%	24.2%	27.5%	28.8%	32.9%	31.1%	35.8%	33.2%
Bitterroot	37.2%	35.1%	36.4%	42.3%	37.5%	41.0%	36.2%	36.1%	38.4%	34.8%
Boulder	19.2%	22.3%	23.7%	25.2%	23.8%	25.3%	22.0%	20.3%	18.7%	21.7%
Broadwater	45.5%	51.4%	57.1%	60.9%	61.0%	56.7%	59.3%	64.5%	69.3%	63.1%
Burlington	31.5%	35.8%	38.3%	40.6%	36.6%	37.1%	38.3%	38.8%	41.2%	40.4%
Central Heights	34.4%	32.8%	30.0%	35.7%	40.6%	44.9%	36.6%	36.4%	39.7%	39.4%
Eagle Cliffs	23.8%	21.5%	18.7%	19.0%	23.3%	26.2%	22.6%	23.1%	25.8%	26.5%
Highland	27.0%	31.0%	35.9%	35.2%	37.3%	41.2%	36.1%	36.4%	31.9%	37.5%
McKinley	60.1%	66.3%	65.1%	65.3%	65.3%	71.6%	65.0%	64.5%	73.8%	63.9%
Meadowlark	19.0%	28.8%	30.8%	33.8%	34.4%	34.3%	33.7%	33.1%	30.6%	30.9%
Miles	50.0%	46.3%	48.5%	53.1%	54.5%	56.1%	57.2%	55.8%	65.8%	62.0%
Newman	67.9%	75.0%	74.4%	74.1%	73.6%	73.8%	70.9%	72.4%	73.9%	71.2%
Orchard	78.7%	84.8%	85.6%	89.0%	83.3%	86.2%	85.7%	85.1%	100.0%	100.0% *
Poly	14.5%	17.2%	21.8%	24.5%	22.0%	21.0%	21.0%	20.7%	24.1%	23.3%
Ponderosa	71.8%	74.3%	73.4%	74.1%	71.7%	73.1%	74.8%	74.7%	68.6%	72.8%
Rose Park	27.7%	29.1%	23.3%	33.1%	33.9%	38.0%	38.1%	42.5%	42.1%	43.7%
Sandstone	34.5%	35.0%	37.3%	37.1%	38.2%	42.3%	44.4%	44.4%	38.7%	44.4%
Washington	72.7%	66.5%	64.7%	73.4%	77.0%	75.9%	77.9%	77.7%	77.8%	100.0% *
<u>7-8 Schools:</u>										
Castle Rock	28.3%	28.5%	27.6%	31.2%	31.6%	31.4%	30.8%	31.6%	32.6%	35.0%
Lewis & Clark	37.0%	32.9%	34.2%	42.1%	39.5%	38.6%	40.7%	41.8%	44.6%	41.6%
Riverside	54.0%	51.8%	49.4%	55.1%	54.0%	55.9%	56.6%	60.1%	66.6%	64.4%
Will James	17.1%	11.2%	15.4%	18.6%	22.1%	21.7%	19.8%	17.8%	14.2%	18.1%
<u>High Schools:</u>										
Senior	22.6%	23.1%	24.1%	27.9%	30.5%	32.3%	29.7%	29.8%	31.7%	31.3%
Skyview	17.6%	17.5%	17.9%	23.0%	25.7%	25.3%	23.4%	24.2%	24.0%	22.4%
West	16.0%	12.5%	13.6%	18.8%	19.9%	22.5%	22.8%	22.1%	21.0%	19.0%

(1) School closed, (2) School reopened

* These schools now run under the USDA's Community Eligibility Program and do not collect Free & Reduced forms.

All students at these schools eat free.

Source: District Records

BILLINGS PUBLIC SCHOOLS

Table 24

ATTENDANCE DATA

Last Ten Fiscal Years

Year Ended June 30	October Enrollment	Prior Years' Percent Increase (Decrease)	Average Number Belonging (ANB)		
			ANB	Percent Increase (Decrease)	Percent of Prior Year's Enrollment
2007	15,556	(0.94)	15,529	(0.15)	99.85
2008	15,503	(0.34)	16,025	3.19	103.19
2009	15,481	(0.14)	15,923	(0.64)	99.36
2010	15,676	1.26	16,208	1.79	101.79
2011	15,714	0.24	16,151	(0.35)	99.65
2012	15,965	1.60	16,486	2.07	102.07
2013	16,220	1.60	16,737	1.52	101.52
2014	16,268	0.30	16,787	0.30	100.30
2015	16,318	0.31	16,913	0.75	100.75
2016	16,356	0.23	17,101	1.11	101.11

Source: District Records

BILLINGS PUBLIC SCHOOLS
SCHEDULE OF INSURANCE IN FORCE

Table 25

I.	Commercial Property	
A.	Policy #:	KTK-CMB-545D602-3-15
B.	Carrier:	The Travelers Indemnity Company
C.	Policy Period:	7/1/15-7/1/16
D.	Coverage:	Buildings/Contents
E.	Limits:	\$436,604,366
II.	Commercial General Liability	
A.	Policy #:	GLA906348202
B.	Carrier:	Zurich American Insurance Company
C.	Policy Period:	7/1/15-7/1/16
D.	Coverage:	General Liability, Sexual Molestation, Employee Benefits
E.	Limits:	\$1,000,000 per occurrence; \$2,000,000 aggregate
III.	Commercial Auto	
A.	Policy #:	GLA906348202
B.	Carrier:	Zurich American Insurance Company
C.	Policy Period:	7/1/15-7/1/16
D.	Coverage:	Automobile Liability and Physical Damage
E.	Limits:	\$1,000,000
IV.	Boiler and Machinery Policy	
A.	Policy #:	FBP9333099
B.	Carrier:	Hartford Steam Boiler
C.	Policy Period:	7/1/15-7/1/16
D.	Limits:	Based on property values
V.	Environmental Liability	
A.	Policy #:	569605
B.	Carrier:	Ironshore Specialty Insurance Company
C.	Policy Period:	7/1/15-7/1/16
D.	Limits:	\$1,000,000 per occurrence; \$2,000,000 aggregate
VI.	Commercial Excess Liability	
A.	Policy #:	AUC017456600
B.	Carrier:	American Guarantee & Liability
C.	Policy Period:	7/1/15-7/1/16
D.	Limits:	\$10,000,000
VII.	Crime	
A.	Policy #:	105638404
B.	Carrier:	Travelers Casualty & Surety Co
C.	Policy Period:	7/1/15-7/1/16
D.	Limits:	\$100,000 and \$500,000 depending on coverage
VIII.	Educators Legal Liability	
A.	Policy #:	ELL906348302
B.	Carrier:	Zurich American Insurance Company
C.	Policy Period:	7/1/15-7/1/16
D.	Limits:	\$1,000,000 aggregate
IX.	Privacy Protection Policy	
A.	Policy #:	105638404
B.	Carrier:	Travelers Casualty & Surety Co
C.	Policy Period:	7/1/15-7/1/16
D.	Limits:	\$1,000,000
X.	Builders Risk Reporting Policy	
A.	Policy #:	IMP448843503
B.	Carrier:	Great American Insurance Company
C.	Policy Period:	6/1/15-6/1/16
D.	Limits:	\$1,800,000
XI.	Workers' Compensation	
A.	Policy #:	WC-16-31147
B.	Carrier:	Montana Schools Group Insurance Authority
C.	Policy Period:	7/1/15-6/30/2016
D.	Limits:	\$1,500,000
XII.	Builders Risk Policy - McKinley Elementary	
A.	Policy #:	QT6607D7848474TIL14
B.	Carrier:	Travelers Property Casualty Co of America
C.	Policy Period:	6/7/14-12/9/15
D.	Limits:	\$10,800,000
XIII.	Builders Risk Policy - Broadwater Elementary	
A.	Policy #:	QT6607D784837TIL14
B.	Carrier:	Travelers Property Casualty Co of America
C.	Policy Period:	6/7/14-12/7/15
D.	Limits:	\$10,700,000
XIV.	Builders Risk Policy - Medicine Crow Middle School	
A.	Policy #:	6685827
B.	Carrier:	Federal Insurance Company (CHUBB)
C.	Policy Period:	3/9/15-9/9/16
D.	Limits:	\$18,609,656

SINGLE AUDIT SECTION

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**Independent Auditor's 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***

To the Board of Trustees
Billings Public Schools
Billings, Montana

We have audited, 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Billings Public Schools as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Billings Public Schools' basic financial statements, and have issued our report thereon dated December 12, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Billings Public Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Billings Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Billings Public Schools' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 statements will not be prevented, or detected and corrected on a timely basis. We consider deficiency 2016-A described in the accompanying schedule of findings and questioned costs to be a material weakness.

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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Billings Public Schools' financial statements are free from 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-B.

Billings Public Schools' Response to Findings

Billings Public Schools' response to the findings identified in our audit are described in the accompanying Corrective Action Plan. Billings Public Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Billings, Montana
December 12, 2016

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Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance required by the Uniform Guidance

To the Board of Trustees
Billings Public Schools
Billings, Montana

Report on Compliance for the Major Federal Program

We have audited Billings Public Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Billings Public Schools' major federal program for the year ended June 30, 2016. Billings Public Schools' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms of conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for Billings Public Schools' major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Billings Public Schools' compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Billings Public Schools' compliance.

Opinion on the Major Federal Program

In our opinion, Billings Public Schools complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2016.

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Report on Internal Control over Compliance

Management of Billings Public Schools is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Billings Public Schools' internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Billings Public Schools' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in black ink. The signature appears to read "Eide Bailly LLP" in a cursive, stylized font. The letters are connected, and the overall style is professional and fluid.

Billings, Montana
December 12, 2016

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BILLINGS PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

Federal Grantor/Pass Through Grantor/Program Title or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Award Amount	(Due from), Due to, Unearned or Fund Balance July 1, 2015	Cash Receipts	Expenditures	Other	(Due from), Due to, Unearned or Fund Balance June 30, 2016
U.S. Department of Education:								
Direct programs:								
Indian Education Grants to LEA's	84.060	S060A152167	\$ 314,329	\$ -	\$ 314,329	\$ (314,329)	\$ -	\$ -
<i>CFDA subtotal</i>				-	314,329	(314,329)	-	-
Total Direct Programs				-	314,329	(314,329)	-	-
Passed Through State Office of Public Instruction:								
Adult Education-Basic Grants to States	84.002	5609665616	189,421	-	189,421	(189,421)	-	-
<i>CFDA subtotal</i>				-	189,421	(189,421)	-	-
Title I Grants to LEA's	84.010	5609653115	4,032,552	(19,503)	365,827	(346,324)	-	-
Title I Grants to LEA's	84.010	5609653116	3,903,094	-	3,407,700	(3,616,588)	-	(208,888)
<i>CFDA subtotal</i>				(19,503)	3,773,527	(3,962,912)	-	(208,888)
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	5609664216	20,768	-	3,530	(6,207)	-	(2,677)
<i>CFDA subtotal</i>				-	3,530	(6,207)	-	(2,677)
Career and Technical Education Basic Grants to States	84.048	5609668115BG	308,477	(30,955)	30,955	-	-	-
Career and Technical Education Basic Grants to States	84.048	5609668116BG	304,185	-	276,557	(302,016)	-	(25,459)
<i>CFDA subtotal</i>				(30,955)	307,512	(302,016)	-	(25,459)
Special Education Grants to States	84.027	5609657715ALLO	4,442,662	(10,585)	10,585	-	-	-
Special Education Grants to States	84.027	5609657716ALLO	3,759,054	-	3,679,700	(3,715,142)	-	(35,442)
Special Education Preschool Grants	84.173	5609657916ALLO	117,427	-	117,427	(117,427)	-	-
<i>CFDA subtotal</i>				(10,585)	3,807,712	(3,832,569)	-	(35,442)
Education for Homeless Children and Youth	84.196	5609655715	57,644	(13,436)	19,113	(5,677)	-	-
Education for Homeless Children and Youth	84.196	5609655716	24,906	-	23,543	(24,906)	-	(1,363)
<i>CFDA subtotal</i>				(13,436)	42,656	(30,583)	-	(1,363)
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	5609668415	7,690	(592)	592	-	-	-
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	5609668416	9,691	-	1,290	(6,086)	-	(4,796)
<i>CFDA subtotal</i>				(592)	1,882	(6,086)	-	(4,796)
English Language Acquisition State Grants	84.365	5609654115	26,982	(639)	9,579	(8,940)	-	-
English Language Acquisition State Grants	84.365	5609654116	25,285	-	1,020	(2,329)	-	(1,309)
<i>CFDA subtotal</i>				(639)	10,599	(11,269)	-	(1,309)
Improving Teacher Quality State Grants	84.367	5609651415	1,061,953	(18,035)	18,500	(465)	-	-
Improving Teacher Quality State Grants	84.367	5609651416	998,287	-	946,986	(888,793)	-	58,193
<i>CFDA subtotal</i>				(18,035)	965,486	(889,258)	-	58,193
Passed Through State Department of Public Health and Human Services:								
Special Education-Grants for Infants and Families	84.181	16-143-1800	289,809	-	287,350	(287,350)	-	-
<i>CFDA subtotal</i>				-	287,350	(287,350)	-	-
Rehabilitative Services-Vocational Rehabilitation Grants to States	84.126	H126A150038	286,000	-	139,875	(2,716)	-	137,159
<i>CFDA subtotal</i>				-	139,875	(2,716)	-	137,159
Total Pass Through Programs				(93,745)	9,529,550	(9,520,387)	-	(84,582)
Total U.S. Department of Education				\$ (93,745)	\$ 9,843,879	\$ (9,834,716)	\$ -	\$ (84,582)
U.S. Department of Health and Human Services:								
Passed Through State Department of Public Health and Human Services:								
Temporary Assistance for Needy Families	93.558	14-022-61008-0	53,482	\$ (942)	\$ 942	\$ -	\$ -	\$ -
Temporary Assistance for Needy Families	93.558	16-022-61008-0	59,997	-	-	(52,820)	-	(52,820)
<i>CFDA subtotal</i>				(942)	942	(52,820)	-	(52,820)
Total U.S. Department of Health and Human Services				\$ (942)	\$ 942	\$ (52,820)	\$ -	\$ (52,820)

BILLINGS PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

Federal Grantor/Pass Through Grantor/Program Title or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Award Amount	(Due from), Due to, Unearned or Fund Balance July 1, 2015	Cash Receipts	Expenditures	Other	(Due from), Due to, Unearned or Fund Balance June 30, 2016
<u>U.S. Department of Agriculture:</u>								
Passed Through State Office of Public Instruction:								
Child Nutrition Cluster:								
Non-Cash Assistance (Commodities):								
National School Lunch Program	10.555	N/A	246,720	\$ -	\$ 246,720	\$ (246,720)	\$ -	\$ -
Summer Food Service Program for Children	10.559	N/A	623	-	623	(623)	-	-
Non-Cash Assistance Subtotal				-	247,343	(247,343)	-	-
Cash Assistance:								
School Breakfast Program	10.553	N/A	755,187	-	755,187	(755,187)	-	-
National School Lunch Program	10.555	N/A	2,600,430	-	2,600,430	(2,600,430)	-	-
Summer Food Service Program for Children	10.559	N/A	170,069	(41,309)	149,724	(170,069)	-	(61,654)
Cash Assistance Subtotal				(41,309)	3,505,341	(3,525,686)	-	(61,654)
CFDA subtotal				(41,309)	3,752,684	(3,773,029)	-	(61,654)
Team Nutrition Grants	10.574	5609662115	1,000	900	-	-	-	900
Team Nutrition Grants	10.574	5609662011HS	1,000	100	-	-	-	100
CFDA subtotal				1,000	-	-	-	1,000
Fresh Fruit and Vegetable Program	10.582	N/A	125,430	-	125,430	(125,430)	-	-
CFDA subtotal				-	125,430	(125,430)	-	-
Total U.S. Department of Agriculture				\$ (40,309)	\$ 3,878,114	\$ (3,898,459)	\$ -	\$ (60,654)
Total Federal Awards				\$ (134,996)	\$ 13,722,935	\$ (13,785,995)	\$ -	\$ (198,056)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of Billings Public Schools under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of the Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the government, it is not intended to and does not present the financial position or changes in net position of the government.

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Billings Public Schools received federal awards both directly from federal agencies and indirectly through pass-through entities.

Billings Public Schools has not elected to use the 10% de minimis cost rate.

NOTE B - SCHOOLWIDE TITLE I PROGRAM

Billings Public Schools operates a schoolwide Title I program. Since schoolwide programs are not a separate federal program as defined on OMB Circular A-133, amounts used in the schoolwide programs are included in the total expenditures of the program contributing the funds in the accompanying schedule of expenditures of federal awards. The programs included in Billings Public Schools schoolwide Title I program include Title I, Title II, Title IV Competitive, and Title IX.

NOTE C - FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of commodities received and disbursed.

NOTE D - RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

Federal award revenues are included in the basic financial statements as part of federal revenues in the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds.

The following is a reconciliation of cash receipts on the schedule of expenditures of federal awards to federal revenues reported in the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds.

Cash receipts	\$ 13,722,935
Revenue accrual adjustments	270,719
Federal revenues not subject to single audit	1,017,546
Federal revenues	<u>\$ 15,011,200</u>

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of Major Programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Special Education Cluster (IDEA)	84.027, 84.173
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

**2016-A Cutoff Procedures Over Accounts Payable Function
Material Weakness**

Criteria: A good system of internal accounting control contemplates an adequate system for recording and processing entries significant to the financial statements.

Condition: During the course of our engagement, we proposed an adjustment that would not have been identified as a result of Billings Public Schools' existing internal controls, and therefore could have resulted in a material misstatement of the financial statements.

Cause: During our testing of the cutoff in accounts payable, we identified one invoice for which goods and services were provided prior to June 30, 2016, and thus should have been recorded as an accounts payable at year-end.

Effect: This control deficiency could result in a material misstatement to the financial statements that would not be prevented or detected.

Recommendation: A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisor levels. This will minimize the risk of a material misstatement occurring in the financial statements.

*Views of
Responsible Officials:* There is no disagreement with the finding.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State of Montana Compliance Findings

2016-B **Enrollment Count**
Control Deficiency, not a Material Weakness or Significant Deficiency

Criteria: Montana Code Annotated (MCA) Section 20-9-311(6) states “When a pupil has been absent, with or without excuse, for more than 10 consecutive school days, the pupil may not be included in the enrollment count used in the calculation of the ANB unless the pupil resumes attendance prior to the day of the enrollment count.” MCA Section 20-9-311 (11) (a) – (g) describes situations where a district may include an enrolled pupil for Annual Number Belonging (ANB) purposes who is otherwise eligible.

Condition: During our audit, it was noted that during the Fall Enrollment count that one student was absent for more than 10 consecutive school days prior to the count date. This student did not meet any of the exceptions set forth in MCA Section 20-9-311 (11) (a) – (g) and was incorrectly included in the School District’s ANB count. This was the only student miscounted out of a total enrollment of 16,367.

Cause: The School District inadvertently counted a student that was absent for more than 10 days because and it was not immediately communicated to the District employee that provides the official count to the Office of Public Instruction.

Effect: Since the School District's control system was able to identify within a short period of time the student that was incorrectly counted, there is not an effect that can be attributed to this finding.

Recommendation: A thorough review and reconciliation of enrollment accounts should take place. This will minimize the risk of errors in enrollment counts.

Views of Responsible Officials: There is no disagreement with the finding.

**2015-001 CFDA # 84.027, 84.173 Year Ended June 30, 2015
Special Education Cluster (IDEA)**

**Activities Allowed or Unhallowed and Allowable Costs/Cost Principles
Significant Deficiency in Internal Control over Compliance and Compliance**

Initial Fiscal Year

Finding Occurred: Year ended June 30, 2015.

Finding Summary: For 1 out of 100 transactions tested, proper approval for wages was not obtained and this was found to be for an unallowable activity. It was also found that 2 monthly stipend payments were overpaid to employees using IDEA funds. These transactions did not have proper approval and were found to be unallowable costs.

Status: Billings Public Schools has fully implemented procedures for proper approval for expenditures.

Billings Public Schools
Corrective Action Plan
Year Ended June 30, 2016

2016-A Cutoff Procedures Over Accounts Payable Function

Contact Person Responsible for Corrective Action - Jeri Anton, Accountant

Corrective Action Planned - Additional training of new and existing staff will be done to inform everyone on how to appropriately handle and look for outstanding invoices on June 30th of each year. The importance of outstanding invoices needs to be conveyed from the business office. The business office also will conduct a more thorough reconciliation of paid invoices vs. outstanding purchase orders. The business office has updated policies and procedures regarding the cutoff process.

Anticipated Completion Date of Corrective Action - Immediately

2016-B Enrollment Count

Contact Person Responsible for Corrective Action - Jeri Anton, Accountant

Corrective Action Planned - The district will conduct a second review of absent students to confirm proper inclusion of students with excessive absences and additional training will be held, this will be done in conjunction with our district AIM personnel.

Anticipated Completion Date of Corrective Action - Immediately

END OF REPORT