



Billings Public Schools

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR YEAR ENDED JUNE 30, 2011

Billings School District No. 2
415 North 30th Street
Billings, Montana 59101-1298

BILLINGS SCHOOL DISTRICT NO. 2
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2011

Prepared by the Financial Services Department
Dr. Josh Middleton, Assistant Superintendent/Chief Financial Officer

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

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SECTION I - INTRODUCTORY

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BILLINGS PUBLIC SCHOOLS

ORGANIZATION

BOARD OF TRUSTEES

High School and Elementary
Single Member District

1	Travis Kemp	Trustee
2	Joyce Weber	Trustee
3	Greta Besch Moen	Trustee
4	Kathleen Aragon	Trustee, Vice-Chair
5	Lindy S. Graves	Trustee
6	Barbara Bryan	Trustee, Chair
7	Connie Wardell	Trustee

High School
Nominating District

A	Teresa Stroebe	Trustee
B	Joel Guthals	Trustee

OFFICIALS

R. Keith Beeman	Superintendent
Leo Hudetz	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

Board of Trustees



Superintendent
R. Keith Beeman

Internal Auditor/Clerk
Leo Hudetz

Executive Director
David Munson

- Special Education
- Student Services
- Nursing

Executive Director
Kathy Olson

- Elementary Education
- Special Education
- Music

Executive Director
C. Scott Anderson

- Secondary Education
- Adult Education
- Truancy Center

Executive Director
Dan Martin

- Human Resources
- Technology
- Parent & Student Assistance
- Federal Programs

Executive Director
Dave Williams

- Activities
- Driver Education
- Office of Development and Advancement

Executive Director
Gail Surwill

- Grades K-12 Curriculum
- Librarians

Executive Director
Rich Whitney

- Facilities Services

Chief Financial Officer
Thomas Harper

- Financial/Accounting Operations
- Transportation
- Warehouse/Purchasing
- Food Service

Billings Public Schools

Financial Services

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



December 15, 2011

Teresa Stroebe, Chair
Members of the Board of Trustees and Billings Community
Billings Public Schools (School District #2)
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, 2011. 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 2011.

Responsibility for the accuracy of the presentation, including all disclosures, rests with the school district's Financial 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 EideBaily LLP, an independent auditor, to conduct the district's audit for the fiscal year ended June 30, 2011. The auditors' 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 93 square miles and has an estimated population of 107,934. 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 123,145.

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. Dr. Keith Beeman was the superintendent during the period examined in this report. He and the Billings Board of Trustees reached a mutual contract release effective November 1, 2011. Mr. Jack Copps, the retired superintendent who served previous to Dr. Beeman, has returned to the Billings School District assuming interim superintendent duties for the duration of the 2011-12 school year. Another change in leadership occurred at the board level with the resignation of Board Chair Barb Bryan in November 2011. Trustee Teresa Stroebe was elected as the new Board Chair to serve until the annual reorganization meeting in May.

All funds of the district are included in this report. The district serves over approximately 16,000 students and providing 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. The 2011-12 school year has seen a resurgence in growth with over 300 additional students, most of whom are enrolled in the elementary district. Consistent with other AA school districts in the state, the Billings Board of Trustees will monitor this growth and related financial implications.

The district has aging buildings with the oldest building constructed in 1910 and most recent built in 1987. 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 17 school buildings currently running at over 100% current functional capacity.

The activities of the Billings Education Foundation, Yes for Kids, 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 revenue budgets on or before August 25th immediately preceding the school year. The primary building blocks of the district's overall financial planning include appropriated governmental funds for: General, Transportation, Tuition, Retirement, Technology Acquisition, Adult Education, Flexibility, Debt Service, and Building Reserve. It should be noted that proposed expenditure budgets were available in August 2011, however the board only approved the revenue budgets per state law. A return to a formal budgeting committee to review proposed expenditures, which had been suspended in the 2010-11 school year for FY 12, is recommended.

In 2010, the district garnered community support with the passage of an elementary general fund levy, a high school technology levy, and a \$12 million bond levy, specifically QZAB and QSCB bonds in the amounts of \$4.42 million for the elementary district and \$7.58 million for the high school district.

ECONOMIC CONDITION AND OUTLOOK

Local Economy

The Billings School District is located in south-central Montana within Yellowstone County. Billings is the major city, serves as the county seat, and is the largest city in Montana. The County has more than 14.5% of the State's population and has grown by almost 12% over the last 10 years.

The personal income base has expanded considerably since the early 1990's in the County, resulting in continuous economic expansion. Industries that markedly impact the local economy include those industries associated with trade center activities, agriculture, energy, and tourism and travel. The Billings area is a regional center for the energy industry with three major oil refineries located within the County. Good transportation access contributes to the area's economic activity. Interstate highways intersect near the city, and the city is serviced by three major airline carriers. The city is a major trade center for eastern Montana and northern Wyoming. The absence of a sales tax attracts customers from northern Wyoming. Trade center activities are anchored by the city's status as a regional medical center. Agriculture is a significant economic force in the County. An important component of the area's economy is tourism and conventions with a nearby national park and three winter ski areas. The newly renovated Rimrock Auto Arena is a multi-use facility that seats 12,000 people and contains a large area for exhibitions. Three higher education facilities are located in the city. Each institution offers both two-year and four-year degrees, as well as graduate programs.

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 a single audit in conformity with provisions of the single audit act of 1984, replaced by the single audit act amendment of 1996, and U.S. Office of Management and Budget A-133 (revised 6/30/1997), *Audits of States, Local Governments, and Non-Profit Organizations*.

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 (Revised OMB A-133): report on financial statements, internal control, compliance, audit findings and questioned costs.

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

Certificates of Excellence

The Association of School Business Officials International (ASBO) has awarded the Meritorious Budget Award for excellence in the preparation and issuance of Billings Public Schools annual budgets for the fiscal 2007, 2008, 2009, and 2010 years.

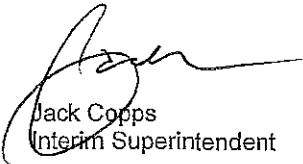
This report has been prepared following guidelines recommended by the Government Finance Office Association (GFOA) of the United States for its Certificate of Achievement for Excellence in Financial Reporting program and also following guidelines recommended by ASBO for its Certificate of Excellence in Financial Reporting. This is the fifth year that Billings Public Schools has submitted its report to these organizations. The school district was recognized by both organizations for the fiscal 2007, 2008, 2009 and 2010 submissions. Both awards are valid for a period of one year only. We believe our current report continues to conform to the ASBO and GFOA requirements, and we will submit it for determination of its eligibility for renewed awards.

Acknowledgements

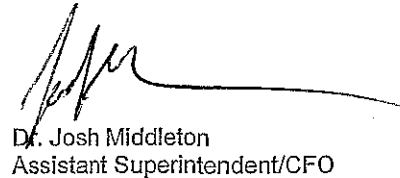
The preparation of the annual financial report was made possible by the dedicated efforts of the Financial Services Department.

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.

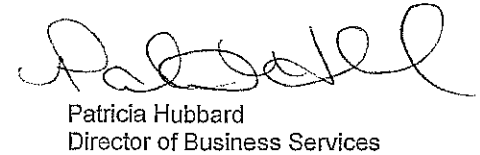
Respectfully Submitted,



Jack Copps
Interim Superintendent



Dr. Josh Middleton
Assistant Superintendent/CFO



Patricia Hubbard
Director of Business Services

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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

BILLINGS PUBLIC SCHOOLS

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2010

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

SECTION II - FINANCIAL SECTION



Independent Auditor's Report

Board of Trustees
Billings Public Schools
Billings, Montana

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Billings Public Schools, Billings, Montana, as of and for the year ended June 30, 2011 which collectively comprise the Billings Public School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Billings Public School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Billings Public Schools, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, Billings Public Schools adopted the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. Our opinion on the financial statements is not modified with respect to that matter.

In accordance with Government Auditing Standards, we have also issued our report dated December 15, 2011 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress and employer contributions on pages 12 through 22 and 47 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Billings Public Schools financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, supporting schedules, State of Montana mandated schedules of changes in fiduciary net assets (extracurricular) and enrollment schedule, statistical section, and schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements, supporting schedules, State of Montana mandated schedules of changes in fiduciary net assets (extracurricular), and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory, enrollment schedule 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.

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

Billings, Montana
December 15, 2011

BILLINGS PUBLIC SCHOOLS

MANAGEMENT DISCUSSION & ANALYSIS

The following discussion and analysis of Billings Public Schools' (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, 2011. 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 governmental activities increased \$6.1 million (from 2010 to 2011) to \$148.7 million. This represents a 4.3% increase compared to the prior year.
- Governmental activity expenditures increased \$5.7 million over 2010 to \$152.7 million. This represents a 3.8% increase over the prior year.
- At year-end, the governmental funds reported total fund balances of \$31.1 million, an increase of \$9.8 million over the prior year.
- The 2011 general fund expenditure budget was \$102.5 million, an increase of \$5.3 million or 5.5% over the prior year.
- In 2011 the district began renovation and energy upgrades in specific buildings as a result of the approval of the 2010 \$12 million bonds.

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

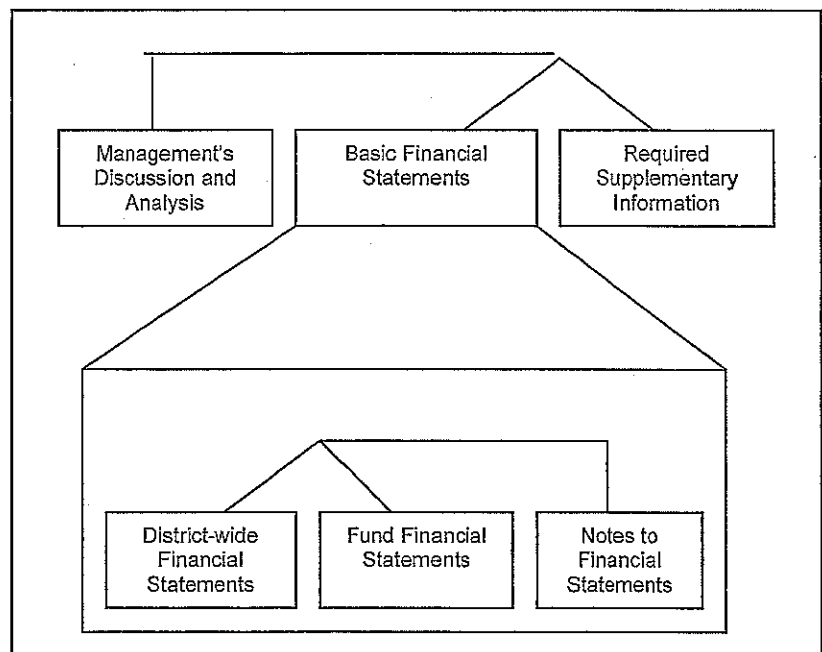


Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

BILLINGS PUBLIC SCHOOLS
MANAGEMENT DISCUSSION & ANALYSIS

Figure A-2
Major Features of Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Financial 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 assets Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of fiduciary net assets Statement of changes in fiduciary net assets
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 the 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 Assets and the Statement of Activities (pages 23 and 24) 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 and liabilities 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 the net assets and changes in them. You can think of net assets—the difference between assets and liabilities—as one way to measure the district's financial health, or financial position. Over time, increases or decreases in net assets are one 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 25 and 27) 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 Assets and the Statement of Activities) and governmental funds in reconciliations (pages 26 and 28, 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 29, 30 and 31 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.

BILLINGS PUBLIC SCHOOLS
MANAGEMENT DISCUSSION & ANALYSIS

THE DISTRICT AS A WHOLE AS OF JUNE 30, 2011

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

NET ASSETS:	Governmental Activities	
	2011	2010
Current and other assets	\$ 41,000,860	\$ 30,138,558
Capital assets	61,732,136	61,837,486
Total assets	102,732,996	91,976,044
Other liabilities	4,509,996	3,704,645
Long-term liabilities outstanding	44,197,109	30,185,545
Total liabilities	48,707,105	33,890,190
Net assets:		
Invested in capital assets, net of related debt	59,798,909	60,775,788
Restricted	7,457,520	13,131,943
Unrestricted	(13,230,538)	(15,821,877)
	\$ 54,025,891	\$ 58,085,854

BILLINGS PUBLIC SCHOOLS
MANAGEMENT DISCUSSION & ANALYSIS

CHANGE IN NET ASSETS:	Governmental Activities	
	2011	2010
Revenues:		
Program revenues:		
Charges for services	\$ 3,166,703	\$ 3,237,009
Operating grants and contributions	37,940,966	33,980,885
Capital grants and contributions	77,586	77,188
General revenues:		
Taxes	38,512,088	35,921,360
State sources	53,750,824	55,442,478
County sources	13,525,559	12,124,782
Interest	293,422	411,620
Contributions and donations	1,146,735	937,984
Miscellaneous	269,744	459,324
Total revenues	<u>148,683,627</u>	<u>142,592,630</u>
Expenses:		
Instruction	94,100,760	91,294,560
Support services:		
Students	10,978,889	10,384,550
Instructional staff	7,541,224	7,115,837
General administration	1,559,394	1,607,281
Administration	10,149,144	9,642,520
Business	2,258,772	1,948,020
Operation and maintenance	12,244,035	12,232,630
Student transportation	5,220,799	5,037,035
Food services	5,872,264	5,253,191
Community services	30,563	26,363
Extracurricular	2,458,540	2,351,072
Other current charges	12,874	12,350
Interest on long-term debt	316,332	46,167
Total expenses	<u>152,743,590</u>	<u>146,951,576</u>
Change in net assets	(4,059,963)	(4,358,946)
Net assets, beginning	<u>58,085,854</u>	<u>62,444,800</u>
Net assets, ending	<u>\$ 54,025,891</u>	<u>\$ 58,085,854</u>

BILLINGS PUBLIC SCHOOLS
MANAGEMENT DISCUSSION & ANALYSIS

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 assets and changes in net assets. The 2011 expenses exceeded revenue by \$4.1 million.

	2011	2010	% Change
Revenue	\$ 148,683,627	\$ 142,592,630	4.3%
Expenses	152,743,590	146,951,576	3.9%
Surplus/Deficit	\$ (4,059,963)	\$ (4,358,946)	6.9%

Total revenues increased by 4.3% due to remaining one-time-only funds and the passage of local levies. Expenditures continue to exceed revenue in 2011 for the seventh consecutive year. The district will continue to work on a plan to address this growth of expenditures.

Net assets consist of cash and cash equivalents and capital assets net of liabilities. In 2011, net assets decreased by the \$4.1 million operating deficit.

	2011	2010	Change
Invested in capital assets, net of related debt	\$ 59,798,909	\$ 60,775,788	\$ (976,879)
Restricted for:			
Debt service	118,322	119,793	(1,471)
Other purposes	7,339,198	13,012,150	(5,672,952)
Unrestricted (deficit)	(13,230,538)	(15,821,877)	2,591,339
Total governmental activities net assets	\$ 54,025,891	\$ 58,085,854	\$ (4,059,963)

The district uses its assets to provide services to students and the community. At the close of the 2011 fiscal year the district had \$54.0 million in net assets. The signification variation in the categories of net assets is a result of the GASB 54 changes that state how these are classified.

The largest portion of the district's net assets (\$59.8 million) are capital assets which include investments in land, buildings, equipment, improvements, and infrastructure 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 has an estimated \$123 million in deferred maintenance costs. The district budgeted \$500,000 in its general fund for on-going maintenance in 2011. The district issued \$12.0 million bonds in fiscal year 2011 to address a portion of the deferred maintenance costs.

The 2011 net assets restricted for debt service or other purposes totaling \$7.5 million cannot be reallocated to cover other district expenses.

Unrestricted net assets 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 \$13.2 million and represents unfunded estimated future pension related liabilities. This deficit decreased by \$2.6 million, or 19.6%, in 2011 due primarily to amortization related to the service credit and termination pay benefits plan, compensated absences, and other postemployment benefits (See Note 4). The district expects this deficit to increase in future years unless the District begins funding these plans. The district historically has maintained a policy of pay-as-you-go for the service credit, compensated absences, termination pay benefits and other postemployment benefits. The district budgeted \$3.2 million to cover the estimated current costs in 2011 (See Note 4). This obligation will be met using cash balances from different funding sources.

BILLINGS PUBLIC SCHOOLS

MANAGEMENT DISCUSSION & ANALYSIS

The district's unfunded liability for the service credit and termination pay benefits plan, compensated absences and other postemployment benefits (OPEB) is \$71.3 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.

Net assets from governmental activities had a change of \$4.1 million in 2011. This change was primarily due to the increase in expenses.

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. Due to GASB 54 the classification of how fund balances are reported has changed. The fund balances for FY2010 were \$21.6 million, while FY2011 total were \$31.1 million. The major funds were the general funds, elementary building fund and high school building fund.

The combined balance for all funds of \$31.1 million increased by \$9,478,905 in 2011, mainly is due to bond proceeds deposited into the building funds. The bond proceeds will be spent on projects proposed when the voters approved the issuance. The unrestricted portion of these fund balances are generally an indicator of resources available for spending in the next fiscal year. Most of the fund balances have been budgeted to support infrastructure projects in 2012 and \$17.3 million has been reserved for use in future years. The Board of Trustees and management have set an objective to maintain a minimum general fund reserve of 5% of budgeted general expenditures. Currently the Elementary District reserves are at 4.01% while the High School District reserves are at 3.24%. In 2011 the reduction in general fund balance is mainly due to protested taxes and the unanticipated amount of retirement severance packages. Capital project proceeds from 2010 were spent down in 2011 for planned improvements.

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 revised or supplemental budget expenditures after a public hearing that can be held at any time during the fiscal year. At a board meeting on June 29, 2011 the board adopted amendments to the budget. An amendment to the high school general fund budget in the amount of \$550,000 for severance pay was passed. In the elementary retirement fund an amendment of \$300,000 was passed and an amendment for \$200,000 in the high school retirement fund to account for unforeseen retirements in the district. The board also adopted amendments on this date for the elementary debt service in the amount of \$110,058 and the high school debt service for \$188,742 to accommodate the QSCB and QZAB bonds that were issued after budget adoption.

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 an unreserved fund balance of \$4.0 million, a decrease of \$1.3 million over the prior year.

The table below summarizes general fund revenues and expenditures for fiscal year 2011 and 2010. Revenue increased by 4.5% due primarily to federal ARRA funds. Expenditures increased by 5.5% primarily due to increases in instruction and support services. The significant variation in instructional expenditures was due to raises for staff, health insurance increases and severance pay.

	2011	2010	Change
Revenues			
Property taxes	\$ 31,890,655	\$ 30,054,248	\$ 1,836,407
State aid	47,974,195	49,697,066	\$ (1,722,871)
State other	14,316,666	14,179,276	\$ 137,390
Federal	6,755,483	2,493,094	\$ 4,262,389
Tuition	216,974	201,019	\$ 15,955
Interest	32,234	0	\$ 32,234
Miscellaneous	0	242,361	\$ (242,361)
Total revenues	\$ 101,186,207	\$ 96,867,064	\$ 4,319,143
Expenditures			
Instruction	\$ 65,096,669	\$ 62,217,372	\$ 2,879,297
Support services:			
Students	7,187,725	6,412,634	775,091
Instructional staff	5,803,981	5,000,683	803,298
General administration	1,311,896	1,455,004	(143,108)
School administration	7,535,626	7,182,901	352,725
Business services	1,782,780	1,317,101	465,679
Operation and maintenance	10,828,842	10,750,560	78,282
Student transportation	47,398	81,841	(34,443)
Community services	6,600	13,200	(6,600)
Extracurricular	2,108,957	2,065,022	43,935
Capital outlay	567,459	463,818	103,641
Debt service	243,574	245,740	(2,166)
Total expenditures	\$ 102,521,507	\$ 97,205,876	\$ 5,315,631

BILLINGS PUBLIC SCHOOLS
MANAGEMENT DISCUSSION & ANALYSIS

Significant General Fund Budgetary Variation

	<u>Final Budget</u>	<u>Actual</u>	<u>Change</u>
Revenues			
Property taxes	\$ 32,835,120	\$ 31,890,655	\$ (944,465)
Intergovernmental:			
State aid	51,096,812	47,974,195	(3,122,617)
State other	14,284,928	14,316,666	31,738
Federal	3,632,866	6,755,483	3,122,617
Tuition	200,000	216,974	16,974
Interest	64,393	32,234	(32,159)
Total revenues	<u>\$ 102,114,119</u>	<u>\$ 101,186,207</u>	<u>\$ (927,912)</u>
Expenditures			
Current:			
Instruction	\$ 63,663,550	\$ 65,136,975	\$ 1,473,425
Support services:			
Students	6,569,465	7,187,725	618,260
Instructional staff	5,443,764	5,807,353	363,589
General administration	3,458,580	1,311,147	(2,147,433)
School administration	7,570,379	7,535,626	(34,753)
Business services	1,431,219	1,782,780	351,561
Operation and maintenance	10,946,745	10,757,854	(188,891)
Student transportation	5,183	47,398	42,215
Community services	6,600	6,600	-
Extracurricular	2,001,441	2,114,852	113,411
Debt Service:			
Principal	230,935	236,253	5,318
Interest and other charges	28,261	7,321	(20,940)
Capital outlay	757,997	520,373	(237,624)
Total expenditures	<u>\$ 102,114,119</u>	<u>\$ 102,452,257</u>	<u>\$ 338,138</u>
Net change in fund balances		(1,335,300)	
Fund balances- beginning		<u>5,351,340</u>	
Fund balances- ending		<u>\$ 4,016,040</u>	

There were some significant protests occurring within the county that is affecting the taxes collected until settlement. This will be an on-going problem with several major businesses within Billings choosing to protest their taxes. The significant variation in expenditures for instruction was raises to staff and health insurance increases. The significant variation in the general administration expenditures was due to funds utilized in other functions for staff raises, actual numbers are based on the actual amounts, budgetary basis.

BILLINGS PUBLIC SCHOOLS
MANAGEMENT DISCUSSION & ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The district's 2011 capital project budget was used to complete the projects funded by the general fund and bond funds authorized by the voters in December 2010. Construction in progress as of June 30, 2011 of \$840,988 consists primarily of projects funded by QZAB or QSCB bond proceeds.

The following schedule presents capital asset balances net of depreciation for the fiscal years ended June 30, 2011 and 2010. The district had \$61.7 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.

	2011	2010	Change
Land	\$ 4,377,961	\$ 4,377,961	\$ -
Improvements other than buildings	953,445	306,046	647,399
Building and improvements	53,989,785	54,256,525	(266,740)
Machinery and equipment	1,569,957	1,898,268	(328,311)
Construction in progress	840,988	998,686	(157,698)
Total	<u>\$ 61,732,136</u>	<u>\$ 61,837,486</u>	<u>\$ (105,350)</u>

Debt Administration - A summary of the district's outstanding long-term debt for the years ended June 30, 2011 and 2010 is presented below:

	2011	2010	Change
General obligation bonds	\$ 12,000,000	\$ -	\$ 12,000,000
Limited obligation bonds	589,750	674,000	(84,250)
Notes payable	235,695	387,698	(152,003)
Compensated absences	12,104,593	12,406,489	(301,896)
Service credit and termination pay benefits	9,998,071	8,996,358	1,001,713
Other postemployment benefits	9,269,000	7,721,000	1,548,000
Total	<u>\$ 44,197,109</u>	<u>\$ 30,185,545</u>	<u>\$ 14,011,564</u>

At year end the district had \$44.2 million in outstanding other long-term debt/liabilities. The current portion which is due within one year is equal to \$1.4 million. The total long-term liability increased \$14.0 million, or 46.4%. The change is due to an increase of OPEB, service credit and termination pay benefits liabilities. Also the issuance of general obligation bonds in the amount of \$12 million contributed to the increase in long-term liability for the district.

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, 2011 the district's total debt outstanding was well below the legal limit of \$338.8 million. The district has received an AA- rating from Standard & Poor's Ratings Services for general obligation debt.

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

BILLINGS PUBLIC SCHOOLS
MANAGEMENT DISCUSSION & ANALYSIS

ECONOMIC CONDITION AND OUTLOOK

The district serves students who live within the city of Billings and specific, adjacent areas in Yellowstone County. Billings benefits from a diverse economy as a regional center for agriculture, retail, petroleum, medical services, transportation, education, law and government services. Nevertheless, economic indicators for the region tend to follow national trends but without the volatility found in other parts of the country. In the past year, housing starts have leveled off from their decline but are still less than 2010 levels. Housing sales also continued to decline. Unemployment in Billings has decreased over the last year and still remains at a much lower rate than the national average. Pay freezes or small increases in wages are not uncommon within the region. The construction industry has slowed, however there is evidence of commercial building and most recently voters approved a bond for the construction of a new public library. Montana's tourism business continues to provide opportunities to visitors to the region and state. There are some government stimulus projects still under way as a result of the American Relief and Recovery Act. Medical services in Billings continue to expand at the two hospitals and other health related facilities and clinics. Higher education opportunities in Billings continue to grow at MSU-Billings, MSU-Billings College of Technology, and Rocky Mountain College as evidenced in steady enrollment at all three institutions.

The 2011 Montana Legislature funded K-12 public education with an increase of 1% for FY 12 and 1.6% for FY 13. This level of funding do not provide the necessary resources for sustaining personnel and programs at their current levels since funding levels are less than the current inflation rate. For FY 12 the district relied heavily on reimbursements funds from Medicaid and Medicaid Administrative Claiming (MAC) program. While an increase in enrollment will help support the FY 13 budget, the district will not be able to rely on reimbursement funds as sustainable sources of revenue. The Montana School Boards Association anticipates that the result of the Legislature's failure to fund the impact of inflation will result in a "lasting, compounding effect furthering the state's compliance with its own definition of the Basic System of Free Quality Schools 20-9-309, MCA." The district has begun the budgetary process based on the first student count day in October for FY 13 with these factors taken into consideration.

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 Assistant Superintendent/Chief Financial Officer Dr. Josh Middleton, at Billings Public Schools, 415 N. 30th Street, Billings, Montana, 59101.

BILLINGS PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
June 30, 2011

ASSETS

Cash and cash equivalents	\$ 35,272,477
Receivables:	
Taxes, net	2,900,524
Governments	1,593,055
Other	827,755
Inventories	81,243
Prepaid items	95,686
Deferred charges	230,120
Capital assets:	
Land and construction in progress	5,218,949
Depreciable capital assets, net	<u>56,513,187</u>
Total assets	<u>102,732,996</u>

LIABILITIES

Accounts payable and accrued expenses	4,432,464
Unearned revenue	77,532
Long-term liabilities:	
Due within one year:	
Bonds and notes	199,014
Compensated absences	1,210,459
Due in more than one year:	
Bonds and notes	12,626,431
Compensated absences	10,894,134
Service credit and termination pay benefits payable	9,998,071
Other postemployment benefits	<u>9,269,000</u>
Total liabilities	<u>48,707,105</u>

NET ASSETS

Invested in capital assets, net of related debt	59,798,909
Restricted for:	
Instruction	5,653,126
Support services:	
Students	6,209
Instructional staff	1,000
General administration	9,574
School administration	298,930
Operation and maintenance	600,761
Student transportation	682,813
Food services	86,785
Debt service	118,322
Unrestricted	<u>(13,230,538)</u>
Total net assets	<u>\$ 54,025,891</u>

BILLINGS PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Instruction	\$ 94,100,760	\$ 733,494	\$ 24,053,251	\$ -	\$ (69,314,015)
Support services:					
Students	10,978,889	-	6,210,455	-	(4,768,434)
Instructional staff	7,541,224	-	1,302,795	-	(6,238,429)
General administration	1,559,394	-	7,618	-	(1,551,776)
School administration	10,149,144	-	631,825	-	(9,517,319)
Business services	2,258,772	-	7,184	-	(2,251,588)
Operation and maintenance	12,244,035	32,415	595,659	-	(11,615,961)
Student transportation	5,220,799	38,379	1,531,615	-	(3,650,805)
Food services	5,872,264	2,362,415	3,269,635	-	(240,214)
Community services	30,563	-	-	-	(30,563)
Extracurricular	2,458,540	-	32,129	77,586	(2,348,825)
Other current charges	12,874	-	-	-	(12,874)
Interest	316,332	-	298,800	-	(17,532)
Total	152,743,590	3,166,703	37,940,966	77,586	(111,558,335)
General revenues:					
Property taxes					38,512,088
Intergovernmental:					
State aid					48,029,784
State other					5,721,040
County					13,525,559
Interest					293,422
Contributions and donations					1,146,735
Miscellaneous					269,744
Total general revenues					107,498,372
Change in net assets					(4,059,963)
Net assets - beginning					58,085,854
Net assets - ending					\$ 54,025,891

BILLINGS PUBLIC SCHOOLS

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2011

	General	Elementary Building	High School Building	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 5,243,317	\$ 7,466,880	\$ 7,787,194	\$ 11,333,871	\$ 31,831,262
Receivables:					
Taxes, net	2,440,886	-	-	459,638	2,900,524
Governments	-	-	-	1,593,055	1,593,055
Other	188,496	99,922	31,500	99,545	419,463
Due from other funds	-	-	85,000	-	85,000
Total assets	<u>\$ 7,872,699</u>	<u>\$ 7,566,802</u>	<u>\$ 7,903,694</u>	<u>\$ 13,486,109</u>	<u>\$ 36,829,304</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,628,874	\$ 451,383	\$ 251,824	\$ 781,791	\$ 3,113,872
Deferred revenue	2,227,785	2,612	-	404,098	2,634,495
Total liabilities	<u>3,856,659</u>	<u>453,995</u>	<u>251,824</u>	<u>1,185,889</u>	<u>5,748,367</u>
Fund balances:					
Restricted	-	3,767,150	7,125,068	7,066,890	17,959,108
Committed	-	-	-	2,085,667	2,085,667
Assigned	223,775	3,345,657	526,802	3,147,663	7,243,897
Unassigned	3,792,265	-	-	-	3,792,265
Total fund balances	<u>4,016,040</u>	<u>7,112,807</u>	<u>7,651,870</u>	<u>12,300,220</u>	<u>31,080,937</u>
Total liabilities and fund balances	<u>\$ 7,872,699</u>	<u>\$ 7,566,802</u>	<u>\$ 7,903,694</u>	<u>\$ 13,486,109</u>	<u>\$ 36,829,304</u>

BILLINGS PUBLIC SCHOOLS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS June 30, 2011

Total fund balance, governmental funds	\$ 31,080,937
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	60,382,077
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	2,618,415
The internal service funds are used by management to charge the costs 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 assets.	(5,453,605)
Some liabilities, including notes payable, limited obligation bonds, compensated absences, and service credit and termination pay benefits, are not due and payable in the current period and therefore are not included in the funds. The details of these balances follows:	
Deferred charges	230,120
Notes payable	(235,695)
General obligation bonds	(12,000,000)
Limited obligation bonds	(589,750)
Compensated absences	(12,008,537)
Service credit and termination pay benefits	(9,998,071)
Net assets of governmental activities	<u>\$ 54,025,891</u>

BILLINGS PUBLIC SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2011

	General	Elementary Building	High School Building	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 31,890,655	\$ -	\$ -	\$ 5,979,302	\$ 37,869,957
Intergovernmental:					
County	-	-	-	14,285,342	14,285,342
State aid	47,974,195	-	-	55,589	48,029,784
State other	14,316,666	-	-	5,377,361	19,694,027
Federal	6,755,483	-	-	16,208,557	22,964,040
Tuition	216,974	-	-	-	216,974
Charge for services	-	13,981	18,434	2,936,008	2,968,423
Interest	32,234	41,250	16,671	169,240	259,395
Miscellaneous	-	45,369	36,500	1,335,310	1,417,179
Total revenues	101,186,207	100,600	71,605	46,346,709	147,705,121
EXPENDITURES					
Current:					
Instruction	65,096,669	1,586	-	25,071,576	90,169,831
Support services:					
Students	7,187,725	-	1,314	3,585,922	10,774,961
Instructional staff	5,803,981	2,119	-	1,564,146	7,370,246
General administration	1,311,896	60,245	29,491	69,325	1,470,957
School administration	7,535,626	-	-	2,512,555	10,048,181
Business services	1,782,780	-	-	426,098	2,208,878
Operation and maintenance	10,828,842	96,294	88,913	1,011,926	12,025,975
Student transportation	47,398	-	-	5,130,147	5,177,545
Food services	-	-	-	5,788,739	5,788,739
Community services	6,600	-	-	23,963	30,563
Extracurricular	2,108,957	-	-	301,392	2,410,349
Other current charges	-	-	-	12,874	12,874
Capital outlay	567,459	532,963	309,051	1,315,746	2,725,219
Debt service:					
Principal	236,253	-	-	-	236,253
Interest and other charges	7,321	79,900	129,500	298,800	515,521
Total expenditures	102,521,507	773,107	558,269	47,113,209	150,966,092
Excess (deficiency) of revenues over (under) expenditures	(1,335,300)	(672,507)	(486,664)	(766,500)	(3,260,971)
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	4,420,000	7,580,000	-	12,000,000
Sale of capital assets	-	65,000	-	-	65,000
Insurance	-	182,337	98,869	-	281,206
Total other financing sources (uses)	-	4,667,337	7,678,869	-	12,346,206
Net change in fund balances	(1,335,300)	3,994,830	7,192,205	(766,500)	9,085,235
Fund balances - beginning	5,351,340	3,117,977	459,665	13,066,720	21,995,702
Fund balances - ending	\$ 4,016,040	\$ 7,112,807	\$ 7,651,870	\$ 12,300,220	\$ 31,080,937

See notes to basic financial statements.

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, 2011

Net change in fund balances - total governmental funds \$ 9,085,235

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

Governmental funds report capital outlay expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

This is the amount by which depreciation (\$2,862,242) exceeded capital outlay (\$2,725,219) in the current period. (137,023)

The net effect of various transactions involving capital assets (i.e., sales, donations and trade-ins) is to increase net assets. 66,729

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. 558,437

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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of these transactions follows:

Capitalize debt issuance costs	209,400
Amortization of deferred charges	(10,211)
Issuance of long-term debt	(12,000,000)
Repayment of principal on long-term debt	236,253

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:

Service credit and termination pay benefits	(1,001,713)
Compensated absences	306,448

The internal service fund is used by management to charge the costs of certain activities to individual funds. The change in net assets of the internal service funds is reported with the governmental activities. (1,373,518)

Change in net assets of governmental activities \$ (4,059,963)

BILLINGS PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011

	<u>Internal Service Funds</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,441,215
Accounts receivable, net	408,292
Prepaid items	95,686
Inventories	<u>81,243</u>
Total current assets	<u>4,026,436</u>
Non-current assets:	
Capital assets:	
Land and improvements	122,700
Buildings	1,691,183
Equipment and furniture	632,465
Less accumulated depreciation	<u>(1,096,289)</u>
Total non-current assets	<u>1,350,059</u>
Total assets	<u>5,376,495</u>
LIABILITIES	
Current liabilities:	
Accounts payable	1,318,592
Due to other funds	85,000
Unearned revenue	61,452
Compensated absences	<u>9,605</u>
Total current liabilities	<u>1,474,649</u>
Non-current liabilities:	
Compensated absences	86,451
Other postemployment benefits	<u>9,269,000</u>
Total non-current liabilities	<u>9,355,451</u>
Total liabilities	<u>10,830,100</u>
NET ASSETS	
Invested in capital assets	1,350,059
Unrestricted	<u>(6,803,664)</u>
Total net assets	<u>\$ (5,453,605)</u>

BILLINGS PUBLIC SCHOOLS**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS****PROPRIETARY FUNDS**

For the Year Ended June 30, 2011

	Internal Service Funds
OPERATING REVENUES	
Charges for services	<u>\$ 16,666,751</u>
Total operating revenues	<u>16,666,751</u>
OPERATING EXPENSES	
Personal services - salaries	174,946
Personal services - benefits	37,441
Purchased professional and technical services	53,636
Purchased property services	92,743
Other purchased services	1,005,630
Supplies and materials	1,151,606
Insurance claims and expenses	13,976,004
Other postemployment benefits	1,548,000
Depreciation	<u>40,815</u>
Total operating expenses	<u>18,080,821</u>
Operating loss	<u>(1,414,070)</u>
NON-OPERATING REVENUES AND EXPENSES	
Interest revenue	34,027
Miscellaneous revenue	96,968
Miscellaneous expenses	<u>(90,443)</u>
Total non-operating revenues and expenses	<u>40,552</u>
Change in net assets	<u>(1,373,518)</u>
Net assets - beginning	<u>(4,080,087)</u>
Net assets - ending	<u><u>\$ (5,453,605)</u></u>

BILLINGS PUBLIC SCHOOLS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2011

	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATIONS:	
Cash received from health insurance premiums	\$ 15,432,515
Cash received from interfund services	1,372,146
Medical claims paid	(13,976,004)
Cash paid to employees health insurance services	(79,396)
Cash paid to employees interfund services	(215,433)
Cash paid to suppliers for goods and services health insurance services	(998,448)
Cash paid to suppliers for goods and services interfund services	(1,276,825)
Net cash provided by operating activities	<u>258,555</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Miscellaneous cash received	96,968
Cash paid-interfund payable	(51,000)
Net cash used by noncapital financing activities	<u>45,968</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Purchase of capital assets	(5,759)
Net cash used by capital financing activities	<u>(5,759)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	34,027
Net cash provided by investing activities	<u>34,027</u>
Change in cash and cash equivalents	332,791
Cash and cash equivalents - beginning	<u>3,108,424</u>
Cash and cash equivalents - ending	<u>\$ 3,441,215</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	\$ (1,504,513)
Adjustment to reconcile operating loss to net cash used by operating activities:	
Depreciation	40,815
Other postemployment benefits	1,548,000
Decrease in accounts receivable	133,546
Decrease in inventory	36,326
Decrease in prepaid items	8,277
Decrease in accounts payable	(12,812)
Increase in unearned revenue	4,364
Increase in compensated absences	4,552
Net cash provided by operating activities	<u>\$ 258,555</u>

See notes to basic financial statements.

BILLINGS PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2011

	Private Purpose Trust Fund- Extracurricular	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 2,135,311	\$ 600,429
Other receivables	-	453
Total assets	<u>2,135,311</u>	<u>600,882</u>
LIABILITIES		
Accounts payable	<u>44,474</u>	<u>600,882</u>
Total liabilities	<u>44,474</u>	<u>600,882</u>
NET ASSETS		
Held in trust	<u>\$ 2,090,837</u>	<u>\$ -</u>

BILLINGS PUBLIC SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
For the Year Ended June 30, 2011

	Private Purpose Trust Fund- Extracurricular
ADDITIONS	
Contributions:	
Student extracurricular activities	<u>\$ 2,827,756</u>
Total contributions	<u>2,827,756</u>
Investment earnings:	
Interest	<u>23,722</u>
Total net investment earnings	<u>23,722</u>
Total additions	<u>2,851,478</u>
DEDUCTIONS	
Student extracurricular activities	<u>2,825,028</u>
Total deductions	<u>2,825,028</u>
Change in net assets	26,450
Net assets - beginning	<u>2,064,387</u>
Net assets - ending	<u>\$ 2,090,837</u>

BILLINGS PUBLIC SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS

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). Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB Board. Governments also have the option of following subsequent private-sector guidance for their proprietary funds, subject to this same limitation. The district has elected not to follow subsequent private-sector guidance. The district's significant accounting policies are described below.

The district adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement establishes accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types.

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.

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 assets 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 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

BILLINGS PUBLIC SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS

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 and high school building funds account 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 and Net Assets or Equity

Cash and Investments

Cash and investments, except amounts in the extracurricular funds, the flexible benefits fund and 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 classified as a 2a7-like pool, and as such, uses amortized cost to report unit values.

Investments are reported at fair value. Fair value is determined annually, based on fiscal year-end market values. Short-term investments are reported at cost, which approximates fair value. 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, 2011. The allowance at June 30, 2011, was \$185,144.

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.

Inventories and Prepaid Items

The district uses the consumption method to value inventories and prepaids. All inventories are valued at cost. Inventories are recorded as expenditures in the fund financial statements. Inventories are recorded as expenses in the government-wide and internal service fund financial statements when used. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

BILLINGS PUBLIC SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS

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 applicable governmental activities or proprietary fund statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Fund Equity

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

Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets - consists of net assets 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 net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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.

BILLINGS PUBLIC SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS

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 district itself, using its highest level of decision-making authority (i.e., governing body). To be reported as committed, amounts cannot be used for any other purpose unless the district takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the district 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.

Beginning fund balances for the district funds have been restated to reflect the above classifications.

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.

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.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The health insurance fund, an internal service fund, had a deficit net assets balance of \$6,743,262 as of June 30, 2011. 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 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, 2011, 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, 2011 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.

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

Disaggregation of Payable Balances

Payables as of June 30, 2011, were as follows:

	Vendors	Salaries and Benefits	Claims incurred but not reported	Total
General	\$ 816,405	\$ 812,469	\$ -	\$ 1,628,874
Elementary building	450,903	480	-	451,383
High school building	249,785	2,039	-	251,824
Internal service funds	4,491	14,101	1,300,000	1,318,592
Nonmajor governmental funds	574,330	207,461	-	781,791
	<u>\$ 2,095,914</u>	<u>\$ 1,036,550</u>	<u>\$ 1,300,000</u>	<u>\$ 4,432,464</u>

Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital assets, not being depreciated:				
Land	\$ 4,377,961	\$ -	\$ -	\$ 4,377,961
Construction in progress	998,686	840,988	(998,686)	840,988
Total capital assets, not being depreciated	<u>5,376,647</u>	<u>840,988</u>	<u>(998,686)</u>	<u>5,218,949</u>
Capital assets, being depreciated:				
Buildings/improvements	88,061,503	2,009,599	-	90,071,102
Improvements other than buildings	420,374	698,069	-	1,118,443
Machinery and equipment	8,584,702	258,594	(15,150)	8,828,146
Total capital assets, being depreciated	<u>97,066,579</u>	<u>2,966,262</u>	<u>(15,150)</u>	<u>100,017,691</u>
Less accumulated depreciation for:				
Buildings/improvements	(33,804,978)	(2,276,339)	-	(36,081,317)
Improvements other than buildings	(114,328)	(50,670)	-	(164,998)
Machinery and equipment	(6,686,434)	(576,048)	4,293	(7,258,189)
Total accumulated depreciation	<u>(40,605,740)</u>	<u>(2,903,057)</u>	<u>4,293</u>	<u>(43,504,504)</u>
Total capital assets, being depreciated, net	<u>56,460,839</u>	<u>63,205</u>	<u>(10,857)</u>	<u>56,513,187</u>
Total capital assets, net	<u>\$ 61,837,486</u>	<u>\$ 904,193</u>	<u>\$ (1,009,543)</u>	<u>\$ 61,732,136</u>

Depreciation expense was charged to district activities as follows:

Instruction	\$ 2,086,197
Support services-students	170,301
Support services-instructional staff	102,401
Support services-general administration	15,016
Support services-administration	33,078
Support services-business	92,865
Operation and maintenance	145,367
Student transportation	22,105
Food services	83,525
Extracurricular	111,387
Internal service fund	40,815
	<u>\$ 2,903,057</u>

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

Due To/From Funds

The balance of \$85,000 due to the High School Building Fund from Warehouse Fund resulted from a loan made to cover the operating cash deficits facing the Warehouse June 30, 2011.

Operating Leases

The district leases equipment under noncancelable operating leases. Total rental expenses for operating leases were \$8,495 for the year ended June 30, 2011. Scheduled minimum rental payments for the years ending June 30, 2012, 2013 and 2014 are \$5,210, \$5,210 and \$2,475, respectively.

Long-Term Debt

During the year ended June 30, 2011, the following changes occurred in long-term debt:

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011	Due Within One Year
General obligation bonds	\$ -	\$ 12,000,000	\$ -	\$ 12,000,000	\$ -
Limited obligation bonds	674,000	-	(84,250)	589,750	84,250
Notes payable	387,698	-	(152,003)	235,695	114,764
Compensated absences	12,406,489	7,207,385	(7,509,281)	12,104,593	1,210,459
Service credit and termination pay benefits	8,996,358	3,418,619	(2,416,906)	9,998,071	-
Other post employment benefits	7,721,000	3,245,000	(1,697,000)	9,269,000	-
	<u>\$ 30,185,545</u>	<u>\$ 25,871,004</u>	<u>\$ (11,859,440)</u>	<u>\$ 44,197,109</u>	<u>\$ 1,409,473</u>

A substantial portion of compensated absences are paid from the general 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.

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.

Notes Payable-State Board of Investments

During June 2008, the district borrowed an additional \$408,564 on a refinanced note from the State Board of Investments. Proceeds from the borrowing were used to purchase 20 new vehicles. Interest and principal payments are due semi-annually. The interest rate on the notes was 1.95% at June 30, 2011. The interest rate is adjusted February of each year and cannot exceed 15% per annum. The elementary and high school general funds service 100% of the notes payable debt.

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

Annual debt service requirements to maturity for the limited obligation bonds and notes payable are as follows:

Year ending June 30,	General Obligation Bonds		Limited Obligation Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ -	\$ 648,000	\$ 84,250	-	\$ 114,764	3,852
2013	-	648,000	84,250	-	80,954	1,971
2014	-	648,000	84,250	-	39,977	387
2015	-	648,000	84,250	-	-	-
2016	-	648,000	84,250	-	-	-
2017-2021	-	3,240,000	168,500	-	-	-
2022-2026	-	3,240,000	-	-	-	-
2027	12,000,000	648,000	-	-	-	-
	<u>\$ 12,000,000</u>	<u>\$ 10,368,000</u>	<u>\$ 589,750</u>	<u>\$ -</u>	<u>\$ 235,695</u>	<u>\$ 6,210</u>

Fund Balances

As of June 30, 2011, fund balances are comprised of the following:

	General Fund	Elementary Building Fund	High School Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted:					
Instruction	\$ -	\$ -	\$ -	\$ 5,477,033	\$ 5,477,033
Support services:					
Students	-	-	-	6,209	6,209
Instructional staff	-	-	-	1,000	1,000
General administration	-	-	-	9,574	9,574
School administration	-	-	-	298,930	298,930
Operation and maintenance	-	-	-	598,149	598,149
Student transportation	-	-	-	477,534	477,534
Food services	-	-	-	86,785	86,785
Capital projects	-	3,767,150	7,125,068	-	10,892,218
Debt service	-	-	-	111,676	111,676
Committed:					
Instruction	-	-	-	542,966	542,966
Support services:					
Students	-	-	-	1,457,691	1,457,691
Community services	-	-	-	85,010	85,010
Assigned:					
Instruction	145,005	-	-	1,951,959	2,096,964
Support services:					
Students	53	-	-	470,583	470,636
Instructional staff	12,599	-	-	324,463	337,062
General administration	-	-	-	186,633	186,633
School administration	-	-	-	420	420
Business services	-	-	-	96,903	96,903
Operation and maintenance	60,223	3,345,657	526,802	100,637	4,033,319
Student transportation	-	-	-	16,065	16,065
Extracurricular	5,895	-	-	-	5,895
Unassigned	3,792,265	-	-	-	3,792,265
	<u>\$ 4,016,040</u>	<u>\$ 7,112,807</u>	<u>\$ 7,651,870</u>	<u>\$ 12,300,220</u>	<u>\$ 31,080,937</u>

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

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.

Self-Insurance

During the year ended June 30, 2011, employees of the district were covered by a medical self-insurance plan (the "plan"). The district contributed approximately \$561 per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay contributions for dependents. 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 and aggregate loss by stop-loss coverage through Union Labor Life. Stop-loss coverage was in effect for individual claims exceeding \$160,000.

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, 2011, 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 2011 and 2010 were:

	Liability July 1,	Curent Year Claims and Changes in Estimates	Claims Payments	Liability June 30,
2009-10	\$ 2,238,864	\$ 13,006,776	\$ (13,945,640)	\$ 1,300,000
2010-11	1,300,000	13,976,004	(13,976,004)	1,300,000

Interlocal Cooperative Agreement

In September 1983, the district, the City of Billings and the County entered into an agreement to coordinate their purchasing activities to promote efficiency in purchasing and recognized substantial savings of public funds by utilizing volume buying. In April 1987, a supplement to the agreement was signed to include other public agencies located in the area. The financial activities are recorded within the district's financial statements in the purchasing fund, an internal service fund.

Subsequent Events

The district has evaluated subsequent events through December 15, 2011, the date which the financial statements were available to be issued.

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

Commitments and Contingencies

At year-end, the district had commitments outstanding, in the form of purchase orders, of approximately \$245,412, primarily for construction projects, equipment and supplies. The following schedule displays encumbrances by major funds and nonmajor funds in the aggregate.

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assigned:			
Instruction	\$ 145,005	\$ 5,152	\$ 150,157
Support services:			
Students	53	-	53
Instructional staff	12,599	-	12,599
School administration	-	420	420
Operation and maintenance	60,223	-	60,223
Student transportation	-	16,065	16,065
Extracurricular	5,895	-	5,895
	<u>\$ 223,775</u>	<u>\$ 21,637</u>	<u>\$ 245,412</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.

The district is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, 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

Teachers' Retirement System and Public Employee Retirement System Plans

The district participates in two statewide mandatory cost-sharing multiple employer defined benefit retirement plans which cover all employees, except certain substitute teachers and part-time, non-teaching employees. The Teachers' Retirement System (TRS) covers teaching employees, including principals and superintendents. The Public Employees Retirement System (PERS-DBRP) covers non-teaching employees. The plans are established under State law and are administered by the State of Montana. The plans provide retirement, disability, and death benefits to plan members and beneficiaries.

Beginning in fiscal year 2002, eligible members of PERS had a 12-month window to choose between the PERS-defined benefit retirement plan (DBRP) or the PERS-defined contribution retirement plan (DCRP). Eligible new hires will have a 12-month window during which they may choose to remain in the current PERS-DBRP or join the PERS-DCRP. Members may not be active in both the defined contribution and defined benefit retirement plans. The choice is irrevocable. For members that choose to join the PERS-DCRP, a percentage of the employer contribution will be used to maintain the funding of the defined benefit plan.

The plans issue a publicly available financial report that includes financial statements and required supplementary information. The reports may be obtained from the Public Employees' Retirement Board, 100 North Park, P.O. Box 200131, Helena, Montana 59620-0131, (406) 444-3154.

Contribution rates for the plans are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll, were as follows:

	Employer	Employee	Total
TRS	7.47%	7.15%	14.62%
PERS	6.80%	6.90%	13.70%

The State of Montana contributes .370% and 2.49% per year to the PERS and TRS plans, respectively, on behalf of the employer. Contributions made by the State of Montana were \$46,717 to PERS and \$1,881,358 to TRS. These amounts have been recorded in the financial statements.

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

The amounts contributed to the plans during the years ended June 30, 2011, 2010 and 2009, were equal to the required contributions for each year. The signification variation for FY2011 was due to a large amount of retirements that occurred in Spring 2011. The amounts contributed by both the district and its employees (including additional voluntary contributions by employees as permitted by State law) were as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
TRS-regular	\$ 11,153,328	\$ 10,779,984	\$ 10,273,177
TRS-termination	<u>3,937,949</u>	<u>1,848,904</u>	<u>815,528</u>
Total TRS	<u>\$ 15,091,277</u>	<u>\$ 12,628,888</u>	<u>\$ 11,088,705</u>
PERS	<u>\$ 1,729,736</u>	<u>\$ 1,682,557</u>	<u>\$ 1,602,331</u>

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.

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

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 will be frozen for the purpose of payment within the district's severance package. As of July 1, 2011, no newly employed administrator will be entitled to include vacation pay in the severance payment.</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 School's annual pension cost and net pension obligation to the Plan for the current year were as follows:

Annual required contribution	\$ 3,313,662
Interest on net pension obligation	404,836
Adjustment to annual required contribution	<u>(299,879)</u>
Annual pension cost	3,418,619
Contributions made	<u>(2,416,906)</u>
Change in net pension obligation	1,001,713
Net pension obligation-beginning of year	<u>8,996,358</u>
Net pension obligation-end of year	<u>\$ 9,998,071</u>

The annual required contribution (ARC) for the current year was determined as part of the June 30, 2010 actuarial valuation using the entry age actuarial cost method. This report was updated for 2011 with new population information; however a full report will be generated again in 2012. 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 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 4.5% annual rate increase in general wage levels, an annual discount rate of 4.5% per year and that 90% of TRS employees will elect TRS Option 1.

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

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)
2009	3,265,011	26%	7,190,259
2010	3,571,832	49%	8,996,358
2011	3,418,619	71%	9,998,071

Following is the Schedule of Funding Progress:

Actuarial valuation date	June 30, 2011
Actuarial value of assets	\$ -
Actuarial value of liabilities	\$ 36,843,296
Unfunded actuarial accrued liabilities (UAAL)	\$ 36,843,296
Funded ratio	0%
Covered payroll	\$ 82,307,548
UAAL as a percentage of covered payroll	45%

Funded Status and Funding Progress. As of June 30, 2011, the Plan was 0% funded. The actuarial accrued liability for benefits was \$36,843,296, and the actuarial value of assets is \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$36,843,296.

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.

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	\$ 3,193,000
Interest on net OPEB obligation	347,000
Adjustment to annual required contribution	<u>(295,000)</u>
Annual OPEB cost (expense)	3,245,000
Contributions made	<u>(1,697,000)</u>
Increase in net OPEB obligation	1,548,000
Net OPEB obligation - beginning of year	<u>7,721,000</u>
Net OPEB obligation - end of year	<u>\$ 9,269,000</u>

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

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 2011 and the two preceding years are as follows:

<u>Year Ending June 30,</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of Annual AOC Contributed</u>	<u>Net OPEB Obligation (NOO)</u>
2009	3,796,000	37%	5,428,000
2010	4,272,000	46%	7,721,000
2011	3,245,000	52%	9,269,000

Funded Status and Funding Progress. As of June 30, 2011, the Plan was 0% funded. The actuarial accrued liability for benefits was \$34,530,000, and the actuarial value of assets is \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$34,530,000. The covered payroll (annual payroll of active employees covered by the plan) was \$80,627,450 and the ratio of the UAAL to the covered payroll was 43% percent.

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.

In the July 1, 2010 actuarial valuation (the most recent valuation), the projected unit credit method was used. The actuarial assumptions included a 4.5% 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 11% reduced by decrements of .5% to an ultimate rate of 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.

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, 2011

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 32,835,120	\$ 32,835,120	\$ 31,890,655	\$ -	\$ 31,890,655
Intergovernmental:					
State aid	51,096,812	47,974,195	47,974,195	-	47,974,195
State other	14,284,928	14,284,928	14,316,666	-	14,316,666
Federal	3,632,866	6,755,483	6,755,483	-	6,755,483
Tuition	200,000	200,000	216,974	-	216,974
Interest	64,393	64,393	32,234	-	32,234
Total revenues	<u>102,114,119</u>	<u>102,114,119</u>	<u>101,186,207</u>	<u>-</u>	<u>101,186,207</u>
EXPENDITURES					
Current:					
Instructional	63,663,550	64,055,797	65,136,975	(40,306)	65,096,669
Support services:					
Students	6,569,465	6,904,607	7,187,725	-	7,187,725
Instructional staff	5,443,764	5,462,613	5,807,353	(3,372)	5,803,981
General administration	3,458,580	2,836,223	1,311,147	749	1,311,896
Administration	7,570,379	7,655,674	7,535,626	-	7,535,626
Business	1,431,219	1,537,849	1,782,780	-	1,782,780
Operation and maintenance	10,946,745	10,809,593	10,757,854	70,988	10,828,842
Student transportation	5,183	21,849	47,398	-	47,398
Community services	6,600	6,600	6,600	-	6,600
Extracurricular	2,001,441	2,100,515	2,114,852	(5,895)	2,108,957
Debt Service:					
Principal	230,935	238,995	236,253	-	236,253
Interest and other charges	28,261	21,354	7,321	-	7,321
Capital Outlay	757,997	1,012,450	520,373	47,086	567,459
Total expenditures	<u>102,114,119</u>	<u>102,664,119</u>	<u>102,452,257</u>	<u>69,250</u>	<u>102,521,507</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (550,000)</u>	<u>(1,266,050)</u>	<u>(69,250)</u>	<u>(1,335,300)</u>
Fund balances - beginning			5,058,315	293,025	5,351,340
Fund balances - ending			<u>\$ 3,792,265</u>	<u>\$ 223,775</u>	<u>\$ 4,016,040</u>

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. The high school budget was amended and increased \$550,000. The amendment was funded with unassigned fund balance.

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 encumbrances for the current and prior year.

BILLINGS PUBLIC SCHOOLS

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

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]
6/30/2011	\$ -	\$ 36,843,296	\$ 36,843,296	\$ -	\$ 82,307,548	43%
6/30/2010	na	na	na	na	na	na
6/30/2009	-	33,870,596	33,870,596	-	77,474,064	44%
6/30/2008	na	na	na	na	na	na
6/30/2007	-	31,543,138	31,543,138	-	72,919,464	45%

SCHEDULE OF EMPLOYER CONTRIBUTIONS-SERVICE CREDIT AND TERMINATION PAY BENEFIT PLAN

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2011	\$ 3,313,662	73%
2010	3,487,945	51%
2009	3,209,209	27%
2008	3,054,269	81%
2007	2,829,275	92%

na = not available (an actuarial update is only required every two years)

OTHER SUPPLEMENTARY INFORMATION

General Fund

The General fund is the general operationing fund of the district. All general tax revenue 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 three *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.

BILLINGS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
ALL GENERAL SUBFUNDS
June 30, 2011

	Elementary General Subfund	High School General Subfund	Total
ASSETS			
Cash and cash equivalents	\$ 3,396,210	\$ 1,847,107	\$ 5,243,317
Receivables:			
Taxes, net	1,486,113	954,773	2,440,886
Other	169,693	18,803	188,496
Total assets	<u>\$ 5,052,016</u>	<u>\$ 2,820,683</u>	<u>\$ 7,872,699</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 938,330	\$ 690,544	\$ 1,628,874
Deferred revenue	1,435,417	792,368	2,227,785
Total liabilities	<u>2,373,747</u>	<u>1,482,912</u>	<u>3,856,659</u>
Fund balances:			
Assigned	65,338	158,437	223,775
Unassigned	2,612,931	1,179,334	3,792,265
Total fund balances	<u>2,678,269</u>	<u>1,337,771</u>	<u>4,016,040</u>
Total liabilities and fund balances	<u>\$ 5,052,016</u>	<u>\$ 2,820,683</u>	<u>\$ 7,872,699</u>

BILLINGS PUBLIC SCHOOLS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

ALL GENERAL SUBFUNDS

For the Year Ended June 30, 2011

	Elementary General Subfund	High School General Subfund	Total
REVENUES			
Property taxes	\$ 19,350,877	\$ 12,539,778	\$ 31,890,655
Intergovernmental:			
State aid	30,754,087	17,220,108	47,974,195
State other	9,674,545	4,642,121	14,316,666
Federal	4,225,182	2,530,301	6,755,483
Tuition	182,052	34,922	216,974
Interest	23,318	8,916	32,234
Total revenues	64,210,061	36,976,146	101,186,207
EXPENDITURES			
Current:			
Instruction	42,134,232	22,962,437	65,096,669
Support services:			
Students	4,955,498	2,232,227	7,187,725
Instructional staff	3,591,599	2,212,382	5,803,981
General administration	840,870	471,026	1,311,896
School administration	4,530,085	3,005,541	7,535,626
Business services	1,224,966	557,814	1,782,780
Operation and maintenance	6,582,185	4,246,657	10,828,842
Student transportation	45,172	2,226	47,398
Community services	4,400	2,200	6,600
Extracurricular	506,948	1,602,009	2,108,957
Capital outlay	251,482	315,977	567,459
Debt service:			
Principal	186,092	50,161	236,253
Interest and other charges	5,070	2,251	7,321
Total expenditures	64,858,599	37,662,908	102,521,507
Net change in fund balances	(648,538)	(686,762)	(1,335,300)
Fund balances - beginning	3,326,807	2,024,533	5,351,340
Fund balances - ending	\$ 2,678,269	\$ 1,337,771	\$ 4,016,040

BILLINGS PUBLIC SCHOOLS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
ELEMENTARY GENERAL SUBFUND
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 20,023,274	\$ 20,023,274	\$ 19,350,877	\$ -	\$ 19,350,877
Intergovernmental:					
State aid	32,749,721	30,754,087	30,754,087	-	30,754,087
State other	9,664,093	9,664,093	9,674,545	-	9,674,545
Federal	2,229,548	4,225,182	4,225,182	-	4,225,182
Tuition	150,000	150,000	182,052	-	182,052
Interest	41,825	41,825	23,318	-	23,318
Total revenues	64,858,461	64,858,461	64,210,061	-	64,210,061
EXPENDITURES					
Current:					
Instructional	40,803,871	40,950,597	42,099,921	34,311	42,134,232
Support services:					
Students	4,683,930	4,826,962	4,955,498	-	4,955,498
Instructional staff	3,075,596	3,145,680	3,588,801	2,798	3,591,599
General administration	2,659,027	2,220,295	840,368	502	840,870
Administration	4,616,549	4,667,737	4,530,085	-	4,530,085
Business	929,160	1,001,180	1,224,966	-	1,224,966
Operation and maintenance	6,727,064	6,556,110	6,532,539	49,646	6,582,185
Student transportation	5,183	21,849	45,172	-	45,172
Community services	4,400	4,400	4,400	-	4,400
Extracurricular	521,511	521,612	506,948	-	506,948
Debt Service:					
Principal	185,580	188,695	186,092	-	186,092
Interest and other charges	20,000	18,657	5,070	-	5,070
Capital Outlay	626,590	734,687	252,492	(1,010)	251,482
Total expenditures	64,858,461	64,858,461	64,772,352	86,247	64,858,599
Net change in fund balances	\$ -	\$ -	(562,291)	(86,247)	(648,538)
Fund balances - beginning			3,175,222	151,585	3,326,807
Fund balances - ending			\$ 2,612,931	\$ 65,338	\$ 2,678,269

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, 2011

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 12,811,846	\$ 12,811,846	\$ 12,539,778	\$ -	\$ 12,539,778
Intergovernmental:					
State aid	18,347,091	17,220,108	17,220,108	-	17,220,108
State other	4,620,835	4,620,835	4,642,121	-	4,642,121
Federal	1,403,318	2,530,301	2,530,301	-	2,530,301
Tuition	50,000	50,000	34,922	-	34,922
Interest	22,568	22,568	8,916	-	8,916
Total revenues	37,255,658	37,255,658	36,976,146	-	36,976,146
EXPENDITURES					
Current:					
Instructional	22,859,679	23,105,200	23,037,054	(74,617)	22,962,437
Support services:					
Students	1,885,535	2,077,645	2,232,227	-	2,232,227
Instructional staff	2,368,168	2,316,933	2,218,552	(6,170)	2,212,382
General administration	799,553	615,928	470,779	247	471,026
Administration	2,953,830	2,987,937	3,005,541	-	3,005,541
Business	502,059	536,669	557,814	-	557,814
Operation and maintenance	4,219,681	4,253,483	4,225,315	21,342	4,246,657
Student transportation	-	-	2,226	-	2,226
Community services	2,200	2,200	2,200	-	2,200
Extracurricular	1,479,930	1,578,903	1,607,904	(5,895)	1,602,009
Debt Service:					
Principal	45,355	50,300	50,161	-	50,161
Interest and other charges	8,261	2,697	2,251	-	2,251
Capital Outlay	131,407	277,763	267,881	48,096	315,977
Total expenditures	37,255,658	37,805,658	37,679,905	(16,997)	37,662,908
Net change in fund balances	\$ -	\$ (550,000)	(703,759)	16,997	(686,762)
Fund balances - beginning			1,883,093	141,440	2,024,533
Fund balances - ending			\$ 1,179,334	\$ 158,437	\$ 1,337,771

Nonmajor Governmental Funds - By Fund Type

BILLINGS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
June 30, 2011

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 10,611,444	\$ 124,334	\$ 598,093	\$ 11,333,871
Receivables:				
Taxes, net	452,992	6,646	-	459,638
Governments	1,593,055	-	-	1,593,055
Other	99,545	-	-	99,545
Total assets	<u>\$ 12,757,036</u>	<u>\$ 130,980</u>	<u>\$ 598,093</u>	<u>\$ 13,486,109</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 768,779	\$ 12,658	\$ 354	\$ 781,791
Deferred revenue	397,452	6,646	-	404,098
Total liabilities	<u>1,166,231</u>	<u>19,304</u>	<u>354</u>	<u>1,185,889</u>
Fund balances:				
Restricted	6,357,475	111,676	597,739	7,066,890
Committed	2,085,667	-	-	2,085,667
Assigned	3,147,663	-	-	3,147,663
Total fund balances	<u>11,590,805</u>	<u>111,676</u>	<u>597,739</u>	<u>12,300,220</u>
Total liabilities and fund balances	<u>\$ 12,757,036</u>	<u>\$ 130,980</u>	<u>\$ 598,093</u>	<u>\$ 13,486,109</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, 2011

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
REVENUES				
Property taxes	\$ 5,967,157	\$ 11,962	\$ 183	\$ 5,979,302
Intergovernmental:				
County	14,285,342	-	-	14,285,342
State aid	55,589	-	-	55,589
State other	5,377,361	-	-	5,377,361
Federal	15,909,757	298,800	-	16,208,557
Charges for services	2,936,008	-	-	2,936,008
Interest	160,854	1,094	7,292	169,240
Miscellaneous	1,335,310	-	-	1,335,310
Total revenues	46,027,378	311,856	7,475	46,346,709
EXPENDITURES				
Current:				
Instruction	25,071,576	-	-	25,071,576
Support services:				
Students	3,585,922	-	-	3,585,922
Instructional staff	1,564,146	-	-	1,564,146
General administration	69,325	-	-	69,325
School administration	2,512,555	-	-	2,512,555
Business services	426,098	-	-	426,098
Operation and maintenance	1,011,387	-	539	1,011,926
Student transportation	5,130,147	-	-	5,130,147
Food services	5,788,739	-	-	5,788,739
Community services	23,963	-	-	23,963
Extracurricular	301,392	-	-	301,392
Other current charges	12,874	-	-	12,874
Capital outlay	1,198,817	-	116,929	1,315,746
Debt service				
Interest and other charges	-	298,800	-	298,800
Total expenditures	46,696,941	298,800	117,468	47,113,209
Net change in fund balances	(669,563)	13,056	(109,993)	(766,500)
Fund balances - beginning	12,260,368	98,620	707,732	13,066,720
Fund balances - ending	\$ 11,590,805	\$ 111,676	\$ 597,739	\$ 12,300,220

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.

Compensated Absences Fund – (Elementary and High School) The District established this fund to pay any accumulated amount of sick and vacation leave to non-teaching and administrative personnel upon termination of employment.

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

Billings Public Schools
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2011

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	Elementary Transportation	High School Transportation	High School School Food	Elementary Tuition	High School Tuition	Elementary Retirement
ASSETS						
Cash and cash equivalents	\$ 250,047	\$ 424,129	\$ 118,641	\$ 205,584	\$ 112,164	\$ 2,670,118
Receivables:						
Taxes, net	151,560	91,447	-	12,003	19,531	-
Governments	-	-	13,285	-	-	-
Other	-	-	79,888	-	-	-
Total assets	<u>\$ 401,607</u>	<u>\$ 515,576</u>	<u>\$ 211,814</u>	<u>\$ 217,587</u>	<u>\$ 131,695</u>	<u>\$ 2,670,118</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 138,077	\$ 80,228	\$ 125,029	\$ 100	\$ 2,420	\$ 61,620
Deferred revenue	130,455	74,824	-	10,423	15,967	-
Total liabilities	<u>268,532</u>	<u>155,052</u>	<u>125,029</u>	<u>10,523</u>	<u>18,387</u>	<u>61,620</u>
Fund balances:						
Restricted	119,010	358,524	86,785	207,064	113,308	2,608,498
Committed	-	-	-	-	-	-
Assigned	14,065	2,000	-	-	-	-
Total fund balances	<u>133,075</u>	<u>360,524</u>	<u>86,785</u>	<u>207,064</u>	<u>113,308</u>	<u>2,608,498</u>
Total liabilities and fund balances	<u>\$ 401,607</u>	<u>\$ 515,576</u>	<u>\$ 211,814</u>	<u>\$ 217,587</u>	<u>\$ 131,695</u>	<u>\$ 2,670,118</u>

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BILLINGS PUBLIC SCHOOLS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2011

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	High School Lease Rental	Elementary Compensated Absences	High School Compensated Absences	Elementary Technology	High School Technology	Elementary Flexibility
ASSETS						
Cash and cash equivalents	\$ 410	\$ 29,016	\$ 9,574	\$ 165,359	\$ 86,220	\$ 363,102
Receivables:						
Taxes, net	-	-	-	-	69,044	-
Governments	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total assets	<u>\$ 410</u>	<u>\$ 29,016</u>	<u>\$ 9,574</u>	<u>\$ 165,359</u>	<u>\$ 155,264</u>	<u>\$ 363,102</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 45,850	\$ 40,110	\$ -
Deferred revenue	-	-	-	-	57,852	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,850</u>	<u>97,962</u>	<u>-</u>
Fund balances:						
Restricted	410	29,016	9,574	119,509	57,302	-
Committed	-	-	-	-	-	363,102
Assigned	-	-	-	-	-	-
Total fund balances	<u>410</u>	<u>29,016</u>	<u>9,574</u>	<u>119,509</u>	<u>57,302</u>	<u>363,102</u>
Total liabilities and fund balances	<u>\$ 410</u>	<u>\$ 29,016</u>	<u>\$ 9,574</u>	<u>\$ 165,359</u>	<u>\$ 155,264</u>	<u>\$ 363,102</u>

BILLINGS PUBLIC SCHOOLS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2011

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	High School Flexibility	Elementary Miscellaneous Trust	High School Miscellaneous Trust	Total
ASSETS				
Cash and cash equivalents	\$ 71,416	\$ 622,325	\$ 1,068,007	\$ 10,611,444
Receivables:				
Taxes, net	-	-	-	452,992
Governments	-	-	-	1,593,055
Other	-	17,583	-	99,545
Total assets	<u>\$ 71,416</u>	<u>\$ 639,908</u>	<u>\$ 1,068,007</u>	<u>\$ 12,757,036</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 41,554	\$ 15,212	\$ 768,779
Deferred revenue	-	-	-	397,452
Total liabilities	<u>-</u>	<u>41,554</u>	<u>15,212</u>	<u>1,166,231</u>
Fund balances:				
Restricted	-	-	-	6,357,475
Committed	71,416	598,354	1,052,795	2,085,667
Assigned	-	-	-	3,147,663
Total fund balances	<u>71,416</u>	<u>598,354</u>	<u>1,052,795</u>	<u>11,590,805</u>
Total liabilities and fund balances	<u>\$ 71,416</u>	<u>\$ 639,908</u>	<u>\$ 1,068,007</u>	<u>\$ 12,757,036</u>

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, 2011

	Elementary Transportation	High School Transportation	High School School Food	Elementary Tuition	High School Tuition	Elementary Retirement
REVENUES						
Property taxes	\$ 1,934,196	\$ 1,204,922	\$ -	\$ 142,880	\$ 254,297	\$ -
Intergovernmental:						
County	490,444	269,339	-	-	-	8,544,330
State aid	-	-	-	-	55,589	-
State other	637,338	309,566	-	-	-	1,304,854
Federal	-	-	3,246,705	-	-	-
Charges for services	36,643	1,736	2,362,415	-	-	-
Interest	2,018	2,339	563	1,996	1,474	31,700
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>3,100,639</u>	<u>1,787,902</u>	<u>5,609,683</u>	<u>144,876</u>	<u>311,360</u>	<u>9,880,884</u>
EXPENDITURES						
Current:						
Instruction	-	-	-	90,791	273,613	7,143,412
Support services:						
Students	-	-	-	-	-	933,052
Instructional staff	-	-	-	-	-	503,451
General administration	-	-	-	-	-	41,165
School administration	168,242	63,957	-	-	-	814,898
Business services	20,559	10,087	-	-	-	165,995
Operation and maintenance	-	-	-	-	-	567,382
Student transportation	3,247,584	1,717,287	-	-	-	146,464
Food services	-	-	5,773,335	-	-	-
Community services	-	-	-	-	-	-
Extracurricular	-	-	-	-	-	88,948
Other current charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>3,436,385</u>	<u>1,791,331</u>	<u>5,773,335</u>	<u>90,791</u>	<u>273,613</u>	<u>10,404,767</u>
Net change in fund balances	(335,746)	(3,429)	(163,652)	54,085	37,747	(523,883)
Fund balances - beginning	<u>468,821</u>	<u>363,953</u>	<u>250,437</u>	<u>152,979</u>	<u>75,561</u>	<u>3,132,381</u>
Fund balances - ending	<u>\$ 133,075</u>	<u>\$ 360,524</u>	<u>\$ 86,785</u>	<u>\$ 207,064</u>	<u>\$ 113,308</u>	<u>\$ 2,608,498</u>

BILLINGS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUE
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2011

Page 2 of 4

	High School Retirement	Elementary Miscellaneous Programs	High School Miscellaneous Programs	Elementary Adult Education	High School Adult Education	High School Traffic Education
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ 391,439	\$ 1,010,379	\$ -
Intergovernmental:						
County	4,981,229	-	-	-	-	-
State aid	-	-	-	-	-	-
State other	623,221	1,704,620	254,960	-	-	100,513
Federal	-	12,162,575	500,477	-	-	-
Charges for services	-	-	-	-	308,242	226,972
Interest	13,705	54,554	13,139	3,552	5,947	2,282
Miscellaneous	-	22,547	183,492	20,069	-	-
Total revenues	5,618,155	13,944,296	952,068	415,060	1,324,568	329,767
EXPENDITURES						
Current:						
Instruction	3,921,865	10,341,406	742,714	362,324	763,073	329,046
Support services:						
Students	393,635	1,476,886	8,263	12,779	73,675	-
Instructional staff	329,491	323,348	82,830	702	2,600	-
General administration	21,286	3,318	3,556	-	-	-
School administration	535,018	301,421	2,496	52,007	414,858	-
Business services	103,799	-	79,173	-	-	-
Operation and maintenance	355,657	65,680	1,713	-	1,105	-
Student transportation	15,981	2,831	-	-	-	-
Food services	2,329	13,075	-	-	-	-
Community services	-	-	-	-	-	-
Extracurricular	212,444	-	-	-	-	-
Other current charges	12,874	-	-	-	-	-
Capital outlay	-	984,386	169,375	-	17,344	-
Total expenditures	5,904,379	13,512,351	1,090,120	427,812	1,272,655	329,046
Net change in fund balances	(286,224)	431,945	(138,052)	(12,752)	51,913	721
Fund balances - beginning	1,390,671	2,520,364	460,127	358,620	720,115	282,625
Fund balances - ending	\$ 1,104,447	\$ 2,952,309	\$ 322,075	\$ 345,868	\$ 772,028	\$ 283,346

Billings Public Schools
 COMBINING STATEMENT OF REVENUE
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2011

Page 3 of 4

	High School Lease Rental	Elementary Compensated Absences	High School Compensated Absences	Elementary Technology	High School Technology	Elementary Flexibility
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,029,044	\$ -
Intergovernmental:						
County	-	-	-	-	-	-
State aid	-	-	-	-	-	-
State other	-	-	-	64,732	37,360	170,203
Federal	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Interest	4	2,726	103	899	4,097	2,237
Miscellaneous	-	-	-	-	-	-
Total revenues	4	2,726	103	65,631	1,070,501	172,440
EXPENDITURES						
Current:						
Instruction	-	-	-	-	741,813	-
Support services:						
Students	-	-	-	-	-	-
Instructional staff	-	-	-	-	308,795	-
General administration	-	-	-	-	-	-
School administration	-	159,658	-	-	-	-
Business services	-	46,485	-	-	-	-
Operation and maintenance	-	19,800	-	-	-	-
Student transportation	-	-	-	-	-	-
Food services	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Extracurricular	-	-	-	-	-	-
Other current charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	27,712	-
Total expenditures	-	225,943	-	-	1,078,320	-
Net change in fund balances	4	(223,217)	103	65,631	(7,819)	172,440
Fund balances - beginning	406	252,233	9,471	53,878	65,121	190,662
Fund balances - ending	\$ 410	\$ 29,016	\$ 9,574	\$ 119,509	\$ 57,302	\$ 363,102

BILLINGS PUBLIC SCHOOLS
 COMBINING STATEMENT OF REVENUE
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2011

Page 4 of 4

	High School Flexibility	Elementary Miscellaneous Trust	High School Miscellaneous Trust	Total
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ 5,967,157
Intergovernmental:				
County	-	-	-	14,285,342
State aid	-	-	-	55,589
State other	169,994	-	-	5,377,361
Federal	-	-	-	15,909,757
Charges for services	-	-	-	2,936,008
Interest	1,070	6,489	9,960	160,854
Miscellaneous	-	442,671	666,531	1,335,310
Total revenues	171,064	449,160	676,491	46,027,378
EXPENDITURES				
Current:				
Instruction	208,146	104,321	49,052	25,071,576
Support services:				
Students	3,040	310,680	373,912	3,585,922
Instructional staff	-	12,929	-	1,564,146
General administration	-	-	-	69,325
School administration	-	-	-	2,512,555
Business services	-	-	-	426,098
Operation and maintenance	-	50	-	1,011,387
Student transportation	-	-	-	5,130,147
Food services	-	-	-	5,788,739
Community services	-	-	23,963	23,963
Extracurricular	-	-	-	301,392
Other current charges	-	-	-	12,874
Capital outlay	-	-	-	1,198,817
Total expenditures	211,186	427,980	446,927	46,696,941
Net change in fund balances	(40,122)	21,180	229,564	(669,563)
Fund balances - beginning	111,538	577,174	823,231	12,260,368
Fund balances - ending	\$ 71,416	\$ 598,354	\$ 1,052,795	\$ 11,590,805

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, 2011

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 1,994,089	\$ 1,994,089	\$ 1,934,196	\$ -	\$ 1,934,196
Intergovernmental:					
County	490,105	490,105	490,444	-	490,444
State other	637,338	637,338	637,338	-	637,338
Charges for services	39,000	39,000	36,643	-	36,643
Interest	2,335	2,335	2,018	-	2,018
Total revenues	<u>3,162,867</u>	<u>3,162,867</u>	<u>3,100,639</u>	<u>-</u>	<u>3,100,639</u>
EXPENDITURES					
Current:					
Support services:					
School administration	78,765	139,072	168,242	-	168,242
Business services	22,412	20,574	20,559	-	20,559
Student transportation	3,412,736	3,354,267	3,261,649	(14,065)	3,247,584
Total expenditures	<u>3,513,913</u>	<u>3,513,913</u>	<u>3,450,450</u>	<u>(14,065)</u>	<u>3,436,385</u>
Net change in fund balances	<u>\$ (351,046)</u>	<u>\$ (351,046)</u>	(349,811)	14,065	(335,746)
Fund balances - beginning			468,821	-	468,821
Fund balances - ending			<u>\$ 119,010</u>	<u>\$ 14,065</u>	<u>\$ 133,075</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, 2011

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 1,232,430	\$ 1,232,430	\$ 1,204,922	\$ -	\$ 1,204,922
Intergovernmental:					
County	269,000	269,000	269,339	-	269,339
State other	309,566	309,566	309,566	-	309,566
Charges for services	-	-	1,736	-	1,736
Interest	-	-	2,339	-	2,339
Total revenues	<u>1,810,996</u>	<u>1,810,996</u>	<u>1,787,902</u>	<u>-</u>	<u>1,787,902</u>
EXPENDITURES					
Current:					
Support services:					
School administration	116,488	116,488	63,902	55	63,957
Business services	10,419	10,462	10,087	-	10,087
Student transportation	<u>1,791,810</u>	<u>1,791,767</u>	<u>1,719,287</u>	<u>(2,000)</u>	<u>1,717,287</u>
Total expenditures	<u>1,918,717</u>	<u>1,918,717</u>	<u>1,793,276</u>	<u>(1,945)</u>	<u>1,791,331</u>
Net change in fund balances	<u>\$ (107,721)</u>	<u>\$ (107,721)</u>	(5,374)	1,945	(3,429)
Fund balances - beginning			<u>363,898</u>	<u>55</u>	<u>363,953</u>
Fund balances - ending			<u>\$ 358,524</u>	<u>\$ 2,000</u>	<u>\$ 360,524</u>

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, 2011

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 147,020	\$ 147,020	\$ 142,880	\$ -	\$ 142,880
Interest	-	-	1,996	-	1,996
Total revenues	147,020	147,020	144,876	-	144,876
EXPENDITURES					
Current:					
Instruction	300,000	300,000	90,791	-	90,791
Total expenditures	300,000	300,000	90,791	-	90,791
Net change in fund balances	<u>\$ (152,980)</u>	<u>\$ (152,980)</u>	54,085	-	54,085
Fund balances - beginning			152,979	-	152,979
Fund balances - ending			<u>\$ 207,064</u>	<u>\$ -</u>	<u>\$ 207,064</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, 2011

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 259,524	\$ 259,524	\$ 254,297	\$ -	\$ 254,297
Intergovernmental:					
State aid	67,024	67,024	55,589	-	55,589
Interest	1,800	1,800	1,474	-	1,474
Total revenues	328,348	328,348	311,360	-	311,360
EXPENDITURES					
Current:					
Instruction	403,909	403,909	273,613	-	273,613
Total expenditures	403,909	403,909	273,613	-	273,613
Net change in fund balances	\$ (75,561)	\$ (75,561)	37,747	-	37,747
Fund balances - beginning			75,561	-	75,561
Fund balances - ending			\$ 113,308	\$ -	\$ 113,308

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, 2011

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Intergovernmental:					
County	\$ 8,707,620	\$ 8,707,620	\$ 8,544,330	\$ -	\$ 8,544,330
State other	-	-	-	1,304,854	1,304,854
Interest	40,000	40,000	31,700	-	31,700
Total revenues	<u>8,747,620</u>	<u>8,747,620</u>	<u>8,576,030</u>	<u>1,304,854</u>	<u>9,880,884</u>
EXPENDITURES					
Current:					
Instructional	5,849,973	6,289,869	6,105,992	1,037,420	7,143,412
Support services:					
Students	785,921	670,847	829,754	103,298	933,052
Instructional staff	521,502	459,243	447,190	56,261	503,451
General administration	53,960	32,520	37,916	3,249	41,165
School administration	715,966	850,919	737,733	77,165	814,898
Business services	111,426	114,960	163,043	2,952	165,995
Operation and maintenance	575,576	441,353	555,629	11,753	567,382
Student transportation	117,210	107,669	143,903	2,561	146,464
Extracurricular	68,466	132,620	78,753	10,195	88,948
Total expenditures	<u>8,800,000</u>	<u>9,100,000</u>	<u>9,099,913</u>	<u>1,304,854</u>	<u>10,404,767</u>
Net change in fund balances	<u>\$ (52,380)</u>	<u>\$ (352,380)</u>	(523,883)	-	(523,883)
Fund balances - beginning			<u>3,132,381</u>	-	<u>3,132,381</u>
Fund balances - ending			<u>\$ 2,608,498</u>	<u>\$ -</u>	<u>\$ 2,608,498</u>

A budget amendment for the Elementary Retirement account was passed to fund unforeseen retirements in the district.

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.

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, 2011

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Intergovernmental:					
County	\$ 5,080,000	\$ 5,080,000	\$ 4,981,229	\$ -	\$ 4,981,229
State other	-	-	-	623,221	623,221
Interest	20,000	20,000	13,705	-	13,705
Total revenues	<u>5,100,000</u>	<u>5,100,000</u>	<u>4,994,934</u>	<u>623,221</u>	<u>5,618,155</u>
EXPENDITURES					
Current:					
Instructional	3,518,003	3,466,645	3,446,933	474,932	3,921,865
Support services:					
Students	340,180	482,155	346,853	46,782	393,635
Instructional staff	233,896	292,781	304,358	25,133	329,491
General administration	45,295	25,460	19,418	1,868	21,286
School administration	399,815	446,077	492,963	42,055	535,018
Business services	110,403	112,368	100,953	2,846	103,799
Operation and maintenance	280,060	274,512	348,311	7,346	355,657
Student transportation	15,150	12,946	15,656	325	15,981
Food services	603	1,933	2,329	-	2,329
Extracurricular	156,595	185,123	190,510	21,934	212,444
Other current charges	-	-	12,874	-	12,874
Total expenditures	<u>5,100,000</u>	<u>5,300,000</u>	<u>5,281,158</u>	<u>623,221</u>	<u>5,904,379</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (200,000)</u>	(286,224)	-	(286,224)
Fund balances - beginning			1,390,671	-	1,390,671
Fund balances - ending			<u>\$ 1,104,447</u>	<u>\$ -</u>	<u>\$ 1,104,447</u>

A budget amendment for the High School Retirement account was passed to fund unforeseen retirements in the district.

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.

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, 2011

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 405,631	\$ 405,631	\$ 391,439	\$ -	\$ 391,439
Interest	4,500	4,500	3,552	-	3,552
Miscellaneous	12,165	12,165	20,069	-	20,069
Total revenues	422,296	422,296	415,060	-	415,060
EXPENDITURES					
Current:					
Instructional	506,995	501,303	362,302	22	362,324
Support services:					
Students	17,249	20,749	12,779	-	12,779
Instructional staff	3,100	4,000	702	-	702
School administration	51,096	52,388	52,007	-	52,007
Total expenditures	578,440	578,440	427,790	22	427,812
Net change in fund balances	\$ (156,144)	\$ (156,144)	(12,730)	(22)	(12,752)
Fund balances - beginning			358,598	22	358,620
Fund balances - ending			\$ 345,868	\$ -	\$ 345,868

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, 2011

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 1,033,785	\$ 1,033,785	\$ 1,010,379	\$ -	\$ 1,010,379
Charges for services	250,000	250,000	308,242	-	308,242
Interest	8,000	8,000	5,947	-	5,947
Total revenues	<u>1,291,785</u>	<u>1,291,785</u>	<u>1,324,568</u>	<u>-</u>	<u>1,324,568</u>
EXPENDITURES					
Current:					
Instructional	742,065	886,753	764,175	(1,102)	763,073
Support services:					
Students	200,564	152,081	73,675	-	73,675
Instructional staff	4,531	2,600	2,600	-	2,600
School administration	472,322	422,420	415,278	(420)	414,858
Operation and maintenance	41,747	2,303	865	240	1,105
Capital Outlay	26,136	21,208	15,584	1,760	17,344
Total expenditures	<u>1,487,365</u>	<u>1,487,365</u>	<u>1,272,177</u>	<u>478</u>	<u>1,272,655</u>
Net change in fund balances	<u>\$ (195,580)</u>	<u>\$ (195,580)</u>	52,391	(478)	51,913
Fund balances - beginning			<u>716,157</u>	<u>3,958</u>	<u>720,115</u>
Fund balances - ending			<u>\$ 768,548</u>	<u>\$ 3,480</u>	<u>\$ 772,028</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, 2011

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Intergovernmental:					
State other	\$ 64,732	\$ 64,732	\$ 64,732	\$ -	\$ 64,732
Interest	-	-	899	-	899
Total revenues	64,732	64,732	65,631	-	65,631
EXPENDITURES					
Current:					
Instructional	118,610	118,610	-	-	-
Total expenditures	118,610	118,610	-	-	-
Net change in fund balances	<u>\$ (53,878)</u>	<u>\$ (53,878)</u>	65,631	-	65,631
Fund balances - beginning			53,878	-	53,878
Fund balances - ending			<u>\$ 119,509</u>	<u>\$ -</u>	<u>\$ 119,509</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, 2011

	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	\$ 1,029,044	\$ -	\$ 1,029,044
Intergovernmental:					
State other	\$ 37,360	\$ 37,360	\$ 37,360	\$ -	\$ 37,360
Interest	-	-	4,097	-	4,097
Total revenues	<u>1,136,819</u>	<u>1,136,819</u>	<u>1,070,501</u>	<u>-</u>	<u>1,070,501</u>
EXPENDITURES					
Current:					
Instructional	57,133	780,201	741,813	-	741,813
Support services:					
Instructional staff	-	404,808	308,795	-	308,795
Capital Outlay	<u>1,144,807</u>	<u>16,931</u>	<u>27,712</u>	<u>-</u>	<u>27,712</u>
Total expenditures	<u>1,201,940</u>	<u>1,201,940</u>	<u>1,078,320</u>	<u>-</u>	<u>1,078,320</u>
Net change in fund balances	<u>\$ (65,121)</u>	<u>\$ (65,121)</u>	(7,819)	-	(7,819)
Fund balances - beginning			<u>65,121</u>	<u>-</u>	<u>65,121</u>
Fund balances - ending			<u>\$ 57,302</u>	<u>\$ -</u>	<u>\$ 57,302</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, 2011

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Intergovernmental:					
State other	\$ 170,203	\$ 170,203	\$ 170,203	\$ -	\$ 170,203
Interest	-	-	2,237	-	2,237
Total revenues	170,203	170,203	172,440	-	172,440
EXPENDITURES					
Current:					
Instructional	360,865	360,865	-	-	-
Total expenditures	360,865	360,865	-	-	-
Net change in fund balances	\$ (190,662)	\$ (190,662)	172,440	-	172,440
Fund balances - beginning			190,662	-	190,662
Fund balances - ending			\$ 363,102	\$ -	\$ 363,102

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, 2011

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Intergovernmental:					
State other	\$ 169,994	\$ 169,994	\$ 169,994	\$ -	\$ 169,994
Interest	-	-	1,070	-	1,070
Total revenues	169,994	169,994	171,064	-	171,064
EXPENDITURES					
Current:					
Instructional	281,533	278,493	208,146	-	208,146
Support services:					
Students	-	3,040	3,040	-	3,040
Total expenditures	281,533	281,533	211,186	-	211,186
Net change in fund balances	\$ (111,539)	\$ (111,539)	(40,122)	-	(40,122)
Fund balances - beginning			111,538	-	111,538
Fund balances - ending			\$ 71,416	\$ -	\$ 71,416

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.

BILLINGS PUBLIC SCHOOLS
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 June 30, 2011

	Elementary Debt Service	High School Debt Service	Total
ASSETS			
Cash and cash equivalents	\$ 111,676	\$ 12,658	\$ 124,334
Receivables:			
Taxes, net	6,646	-	6,646
Total assets	<u>\$ 118,322</u>	<u>\$ 12,658</u>	<u>\$ 130,980</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 12,658	\$ 12,658
Deferred revenue	6,646	-	6,646
Total liabilities	<u>6,646</u>	<u>12,658</u>	<u>19,304</u>
Fund balances:			
Restricted	<u>111,676</u>	<u>-</u>	<u>111,676</u>
Total fund balances	<u>111,676</u>	<u>-</u>	<u>111,676</u>
Total liabilities and fund balances	<u>\$ 118,322</u>	<u>\$ 12,658</u>	<u>\$ 130,980</u>

BILLINGS PUBLIC SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR DEBT SERVICE FUNDS

For the Year Ended June 30, 2011

	Elementary Debt Service	High School Debt Service	Total
REVENUES			
Property taxes	\$ 11,962	\$ -	\$ 11,962
Intergovernmental:			
Federal	110,058	188,742	298,800
Interest	1,094	-	1,094
Total revenues	123,114	188,742	311,856
EXPENDITURES			
Debt service:			
Interest and other charges	110,058	188,742	298,800
Total expenditures	110,058	188,742	298,800
Net change in fund balances	13,056	-	13,056
Fund balances - beginning	98,620	-	98,620
Fund balances - ending	\$ 111,676	\$ -	\$ 111,676

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, 2011

	<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					
Property taxes	\$ -	\$ -	\$ 11,962	\$ -	\$ 11,962
Intergovernmental:					
Federal	-	110,058	110,058	-	110,058
Interest	-	-	1,094	-	1,094
Total revenues	-	110,058	123,114	-	123,114
EXPENDITURES					
Debt Service:					
Interest and other charges	-	110,058	110,058	-	110,058
Total expenditures	-	110,058	110,058	-	110,058
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	13,056	-	13,056
Fund balances - beginning			98,620	-	98,620
Fund balances - ending			<u>\$ 111,676</u>	<u>\$ -</u>	<u>\$ 111,676</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, 2011

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Intergovernmental:					
Federal	\$ -	\$ 188,742	\$ 188,742	\$ -	\$ 188,742
Total revenues	-	188,742	188,742	-	188,742
EXPENDITURES					
Debt Service:					
Interest and other charges	-	188,742	188,742	-	188,742
Total expenditures	-	188,742	188,742	-	188,742
Net change in fund balances	\$ -	\$ -	-	-	-
Fund balances - beginning			-	-	-
Fund balances - ending			\$ -	\$ -	\$ -

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.

BILLINGS PUBLIC SCHOOLS
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 June 30, 2011

	Elementary Building Reserve	High School Building Reserve	Total
ASSETS			
Cash and cash equivalents	\$ 310,105	\$ 287,988	\$ 598,093
Total assets	<u>\$ 310,105</u>	<u>\$ 287,988</u>	<u>\$ 598,093</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 237	\$ 117	\$ 354
Total liabilities	<u>237</u>	<u>117</u>	<u>354</u>
Fund balances:			
Restricted	<u>309,868</u>	<u>287,871</u>	<u>597,739</u>
Total fund balances	<u>309,868</u>	<u>287,871</u>	<u>597,739</u>
Total liabilities and fund balances	<u>\$ 310,105</u>	<u>\$ 287,988</u>	<u>\$ 598,093</u>

BILLINGS PUBLIC SCHOOLS**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
For the Year Ended June 30, 2011**

	Elementary Building Reserve	High School Building Reserve	Total
REVENUES			
Property taxes	\$ 27	\$ 156	\$ 183
Interest	3,315	3,977	7,292
Total revenues	3,342	4,133	7,475
EXPENDITURES			
Current:			
Support services:			
Operation and maintenance	361	178	539
Capital outlay	-	116,929	116,929
Total expenditures	361	117,107	117,468
Net change in fund balances	2,981	(112,974)	(109,993)
Fund balances - beginning	306,887	400,845	707,732
Fund balances - ending	\$ 309,868	\$ 287,871	\$ 597,739

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, 2011

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ -	\$ -	\$ 27	\$ -	\$ 27
Interest	-	-	3,315	-	3,315
Total revenues	-	-	3,342	-	3,342
EXPENDITURES					
Current:					
Operation and maintenance	-	10,050	361	-	361
Capital Outlay	306,887	296,837	-	-	-
Total expenditures	306,887	306,887	361	-	361
Net change in fund balances	\$ (306,887)	\$ (306,887)	2,981	-	2,981
Fund balances - beginning			306,887	-	306,887
Fund balances - ending			\$ 309,868	\$ -	\$ 309,868

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, 2011

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ -	\$ -	\$ 156	\$ -	\$ 156
Interest	-	-	3,977	-	3,977
Total revenues	-	-	4,133	-	4,133
EXPENDITURES					
Current:					
Operation and maintenance	-	4,950	178	-	178
Capital Outlay	400,845	395,895	116,929	-	116,929
Total expenditures	400,845	400,845	117,107	-	117,107
Net change in fund balances	<u>\$ (400,845)</u>	<u>\$ (400,845)</u>	(112,974)	-	(112,974)
Fund balances - beginning			400,845	-	400,845
Fund balances - ending			<u>\$ 287,871</u>	<u>\$ -</u>	<u>\$ 287,871</u>

PROPRIETARY FUNDS

Internal Service Funds:

Internal service funds are used to account for the financing of goods or services provided by one department to other departments or agencies of the government and to other government units, 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.

BILLINGS PUBLIC SCHOOLS

COMBINING STATEMENT OF NET ASSETS-ALL INTERNAL SERVICE FUNDS

June 30, 2011

	Warehouse	Self- Insurance Health	Self- Insurance Property	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 19,555	\$ 3,412,203	\$ 9,457	\$ 3,441,215
Accounts receivables, net	2,617	405,675	-	408,292
Inventories	81,243	-	-	81,243
Prepaid items	-	95,686	-	95,686
Total current assets	103,415	3,913,564	9,457	4,026,436
Non-current assets:				
Capital Assets:				
Land and improvements	122,700	-	-	122,700
Buildings	1,691,183	-	-	1,691,183
Equipment and Furniture	632,465	-	-	632,465
Less accumulated depreciation	(1,096,289)	-	-	(1,096,289)
Total non-current assets	1,350,059	-	-	1,350,059
Total assets	1,453,474	3,913,564	9,457	5,376,495
LIABILITIES				
Current Liabilities:				
Accounts payable	15,562	1,303,030	-	1,318,592
Due to other funds	85,000	-	-	85,000
Unearned revenue	-	61,452	-	61,452
Compensated absences	7,271	2,334	-	9,605
Total current liabilities	107,833	1,366,816	-	1,474,649
Non-current liabilities:				
Compensated absences	65,441	21,010	-	86,451
Other postemployment benefits	-	9,269,000	-	9,269,000
Total non-current liabilities	65,441	9,290,010	-	9,355,451
Total liabilities	173,274	10,656,826	-	10,830,100
NET ASSETS				
Invested in capital assets	1,350,059	-	-	1,350,059
Unrestricted	(69,859)	(6,743,262)	9,457	(6,803,664)
Total net assets	\$ 1,280,200	\$ (6,743,262)	\$ 9,457	\$ (5,453,605)

BILLINGS PUBLIC SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS-
ALL INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2011

	Warehouse	Self-Insurance Health	Self-Insurance Property	Total
OPERATING REVENUES				
Charges for services	\$ 1,371,731	\$ 15,295,020	\$ -	\$ 16,666,751
Total operating revenues	1,371,731	15,295,020	-	16,666,751
OPERATING EXPENSES				
Personal services - salaries	99,467	75,479	-	174,946
Personal services - benefits	30,358	7,083	-	37,441
Purchased professional and technical services	109	-	53,527	53,636
Purchased property services	76,119	474	16,150	92,743
Other purchased services	3,352	1,002,278	-	1,005,630
Supplies and materials	1,147,428	4,178	-	1,151,606
Insurance claims and expenses	-	13,976,004	-	13,976,004
Other postemployment benefits	-	1,548,000	-	1,548,000
Depreciation	40,815	-	-	40,815
Total operating expenses	1,397,648	16,613,496	69,677	18,080,821
Operating loss	(25,917)	(1,318,476)	(69,677)	(1,414,070)
NONOPERATING REVENUES AND EXPENSES				
Interest revenue	1,160	32,276	591	34,027
Miscellaneous revenue	96,968	-	-	96,968
Miscellaneous expenses	(90,443)	-	-	(90,443)
Total non-operating revenues and expenses	7,685	32,276	591	40,552
Change in net assets	(18,232)	(1,286,200)	(69,086)	(1,373,518)
Net assets - beginning	1,298,432	(5,457,062)	78,543	(4,080,087)
Net assets - ending	\$ 1,280,200	\$ (6,743,262)	\$ 9,457	\$ (5,453,605)

BILLINGS PUBLIC SCHOOLS

COMBINING STATEMENT OF CASH FLOWS-ALL INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2011

	Warehouse	Self-Insurance Health	Self-Insurance Property	Total
CASH FLOWS FROM OPERATIONS:				
Cash received from health insurance premiums	\$ -	\$ 15,432,515	\$ -	\$ 15,432,515
Cash received from interfund services	1,372,146	-	-	1,372,146
Medical claims paid	-	(13,976,004)	-	(13,976,004)
Cash paid to employees health insurance services	-	(79,396)	-	(79,396)
Cash paid to employees interfund services	(215,433)	-	-	(215,433)
Cash paid to suppliers for goods and services health insurance services	-	(998,448)	-	(998,448)
Cash paid to suppliers for goods and services interfund services	(1,207,148)	-	(69,677)	(1,276,825)
Net cash provided (used) by operating activities	(50,435)	378,667	(69,677)	258,555
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Miscellaneous cash received	96,968	-	-	96,968
Cash paid-interfund payable	(51,000)	-	-	(51,000)
Net cash used by noncapital financing activities	45,968	-	-	45,968
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Purchase of capital assets	(5,759)	-	-	(5,759)
Net cash used by capital financing activities	(5,759)	-	-	(5,759)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	1,160	32,276	591	34,027
Net cash provided by investing activities	1,160	32,276	591	34,027
Change in cash and cash equivalents	(9,066)	410,943	(69,086)	332,791
Cash and cash equivalents - beginning	28,621	3,001,260	78,543	3,108,424
Cash and cash equivalents - ending	\$ 19,555	\$ 3,412,203	\$ 9,457	\$ 3,441,215
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating loss	\$ (116,360)	\$ (1,318,476)	\$ (69,677)	\$ (1,504,513)
Adjustment to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation	40,815	-	-	40,815
Other postemployment benefits	-	1,548,000	-	1,548,000
Decrease in accounts receivable	415	133,131	-	133,546
Decrease in inventory	36,326	-	-	36,326
Decrease in prepaid items	-	8,277	-	8,277
Increase (decrease) in accounts payable	(15,816)	3,004	-	(12,812)
Increase in unearned revenue	-	4,364	-	4,364
Increase in compensated absences	4,185	367	-	4,552
Net cash provided (used) by operating activities	\$ (50,435)	\$ 378,667	\$ (69,677)	\$ 258,555

Fiduciary Funds

Private-Purpose Trust Funds:

Extracurricular Fund (Elementary and High School) - To account for revenue 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.

BILLINGS PUBLIC SCHOOLS
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 ALL PRIVATE-PURPOSE TRUST FUNDS
 June 30, 2011

	Elementary Extracurricular	High School Extracurricular	Total
ASSETS			
Cash and cash equivalents	\$ 523,367	\$ 1,611,944	\$ 2,135,311
Total assets	<u>523,367</u>	<u>1,611,944</u>	<u>2,135,311</u>
LIABILITIES			
Accounts payable	<u>14,029</u>	<u>30,445</u>	<u>44,474</u>
Total liabilities	<u>14,029</u>	<u>30,445</u>	<u>44,474</u>
NET ASSETS			
Held in trust	<u>\$ 509,338</u>	<u>\$ 1,581,499</u>	<u>\$ 2,090,837</u>

BILLINGS PUBLIC SCHOOLS**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS****ALL PRIVATE-PURPOSE TRUST FUNDS**

For the Year Ended June 30, 2011

	<u>Elementary Extracurricular</u>	<u>High School Extracurricular</u>	<u>Total</u>
ADDITIONS			
Contributions:			
Student extracurricular activities	\$ 457,226	\$ 2,370,530	\$ 2,827,756
Investment earnings:			
Interest	<u>5,479</u>	<u>18,243</u>	<u>23,722</u>
Total additions	<u>462,705</u>	<u>2,388,773</u>	<u>2,851,478</u>
DEDUCTIONS			
Student extracurricular activities	<u>426,202</u>	<u>2,398,826</u>	<u>2,825,028</u>
Total deductions	<u>426,202</u>	<u>2,398,826</u>	<u>2,825,028</u>
Change in net assets	<u>36,503</u>	<u>(10,053)</u>	<u>26,450</u>
Net assets - beginning	<u>472,835</u>	<u>1,591,552</u>	<u>2,064,387</u>
Net assets - ending	<u>\$ 509,338</u>	<u>\$ 1,581,499</u>	<u>\$ 2,090,837</u>

BILLINGS PUBLIC SCHOOLS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

For the Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
PAYROLL CLEARING FUND				
ASSETS				
Cash	\$ 4,501,177	\$ 104,249,501	\$108,372,559	\$ 378,119
Other receivables	-	453	-	453
Total assets	<u>4,501,177</u>	<u>104,249,954</u>	<u>108,372,559</u>	<u>378,572</u>
LIABILITIES				
Accounts payable	<u>4,501,177</u>	<u>108,372,559</u>	<u>104,249,954</u>	<u>378,572</u>
Total liabilities	<u>4,501,177</u>	<u>108,372,559</u>	<u>104,249,954</u>	<u>378,572</u>
CAFETERIA/FLEX PLAN FUND				
ASSETS				
Cash	<u>207,784</u>	<u>1,340,646</u>	<u>1,326,120</u>	<u>222,310</u>
Total assets	<u>207,784</u>	<u>1,340,646</u>	<u>1,326,120</u>	<u>222,310</u>
LIABILITIES				
Accounts payable	<u>207,784</u>	<u>1,326,120</u>	<u>1,340,646</u>	<u>222,310</u>
Total liabilities	<u>207,784</u>	<u>1,326,120</u>	<u>1,340,646</u>	<u>222,310</u>
TOTAL AGENCY FUNDS				
ASSETS				
Cash	4,708,961	105,590,147	109,698,679	600,429
Other receivables	-	453	-	453
Total assets	<u>4,708,961</u>	<u>105,590,600</u>	<u>109,698,679</u>	<u>600,882</u>
LIABILITIES				
Accounts payable	<u>4,708,961</u>	<u>109,698,679</u>	<u>105,590,600</u>	<u>600,882</u>
Total liabilities	<u>\$ 4,708,961</u>	<u>\$ 109,698,679</u>	<u>\$105,590,600</u>	<u>\$ 600,882</u>

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

BILLINGS PUBLIC SCHOOLS

SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS - EXTRACURRICULAR

For the Year Ended June 30, 2011

Location	Balance July 1, 2010	Revenues	Expenditures	Balance June 30, 2011
Elementary and Middle School Curriculum	\$ 1,002	\$ -	\$ 1,002	\$ -
High School Curriculum	20,683	-	20,683	-
Career Center	113,352	95,297	93,569	115,080
Senior High School	458,047	662,762	661,181	459,628
West High School	362,857	663,182	663,078	362,961
Skyview High School	298,888	693,205	706,716	285,377
Middle Schools-Athletics	308,037	116,598	72,540	352,095
Lewis & Clark Middle School	12,578	50,377	51,342	11,613
Lincoln Education Center - Vending & Misc	1,734	10	1,744	-
Riverside Middle School	36,876	60,854	61,814	35,916
Will James Middle School	36,194	64,295	70,520	29,969
Castlerock Middle School	34,120	77,425	75,286	36,259
Arrowhead Elementary	3,519	6,582	5,541	4,560
Beartooth Elementary	1,549	6,412	5,046	2,915
Bench Elementary	300	4,135	4,132	303
Bitterroot Elementary	1,113	711	1,084	740
Boulder Elementary	3,472	33	2,584	921
Broadwater Elementary	940	2,171	1,726	1,385
Burlington Elementary	3,118	13,758	11,338	5,538
Central Heights Elementary	3,243	2,749	3,031	2,961
McKinley Elementary	1,976	2,076	2,209	1,843
Meadowlark Elementary	1,109	5,207	4,620	1,696
Miles Elementary	6,372	8,067	9,792	4,647
Newman Elementary	1,007	3,796	2,786	2,017
Poly Elementary	302	7,195	6,642	855
Ponderosa Elementary	4,389	5,674	6,980	3,083
Special Olympics	597	-	597	-
Rose Park Elementary	504	397	894	7
Sandstone Elementary	3,631	1,949	2,276	3,304
Adult Education	31	1,004	975	60
Washington Elementary	214	608	97	725
Big Sky Elementary	4,462	7,087	9,771	1,778
Eagle Cliffs Elementary	73	-	70	3
Exec Director of Activities	320,638	227,008	205,262	342,384
Coordinator of Music	17,460	60,854	58,100	20,214
	<u>\$ 2,064,387</u>	<u>\$2,851,478</u>	<u>\$2,825,028</u>	<u>\$ 2,090,837</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, 2011

	Per Enrollment Reports	Audit Per District Records	Difference
Fall Enrollment - October, 2010			
Elementary School District			
Pre K - 6:			
(a) Pre-Kindergarten	136	136	-
(b) Kindergarten (enrolled 720+ hours per year)	1,203	1,203	-
(c) Kindergarten (enrolled 181-719 hours per year)	2	2	-
(d) Kindergarten (enrolled < 181 hours per year)	-	-	-
(e) Grades 1-6 (enrolled 720+ hours per year)	6,923	6,923	-
(f) Grades 1-6 (enrolled 181-719 hours per year)	1	1	-
(g) Grades 1-6 (enrolled < 181 hours per year)	-	-	-
7-8:			
(h) Grades 7-8 (enrolled 720+ hours per year)	2,291	2,291	-
(i) Grades 7-8 (enrolled 181-719 hours per year)	6	6	-
(j) Grades 7-8 (enrolled < 181 hours per year)	3	3	-
(k) Total Elementary (add lines a through j)	<u>10,565</u>	<u>10,565</u>	<u>-</u>
High School District:			
(l) Grades 9-12 (enrolled 720+ hours per year)	5,111	5,111	-
(m) Grades 9-12 (enrolled 181-719 hours per year)	34	34	-
(n) Grades 9 - 12 (enrolled < 181 hours per year)	4	4	-
(o) Total High School (add lines l through n)	<u>5,149</u>	<u>5,149</u>	<u>-</u>
(p) 19 Year-olds included on line l	<u>24</u>	<u>24</u>	<u>-</u>
Spring Enrollment - February 2011			
Elementary School District			
Pre K - 6:			
(q) Pre-Kindergarten	181	181	-
(r) Kindergarten (enrolled 720+ hours per year)	1,203	1,203	-
(s) Kindergarten (enrolled 181-719 hours per year)	3	3	-
(t) Grades 1-6 (enrolled 720+ hours per year)	6,929	6,929	-
(u) Grades 1-6 (enrolled 181-719 hours per year)	-	-	-
(v) Grades 1-6 (enrolled < 181 hours per year)	1	1	-
7-8:			
(w) Grades 7-8 (enrolled 720+ hours per year)	2,294	2,294	-
(x) Grades 7-8 (enrolled 181-719 hours per year)	8	8	-
(y) Grades 7-8 (enrolled < 181 hours per year)	1	1	-
(z) Total Elementary (add lines q through y)	<u>10,620</u>	<u>10,620</u>	<u>-</u>
High School District:			
(aa) Grades 9-12 (enrolled 720+ hours per year)	4,961	4,961	-
(bb) Grades 9-12 (enrolled 181-719 hours per year)	38	38	-
(cc) Grades 9 - 12 (enrolled < 181 hours per year)	5	5	-
(dd) Total High School (add lines z through bb)	<u>5,004</u>	<u>5,004</u>	<u>-</u>
(ee) 19 Year-olds included on line aa	<u>21</u>	<u>21</u>	<u>-</u>
(ff) Early Graduates	<u>15</u>	<u>15</u>	<u>-</u>

SECTION III - STATISTICAL SECTION

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	<u>Page</u>
Financial Trends	91-95
<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	96-104
<i>These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.</i>	
Debt Capacity	105-108
<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	109-110
<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	111-117
<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

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

Table 1

	Fiscal Year				
	2007	2008	2009	2010	2011
Invested in capital assets, net of related debt	\$ 58,767,183	\$ 61,191,582	\$ 60,569,790	\$ 60,775,788	\$ 59,798,909
Restricted for:					
Debt service	1,350,978	140,053	145,341	119,793	118,322
Other purposes	11,915,272	12,393,018	14,466,745	13,012,150	18,231,416
Unrestricted (deficit)	<u>(4,326,828)</u>	<u>(6,105,856)</u>	<u>(12,737,076)</u>	<u>(15,821,877)</u>	<u>(24,043,148)</u>
Total governmental activities net assets	<u>\$ 67,706,605</u>	<u>\$ 67,618,797</u>	<u>\$ 62,444,800</u>	<u>\$ 58,085,854</u>	<u>\$ 54,105,499</u>

BILLINGS PUBLIC SCHOOLS
CHANGES IN NET ASSETS - GOVERNMENTAL ACTIVITIES
 Last Five Fiscal Years
 (accrual basis of accounting)

Table 2

	Fiscal Year				
	2007	2008	2009	2010	2011
Expenses:					
Instruction	\$ 78,052,218	\$ 85,812,039	\$ 88,164,245	\$ 91,294,560	\$ 94,100,760
Support services:					
Students	9,117,020	9,298,820	9,601,125	10,384,550	10,978,889
Instructional staff	5,878,241	6,555,906	6,945,475	7,115,837	7,541,224
General administration	1,354,664	1,476,711	1,312,581	1,607,281	1,559,394
School administration	8,248,789	9,003,814	9,069,215	9,642,520	10,149,144
Business services	1,842,122	2,019,626	1,880,984	1,948,020	2,258,772
Operation and maintenance	10,713,640	12,421,095	12,140,124	12,232,630	12,244,035
Student transportation	4,375,271	4,658,373	5,136,849	5,037,035	5,220,799
Food services	4,180,626	4,701,734	5,146,099	5,253,191	5,872,264
Community services	14,953	14,050	19,891	26,363	30,563
Extracurricular	1,920,491	2,291,969	2,328,064	2,351,072	2,458,540
Other current charges	-	-	11,479	12,350	12,874
Interest	177,913	117,618	29,399	46,167	316,332
Total expenses	125,875,948	138,371,755	141,785,530	146,951,576	152,743,590
Program revenues					
Charges for services:					
Instruction	612,530	626,047	712,110	782,219	733,494
Support services:					
Operations and maintenance	70,401	41,025	41,494	33,606	32,415
Student transportation	44,857	43,180	42,381	42,288	38,379
Food services	2,253,548	2,305,026	2,367,209	2,378,896	2,362,415
Operating grants and contributions	27,164,473	28,928,094	26,530,143	33,980,885	37,940,966
Capital grants and contributions	240,298	628,251	892,912	77,188	77,586
Total program revenues	30,386,107	32,571,623	30,586,249	37,295,082	41,185,255
Net expense	(95,489,841)	(105,800,132)	(111,199,281)	(109,656,494)	(111,558,335)
General revenues:					
Property taxes	33,088,889	34,701,063	34,991,351	35,921,360	38,512,088
Intergovernmental:					
State aid	46,174,525	48,956,800	50,341,181	49,764,090	48,029,784
State other	6,173,289	5,714,923	5,724,096	5,678,388	5,721,040
County	11,252,174	11,946,780	13,211,358	12,124,782	13,525,559
Interest	1,050,145	1,064,579	681,026	411,620	293,422
Contributions and donations	1,146,765	581,134	835,415	937,984	1,146,735
Miscellaneous	209,184	271,266	235,112	459,324	269,744
Gain on disposal of capital assets	242,559	2,475,779	-	-	-
Transfers	-	-	5,745	-	-
Total general revenues	99,337,530	105,712,324	106,025,284	105,297,548	107,498,372
Change in net assets	\$ 3,847,689	\$ (87,808)	\$ (5,173,997)	\$ (4,358,946)	\$ (4,059,963)

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

Table 3

	Fiscal Year				
	2007	2008	2009	2010	2011
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
Unassigned	-	-	-	-	3,792,265
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>
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	-
Restricted	-	-	-	-	17,959,108
Committed	-	-	-	-	2,085,667
Assigned	-	-	-	-	7,020,122
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>

1

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

BILLINGS PUBLIC SCHOOLS

Table 4

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Five Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year				
	2007	2008	2009	2010	2011
Revenues					
Property taxes	\$ 32,619,080	\$ 35,073,362	\$ 35,782,052	\$ 35,327,094	\$ 37,869,957
Intergovernmental:					
County	12,037,153	12,709,341	13,970,410	12,883,209	14,285,342
State aid	46,174,525	48,956,800	50,341,181	49,764,090	48,029,784
State other	19,476,346	21,492,469	19,256,945	21,216,653	19,694,027
Federal	12,740,171	12,387,987	12,177,195	17,684,193	22,964,040
Tuition	211,263	195,406	148,290	201,019	216,974
Charges for services	2,784,051	2,839,302	2,963,437	3,034,287	2,968,423
Interest	985,219	975,588	577,704	358,384	259,395
Miscellaneous	1,915,554	1,451,927	1,708,205	1,397,308	1,417,179
Total revenues	128,943,362	136,082,182	136,925,419	141,866,237	147,705,121
Expenditures					
Instruction	75,118,883	81,669,804	80,508,374	85,968,472	90,169,831
Support services:					
Students	8,585,269	9,057,352	9,101,560	10,028,276	10,774,961
Instructional staff	5,992,282	6,445,953	6,656,922	6,934,825	7,370,246
General administration	1,238,727	1,372,481	1,270,351	1,561,130	1,470,957
School administration	7,969,204	8,984,368	8,554,701	9,274,540	10,048,181
Business services	1,734,354	1,896,926	1,688,771	1,791,715	2,208,878
Operations and maintenance	10,529,579	12,311,325	11,749,344	11,946,381	12,025,975
Student transportation	4,338,968	4,636,606	5,049,102	4,961,862	5,177,545
Food services	4,117,271	4,629,179	5,068,481	5,109,148	5,788,739
Community services	14,953	14,050	19,891	26,363	30,563
Extracurricular	1,846,502	2,213,481	2,225,258	2,340,782	2,410,349
Other current charges	-	-	11,479	12,350	12,874
Capital outlay	3,440,539	2,924,602	2,535,609	2,797,520	2,725,219
Debt service					
Principal	2,576,269	2,682,454	150,143	229,595	236,253
Interest	153,967	93,796	64,196	42,301	515,521
Total expenditures	127,656,767	138,932,377	134,654,182	143,025,260	150,966,092
Excess of revenues over (under) expenditures	1,286,595	(2,850,195)	2,271,237	(1,159,023)	(3,260,971)
Other financing sources (uses)					
Transfers in	-	322,502	370,545	181,725	-
Transfers out	-	(322,502)	(349,511)	(188,362)	-
Insurance	-	-	112,617	-	281,206
Long-term debt issued	-	408,564	773,250	-	12,000,000
Sale of capital assets	247,559	2,608,167	5,000	5,000	65,000
Total other financing sources (uses)	247,559	3,016,731	911,901	(1,637)	12,346,206
Net change in fund balances	\$ 1,534,154	\$ 166,536	\$ 3,183,138	\$ (1,160,660)	\$ 9,085,235
Debt service as a percentage of non-capital expenditures	2.20%	2.04%	0.16%	0.19%	0.51%

BILLINGS PUBLIC SCHOOLS

GENERAL FUND EXPENDITURES BY FUNCTION

Last Five Fiscal Years

(modified accrual basis of accounting)

Table 5

Year	Instruction	Support Services					Operation and Maintenance
		Students	Instructional Staff	General Administration	School Administration	Business Services	
2007	\$ 55,197,847	\$ 5,740,609	\$ 4,636,544	\$ 1,132,599	\$ 6,386,532	\$ 969,121	\$ 8,316,670
2008	60,765,662	6,242,820	5,050,350	1,299,542	7,237,252	1,080,768	8,717,531
2009	60,197,185	6,270,596	5,132,096	1,207,359	6,854,511	1,402,720	10,639,761
2010	62,217,372	6,412,634	5,000,683	1,455,004	7,182,901	1,317,101	10,750,560
2011	65,096,669	7,187,725	5,803,981	1,311,896	7,535,626	1,782,780	10,828,842

Year	Support Services					
	Student Transportation	Community Services	Extracurricular	Capital Outlay	Debt Service	Total
2007	\$ 13,657	\$ 6,600	\$ 1,618,881	\$ 69,834	\$ 47,516	\$ 84,136,410
2008	17,616	6,600	1,936,752	294,915	82,500	92,732,308
2009	47,181	6,600	1,984,423	653,694	150,143	94,546,269
2010	81,841	13,200	2,065,022	463,818	245,740	97,205,876
2011	47,398	6,600	2,108,957	567,459	243,574	102,521,507

BILLINGS PUBLIC SCHOOLS
PROPERTY TAX ASSESSMENT AND COLLECTIONS
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

Table 6

<u>Fiscal Year</u>	<u>Assessed Valuation</u>	<u>Mill Levy</u>	<u>Taxes Levied</u>	<u>Tax Collections*</u>	<u>Percent of Tax Collections To Taxes Levied</u>
Elementary District:					
2002	\$ 128,868,579	127.86	\$ 16,477,137	\$ 16,431,385	99.72%
2003	130,715,146	142.74	18,658,280	18,008,740	96.52%
2004	132,441,976	142.98	18,936,554	19,204,919	101.42%
2005	136,732,413	151.35	20,694,451	20,411,068	98.63%
2006	143,178,931	152.52	21,837,651	21,625,072	99.03%
2007	147,991,032	135.32	20,026,146	20,140,046	100.57%
2008	157,587,840	131.28	20,688,132	20,664,888	99.89%
2009	166,020,027	121.87	20,232,861	20,566,137	101.65%
2010	167,860,468	123.45	20,722,375	19,532,418	94.26%
2011	175,218,296	128.81	22,569,869	21,435,922	94.98%
High School District:					
2002	160,982,681	71.03	11,434,600	11,392,222	99.63%
2003	160,993,951	77.62	12,496,350	12,388,988	99.14%
2004	167,565,854	81.35	13,631,482	13,736,169	100.77%
2005	173,527,878	71.53	12,412,449	12,306,074	99.14%
2006	181,865,729	72.47	13,179,809	13,102,976	99.42%
2007	188,925,557	65.51	12,376,513	12,398,385	100.18%
2008	201,862,127	71.68	14,469,477	14,408,474	99.58%
2009	214,427,450	70.31	15,076,394	15,215,915	100.93%
2010	220,537,239	70.42	15,530,232	14,601,758	94.02%
2011	231,740,662	70.92	16,435,048	15,662,531	95.30%

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

BILLINGS PUBLIC SCHOOLS

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

Table 7

<u>Fiscal Year</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Percent of Assessed Value to Est. Actual Value</u>
Elementary District:			
2002	\$ 128,868,579	\$3,694,399,704	3.49%
2003	130,715,146	3,880,213,213	3.37%
2004	132,441,976	4,004,963,619	3.31%
2005	136,732,413	4,476,606,150	3.05%
2006	143,178,931	5,110,110,578	2.80%
2007	147,991,032	5,110,110,578	2.90%
2008	157,587,840	5,498,218,964	2.87%
2009	166,020,027	5,114,046,567	3.25%
2010	167,860,468	5,335,244,057	3.15%
2011	175,218,296	6,623,402,263	2.65%
High School District:			
2002	160,982,681	4,632,064,119	N/A
2003	160,993,951	4,892,349,410	3.29%
2004	167,565,854	5,071,568,445	3.30%
2005	173,527,878	5,648,849,952	3.07%
2006	181,865,729	6,458,283,952	2.82%
2007	188,925,557	6,458,283,952	2.93%
2008	201,862,127	6,986,260,379	2.89%
2009	214,427,450	6,659,116,956	3.22%
2010	220,537,239	7,075,610,744	3.12%
2011	231,740,662	8,623,253,538	2.69%

Source: Montana Department of Revenue

BILLINGS PUBLIC SCHOOLS
PROPERTY TAX RATES AND TAX LEVIES
Direct and Overlapping Governments
Last Ten Fiscal Years

Table 8

Tax Rates (per \$1000 of taxable value)						
Fiscal Year	Billings Elementary District	Billings High School District	City of Billings	Yellowstone County	State of Montana	Total
2002	127.86	71.03	105.34	99.54	46.00	449.77
2003	142.74	77.62	110.23	107.42	46.00	484.01
2004	142.98	81.35	110.23	120.74	46.00	501.30
2005	151.35	71.53	113.73	126.43	46.00	509.04
2006	152.52	72.47	132.81	130.82	46.00	534.62
2007	135.32	65.51	141.58	140.49	46.00	528.90
2008	131.28	71.68	157.53	146.86	46.00	553.35
2009	121.87	70.31	163.65	139.69	46.00	541.52
2010	123.45	70.42	171.28	140.58	46.00	551.73
2011	128.81	70.92	171.42	156.75	102.50	630.40

**2011 State of Montana mills includes: equalization, university, high school, elementary and vo-tech mills
Prior years had only included equalization and university mills

Tax Levies						
Fiscal Year	Billings Elementary District	Billings High School District	City of Billings	Yellowstone County	State of Montana	Total
2002	\$ 16,477,137	\$ 11,434,600	\$ 11,484,409	\$ 15,359,804	\$ 5,714,104	\$ 60,470,054
2003	18,658,280	12,496,350	12,188,312	17,514,194	6,163,014	67,020,150
2004	18,936,554	13,631,482	12,858,681	20,675,536	6,663,547	72,765,800
2005	20,694,451	12,412,449	13,774,151	21,854,305	7,146,050	75,881,406
2006	21,837,651	13,179,809	16,740,890	23,922,136	7,706,215	83,386,701
2007	20,026,146	12,376,513	18,622,292	27,029,907	8,284,181	86,339,039
2008	20,688,132	14,469,477	23,538,963	36,171,218	8,905,495	103,773,285
2009	20,232,861	15,076,394	25,058,182	36,999,906	12,183,812	109,551,155
2010	20,722,375	15,530,232	27,195,578	39,791,526	13,020,417	116,260,128
2011	22,569,869	16,435,048	27,591,420	44,593,181	30,663,022	141,852,540

Source: Yellowstone County Finance Department
Source: City of Billings, Montana
Source: Montana Tax Foundation

BILLINGS PUBLIC SCHOOLS

Table 9

PRINCIPAL PROPERTY TAX PAYERS IN THE ELEMENTARY DISTRICT

Current Year and Five Years Ago

Taxpayer	2011			2007		
	Assessed Valuation	Rank	Percentage of Total District Assessed Valuation	Assessed Valuation	Rank	Percentage of Total District Assessed Valuation
ConocoPhillips Company	\$ 14,369,959	1	8.20%	\$ 8,574,191	2	2.47%
Northwestern Corp	9,467,131	2	5.40%	13,469,696	1	3.89%
Bresnan Broadband Holdings LLC	7,060,040	3	4.03%	-	-	0.00%
PPL Montana LLC	3,373,318	4	1.93%	3,861,855	5	1.11%
Qwest Corporation	3,145,936	5	1.80%	4,890,535	3	1.41%
MDU - Gas	1,542,024	6	0.88%	1,304,531	6	0.38%
Verizon	1,065,596	7	0.61%	-	-	0.00%
Walmart	776,378	8	0.44%	-	-	0.00%
Conoco Pipeline Company	725,385	9	0.41%	799,538	10	0.23%
Macerich	651,868	10	0.37%	875,526	9	0.25%
Western Sugar Company	626,362	-	0.36%	-	-	0.00%
Rocky Mountain Pipeline LLC	432,526	-	0.25%	-	-	0.00%
Montana Rail Link	345,190	-	0.20%	-	-	0.00%
Pudget Sound Energy Incorporated	-	-	0.00%	1,008,280	7	0.29%
Yellowstone Valley Electric Coop	610,720	-	0.35%	941,334	8	0.27%
Total	<u>\$ 44,192,433</u>		<u>25.22%</u>	<u>\$ 35,725,486</u>		<u>10.30%</u>

Source: Montana Department of Revenue

BILLINGS PUBLIC SCHOOLS

Table 9a

PRINCIPAL PROPERTY TAX PAYERS IN THE HIGH SCHOOL DISTRICT Current Year and Five Years Ago

Taxpayer	2011			2007		
	Assessed Valuation	Rank	Percentage of Total District Assessed Valuation	Assessed Valuation	Rank	Percentage of Total District Assessed Valuation
ConocoPhillips Company	\$ 14,373,084	1	6.20%	\$ 8,574,191	2	2.47%
Northwestern Corp	11,102,204	2	4.79%	13,469,696	1	3.89%
Exxon Mobile Corporation	9,522,356	3	4.11%	4,677,871	1	1.35%
Bresnan Broadband	7,060,040	4	3.05%	-	-	0.00%
Qwest Corporation	3,480,493	5	1.50%	4,890,535	3	1.41%
PPL Montana LLC	3,389,060	6	1.46%	3,861,855	5	1.11%
MDU Company	1,542,024	7	0.67%	1,304,531	6	0.38%
Verizon Wireless	1,302,763	8	0.56%	-	-	0.00%
Conoco Pipeline Company	915,707	9	0.40%	799,538	10	0.23%
Walmart	776,378	10	0.34%	-	-	0.00%
Yellowstone Valley Electric	757,785	-	0.33%	941,334	8	0.27%
Macerich	651,868	-	0.28%	875,526	9	0.25%
Pudget Sound Energy Incorporated	-	-	0.00%	1,008,280	7	0.29%
Total	<u>\$ 54,873,762</u>		<u>23.68%</u>	<u>\$ 40,403,357</u>		<u>11.65%</u>

Source: Montana Department of Revenue

BILLINGS PUBLIC SCHOOLS
REVENUE BY SOURCE - ALL GOVERNMENTAL FUND TYPES
For the Fiscal Year Ended June 30, 2011
(modified accrual basis of accounting)

Table 10

<u>Source</u>	<u>Actual Revenue</u>	<u>Percent of Total Revenue</u>
Revenue from local and intermediate sources:		
Property taxes	\$ 37,869,957	25.64%
Tuition	216,974	0.15%
Interest	259,395	0.18%
Charges for service	2,968,423	2.01%
County retirement	13,525,559	9.15%
County transportation	759,783	0.51%
Miscellaneous	1,496,787	1.01%
Total revenue from local and intermediate sources	57,096,878	38.65%
Revenue from state sources:		
Direct state aid	32,666,256	22.10%
State quality educator	3,537,061	2.39%
State maintenance	184,789	0.13%
State Indian education for all	330,643	0.22%
State American Indian achievement gap	258,200	0.17%
State special ed allowable cost payment	5,020,128	3.40%
State guaranteed tax base aid	15,363,528	10.40%
State transportation	759,105	0.51%
State school block grant	5,530,349	3.74%
State on-behalf payment	1,928,075	1.30%
State other	2,145,677	1.45%
Total revenue from state sources	67,723,811	45.81%
Revenue from federal sources:		
Federal grants	19,717,335	13.34%
Federal food service	3,246,705	2.20%
Total revenue from federal sources	22,964,040	15.54%
Total revenue	\$ 147,784,729	100.00%

Source: District Financial Records

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

Table 11

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	30,861,819	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

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

Table 12

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

Source: District Records

BILLINGS PUBLIC SCHOOLS
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
Last Five Fiscal Years

Table 13

Fiscal Year	Property Value 1	Bank Deposits (in thousands) 2	Construction 3				
			Commercial		Residential 4		
			Number of Permits	Value	Number of Permits	Value	
2007	\$ 6,986,260,379	\$ 2,222,151	88	\$ 87,937,071	5, 6	496	\$ 89,502,065
2008	6,659,116,956	2,451,699	69	107,949,910	7	388	71,378,452
2009	7,075,610,744	3,144,622	71	63,332,381		227	38,331,029
2010	8,623,253,538	3,605,242	67	61,242,125		278	51,019,706
2011	7,974,802,129	3,442,577	73	33,935,507	8	209	42,143,098

Sources and other information:

1 State of Montana Department of Revenue.

2 FDIC

3 Building Department (new construction permits), City of Billings, Montana.

4 Single family only.

5 Commercial values increased although the number of permits issued decreased because a new commercial area was being developed and additions to already active projects, which includes hotels, a hospital and an educational facility. Other large projects in the City include a new parking garage, courthouse and trauma care center.

6 For fiscal years beginning in 2006, the property value includes the Tax Increment District.

7 2008 included \$27 million in permits from one of the medial centers located in Billings.

Other large projects included a senior living center, a motel, office buildings, retail stores, a bank processing center and additions to a church.

8 Due to the slow economy the value of commercial projects has been reduced, while the number of permits has remained similar

BILLINGS PUBLIC SCHOOLS

Table 14

Ratio of General Obligation Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	Population	Assessed Value	Net General Obligation Bonded Debt	Percentage of Net G.O. Bonded Debt to Assessed Value	Net G.O. Bonded Debt per Capita
Elementary District					
2002	91,195	\$ 128,868,579	\$ -	0.00%	\$ -
2003	93,388	130,715,146	-	0.00%	-
2004	97,253	132,441,976	10,000,000	7.55%	102.82
2005	99,198	136,732,413	7,620,000	5.57%	76.82
2006	100,148	143,178,931	5,155,000	3.60%	51.47
2007	101,650	147,991,032	2,815,000	1.77%	25.73
2008	102,000	157,587,840	-	0.00%	-
2009	102,500	166,020,027	-	0.00%	-
2010	105,500	167,860,468	-	0.00%	-
2011	107,934	175,218,296	4,420,000	2.52%	40.95
High School District					
2002	106,150	\$ 160,982,681	\$ 5,435,000	3.38%	\$ 51.20
2003	107,250	160,993,951	3,505,000	2.18%	32.68
2004	108,350	167,565,854	1,510,000	0.90%	13.94
2005	109,450	173,527,878	-	0.00%	-
2006	110,550	181,865,729	-	0.00%	-
2007	111,650	188,925,557	-	0.00%	-
2008	113,000	201,862,127	-	0.00%	-
2009	121,700	214,427,450	-	0.00%	-
2010	125,000	220,537,239	-	0.00%	-
2011	123,145	231,740,662	7,580,000	3.27%	61.55
Total Debt			\$ 12,000,000		

Source and other information:

1 Census taken every ten years. Actual census figures given for 2001.

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
COMPUTATION OF LEGAL DEBT MARGIN
For the Year Ended June 30, 2011

Table 15

	Fiscal Year				
	2007	2008	2009	2010	2011
Elementary District:					
Maximum debt limit	\$ 114,004,638	\$ 140,269,440	\$ 144,564,325	\$ 159,167,625	\$ 163,878,075
Total net debt applicable to limit	2,834,141	447,685	357,139	259,758	5,167,666
Legal debt margin	\$ 111,170,497	\$ 139,821,755	\$ 144,207,186	\$ 158,907,867	\$ 158,710,409
Total net debt applicable to limit as a percentage of debt limit	2.49%	0.32%	0.25%	0.16%	3.15%
High School District:					
Maximum debt limit	\$ 131,491,917	\$ 153,391,170	\$ 163,003,680	\$ 179,107,520	\$ 174,945,980
Total net debt applicable to limit	107,935	220,501	175,904	127,940	7,657,779
Legal debt margin	\$ 131,383,982	\$ 153,170,669	\$ 162,827,776	\$ 178,979,580	\$ 167,288,201
Total net debt applicable to limit as a percentage of debt limit	0.08%	0.14%	0.11%	0.07%	4.38%
DEBT LIMITATION CALCULATION	Elementary	High School			
2010/11 Statewide Average Per ANB	\$ 30,390	\$ 64,520			
X FY11 ANB	10,785	5,423			
Total	327,756,150	349,891,960			
X Debt Limit Rate of .50	0.50	0.50			
Equals: Maximum Debt Capacity	163,878,075	174,945,980			
Less: Bonds Outstanding	5,009,750	7,580,000			
General Obligation Debt	157,916	77,779			
Estimated Debt Capacity Remaining	\$ 158,710,409	\$ 167,288,201			

Note: ANB, Average Number Belonging, is calculated by averaging the previous year's fall and spring 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 16

COMPUTATION OF DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT For the Year Ended June 30, 2011

Governmental Unit	Debt	Applicable to Elementary District		Applicable to Portion of High School District Lying Outside Elementary District	
		Percent	Amount	Percent	Amount
Billings Elementary District:	\$ 5,009,750	100.00%	\$ 5,009,750	0.00%	\$ -
Billings High School District:	<u>7,580,000</u>	88.00%	<u>6,670,400</u>	12.00%	<u>909,600</u>
Totals	<u>\$ 12,589,750</u>		<u>\$ 11,680,150</u>		<u>\$ 909,600</u>
OVERLAPPING BONDED INDEBTEDNESS					
Yellowstone County:					
Various Issues	\$ 7,595,000	60.60%	\$ 4,602,570	39.40%	\$ 2,992,430
City of Billings:					
Various Issues	<u>24,701,722</u>	83.50%	<u>20,625,938</u>	16.50%	<u>4,075,784</u>
Totals	<u>\$ 44,886,472</u>		<u>\$ 36,908,658</u>		<u>\$ 7,977,814</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 17

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:					
2002	\$ 64,110	\$ 890	\$ 65,000	\$ 42,797,761	0.2%
2003	-	-	-	45,470,168	0.0%
2004	-	-	-	45,634,306	0.0%
2005	2,380,000	248,400	2,628,400	46,320,009	5.7%
2006	2,465,000	196,180	2,661,180	50,069,551	5.3%
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	84,250	110,058	194,308	64,858,599	0.3%
High School:					
2002	\$ 1,840,000	\$ 305,089	\$ 2,145,089	\$ 26,042,112	8.2%
2003	1,930,000	119,925	2,049,925	28,498,543	7.2%
2004	1,995,000	78,575	2,073,575	28,975,354	7.2%
2005	1,510,000	31,870	1,541,870	29,453,050	5.2%
2006	-	-	-	30,779,438	0.0%
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%

Source: District Financial Records

BILLINGS PUBLIC SCHOOLS
DEMOGRAPHIC STATISTICS
 Last Ten Fiscal Years

Table 18

Year	Population	Per Capita Income	Median Age	School Enrollment	Unemployment Rate
2002	106,150	25,632	36.9	15,732	4.5%
2003	107,250	25,323	36.9	15,778	3.4%
2004	108,350	26,057	36.9	15,737	3.1%
2005	109,450	23,884	36.9	15,716	3.3%
2006	110,550	22,316	36.8	15,704	3.5%
2007	111,650	26,491	39.3	15,556	2.6%
2008	113,000	28,427	37.5	15,503	3.1%
2009	121,700	30,427	36.8	15,481	4.4%
2010	125,000	32,427	38.1	15,676	5.8%
2011	123,145	33,289	38.3	15,714	5.6%

Source: Bureau of Business and Economic Research

BILLINGS PUBLIC SCHOOLS
PRINCIPAL EMPLOYERS
Current Year and Ten Years Ago

Table 19

Employer	2011			2002		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Billings Clinic	3,499	1	4.5%	2,690	1	3.8%
Avitus Group	2,430	2	3.1%	1,832	4	2.6%
St. Vincent Health Care	2,100	3	2.7%	1,900	3	2.7%
Billings Public Schools	1,921	4	2.4%	2,023	2	2.8%
Walmart	985	5	1.3%	870	6	1.2%
City of Billings	962	6	1.2%	768	7	1.1%
Wells Fargo Bank & Operations	900	7	1.1%	1,196	5	1.7%
St. Johns	597	8	0.8%	390	10	0.5%
Montana State University-Billings	573	9	0.7%	539	8	0.8%
Yellowstone County*	431	10	0.5%	469	9	0.7%
Stillwater Mining Company	221	11	0.3%	233	11	0.3%
All others	63,963	-	81.4%	58,788	-	82.0%
Total	78,582		100.0%	71,698		100.0%

**FT employees no temporary workers included

Source: Montana Research and Analysis Bureau-State of Montana, and individual employers.

BILLINGS PUBLIC SCHOOLS

Table 20

OPERATING STATISTICS

Last Five Fiscal Years

(accrual basis of accounting)

Fiscal Year	Expenses 1	Enrollment	Cost per Pupil	Percentage Change	Certified Staff (FTE)	Pupil/ Certified Staff Ratio
2007	\$ 127,668,852	15,556	\$ 8,207	6%	1,144.4	13.6
2008	138,371,755	15,503	8,925	8%	1,201.8	12.9
2009	141,785,530	15,481	9,159	3%	1,169.2	13.2
2010	147,171,358	15,676	9,388	2%	1,163.4	13.5
2011	152,743,590	15,714	9,720	3%	1,133.2	13.9

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 Five Fiscal Years

Table 21

	Fiscal Year				
	2007	2008	2009	2010	2011
Instruction					
Certified Staff	1,007.0	1,067.9	1,031.5	1,027.3	992.9
Classified Employees	192.1	191.6	196.5	194.6	196.6
Support Services					
Administrators	5.0	5.0	5.0	5.0	5.0
Administrative Support	1.0	1.0	1.0	1.0	1.0
Certified Staff	135.4	131.9	135.7	134.1	137.3
Classified Employees	65.1	65.6	64.3	63.2	64.2
General Administration					
Administrators	6.5	6.7	7.7	8.7	8.3
Administrative Support	13.5	12.5	11.5	11.5	10.5
Certified Staff	1.0	1.0	1.0	1.0	2.0
Classified Employees	23.1	22.5	21.4	19.4	21.6
Building Administration					
Administrators	42.5	48.0	46.0	45.9	45.9
Administrative Support	1.0	1.0	-	-	-
Certified Staff	1.0	1.0	1.0	1.0	1.0
Classified Employees	79.2	81.3	80.2	79.4	79.7
Operations and Maintenance					
Administrators	2.0	2.0	2.0	2.0	2.0
Classified Employees	122.1	142.9	144.8	143.2	144.7
Student Transportation					
Administrators	1.0	2.0	1.0	1.0	1.3
Administrative Support	1.0	1.0	1.0	1.0	-
Classified Employees	32.5	34.2	31.5	28.9	28.6
Extracurricular Activities					
Administrators	1.0	1.0	2.0	1.0	1.0
Classified Employees	3.5	2.7	2.0	2.0	2.0
Total	1,736.5	1,822.8	1,787.1	1,771.2	1,745.6
Fiscal 2011 Summary	Admin	Admin Support	Certified Staff	Classified Employees	Total FTE
Instruction	-	-	992.9	196.6	1,189.5
Support Services	5.0	1.0	137.3	64.2	207.5
General Administration	8.3	10.5	2.0	21.6	42.4
Building Administration	45.9	-	1.0	79.7	126.6
Operations and Maintenance	2.0	-	-	144.7	146.7
Student Transportation	1.3	-	-	28.6	29.9
Extracurricular Activities	1.0	-	-	2.0	3.0
Total	63.5	11.5	1,133.2	537.4	1,745.6

Source: District Records

BILLINGS PUBLIC SCHOOLS
CERTIFIED STAFF EDUCATION AND EXPERIENCE
November 1, 2010

Table 22

<u>Educational Attainment</u>	<u>Full Time Equivalent</u>	<u>Percent of Total</u>
Bachelor's Degree	104.52	9%
Bachelor's Degree + 15 Credits	59.00	5%
Bachelor's Degree + 30 Credits	68.60	6%
Bachelor's Degree + 45 Credits	71.50	6%
Bachelor's Degree + 60 Credits	44.83	4%
Bachelor's Degree + 75 Credits	52.77	5%
Bachelor's Degree + 90 Credits	45.97	4%
Bachelor's Degree + 105 Credits	143.67	13%
Master's Degree	115.82	10%
Master's Degree + 15 Credits	44.10	4%
Master's Degree + 30 Credits	52.87	5%
Master's Degree + 45 Credits	324.87	29%
Doctorate's Degree	4.80	0%
Total	<u>1,133.32</u>	<u>100%</u>
<u>Years of Experience</u>	<u>Full Time Equivalent</u>	<u>Percent of Total</u>
0-5	312.60	28%
6-10	223.26	20%
11-15	190.70	17%
16-20	178.40	16%
21-25	66.26	6%
26 and Above	162.10	14%
Total	<u>1,133.32</u>	<u>100%</u>

Source: District Records

BILLINGS PUBLIC SCHOOLS
EDUCATIONAL BUILDING DATA
For the Fiscal Year Ended June 30, 2011

Table 23

	Year Built	Year Additions Built	Square Footage	Current Functional Capacity	Enrollment	Percentage of Capacity Used
<u>Elementary</u>						
<u>K-6 Schools:</u>						
Alkali Creek	1979	-	43,591	391	389	99.49%
Arrowhead	1978	-	41,714	437	484	110.76%
Beartooth	1974	1980	40,330	370	434	117.30%
Bench	1955	1974, 1978	39,817	368	357	97.01%
Big Sky	1986	-	45,000	391	400	102.30%
Bitterroot	1964	1965, 1970	31,690	322	324	100.62%
Boulder	1962	1971	40,055	414	445	107.49%
Broadwater	1910	1916, 1920, 1956	34,429	322	350	108.70%
Burlington	1956	1957	32,868	322	356	110.56%
Central Heights	1962	1965, 1979	38,785	322	350	108.70%
Eagle Cliffs	1986	-	46,600	437	411	94.05%
Highland	1947	1956	30,994	253	287	113.44%
McKinley	1906	1918, 1958	30,072	322	322	100.00%
Meadowlark	1964	1971	43,256	414	577	139.37%
Miles	1955	1957, 1965	32,072	322	344	106.83%
Newman	1953	1957	29,808	276	261	94.57%
Orchard	1918	1948, 1956, 1987	57,933	414	441	106.52%
Poly	1952	1955, 1960	35,209	299	322	107.69%
Ponderosa	1965	-	41,379	437	377	86.27%
Rose Park	1958	1962	30,276	299	292	97.66%
Sandstone	1978	-	41,714	437	476	108.92%
Washington	1948	1952, 1962	36,064	276	266	96.38%
<u>7-8 Schools</u>						
Castle Rock	1979	-	107,500	820	723	88.17%
Lewis & Clark	1956	1962	156,712	900	563	62.56%
Riverside	1963	1979	87,844	640	496	77.50%
Will James	1967	1974	94,120	690	518	75.07%
<u>High Schools:</u>						
Career Center	1975	-	135,200	650	N/A	N/A
Senior	1940	1953, 1967, 1974	232,789	1,600	1,708	106.75%
Skyview	1987	-	239,000	1,575	1,527	96.95%
West	1959	1962, 1966, 1975, 1976	219,662	1,690	1,914	113.25%
<u>Administration:</u>						
Lincoln Center	1913	1921, 1935, 1951, 1964, 1968, 1985	136,805			
Facilities	1958	-	24,000			
Warehouse	1994	-	40,000			
<u>Vacant Land Sites:</u>						
Elem. - 35 acres						
Elem. - 10 acres						
H.S. - 40 acres						

Source: District Records

BILLINGS PUBLIC SCHOOLS

Table 24

PERCENTAGE OF STUDENTS WHO QUALIFIED FOR FREE AND REDUCED LUNCH
Last Ten Fiscal Years

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<u>Elementary Schools:</u>										
<u><6 Schools:</u>										
Alkali Creek	9.2%	17.4%	19.0%	15.9%	22.2%	24.4%	20.1%	19.6%	19.2%	23.8%
Arrowhead	2.6%	2.3%	1.6%	1.9%	3.4%	4.2%	4.9%	5.2%	4.6%	5.3%
Beartooth (1) (2)	N/A	N/A	N/A	N/A	N/A	N/A	35.9%	41.8%	46.7%	40.1%
Bench	51.7%	52.2%	49.9%	40.9%	40.0%	49.2%	55.2%	60.3%	61.3%	59.0%
Big Sky	20.5%	20.7%	18.8%	17.3%	18.0%	18.5%	22.1%	22.7%	24.2%	27.5%
Bitterroot	34.9%	34.8%	38.6%	31.8%	37.8%	37.2%	35.1%	36.4%	42.3%	37.5%
Boulder	13.3%	20.1%	17.2%	11.2%	17.7%	19.2%	22.3%	23.7%	25.2%	23.8%
Broadwater	46.7%	45.1%	55.2%	41.5%	55.0%	45.5%	51.4%	57.1%	60.9%	61.0%
Burlington	27.8%	34.2%	38.9%	37.2%	38.8%	31.5%	35.8%	38.3%	40.6%	36.6%
Central Heights	28.2%	24.3%	36.4%	26.4%	33.0%	34.4%	32.8%	30.0%	35.7%	40.6%
Eagle Cliffs	13.2%	18.0%	14.9%	14.7%	18.5%	23.8%	21.5%	18.7%	19.0%	23.3%
Garfield (1)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Highland	38.9%	22.3%	26.2%	24.4%	25.7%	27.0%	31.0%	35.9%	35.2%	37.3%
McKinley	42.3%	69.3%	55.1%	49.8%	56.0%	60.1%	66.3%	65.1%	65.3%	65.3%
Meadowlark	20.8%	16.3%	20.0%	21.1%	20.6%	19.0%	28.8%	30.8%	33.8%	34.4%
Miles	35.7%	40.4%	38.7%	43.7%	44.5%	50.0%	46.3%	48.5%	53.1%	54.5%
Newman	66.2%	67.7%	77.3%	67.7%	62.6%	67.9%	75.0%	74.4%	74.1%	73.6%
Orchard	71.3%	88.3%	78.3%	78.0%	79.0%	78.7%	84.8%	85.6%	89.0%	83.3%
Poly	12.8%	14.0%	11.4%	14.2%	16.6%	14.5%	17.2%	21.8%	24.5%	22.0%
Ponderosa	30.4%	70.5%	63.6%	65.3%	68.0%	71.8%	74.3%	73.4%	74.1%	71.7%
Rimrock (1) (2)	N/A	N/A	N/A	N/A	N/A	N/A	36.8%	N/A	N/A	N/A
Rose Park	23.5%	31.3%	26.9%	27.4%	35.2%	27.7%	29.1%	23.3%	33.1%	33.9%
Sandstone	27.6%	27.8%	30.5%	32.3%	35.8%	34.5%	35.0%	37.3%	37.1%	38.2%
Washington	66.1%	59.7%	56.8%	58.9%	64.9%	72.7%	66.5%	64.7%	73.4%	77.0%
<u>7-8 Schools:</u>										
Castle Rock	22.0%	22.4%	27.9%	23.8%	25.9%	28.3%	28.5%	27.6%	31.2%	31.6%
Lewis & Clark	32.9%	34.5%	31.7%	29.8%	35.1%	37.0%	32.9%	34.2%	42.1%	39.5%
Riverside	51.3%	52.2%	49.5%	45.0%	58.0%	54.0%	51.8%	49.4%	55.1%	54.0%
Will James	12.3%	13.2%	15.0%	11.8%	16.9%	17.1%	11.2%	15.4%	18.6%	22.1%
<u>High Schools:</u>										
Senior	16.9%	18.3%	21.7%	16.3%	25.6%	22.6%	23.1%	24.1%	27.9%	30.5%
Skyview	12.9%	14.3%	16.8%	14.5%	16.7%	17.6%	17.5%	17.9%	23.0%	25.7%
West	9.6%	10.3%	13.0%	11.0%	12.4%	16.0%	12.5%	13.6%	18.8%	19.9%

(1) School closed
(2) School reopened

Source: District Records

BILLINGS PUBLIC SCHOOLS
ATTENDANCE DATA
Last Ten Fiscal Years

Table 25

Year Ended June 30	October Enrollment	Percent Increase (Decrease)	Average Number Belonging (ANB)		
			ANB	Percent Increase (Decrease)	Percent of Prior Year's Enrollment
2002	15,732	0.27	15,740	(0.49)	99.51
2003	15,778	0.29	15,604	(0.86)	99.14
2004	15,737	(0.26)	15,672	0.44	100.44
2005	15,728	(0.06)	15,622	(0.32)	99.68
2006	15,704	(0.15)	15,552	(0.45)	99.55
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

Source: District Records

BILLINGS PUBLIC SCHOOLS
SCHEDULE OF INSURANCE IN FORCE

Table 26

I. Commercial Property	
A. Policy #:	KTK-CMB-545D602-3-10
B. Carrier:	The Travelers Insurance Companies
C. Policy Period:	7/1/10-7/1/11
D. Coverages:	Buildings/Contents Incl Daylis Turf
E. Limits:	\$413,103,500
II. Commercial General Liability	
A. Policy #:	GLA399387205
B. Carrier:	American Zurich Insurance Company
C. Policy Period:	7/1/10-7/1/11
D. Coverages:	General Liability, Sexual Molestation, Employee Benefits
E. Limits:	\$1,000,000 per occurrence; \$2,000,000 aggregate
III. Commercial Auto	
A. Policy #:	GLA399387205
B. Carrier:	American Zurich Insurance Company
C. Policy Period:	7/1/10-7/1/11
D. Coverages:	Automobile Liability and Physical Damage
E. Limits:	\$1,000,000
IV. Boiler and Machinery Policy	
A. Policy #:	BNS 2702117
B. Carrier:	The Cincinnati Insurance Company
C. Policy Period:	7/1/10-7/1/11
D. Limits:	Based on property values
V. Environmental Liability	
A. Policy #:	569600
B. Carrier:	Ironshore Specialty Insurance Company
C. Policy Period:	7/1/10-7/1/11
D. Limits:	\$1,000,000 per occurrence; \$2,000,000 aggregate
VI. Commercial Excess Liability	
A. Policy #:	82A2UB0000023-05
B. Carrier:	American Alternative Insurance Corporation
C. Policy Period:	7/1/10-7/1/11
D. Limits:	\$10,000,000
VII. Crime	
A. Policy #:	104123769
B. Carrier:	St. Paul Travelers
C. Policy Period:	7/1/10-7/1/11
D. Limits:	\$100,000 and \$500,000 depending on coverage
VIII. Educators Legal Liability	
A. Policy #:	21441989
B. Carrier:	National Union Fire Insurance Company of Pittsburgh
C. Policy Period:	7/1/10-7/1/11
D. Limits:	\$4,000,000 aggregate
IX. Privacy Protection Policy	
A. Policy #:	EONG24871873002
B. Carrier:	Illinois Union Insurance Company
C. Policy Period:	12/10/10-7/1/11
D. Limits:	\$1,000,000
X. Tenant User Liability	
A. Policy #:	PHPK591489
B. Carrier:	Philadelphia Indemnity Insurance Company
C. Policy Period:	7/1/10-7/1/11
D. Limits:	\$1,000,000/2,000,000
XI. Workers' Compensation	
A. Policy #:	N/A
B. Carrier:	Workers' Compensation Risk Retention Program
C. Policy Period:	7/1/10-6/30/11
D. Limits:	\$1,500,000

SINGLE AUDIT SECTION



**Report on Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing
Standards***

Board of Trustees
Billings Public School District
Billings, Montana

We have audited the financial statements of Billings Public School District as of and for the year ended June 30, 2011, and have issued our report thereon dated December 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Billings Public School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Billings Public School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Billings Public School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Billings Public School District's internal control over financial reporting.

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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness: #11-1.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: #11-2, #11-3.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Billings Public School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item #11-2.

Billings Public School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Billings Public School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Billings, Montana
December 15, 2011



Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Board of Trustees
Billings Public School District
Billings, Montana

Compliance

We have audited Billings Public School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Billings Public School District's major federal programs for the year ended June 30, 2011. Billings Public School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Billings Public School District's management. Our responsibility is to express an opinion on Billings Public School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Billings Public School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Billings Public School District's compliance with those requirements.

In our opinion, Billings Public School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are described in the accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned cost as item #11-5.

Internal Control over Compliance

Management of Billings Public School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Billings Public School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Billings Public School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items #11-4 and #11-5. 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.

Billings Public School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Billings Public School District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, The Board of Trustees, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Billings, Montana
December 15, 2011

BILLINGS PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011

Federal Grantor/Pass Through Grantor/Program Title or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Award Amount	(Due from), Due to, Deferred or Fund Balance July 1, 2010	Cash Receipts	Expenditures	Other	(Due from), Due to, Deferred or Fund Balance June 30, 2011
U.S. Department of Education:								
Direct programs:								
Indian Education-Grants to LEA's	84.060	S060A092167	\$ 241,398	\$ (4,767)	\$ 4,767	\$ -	\$ -	\$ -
Indian Education-Grants to LEA's	84.060	S060A102167	246,571	-	246,571	(246,571)	-	-
<i>CFDA subtotal</i>				(4,767)	251,338	(246,571)	-	-
Fund for the Improvement of Education	84.215	U215K100152	100,000	-	99,010	(99,010)	-	-
				-	99,010	(99,010)	-	-
Total Direct Programs				(4,767)	350,348	(345,581)	-	-
Passed Through State Office of Public Instruction:								
Adult Education-State Grant Program	84.002	5609655611BG	132,943	-	132,943	(132,943)	-	-
<i>CFDA subtotal</i>				-	132,943	(132,943)	-	-
Title I Grants to LEA's	84.010	5609653110	4,261,708	(76,570)	160,842	(84,272)	-	-
Title I Grants to LEA's	84.010	5609653111	4,182,602	-	3,150,060	(3,304,582)	-	(154,622)
Title I Improvement Award Grant to LEA's	84.010	n/a	4,000	-	4,000	-	-	4,000
Title I Grants to LEA's, Recovery Act	84.389	5609659110	2,926,737	(23,117)	1,753,200	(1,905,756)	-	(175,675)
<i>CFDA subtotal</i>				(99,687)	5,068,102	(5,294,712)	-	(326,297)
Vo Ed-Basic Grants to States	84.048	5609668111BG	331,120	-	313,483	(331,120)	-	(17,637)
Vo Ed-Basic Grants to States	84.048	5609668110BG	280,412	(6,645)	6,645	-	-	-
<i>CFDA subtotal</i>				(6,645)	320,128	(331,120)	-	(17,637)
Special Education-Grants to States	84.027	5609657710ALLO	4,177,261	43,530	-	-	(43,530)	-
Special Education-Grants to States	84.027	5609657711ALLO	4,494,257	-	1,746,290	(2,018,362)	-	(272,072)
Special Education-Preschool Grants	84.173	5609657911ALLO	123,019	-	108,000	(123,019)	-	(15,019)
Special Education-Grants to States, Recovery Act	84.391	5609659210	3,953,288	(13,724)	2,233,567	(2,501,532)	-	(281,689)
Special Education-Preschool Grants, Recovery Act	84.392	5609659510	123,782	(3,066)	77,100	(93,300)	-	(19,266)
<i>CFDA subtotal</i>				26,740	4,164,957	(4,736,213)	(43,530)	(588,046)
Safe and Drug Free Schools and Communities-State Grants	84.186	5609651610	161,729	(5,344)	5,410	(66)	-	-
Safe and Drug Free Schools and Communities-State Grants	84.186	5609651611	37,175	-	19,200	(35,323)	-	(16,123)
<i>CFDA subtotal</i>				(5,344)	24,610	(35,389)	-	(16,123)
Education for Homeless Children and Youth	84.196	5609655711	59,000	-	46,990	(59,000)	-	(12,010)
<i>CFDA subtotal</i>				-	46,990	(59,000)	-	(12,010)
Educational Technology State Grants	84.318	5609656011	21,371	-	15,314	(21,344)	-	(6,030)
Educational Technology State Grants	84.318	5609656010	58,530	(2,045)	2,045	-	-	-
<i>CFDA subtotal</i>				(2,045)	17,359	(21,344)	-	(6,030)
English Language Acquisition Grants	84.365	5609654110	26,643	(6,625)	6,701	(76)	-	-
English Language Acquisition Grants	84.365	5609654111	23,837	-	-	(12,083)	-	(12,083)
English Language Acquisition Grants	84.365	5609654110I	2,647	564	-	(564)	-	-
<i>CFDA subtotal</i>				(6,061)	6,701	(12,723)	-	(12,083)
Mathematics and Science Partnerships	84.366	5609651510	50,000	(2,767)	18,000	(15,233)	-	-
Mathematics and Science Partnerships	84.366	5609651511	50,000	-	20,100	(48,044)	-	(27,944)
Mathematics and Science Partnerships	84.366	5609651511	50,000	-	20,200	(38,567)	-	(18,367)
<i>CFDA subtotal</i>				(2,767)	58,300	(101,844)	-	(46,311)
Improving Teacher Quality State Grants	84.367	5609651410	1,286,484	54,956	-	(35,809)	(19,147)	-
Improving Teacher Quality State Grants	84.367	5609651411	1,207,263	-	916,550	(1,200,926)	-	(284,376)
<i>CFDA subtotal</i>				54,956	916,550	(1,236,735)	(19,147)	(284,376)
Education for Homeless Children and Youth, Recovery Act	84.387	5609655710	80,040	3,515	-	(3,515)	-	-
<i>CFDA subtotal</i>				3,515	-	(3,515)	-	-
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	N/A	3,679,706	-	3,679,706	(3,679,706)	-	-
<i>CFDA subtotal</i>				-	3,679,706	(3,679,706)	-	-
Education Jobs Fund, Recovery Act	84.410	N/A	3,075,777	-	3,075,777	(3,075,777)	-	-
<i>CFDA subtotal</i>				-	3,075,777	(3,075,777)	-	-
Passed Through State Department of Public Health and Human Services:								
Special Education-Grants for Infants and Families	84.181	10-143-1800	207,811	-	207,811	(207,811)	-	-
<i>CFDA subtotal</i>				-	207,811	(207,811)	-	-

BILLINGS PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011

Federal Grantor/Pass Through Grantor/Program Title or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Award Amount	(Due from), Due to, Deferred or Fund Balance July 1, 2010	Cash Receipts	Expenditures	Other	(Due from), Due to, Deferred or Fund Balance June 30, 2011
Special Education-Grants for Infants and Families, Recovery Act	84.393	10-103-00005	93,024	-	76,454	(76,454)	-	-
CFDA subtotal				-	76,454	(76,454)	-	-
Total Pass Through Programs				(37,338)	17,796,388	(19,005,286)	(62,677)	(1,308,913)
Total U.S. Department of Education				\$ (42,105)	\$ 18,146,736	\$ (19,350,867)	\$ (62,677)	\$ (1,308,913)
<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	324,130	\$ -	\$ 324,130	\$ (324,130)	\$ -	\$ -
Summer Food Service Program for Children	10.559	N/A	314	-	314	(314)	-	-
Non-Cash Assistance Subtotal				-	324,444	(324,444)	-	-
Cash Assistance:								
School Breakfast Program	10.553	N/A	492,298	-	492,298	(492,298)	-	-
National School Lunch Program	10.555	N/A	2,174,693	-	2,161,480	(2,174,765)	-	(13,285)
Summer Food Service Program for Children	10.559	N/A	97,013	-	97,013	(97,013)	-	-
Cash Assistance Subtotal				-	2,750,791	(2,764,076)	-	(13,285)
CFDA subtotal				-	3,075,235	(3,088,520)	-	(13,285)
Fresh Fruit and Vegetable Program	10.582	N/A	158,185	-	158,185	(158,185)	-	-
CFDA subtotal				-	158,185	(158,185)	-	-
Total U.S. Department of Agriculture				\$ -	\$ 3,233,420	\$ (3,246,705)	\$ -	\$ (13,285)
<u>U.S. Department of Health and Human Services:</u>								
Passed Through State Department of Public Health and Human Services:								
Public Health Emergency Preparedness, Recovery Act	93.069	N/A	79,500	\$ 54,593	\$ -	\$ (54,593)	\$ -	\$ -
CFDA subtotal				54,593	-	(54,593)	-	-
TANF Emergency Fund, Recovery Act	93.714	1102 3480 003	20,000	-	13,075	(13,075)	-	-
CFDA subtotal				-	13,075	(13,075)	-	-
Total U.S. Department of Health and Human Services				\$ 54,593	\$ 13,075	\$ (67,668)	\$ -	\$ -
Total Federal Awards				\$ 12,488	\$ 21,393,231	\$ (22,665,240)	\$ (62,677)	\$ (1,322,198)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Billings Public Schools and is presented on a modified cash basis (expenditures include accounts payable and encumbrances). The information in this schedule is presented in accordance the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profits Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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	\$ 21,393,231
Returned to grantor	(62,677)
Revenue accrual adjustments	1,334,686
Federal revenues not subject to single audit	298,800
Federal revenues	\$ 22,964,040

Billings Public School District #2
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified not considered to be material weakness(es)?	Yes
Type of auditor's report issued on compliance for major program:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	Yes

Identification of major programs:	Name of Federal Program or Cluster
-----------------------------------	------------------------------------

CFDA Numbers(s)

84.010, 84.389	Title I, Part A (Title I)
84.027, 84.173, 84.391, 84.392	Special Education
	Grants to States
	(IDEA Part B)
84.367	Improving Teacher
	Quality State Grants
	(Title II)
84.394	State Fiscal Stabilization
	Fund (SFSF)
84.410	Education Jobs Fund
	(Ed Jobs)
84.181, 84.393	Special Education
	Grants for Infants
	and Families (IDEA
	Part C)

Dollar threshold used to distinguish between Type A and Type B programs?	\$679,957
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Finding #11-1 Pledge Receivable Audit Adjustment

Criteria: The School District is accountable and responsible for the safeguarding of its assets, including effective internal controls that are designed and in place to prevent, or detect and correct errors and misstatements in a timely manner.

Condition: During our audit, it was found that pledge receivables totaling approximately \$80,000 related to various projects that were considered to be uncollectible were included as receivables to the School District.

Effect: A material audit adjusting journal entry of approximately \$80,000 was made to reduce the pledge receivable.

Cause: The School District did not have a policy and or procedure in place to ensure that pledge receivables were being collected and written down as considered necessary. This is considered to be a material weakness in the School District's internal control.

Recommendation: We recommend that management implement a review and reconciliation process for pledge receivables which would include a valuation of individual pledges receivable.

Management Corrective Action Plan: Management will look at revising policy or procedure to include projects being started once all pledges are received. A review and reconciliation of any future pledges will be implemented as an internal control.

Finding #11-2 New Hire Reporting

Criteria: Montana Code Annotated (MCA) Section 40-5-922 states "Every Montana employer is required to report a minimum amount of information on each new employee hired or rehired on or after October 1, 1997. This information includes: Employer: Name, Address, Federal Employer Identification Number; Employee: Name, Address, Social Security #, Date of Hire".

Condition: During our audit, it was noted the School District has not followed the requirement of reporting employees hired and rehired to the Montana State Department of Revenue.

Effect: The School District's lack of reporting employees hired and rehired places the School District in noncompliance with the State of Montana.

Cause: The School District did not have a policy and or procedure in place to ensure that the reporting is completed within the State guidelines. This is considered to be a significant deficiency in internal control.

Recommendation: To ensure the School District's compliance within the guidelines of reporting the hiring and rehiring of an employee with 20 days of hire, we recommend the implementation of new procedures for reporting.

Management Corrective Action Plan: The district is now filing the new hire reporting to the State of Montana within 20 days of hire. The state has verified that the district is in compliance with appropriate reporting and the human resources department will ensure reporting is maintained for all new hires. A procedure will be put in place to address this plan.

Finding #11-3 Commitment of Fund Balance Resources for Special Revenue Funds

Criteria: The Governmental Accounting Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund type Definitions* requires, among other things, all state and local governmental entities to adopt a policy (resolution) committing fund balance resources for special revenue funds prior to the close of the fiscal year.

Condition: During our audit, it was noted that the resolution for committing fund balance resources for special revenue funds was not approved by the board prior to the end of the fiscal year.

Effect: The School District was required to have a resolution in place as of June 30, 2011 that would commit fund balance resources for special revenue funds.

Cause: The School District did not have a policy and or procedure in place to ensure that the elements of new GASB pronouncements are being implemented in a timely manner. This is considered to be a significant deficiency in internal control.

Recommendation: To ensure the proper implementation of new GASB pronouncements, we recommend the School District implement additional training and education in GASB related topics.

Management Corrective Action Plan: At the regular school board meeting on June 20, 2011 the board adopted procedure 7000 P-2 on financial management to begin the GASB 54 satisfaction. At the regular school board meeting on October 17, 2011 the board adopted the GASB 54 resolution on Fund Balance Reporting and Governmental Fund type Definitions. This resolution was put into board policy under series 7000 as procedure 3. This procedure specifically states how funds will be committed for the district. The district has also purchased supplemental GASB online material to use as a resource for training and education.

Section III – Schedule of Findings and Questioned Costs

Finding #11-4 Approval of Salaries in SFSF Grant

**CFDA 84.394. 84.397; State Fiscal Stabilization Fund (SFSF)
Department of Education; Grant Year 2011**

Criteria: "The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements the objectives of internal control, and certain characteristics of internal control that, when present and operating effectively, may ensure compliance with 131 program requirements. Circular A-B3 defines internal control over federal programs as follows: Internal control pertaining to the compliance requirements for federal programs (internal control over federal programs) means a process - affected by an entity's management and other personnel - designed to provide reasonable assurance for the achievement of the following objectives for federal programs:

- (1) Transactions are properly recorded and accounted for to:
 - (i) Permit the preparation of reliable financial statements and Federal reports;
 - (ii) Maintain accountability over assets; and
 - (iii) Demonstrate compliance with laws, regulations, and other compliance requirements;
- (2) Transactions are executed in compliance with:
 - (i) Laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on a Federal program; and
 - (ii) Any other laws and regulations that are identified in the compliance supplements; and
- (3) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition."

Condition: In fiscal year 2011 the District received separate ARRA funds that were used to pay for guidance counselors and other types of salaries. The allocation of these employees whose salaries were paid for with these funds was not appropriately approved.

Questioned costs: None

Effect: Ineffective controls will not detect or correct errors in a timely manner that could result in potential disallowed costs.

Cause: Management is not following or conveying the importance of effective internal controls to staff as noted in the payroll issues noted above. This is considered to be a significant deficiency in internal control.

Recommendation: We recommend the School District implement proper oversight and training to all individuals involved with the federal grant expenditures to ensure that the appropriate approvals are being made on a timely basis.

Management Corrective Action Plan: The district will work to improve internal controls involving approval of salaries. The management is currently approving all cash advance and/or reimbursement requests before it is submitted to OPI. The requests are prepared electronically, entered by staff then reviewed, approved and submitted by the management. Also epar forms will be completed in the future for any shift of salaries. There are no SFSF funds in FY2012. All salaries have been moved back to the general fund for these positions.

Finding #11-5

Documentation of Time and Effort in Title II grant

**CFDA 84.367; Improving Teacher Quality State Grants (Title II)
Department of Education; Grant Year 2011**

Criteria: The Office of Management and Budget (OMB) Circular A-87, Attachment B, paragraph 8.b.(4) and (5) requires that an employee who works solely on multiple activities or cost objectives must maintain time and effort distribution records related to the federal program or cost objective and each other program or cost objective supported by consolidated federal funds or other revenue sources.

Condition: Two of the 21 teachers with salaries being paid for with Title II funds did not have adequate documentation of time and effort.

Questioned costs: There are \$49,457 of questioned costs in the Title II grant.

Effect: Ineffective controls over the documentation of time and effort will not detect or correct errors in a timely manner that could result in potential disallowed costs.

Cause: Management is not following or conveying the importance of effective internal controls to staff related to the documentation of time and effort. This is considered to be a significant deficiency in internal control.

Recommendation: We recommend the School District implement proper oversight and training to all individuals involved with the federal grant expenditures to ensure that the appropriate time and effort documentation is being made on a timely basis.

Management Corrective Action Plan: The district will ensure checks and balances when documenting time and effort. The management will provide oversight and guidance to properly monitor the time and effort of personnel being paid out of Title II. Management will review which individuals are being paid out of these funds and maintain the proper documentation.

2010-01 Cash Management for Title I, Title II, IDEA Part B, SFSF

Finding: Cash draws were in excess of expenditures for certain months

Status: The School District has fully implemented procedures for eliminating excess cash draws.

Auditor Response: Fully implemented

2010-02 Procurement/Suspension/Debarment for Title I, IDEA

Finding: Excluded Parties List System (EPLS) checks were not being performed on contracts entered into by the School District.

Status: The School District has fully implemented procedures for performing EPLS Checks on all contracts.

Auditor Response: Fully implemented

2010-03 Allowable Costs for Title I, SFSF (Approval of Expenditures)

Finding: There was no timely documentation of approval for salaries charged to SFSF grant and purchasing policy was not being followed for warehouse purchases.

Status: The School District has implemented procedures for following warehouse purchase policy and has not fully implemented controls to document approval for use of SFSF funds for salaries.

Auditor Response: Not fully implemented. See current year Finding #11-4

2010-04 ARRA Reporting for Title I, IDEA Part B, SFSF

Finding: There was no timely supervisor review of information submitted for American Recovery and Reinvestment Act (ARRA) reporting.

Status: The School District has fully implemented procedures for performing timely supervisor review of ARRA reports.

Auditor Response: Fully implemented

2010-05 Davis Bacon Certification of Payroll – IDEA Part B

Finding: Documentation of Davis Bacon requirements was not available for certain construction projects with third party.

Status: The School District has fully implemented procedures for fulfilling Davis Bacon requirements on contracts.

Auditor Response: Fully implemented