



The accompanying financial statements and report are intended for the original recipient.

They must be presented in their entirety and may not be modified in any manner.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
FINANCIAL REPORT
June 30, 2011

C O N T E N T S

	<u>PAGE</u>
ORGANIZATION – Board of Trustees and Officers	1
INDEPENDENT AUDITOR’S REPORT.....	2 and 3
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	4 to 15
FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Assets.....	16
Statement of Activities	17
Fund Financial Statements	
Governmental Funds	
Balance Sheet – Governmental Funds.....	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.....	19
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	21
Internal Service Fund Financial Statements	
Balance Sheet – Internal Service Funds	22
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds	23
Statement of Cash Flows – Internal Service Funds	24

C O N T E N T S (CONTINUED)

	<u>PAGE</u>
Fiduciary Funds Financial Statements	
Statement of Net Assets – Fiduciary Funds	25
Statement of Changes in Fiduciary Net Assets	26
Notes to Financial Statements	27 to 48
REQUIRED SUPPLEMENTAL INFORMATION	
Employee Group Benefits Plan – Other Postemployment Benefits	49
Schedule of Budgetary Comparison – General Funds.....	50 and 51
SUPPLEMENTAL INFORMATION REQUIRED BY THE MONTANA OFFICE OF PUBLIC INSTRUCTION	
Schedule of Enrollment	52 and 53
Schedule of Revenue Collected and Expenditures Paid – Elementary Extracurricular Funds.....	54 to 57
Schedule of Revenue Collected and Expenditures Paid – Hellgate High School Extracurricular Funds	58 to 61
Schedule of Revenue Collected and Expenditures Paid – Seeley Swan High School Extracurricular Funds	62
Schedule of Revenue Collected and Expenditures Paid – Sentinel High School Extracurricular Funds	63 to 65
Schedule of Revenue Collected and Expenditures Paid – Big Sky High School Extracurricular Funds	66 to 69

C O N T E N T S (CONTINUED)

	<u>PAGE</u>
OTHER INFORMATION	
Description of the District	70
School District Valuations.....	70
School District Tax Levies	71
Other Tax Levies	72
Tax Collections.....	73
Major Taxpayers.....	74
Maximum Bonded Indebtedness	75
Balance Sheet – General Funds.....	76
Statement of Revenues, Expenditures, and Changes in Fund Balances – General Funds	77
SINGLE AUDIT SECTION	
Schedule of Expenditures of Federal Awards	78 to 80
Notes to the Schedule of Expenditures of Federal Awards	81
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	82 and 83
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH <i>OMB CIRCULAR A-133</i>	84 and 85
Schedule of Findings and Questioned Costs	86 to 87
Summary Schedule of Prior Audit Findings	88 to 91

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1

2010–2011

ORGANIZATION

BOARD OF TRUSTEES

Board Chair Toni Rehbein
Vice Chair/Elementary Joe Knapp
Vice Chair/Secondary James Sadler
Trustee Scott Bixler
Trustee Debbie Dupree
Trustee Drake Lemm
Trustee Joe Toth
Trustee Shelly Wills
Trustee Marcia Holland
Trustee Larry Foust
Trustee Michael Smith

OFFICERS

District Superintendent Dr. Alex Apostle
Director, Business Services/Clerk of Board Pat McHugh
County Superintendent of Schools Erin Lipkind
County Attorney Fred Van Valkenburg

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Missoula County Public Schools
School District No. 1
Missoula, Montana

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Missoula County Public Schools District No. 1 (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the District's 2010 financial statements and, in our report dated March 3, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis on pages 4-15, Employee Group Benefits Plan – Other Postemployment Benefits on page 49 and the Statement of Budgetary Comparison – General Funds on pages 50-51, are not a required part of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplemental information on pages 52-69 is presented for purposes of additional analysis as required by the Montana Office of Public Instruction and is not a required part of the basic financial statements. The schedule of expenditures of federal awards on pages 78-80 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The accompanying other information on pages 70-77 is presented for purposes of additional analysis and has not been subject to our auditing procedures and, accordingly, we do not express any opinion or provide any assurance on them.

Anderson Zurmuehlen & Co., P.C.

Missoula, Montana
March 1, 2012

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENTS DISCUSSION AND ANALYSIS
Year Ended June 30, 2011

The discussion and analysis of Missoula County Public Schools' financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

During the 2011 fiscal year, the Missoula County Public School District general fund budget grew by approximately \$1.1 million or 1.9%. This increase was due partially to increased enrollment of slightly more than 1% as well as increases in the various general fund funding components. A second significant highlight was a turnaround in the District's internal service fund performance. Specifically, the District's Health Insurance Trust Fund recognized a gain of approximately \$1.7 million compared to a loss of almost the same amount in the prior fiscal year.

In July 2010, the District was able to take advantage of favorable bond interest rates and refunded its high school series 2001 bond issue. The results from this refunding amounted to a net present value savings of \$565,364. The annual payment reduction averages \$68,473.

USING THIS FINANCIAL REPORT

Reporting the District as a Whole

This report includes two District-wide statements that focus on operations of the District as a whole. These statements measure inputs and outflows using an economic resources measurement focus and the accrual basis of accounting. The *accrual basis of accounting* is similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash was received or paid.

The *Statement of Net Assets* (page 16) presents the "assets" (what is owned), "liabilities" (what is owed) and the "net assets" (the resources that would remain if all obligations were settled) of the District. The statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in "fixed" or "capital" assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* (page 17) presents information showing how the net assets of the District changed during the most recent fiscal year.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2011

The Statement of Net Assets and the Statement of Activities provide information about the governmental activities of the District. This includes the school functions, such as instruction, student services, administration, etc. Property taxes, state revenues, and federal revenues usually support most of these functions of the District. The District has no business-type activities.

Reporting the District's Most Significant Funds

Fund financial statements provide detailed information about the funds used by the school District. State law and Generally Accepted Accounting Principles (GAAP) establish the fund structure of school districts. State law generally requires school districts to segregate money generated for certain specific purposes, like transportation, retirement and debt service, in separate fund accounts.

The fund financial statements report balances and activities of the most significant, or "major" funds separately and combine activities of less significant funds under a single category. Significance of funds is determined based upon the proportional size of the funds, the relative importance of the activities of the funds to the school district's operations, and the existence of legal budget requirements.

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance are presented for governmental funds, such as the general fund, special revenue funds, and debt service and capital projects funds. These funds use the modified accrual basis of accounting and represent the majority of the District's activities and programs.

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

Reporting the District's Trust and Fiduciary Responsibilities

The District is the trustee, or fiduciary, for the elementary and high school endowment funds and the elementary and high school student extracurricular funds. This report includes the activities in a separate Statement of Fiduciary Net Assets and Changes in Fiduciary Net Assets (pages 25 and 26) because the District cannot use these assets to fund its operations. The District is responsible for ensuring these assets are used for their intended purpose.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2011

GENERAL FUND BUDGET

There were no significant variations between the original budget and the final budget. In addition, there were no significant variations between the final budget and actual expenditures. The District does try to budget certain accounts like utilities and substitute teacher pay accounts at a higher than average level so that in a “worst case” year, adequate budget will be available to cover those excess costs. In a normal year, these accounts will have excess budget which is then utilized to purchase textbooks and instructional supplies for departments that have a new curriculum adoption in that year. Fiscal year 2011 was a reasonably normal year in terms of having some excess budget available to allow for the purchase of those curriculum adoption materials, which is how the District utilized those excess funds. The amount of these available excess funds is normally in the range of \$250,000 to \$400,000 and the district always has more needs to utilize these funds for the benefit of its students than funds available to be utilized. The above situation is the main cause for significant budget transfers, though the transfers are relatively insignificant in relation to the general fund budget.

THE DISTRICT AS A WHOLE

Net assets may serve over time as a useful indicator of a district’s financial position. In the case of the District, assets exceeded liabilities by approximately \$39.1 million at the close of the most recent fiscal year. Table 1 illustrates the District’s summarized financial position.

Table 1

	<u>2011</u>	<u>2010</u>	<u>Variance</u>
ASSETS			
Current assets	\$ 26,824,242	\$ 26,822,462	\$ 1,780
Noncurrent assets	<u>41,554,580</u>	<u>42,730,150</u>	<u>(1,175,570)</u>
Total assets	<u>68,378,822</u>	<u>69,552,612</u>	<u>(1,173,790)</u>
LIABILITIES			
Current liabilities	5,473,822	5,498,519	(24,697)
Noncurrent liabilities	<u>23,830,164</u>	<u>24,596,405</u>	<u>(766,241)</u>
Total liabilities	<u>29,303,986</u>	<u>30,094,924</u>	<u>(790,938)</u>
NET ASSETS			
Invested in capital assets, net of related debt	28,717,428	28,569,908	147,520
Restricted	8,180,878	8,898,099	(717,221)
Unrestricted	<u>2,205,160</u>	<u>1,989,682</u>	<u>215,478</u>
Total net assets	<u>\$ 39,103,466</u>	<u>\$ 39,457,689</u>	<u>\$ (354,223)</u>

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2011

Total assets consist of current and noncurrent assets. Current assets are comprised mostly of cash and property taxes receivable. Noncurrent assets includes all land owned by the District and buildings and equipment costing \$5,000 or more. Noncurrent assets decreased by more than \$1,200,000. This change was the net result of depreciation expense totaling nearly \$1,500,000 while equipment purchases and land and building improvements amounted to only \$316,000.

Current assets remained at approximately the same level as compared to the prior year. Current assets increased by approximately \$1,800,000, reflecting the gain in the District's health insurance trust fund for FY11. However, this increase was offset by reductions of current assets in other funds such as reductions resulting from budget amendments for unanticipated additional school bus route needs and increases in enrollment in the District's Adult Education program. Another reason for the reduction of current assets was the spending down of technology fund reserves to install technology items such as white boards in class rooms.

Total liabilities consist of current liabilities and non-current liabilities. Current liabilities consist of non-bond items that are owed as of the financial statement date and are expected to be paid within the next twelve months. Non-current liabilities consist of all bond liabilities, the compensated absences expected to be paid in more than 12 months, and notes payable.

Current liabilities remained at their approximate level in fiscal year 2011 as compared to the prior year. Non-current liabilities decreased by \$766,000 in the 2011 fiscal year. This reduction was the result of several factors including the reclassification of bond principal payments from non-current to current, amounting to a reduction of noncurrent liabilities of approximately \$1,470,000. However, this reduction was offset by an increase in the Other Post-Employment Benefits (OPEB) liability of approximately \$500,000. The change in the OPEB liability is discussed in a latter section.

Net assets could be viewed as taxpayer's equity in a government. It is the amount by which assets exceed liabilities. Within net assets there are further breakdowns that are related to how the net assets are to be used. Some net assets are restricted for capital projects while other net assets are restricted for debt service. The District has many special revenue funds where the funds are raised from tax revenues for a specific purpose. Finally, there is a portion of net assets that are also used for a specific purpose but are not considered restricted. These unrestricted net assets are usually found in non-budgeted funds. There is specific statutory authorization for these non-budgeted funds and the revenue in these funds.

The District's net assets decreased by \$383,000 as a result of operations for the fiscal year ended June 30, 2011. There were several reasons for this decrease. One primary cause was the required recognition of a greater liability for what is called Other Post-Employment Benefits (OPEB). OPEB, in this case, is insurance benefits accruing to retirees and future retirees based upon an actuarial study of the District's insurance plan. As discussed previously, the increase in this liability amounted to approximately \$500,000 and there was no offsetting income stream designated or raised to cover this liability as it becomes recognized.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2011

Another considerable change that effectively offset other decreases in net assets was the previously mentioned gain in the District's self-funded insurance trust. This gain amounted to approximately \$1,800,000. The items offsetting this \$1.8 million gain include the previously mentioned spend down of technology fund reserves. This spend down totaled approximately \$275,000. Other items like the need for budget amendments as discussed previously also caused the spending of reserves without any current year, offsetting revenue.

The Invested in Capital Assets portion of Net Assets increased by \$148,000 compared to the prior year. This was due to principal payments on bonds plus the purchase of capital assets approximately exceeding depreciation expense on fixed assets. Capital Assets purchased during the fiscal year are described in reasonable detail in a later section titled "Capital Asset and Debt Administration."

Restricted net assets decreased by \$717,000 primarily the result of just a couple items including the spend down of reserves in the District's technology replacement funds of approximately \$510,000. Spending from the District's Building Reserve fund also increased in FY11 over the prior year. Much of the increase of more than \$200,000 was attributable to the remodeling of a computer lab at one of the District's urban high schools. This work was encumbered at the end of FY10, however, most of the work was not completed and therefore recognized until FY11.

Governmental Activities

In Montana, school districts must seek voter approval for any additional levy authority needed to operate the school district over what was approved in prior years and what will be received from the state. Property taxes collected and retained at the local level made up 41.7 percent and 41.3 percent of revenues for governmental activities for the Missoula County Public Schools for both fiscal years 2011 and 2010, respectively.

The major categories of expenses are presented on page 12. Of these expenses, the largest function is instruction, which comprises 58 percent of district expenses.

Spending Levels Compared to Resource Levels

As is shown on page 20 of this report, expenditures for governmental activities exceeded the total governmental activities revenues for the District by approximately \$1,227,000 in the 2011 fiscal year.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2011

As is shown in Table 2, total general revenue decreased in fiscal year 2011 by approximately \$3,021,000 or (4%) as a result of the a couple items. First, due to late billing of taxes receivable in the 2009 fiscal year, collections for FY10 were significantly higher than the prior year. This anomaly again created an effect in FY11 when tax levy revenue was less than FY10 by approximately \$1,500,000, as the property tax billings were made in the correct fiscal year for the 2010 and 2011 fiscal years. The other significant change in general revenue was a change caused by the utilization of the federal Education Jobs revenue by the state, to fund a portion of the general fund revenue budget which is normally funded with state sources. This revenue amounted to \$1.7 million and is classified as program revenue – operating grants, rather than as general revenue. This change was the primary cause for state revenue sources to decline by \$1,600,000 and for the increase in program revenue of \$1,760,000.

Contributions, which are a part of program revenue, were greater in 2011 compared to the 2010 fiscal year by approximately \$250,000. These contributions were aggressively sought from leaders in the community to help in the efforts of getting the Districts' 21st Century Initiative off the ground.

Table 2

	<u>2011</u>	<u>2010</u>
REVENUES		
General revenues	\$ 65,812,809	\$ 68,834,209
Program revenues	<u>25,027,923</u>	<u>23,268,690</u>
Total revenues	<u>90,840,731</u>	<u>92,102,899</u>
EXPENSES		
Governmental activities	<u>91,223,584</u>	<u>94,482,979</u>
CHANGE IN NET ASSETS	(382,853)	(2,380,080)
BEGINNING NET ASSETS	<u>39,457,689</u>	<u>41,837,769</u>
ENDING NET ASSETS	<u>\$ 39,074,836</u>	<u>\$ 39,457,689</u>

Another fiscal year 2011 change in program-revenue noteworthy is the receipt of more than \$1,000,000 of federal stimulus deferred maintenance funds. These funds were a one-time-only money and had a specific spending deadline. The monies were spent on many projects from replacing flooring to replacing roofs. The district did not have these funds again in FY11, and thus program revenue – operating grants did not increase by the full \$1,760,000 of Federal Education Jobs revenue newly received in FY11.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2011

As shown in Table 2, total revenue decreased by approximately \$900,000 as the result of the revenue changes both in program revenues and general revenues which were discussed previously in this section.

Table 3

	<u>2011</u>	<u>2010</u>
District tax-levies	\$ 27,192,824	\$ 28,708,527
Missoula County	7,480,436	7,324,785
State of Montana	31,054,231	32,655,414
Investment earnings	75,734	117,251
Other revenues	<u>9,584</u>	<u>28,232</u>
Total general revenues	<u>\$ 65,812,809</u>	<u>\$ 68,834,209</u>

ANALYSIS OF FINANCIAL INFORMATION

The following analysis is provided to help the reader understand the major operations of the District, where the resources come from, what the resources are used for, and trends, decisions and events that are expected to affect the District's financial situation in the future.

What does the District do? The District provides education for children in grades kindergarten through 12th grade, transportation to and from school, hot lunches, athletic and extracurricular activities, and participation in various federal programs.

Where do the resources come from? The majority of resources utilized by the District come from local property taxes, state aid and state and federal grants. Table 3 shows the components of the general resources (revenues) of the District and Table 4 shows the components of the program revenues of the District.

As shown in Table 2, Program income revenues increased by a \$1,759,000 or 7.56% compared to the prior year. The increase is was largely attributable to the addition of the federal Education Jobs funds which were a new source of federal stimulus revenue. The revenue source added \$1.7 million in additional revenue. There were two other major changes in program. The two changes nearly offset one another, but are worthy of noting. First, the District received Federal one-time only Stimulus Deferred Maintenance revenue which totaled approximately \$1,050,000. Of this amount, approximately \$765,000 was expended in FY10 and only \$285,000 in FY11. Therefore, the program revenue recognized in FY11 was approximately \$480,000 less than that of FY10. The second additional noteworthy change in program revenue was the additional revenue received through the Comprehensive Schools and Community Treatment program. This additional revenue amounted to approximately \$600,000 and is discussed in more detail at a later section.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2011

What does it cost? The major expenditure functions of the District include instructional services, support services, operations, administration, capital outlay, transportation and debt service. Table 4 illustrates the costs of major functions as components of total expenditures.

Instructional programs decreased by approximately \$2.2 million, or nearly (4)% for fiscal year 2011. This decrease was the result of two significant items. First, as mentioned previously, the District's insurance trust fund experienced a \$1,800,000 excess of revenues over expenses for the 2011 fiscal year. The majority of health insurance costs incurred are related to instruction and therefore it follows that the eliminations of the internal service funds operating results (required by GASB statement No. 34) will accrue, in majority, to the functional area of instruction. Similarly, in the 2010 fiscal year, the insurance trust fund experienced a loss of a similar amount. This loss created an increase in instructional expenses for that year. So, the pattern of a large loss in one year followed by a large gain in the following year created a significant swing in functions with the highest level of expenditures, like instruction. A second major reason for the reduction in the cost of instructional services was also a health insurance related item. The cost for the 2011 fiscal year of the aforementioned OPEB liability was greatly diminished in FY11 compared to FY10. In FY10, the annual OPEB cost was \$1,377,000, in FY11, the annual cost was only \$492,000. These amounts are determined primarily by an actuarial study of the health insurance plan which is required every two years. The reduction in this annual cost related to the OPEB liability was caused by significant changes in the District's health insurance plan for retirees. Insurance plan changes effected coverage not only retirees, but all folks covered under the plan.

Support Services expenditures increased by \$274,000 or 2.4% in spite of the insurance trust fund gain in FY11 and the reduction in the OPEB annual cost for the year. This increase was primarily caused by the addition of more Comprehensive Schools and Community Treatment (CSCT) teams in the District's schools. This program is in place to treat students who have had severe emotional disturbance (SED). The additional teams and service to more students generated nearly \$600,000 of additional FY11 revenue and expense. The revenue from these services is generated through billing Medicaid for the services provided.

General Administration expense decreased in FY11 by approximately \$690,000 or 8.8%. A large part of this reduction was again attributed to the insurance trust fund gain as well as the reduction in the OPEB liability annual cost. These changes alone created a reduction of expense relative to the prior year of more than \$400,000. Other major reductions in expense in FY11 over FY10 include the elimination of the central services position within the District's business operation. The savings from this position amounted to approximately \$100,000. Additionally, there were two retirements in FY10 of long time administrators, one retiring completely and the other taking a different type of administrative position which required a retirement from one retirement system. The cost of these two retirements in FY10 amounted to a cost of approximately \$116,000. In FY11, there were no similar position eliminations. And, the one administrative retirement in FY11 cost the District approximately \$22,000, which was far below the costs of the two retirements the prior year.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2011

The final function with an expense variation considered to be noteworthy was the change in the level of Operations and Maintenance (O & M) expense. The expenses here decreased by nearly \$744,000 which was primarily the result of three items. First, federal stimulus funds available to complete deferred maintenance projects, as was previously mentioned, were primarily available in FY10. In that year the District expended approximately \$765,000. The spending cutoff for these funds was September 30, 2010, so to ensure the funds were expended in the most efficient manner possible, the District needed to expend the majority of the funds in FY10. The amount expended in FY11 was only approximately \$285,000 compared to \$765,000 in FY10.

A second and third cause for the drop in expenditures in FY11 compared to FY10 was again the \$1.8 million gain to the insurance trust fund, as well as the reduction in the OPEB annual expense in FY11. The trust fund gain amounted to a reduction in O & M expense of nearly \$400,000 compared to the FY10 expense. The reduction in the OPEB annual expense resulted in a reduction of expense of more than \$50,000 in FY11 compared to FY10.

Offsetting the significant decreases in the maintenance and operations expenditures from FY11 to FY10, the District also experienced increased energy costs in the 2011 fiscal year. This increase amounted to additional expenses of approximately \$176,000. The increase was the result of increased energy utilization due to colder winter temperatures and increased energy rates.

The approximate \$120,000 or 86% increase in Other expenses in FY11 over FY10 was primarily the result of taking additional indirect costs on new federal stimulus grants. When expensing each grant for its share of indirect costs, a charge is made to the grant and the amount of that charge is put into the District's indirect cost pool. The charge to the grant is classified as "other." Recognition of indirect costs occurs after expenses are incurred, therefore more would be recognized in FY11 than in FY10.

Table 4

	<u>2011</u>	<u>2010</u>
Instruction	\$ 52,632,615	\$ 54,796,094
Support services	11,685,779	11,411,685
General administration	7,126,048	7,815,744
Operations and maintenance	8,861,760	9,605,428
Student transportation	4,810,281	4,644,629
Food services	3,100,524	3,218,342
Extracurricular activities	2,088,775	2,167,754
Other	259,286	139,613
Interest and fiscal charges	658,515	683,692
	<u>\$ 91,223,584</u>	<u>\$ 94,482,980</u>

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2011

Overall, expenses decreased by approximately \$3,260,000. This change was the result of the combination of increases and decreases in different functional areas as discussed previously in this section.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

What are Capital Assets of the District? Capital Assets of the District are assets purchased costing \$5,000 or more and having a useful life of more than one year. The majority of items included in the capital assets are buildings and building improvements and equipment such as vehicles used on grounds. Technology purchases are mainly funded by the technology fund; however, because of the \$5,000 capitalization threshold for the District, these purchases are rarely considered capital assets. Please refer to Note 3 for further information on the district's capital assets.

Table 5

	<u>2011</u>	<u>2010</u>
Land	\$ 1,755,697	\$ 1,755,697
Land improvements	1,191,638	1,171,616
Buildings and improvements	69,385,459	69,220,895
Equipment and other	<u>2,732,818</u>	<u>2,600,546</u>
Total capital assets	75,065,612	74,748,754
Less accumulated depreciation	<u>(33,511,032)</u>	<u>(32,018,603)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 41,554,580</u>	<u>\$ 42,730,151</u>

The additions to capital assets in 2011 were relatively modest. The assets additions include the purchase of a floor cleaning machine, two grounds mowers, a new computer server, an automatic cookie machine for the central kitchen, new playground equipment, new wrestling mats, a new sound system in a high school gymnasium, a cutting table for the shop program at one high school, a new set of stadium goal posts, a new air conditioning system at an elementary school, and the improvement of part of a playground creating a garden area for hands on learning.

Debt Administration

In the process of a July 2010 Secondary School bond refunding, the Secondary District received a rating of "Aa2." In February 2002 the Elementary School refunded its 1993 and 1994 bond issues. In this process the Elementary District received the rating of "A2" which is only a slightly lower rating than the "Aa2" rating of the High School District. The reason for the slightly lower rating was due to the fact that the Elementary District is mainly restricted to the City of Missoula

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2011

and has substantially lower taxable value than the High School District, which encompasses nearly the entire County of Missoula at a much greater taxable value. The purpose of these refunds was to take advantage of lower interest rates. Either of the two ratings is considered excellent and gives the School the ability to issue general obligation bonds at some of the lowest bond interest rates available to any government. Please refer to Note 4 for further information on the District's debts.

THE FUTURE OF THE DISTRICT

In spite of the tough economic environment and very meager increases in school funding, the District continues to advance its initiatives of creating a new 21st Century learning environment and becoming a leader in K-12 education. The District is in the process of attempting to add an International Baccalaureate program through a rigorous application process. A second program the District will add is a Health Sciences Academy at one of its high schools for the 2012-13 fiscal year. The District has established an Educational Priorities Committee to aid in determining the best ways to utilize the District resources to serve its students and to promote this 21st Century Schools Initiative. The recommendations from this Educational Priorities Committee are expected to be made by April of 2012. From the committee recommendations, the administration will make decisions on which ones should move forward for consideration by the School Board for implementation in FY13 and possibly future years.

As illustrated on page 70, the number of students enrolled in the District's schools has steadily declined in the past several years, though a demographic study has predicted that the enrollment decline will taper off and enrollments may modestly increase in future years. This prediction has been somewhat verified by an overall increase in enrollment for FY11, and for FY12, as well.

The FY12 general fund budgets increased just slightly over the prior year. This increase was primarily due to an add-back of a prior funding component during the 2011 legislative session that the legislature had eliminated in the 2009 legislative session. The 2009 state legislature utilized federal sources of revenue (stimulus funds) to increase the per pupil entitlement portion of the general fund. This federal revenue was only available for the 2010 and 2011 fiscal years. Therefore, this portion of the per pupil entitlement went away causing the FY12 entitlement to be less than that of FY11. The high school general fund budget was virtually frozen at the FY11 level due to the high school being at a highest budget possible (a carryover budget from prior years) which is still above the current year (FY12) maximum budget.

The District continues to enjoy taxpayer support as it passed all four of its levy elections in May 2011. Two of these levies were for general fund budgets and two were for building reserve funds. The building reserve fund monies are used to maintain land, buildings and equipment as well as to purchase new equipment.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2011

The state legislature will convene in January 2013 for its normal biennial session. It is too early to predict any possible changes to school funding. There is, however, support mounting by various schools in Montana to revisit a lawsuit settled in 2005 in favor of Montana schools. The ruling basically provided that the school funding laws of the State of Montana were not funding schools adequately to meet the requirement to provide a quality free and appropriate public education for each student. It is too early to predict whether action will be brought by any Montana school districts, or to predict a possible outcome if action is brought.

CONTACT FOR FURTHER INFORMATION

This financial report is designed to provide our citizens, taxpayers 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 the Executive Director of Business Services, at the District, 915 South Avenue West, Missoula, Montana, 59801.

FINANCIAL STATEMENTS

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
STATEMENT OF NET ASSETS
June 30, 2011

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 20,099,167	\$ 19,952,138
Property taxes receivable (net of allowance for uncollectibles)	3,062,589	3,570,900
Due from other governments	3,206,650	2,837,491
Inventory	379,849	403,808
Prepaid expenses	50	-
Other current assets	75,937	58,125
Total current assets	<u>26,824,242</u>	<u>26,822,462</u>
Noncurrent assets:		
Land	1,755,697	1,755,697
Land improvements	1,191,638	1,171,616
Buildings and improvements	69,385,459	69,220,895
Machinery and equipment	2,732,818	2,600,545
Less accumulated depreciation	<u>(33,511,032)</u>	<u>(32,018,603)</u>
Total noncurrent assets	<u>41,554,580</u>	<u>42,730,150</u>
Total assets	<u>68,378,822</u>	<u>69,552,612</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	1,673,077	1,683,470
Deferred revenue	1,501,842	1,370,202
Bonds payable - due within one year	1,470,000	1,360,000
SID and other notes payable - due within one year	2,659	180,164
Compensated absences - due within one year	826,244	904,683
Total current liabilities	<u>5,473,822</u>	<u>5,498,519</u>
Noncurrent liabilities:		
Bonds payable	11,175,000	12,605,000
SID and other notes payable	189,493	15,078
OPEB liability	3,234,282	2,741,799
Compensated absences	9,231,389	9,234,528
Total noncurrent liabilities	<u>23,830,164</u>	<u>24,596,405</u>
Total liabilities	<u>29,303,986</u>	<u>30,094,924</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	28,717,428	28,569,908
Restricted	8,180,878	8,898,099
Unrestricted	2,205,160	1,989,682
Total net assets	<u>\$ 39,103,466</u>	<u>\$ 39,457,689</u>

The Notes to Financial Statements are an integral part of this statement.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>	
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>	<u>Changes in Net Assets</u>
		<u>Services</u>	<u>Grants and</u>	<u>2011</u>	<u>2010</u>
			<u>Contributions</u>		
Governmental activities:					
Instruction	\$ 52,632,615	\$ 871,431	\$ 16,170,527	\$ (35,590,657)	\$ (39,778,158)
Support services	11,685,779	2,371,549	1,182,879	(8,131,351)	(8,963,554)
General administration	7,126,048	-	6,357	(7,119,691)	(7,509,973)
Operations and maintenance	8,861,760	85,068	225,829	(8,550,863)	(8,094,204)
Student transportation	4,810,281	-	756,375	(4,053,906)	(3,883,639)
Food services	3,100,524	1,005,188	1,909,832	(185,504)	(320,691)
Extracurricular activities	2,088,775	-	183,599	(1,905,176)	(1,977,432)
Other	259,286	-	259,289	3	(2,946)
Interest and fiscal charges	658,515	-	-	(658,515)	(683,692)
Total governmental activities	<u>\$ 91,223,584</u>	<u>\$ 4,333,236</u>	<u>\$ 20,694,687</u>	<u>(66,195,661)</u>	<u>(71,214,289)</u>
General revenues:					
District tax-levies				27,192,824	28,708,527
Missoula County				7,480,436	7,324,785
State of Montana				31,054,231	32,655,414
Investment earnings				75,734	117,251
Other				9,584	28,232
Total general revenues				<u>65,812,809</u>	<u>68,834,209</u>
Changes in net assets				(382,853)	(2,380,080)
Net assets, beginning of year				<u>39,457,689</u>	<u>41,837,769</u>
Net assets, end of year				<u>\$ 39,074,836</u>	<u>\$ 39,457,689</u>

The Notes to Financial Statements are an integral part of this statement.

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 BALANCE SHEET – GOVERNMENTAL FUNDS
 June 30, 2011

	<u>General Fund</u>	<u>Elementary Miscellaneous Programs</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and investments	\$ 3,088,306	\$ 1,178,248	\$ 8,897,646	\$ 13,164,200
Property taxes receivable	2,250,979	-	811,610	3,062,589
Due from other governments	145,701	2,073,364	987,585	3,206,650
Prepaid expenses	50	-	-	50
Inventory	-	-	47,086	47,086
Other current assets	<u>49,583</u>	<u>13,130</u>	<u>8,206</u>	<u>70,919</u>
Total assets	<u>\$ 5,534,619</u>	<u>\$ 3,264,742</u>	<u>\$ 10,752,133</u>	<u>\$ 19,551,494</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Due to other governments	\$ -	\$ -	\$ 23,560	\$ 23,560
Other current liabilities	443,199	55,527	222,830	721,556
Deferred revenue	<u>2,250,979</u>	<u>55,423</u>	<u>834,165</u>	<u>3,140,567</u>
Total liabilities	<u>2,694,178</u>	<u>110,950</u>	<u>1,080,555</u>	<u>3,885,683</u>
Fund balances:				
Non-spendable	-	-	47,086	47,086
Restricted	-	-	8,180,878	8,180,878
Committed	-	-	34,541	34,541
Assigned	387,225	3,153,792	1,469,305	5,010,322
Unassigned	<u>2,453,216</u>	<u>-</u>	<u>(60,232)</u>	<u>2,392,984</u>
Total fund balances	<u>2,840,441</u>	<u>3,153,792</u>	<u>9,671,578</u>	<u>15,665,811</u>
Total liabilities and fund balances	<u>\$ 5,534,619</u>	<u>\$ 3,264,742</u>	<u>\$ 10,752,133</u>	<u>\$ 19,551,494</u>

The Notes to Financial Statements are an integral part of this statement.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2011

Total fund balances - governmental funds	\$ 15,665,811
--	---------------

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

Add internal service funds net assets not reported in the governmental funds statements, including net capital assets of \$40,221, inventory of \$332,763 and other receivables of \$5,018.	4,831,922
---	-----------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$74,973,896 and the accumulated depreciation is \$33,459,537.	41,514,359
--	------------

Property tax revenue is recognized when earned (and the claim to resources is established) rather than when "available." All of the deferred property tax revenue reported in the governmental funds is not available.	3,140,567
--	-----------

Long-term liabilities, including bonds payable and compensated absences, and other post employment benefits are not due and payable in the current period and therefore are not reported in the funds.	<u>(26,077,823)</u>
--	---------------------

Total net assets - governmental activities	<u>\$ 39,074,836</u>
--	----------------------

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	<u>General Fund</u>	<u>Elementary Miscellaneous Programs</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
District levies	\$ 20,374,177	\$ -	\$ 7,519,310	\$ 27,893,487
Investment interest	20,442	20,371	34,921	75,734
Tuition and fees	98,438	-	1,672,327	1,770,765
County sources	-	-	7,852,418	7,852,418
State sources	33,636,077	285,740	3,876,088	37,797,905
Federal sources	3,762,815	5,265,169	5,571,552	14,599,536
Other	<u>28,496</u>	<u>653,702</u>	<u>869,351</u>	<u>1,551,549</u>
Total revenue	<u>57,920,445</u>	<u>6,224,982</u>	<u>27,395,967</u>	<u>91,541,394</u>
Expenditures:				
Current:				
Instruction	35,510,913	4,791,501	12,040,195	52,342,609
Support services	7,524,378	671,669	3,585,079	11,781,126
Administration	6,212,571	91,985	865,773	7,170,329
Operations and maintenance	7,138,526	93,398	1,589,335	8,821,259
Student transportation	54,274	12,647	4,839,019	4,905,940
Food service	-	-	3,097,573	3,097,573
Extracurricular	1,717,886	-	332,255	2,050,141
Other	-	182,828	76,458	259,286
Capital outlay	-	141,548	175,310	316,858
Debt service				
Special assessments	-	-	9,334	9,334
Principal retirement	-	-	1,425,000	1,425,000
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>589,177</u>	<u>589,177</u>
Total expenditures	<u>58,158,548</u>	<u>5,985,576</u>	<u>28,624,508</u>	<u>92,768,632</u>
Revenues over (under) expenditures	(238,103)	239,406	(1,228,541)	(1,227,238)
Other Financing Sources:				
Advanced refunding bonds	-	-	(6,896,910)	(6,896,910)
Proceeds from refunding bonds	<u>-</u>	<u>-</u>	<u>6,938,816</u>	<u>6,938,816</u>
Revenues over (under) expenditures and other financing sources	(238,103)	239,406	(1,186,635)	(1,185,332)
Fund balances, beginning of year	3,078,544	2,914,386	10,886,679	16,879,609
Change in inventory	<u>-</u>	<u>-</u>	<u>(28,466)</u>	<u>(28,466)</u>
Fund balances, end of year	<u>\$ 2,840,441</u>	<u>\$ 3,153,792</u>	<u>\$ 9,671,578</u>	<u>\$ 15,665,811</u>

The Notes to Financial Statements are an integral part of this statement.

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 Year Ended June 30, 2011

Net change in fund balances - total governmental funds	\$ (1,185,332)
--	----------------

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

Governmental funds report capital outlays as 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 capital outlays exceeded depreciation in the current period.	(1,170,422)
---	-------------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(700,663)
--	-----------

Governmental funds report purchases of inventory as expenditures. However, in the statement of activities the cost of inventory is expensed as used.	(28,466)
--	----------

The governmental funds report increases in notes payable as revenues and repayment of bond principal as an expenditure. These have no effect on net assets and are therefore not shown on the statement of activities.	1,323,090
--	-----------

The current period net increase in compensated absences and other post employment benefits payable did not require the use of current financial resources and, therefore, generated no expenditure to be reported in the governmental funds.	(449,531)
--	-----------

Net operating expense from internal service funds	<div style="border-top: 1px solid black; display: inline-block; width: 100%;">1,828,472</div>
---	---

Change in net assets of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">\$ (382,852)</div>
---	---

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
BALANCE SHEET – INTERNAL SERVICE FUNDS
June 30, 2011

ASSETS AND OTHER DEBITS

Cash and investments	\$ 6,934,967
Other current assets	5,018
Inventory	<u>332,763</u>
Total current assets	<u>7,272,748</u>
Capital assets	91,716
Less accumulated depreciation	<u>(51,495)</u>
Capital assets, net	<u>40,221</u>
Total assets	<u>\$ 7,312,969</u>

LIABILITIES

Other current liabilities	\$ 927,961
Deferred revenue	1,501,842
Compensated absences	<u>51,244</u>
Total liabilities	<u>2,481,047</u>

NET ASSETS

Investment in capital assets, net of debt	40,221
Unrestricted	<u>4,791,701</u>
Total net assets	<u>4,831,922</u>
Total liabilities and net assets	<u>\$ 7,312,969</u>

The Notes to Financial Statements are an integral part of this statement.

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
 FUND NET ASSETS – INTERNAL SERVICE FUNDS
 Year Ended June 30, 2011

Operating revenues:	
Charges for services	\$ 1,583,083
Health insurance premiums	7,910,695
Donations by employees	<u>4,304,908</u>
 Total operating revenue	 <u>13,798,686</u>
 Operating expenses:	
Medical claims	10,172,185
Personnel	809,957
Operations	780,744
Administration	219,369
Depreciation	<u>5,148</u>
 Total operating expenses	 <u>11,987,403</u>
 Operating income	 1,811,283
 Non-operating revenues:	
Investment interest	<u>17,189</u>
 Change in net assets	 1,828,472
 Net assets, beginning of year	 <u>3,003,450</u>
 Net assets, end of year	 <u>\$ 4,831,922</u>

The Notes to Financial Statements are an integral part of this statement.

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUNDS
 Year Ended June 30, 2011

Cash flows from operating activities:	
Health insurance premiums received	\$ 11,884,895
Cash received for internal services	1,583,083
Medical claims paid	(9,888,935)
Cash paid to employees	(848,396)
Cash paid to suppliers for goods and services	<u>(1,005,633)</u>
Net cash provided by operating activities	<u>1,725,014</u>
Cash flows from investing activities:	
Interest earnings	<u>17,189</u>
Net cash provided by investing activities	<u>17,189</u>
Net increase in cash and cash equivalents	1,742,203
Cash and cash equivalents, beginning of year	<u>5,192,764</u>
Cash and cash equivalents, end of year	<u><u>\$ 6,934,967</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,811,283
Adjustments to reconcile operating income to	
net cash provided by operating activities:	
Depreciation	5,148
Change in other assets	(1,013)
Change in inventory	(4,507)
Change in payables	(179,098)
Change in compensated absences	(38,439)
Change in deferred revenue	<u>131,640</u>
Net cash provided by operating activities	<u><u>\$ 1,725,014</u></u>

The Notes to Financial Statements are an integral part of this statement.

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 STATEMENT OF NET ASSETS – FIDUCIARY FUNDS
 June 30, 2011

	Private-Purpose <u>Trust Funds</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Cash and investments	\$ 1,261,828	\$ 4,269,781
Total assets	<u>\$ 1,261,828</u>	<u>\$ 4,269,781</u>
<u>LIABILITIES</u>		
Warrants payable	\$ -	\$ 1,680,857
Other current liabilities	<u>1,394</u>	<u>2,588,924</u>
Total liabilities	<u>1,394</u>	<u>4,269,781</u>
<u>NET ASSETS</u>		
Restricted for endowment	258,937	-
Restricted for extracurricular	994,708	-
Restricted for interlocal	<u>6,789</u>	<u>-</u>
Total net assets	<u>1,260,434</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 1,261,828</u>	<u>\$ 4,269,781</u>

The Notes to Financial Statements are an integral part of this statement.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year Ended June 30, 2011

	Private-Purpose <u>Trust Funds</u>
Additions:	
Investment interest	\$ 12
Contributions	39,210
Student receipts	<u>2,177,074</u>
Total additions	<u>2,216,296</u>
Deductions:	
Community	21,556
Extracurricular	<u>2,122,360</u>
Total deductions	<u>2,143,916</u>
Change in net assets	72,380
Net assets, beginning of year	<u>1,188,054</u>
Net assets, end of year	<u><u>\$ 1,260,434</u></u>

The Notes to Financial Statements are an integral part of this statement.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and practices of the Missoula County Public School District No. 1 (the District), as reflected in the accompanying financial statements for the fiscal year ended June 30, 2011, conform to accounting principles generally accepted in the United States of America (GAAP) for local government units as prescribed by the Governmental Accounting Standards Board (GASB).

Reporting Entity:

The District operates under a district-wide elected eleven-member Board of Trustees and provides educational services to approximately 8,400 students in seventeen (K-12) schools throughout Missoula, Montana.

GAAP requires that these financial statements present the District (the primary government) and all component units. Component units, as established by GASB Statement No. 14, are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations for which the District is financially accountable have been considered for inclusion in the basic financial statements. As a result of applying the component unit definition criteria above, it has been determined that the District does not have any component units.

The District consists of two separate legal entities: (1) the high school district, and (2) the elementary district. The high school district includes all of the area covered by the elementary district plus several other elementary districts in Missoula County. The elementary district provides education from kindergarten through eighth grade; the high school district provides education from grades nine through twelve. The District also provides programs for preschoolers and adult and continuing education. Due to differences in funding and the associated tax base, separate accounting records of both entities must be maintained. Both entities are managed by the central Board of Trustees as noted above and by a central administration appointed by and responsible to the Board. Seven of the Board members have voting authority over all District operations; four have voting authority over high school issues only.

Prior Period Comparative Amounts:

The basic financial statements include certain prior year comparative amounts but the notes to the financial statements do not contain the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2010, from which the comparative information was derived.

Government-Wide and Fund Financial Statements:

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued):

Government-Wide Financial Statements – The statement of net assets and statement of activities report information on all of the non-fiduciary activities of the primary government and distinguish between the governmental and business-type activities of the District. All internal activity has been eliminated.

The statement of net assets presents the financial condition of the governmental and business-type activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function.

Program revenues include: (1) charges paid by the recipient of the goods or services provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

The District's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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 grantor or provider have been met.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued):

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, are recorded only when payment is due.

Property taxes, State and County aid, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The general fund accounts for all revenues and expenditures related to instruction, administration, and other activities, except those required to be accounted for in another fund.

The elementary miscellaneous programs fund accounts for local, state or federal grants and reimbursements.

Additionally, the government also reports the following fund types:

Internal Service Funds – Used to account for health insurance coverage provided to District employees. They also account for the data processing services, purchasing services, and instructional materials services, which provide services on a cost reimbursement basis.

Fiduciary Funds – The *Private-Purpose Trust Fund* is used to account for resources legally held in trust for student extracurricular activities and student scholarships. All resources of the funds, including any earnings on invested resources, may be used to support the purpose of the fund. *Agency funds* are custodial in nature and do not involve measurement of results of operations.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued):

Pursuant to GASB Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the District follows GASB guidance as applicable to Proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements and has elected not to follow FASB pronouncements issued after that date.

Other Postemployment Benefits:

The District recognizes and reports its postemployment health care benefits in accordance with GASB Statement 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*.

Governmental Fund Balance Classifications:

The Government Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which is effective for the District beginning in fiscal year 2011. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in government funds.

GASB 54 requires, among other things, that all state and local governmental entities adopt a policy regarding spending priorities of fund balance in governmental funds. The fund balance resources of the District's governmental funds have been categorized as follows:

RESOURCE CATEGORIES

- Nonspendable: Resources not in spendable form (i.e. inventory) or those legally required to be maintained intact (i.e., principal portion of permanent trust funds)
- Restricted: Constraint is externally imposed by a third party (grantor, contributor, etc.), State Constitution or by enabling legislation by the State Legislature
- Committed: Constraint is internally imposed by local government through a resolution
- Assigned: Constraint is internally expressed intent by government body or authorized official through a budget approval process or express assignment
- Unassigned: No constraints and negative fund balance in non-general fund funds.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued):

Governmental Fund Balance Classifications (Continued):

EXPENDITURE ORDER FOR RESOURCE CATEGORIES

GENERAL FUND AND SPECIAL REVENUE FUNDS:

First: Restricted
 Second: Committed
 Third: Assigned
 Fourth: Unassigned

DEBT SERVICE AND CAPITAL PROJECTS FUNDS:

First: Assigned
 Second: Committed
 Third: Restricted
 Fourth: Unassigned

Budgets:

State law requires that the District adopt budgets for certain funds, generally those supported by property taxes. Budgeted and non-budgeted funds are as follows:

<u>Fund</u>	<u>Budgeted</u>	<u>Non-Budgeted</u>
General	X	
Special Revenue:		
Transportation	X	
School Food		X
Tuition	X	
Retirement	X	
Miscellaneous Programs		X
Comprehensive Insurance		X
Adult Education	X	
Traffic Education		X
Lease Rental Agreement		X
Compensated Absences		X
Technology	X	
Flexibility	X	
Debt Service	X	
Capital Projects:		
Building		X
Building Reserve	X	
Trust and Agency:		
Endowment Trust		X
Interlocal Agreement		X
Extracurricular Activities		X
Claims Clearing		X
Payroll Clearing		X

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets (Continued):

The General Fund budget is formulated on basic and per student entitlement amounts and enrollment. Budgets for other funds are based primarily on expected revenues and expenditures. Budgeted fund expenditures are limited by State law to budgeted amounts. However, budgets may be amended for emergencies as defined by State law.

Budget authority may be transferred between expenditure classifications within the same fund. Budgeted amounts shown are the original budgeted amounts and do not reflect line item budget transfers within the funds during the year.

The budget policy is as follows:

- 1) On the second Monday in August, the Board of Trustees must meet to legally adopt the final budget. This budget is adopted consistent with the basis of accounting described in Note 1.
- 2) Upon adoption of the final budget, expenditures are limited to the total fund budget. The District has the right to transfer budgetary authority among the various line items of a fund, but not between funds. Unencumbered appropriations lapse at year end.

Property Taxes:

Property taxes are levied in August of each fiscal year, based on assessments as of the prior January 1. Taxes are normally billed in October and payable 50% by November 30 and 50% by May 31. Property taxes are maintained and collected by the County Treasurer; the District records such receipts when reported by the Treasurer. After those dates taxes are considered to be delinquent and a lien is placed upon the property. After three years the County exercises the lien and takes title to the property. Personal property taxes (other than those billed with real estate) are generally due thirty days after billing. Because of the above described collection procedures, estimated uncollectible taxes are minimal and therefore not recorded.

Taxes paid under protest are placed in an escrow fund by the County pending settlement of the protest. Under State law (MCA 15-1-402), the School District may demand payment from the protested tax escrow fund of all or part of the protested taxes from the second and subsequent years of the protest. No demand for payment has been made by the District.

Cash and Investments:

Except for certain student activity funds, petty cash, interim accounts, and endowment funds maintained in separate bank accounts, the District's cash and investments are held in either the investment pool managed by the Missoula County Treasurer or the municipal investment account. The County Treasurer invests the pooled cash pursuant to State law (MCA 20-9-213[4]). Allowable investments include eligible securities as authorized by MCA 7-6-202; savings or time deposits in a state or national bank; building and loan association, savings and loan association, or credit union insured by the Federal Deposit Insurance Corporation (FDIC),

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Investments (Continued):

or NCUA located in the State; repurchase agreements; and the State Short-Term Investment Pool (STIP) as provided in MCA 17-6-204. Investments are valued at cost, which is immaterially different from fair value.

For purposes of the statement of cash flows, the Proprietary Fund type considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Warrants Payable:

The District makes expenditures by means of warrants. These warrants are orders to the County Treasurer to pay a specified sum to the person named or to the bearer. State law requires that warrants be paid and registered if presented for a budgeted fund with insufficient cash and refused for payment for a non-budgeted fund with insufficient cash. Registered warrants become a liability of the District. Interest accrues thereon until publication of the call for payment. The District has no registered warrants as of June 30, 2011.

Inventories:

Supplies obtained through the governmental funds are recorded as expenditures at the time of purchase. Inventory is valued at cost. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute available expendable resources even though they are a component of net current assets.

Liability for Compensated Absences:

Compensated absences for vacation and sick leave are recorded as expenditures in the government funds when taken. Vacation leave, within certain limitations, may be payable to employees upon termination. Sick leave is accumulated for administrative, certified (teaching) and classified (non-teaching) employees at the rate of 12 working days for each year of service. Part-time employees are entitled to prorated benefits upon fulfillment of the qualifying period of time.

Upon termination, classified employees are eligible for compensation at one-fourth of the accumulated sick leave amount. Certified and administrative employees are eligible for compensation at one-half of the accumulated sick leave amount.

Liabilities incurred because of vacation and sick leave accumulated by employees are reported in the long-term debt account group and proprietary fund type to the extent they are vested. Expenditures for unused leave are recorded when paid.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include land, land improvements, building and improvements, and machinery and equipment is reported in the government-wide financial statements. It is the policy of the District to capitalize all assets with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year.

Capital assets are stated on the basis of historical cost or estimated historical costs when actual costs are not available. Major fixed asset additions are financed primarily through bond proceeds.

Assets acquired through gifts or donations are recorded at their estimated fair market value at the date of acquisition.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	15–25 years
Buildings and improvements	25–60 years
Machinery and equipment	5–20 years

Due from Other Governments:

Due from Other Government balances are composed primarily of: (1) revenue accruals in the General Fund for the state entitlement payment, and (2) revenue accruals for the various reimbursable type grants for which revenue is recognized when expenditures are made. If receipts exceed expenditures, the excess is generally deferred until expenditure of funds, but may be recognized as revenue depending on the terms of the particular grant agreement.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

NOTE 2. CASH AND CASH EQUIVALENTS

The District participates in the Missoula County treasurer's investment program. All funds deposited with the County Treasurer are pooled and invested in certificates of deposit, U.S. Treasury bills and other short-term bank investments and STIP and are reported with cash at market value. Interest earnings are allocated to the individual funds of the District based on average month-end cash balances.

Short-term investments of the pool consist of the State of Montana Unified Investment Program, a daily repurchase agreement with a local bank, United States agencies, and certificates of deposit account for the management of cash temporarily idle during the year. The pool is valued at cost, which approximates fair value. There is no material difference between the value of the pool shares and the fair value. The pool is not SEC registered.

Montana law allows the local governing body to require security for the portion of deposits not guaranteed or insured. Deposit insurance is administered by the FDIC. Since the District invests in a cooperative pool, pledged securities for the various individual deposits and repurchase agreements are managed by the County Treasurer. Montana Code allows the County Treasurer to take collateral up to 50% of deposits if the institution in which the deposit is made has a net worth to total assets ratio of 6% or more; and 100% if the ratio is less than 6%.

Information as to the types and amounts of fully insured deposits and collateral for deposit with securities including derivative type investments held in STIP can be obtained from the Missoula County Treasurer. Risk in the event of loss is unclear in State law, but appears to be the liability of the County government. Because of the custodial involvement of the County government, and the commingling of cash in County deposits in the name of the County Treasurer, the risk classification according to GASB 40 is impracticable.

	<u>Credit Risk</u>	<u>Interest Rate Risk</u>
Missoula County Treasurer External Investment Pool	Not Rated	No Maturity

The District also has a municipal investment account (MIA) with a financial institution. The District directs the County Treasurer as to the amount of money to be invested with the MIA on a periodic basis. All deposits are collateralized 100% with U.S. Government securities pledged to the District but held in the institution's name. The interest rate was 0.02% at June 30, 2011.

At the discretion of the District's Board of Trustees, proceeds from the sale of one of the District's elementary buildings has been invested in a short-term certificate of deposit. The CD was renewed for a twelve-month term on March 24, 2011, at a rate of 1.05%. This investment is collateralized at greater than 100% with U.S Government backed securities as required by Montana law. The value of the CD on June 30, 2011, was \$1,248,276.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2011

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

At June 30, the District's balances were:

	Governmental Activities	Fiduciary Funds	Total
Cash in county treasury	\$ 15,414,448	\$ 5,505,422	\$ 20,919,870
Cash in municipal investment account	3,436,443		3,436,443
Cash in certificate of deposit	1,248,276		1,248,276
Cash on hand and in banks	-	26,187	26,187
	<u>\$ 20,099,167</u>	<u>\$ 5,531,609</u>	<u>\$ 25,630,776</u>

Certain student activity, petty cash, interim accounts, and endowment funds are deposited in interest-bearing checking and savings accounts covered by FDIC insurance.

NOTE 3. CAPITAL ASSETS

A summary of capital asset activity for the year ended June 30, 2011, follows:

<u>Governmental activities</u>	<u>June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2011</u>
Capital assets not subject to depreciation:				
Land	\$ 1,755,697	\$ -	\$ -	\$ 1,755,697
Capital assets subject to depreciation:				
Land improvements	1,171,616	20,022	-	1,191,638
Buildings and improvements	69,220,895	164,564	-	69,385,459
Equipment and other	<u>2,508,829</u>	<u>132,273</u>	-	<u>2,641,102</u>
Total capital assets	<u>74,657,037</u>	<u>316,859</u>	-	<u>74,973,896</u>
Less accumulated depreciation for:				
Land improvements	(402,871)	(45,122)	-	(447,993)
Buildings and improvements	(29,685,857)	(1,328,266)	-	(31,014,123)
Equipment and other	<u>(1,883,528)</u>	<u>(113,893)</u>	-	<u>(1,997,421)</u>
Total accumulated depreciation	<u>(31,972,256)</u>	<u>(1,487,281)</u>	-	<u>(33,459,537)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 42,684,781</u>	<u>\$(1,170,422)</u>	<u>\$ -</u>	<u>\$ 41,514,359</u>

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

NOTE 3. CAPITAL ASSETS (CONTINUED)

<u>Business-type activities</u>	<u>June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2011</u>
Capital assets subject to depreciation:				
Equipment and other	\$ 91,716	\$ -	\$ -	\$ 91,716
Less accumulated depreciation	<u>(46,347)</u>	<u>(5,148)</u>	<u>-</u>	<u>(51,495)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 45,369</u>	<u>\$ (5,148)</u>	<u>\$ -</u>	<u>\$ 40,221</u>

Depreciation expense has been charged to functions of the primary government, as follows:

Instruction	\$ 1,041,643
Support services	90,127
General administration	57,490
Operations and maintenance	192,915
Student transportation	1,309
Food services	24,178
Extracurricular activities	<u>79,619</u>
	<u>\$ 1,487,281</u>

The District leases two of its elementary school buildings to different educational institutions. The Mount Jumbo Elementary school building is leased to Walla Walla University at a rate of \$4,380 per month. The term of the agreement was five years and ended on October 30, 2010. On June 8, 2010 the lease was renewed for an additional five years at \$4,748 per month. This rate is adjusted each year by 3%–5% for inflation.

The District also leases the Prescott Elementary school building. This lease is with the Missoula International School at the rate of \$3,333 per month for the first year of the lease, \$3,750 per month for the second year of the lease, and \$4,167 per month in the final year of the lease. The term of the agreement is three years and ends on July 31, 2012. In August 2011, the lease was amended to extend the terms of the lease for an additional five years until July 31, 2017. The monthly rate will be \$4,583 and increase approximately \$208 per month each year for the first three years. Beginning August 1, 2015 the rate will be adjusted each year up to 3% for inflation.

Both of these leases also reimburse the District for the cost of utilities and insurance.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

NOTE 4. LONG-TERM DEBT

Changes in general long-term debt during 2011 were as follows:

	Balance <u>June 30, 2010</u>	<u>Additions</u>	<u>Payments</u>	<u>Other</u>	Balance <u>June 30, 2011</u>	Due Within <u>One Year</u>
General obligation bonds:						
2010 Refunding issue	\$ -	\$ 6,810,000	\$ (540,000)	\$ -	\$ 6,270,000	\$ 545,000
2005 Refunding issue	6,535,000	-	(530,000)	-	6,005,000	555,000
2001 Issue	6,705,000	-	(6,705,000)	-	-	-
1998 Refunding issue	725,000	-	(355,000)	-	370,000	370,000
Special improvements	32,737	-	(3,090)	-	29,647	2,659
Homevale settlement	162,505	-	-	-	162,505	-
Compensated absences	<u>10,049,528</u>	<u>-</u>	<u>(43,139)</u>	<u>-</u>	<u>10,006,389</u>	<u>775,000</u>
Total	<u>\$24,209,770</u>	<u>\$6,810,000</u>	<u>\$ (8,176,229)</u>	<u>\$ -</u>	<u>\$22,843,541</u>	<u>\$2,247,659</u>

At June 30, 2011, internal service fund liabilities consisted of compensated absences totaling \$51,244, all of which is considered to be due within one year.

General Obligation Bonds:

2010 Refunding Bonds

In July 2010, the District issued \$6,810,000 of general obligation refunding bonds, Series 2010, to advance refund the outstanding Series 2001 General Obligation Bonds and to pay costs associated with the refunding. The Series 2010 Bonds bear interest ranging from 2.5% to 3.0% and mature in years through 2018. Proceeds from the sale of the 2010 bonds of \$7,000,106, including an original issue premium of \$190,106 together with \$100,000 from the 2001 debt service reserve were deposited in an irrevocable escrow to call the outstanding 2001 bonds on July 1, 2011. The result of the advance refunding was a reduction in total debt service payments of \$655,112 and an economic gain of \$565,364. The difference between the amount placed into escrow and the outstanding refunded bonds was charged to interest expense in the statement of activities.

2005 Refunding Bonds

In August 2005, the District issued \$6,770,000 of general obligation refunding bonds, Series 2005. The purpose of this issue was to advance refund \$6,375,000 of the District's general obligation school building bonds Series 2000. The District deposited funds in a bond escrow account to ensure that a sufficient amount is present to pay off the refunded bonds as they come due. The debt service savings resulting from the refunding of the refunded bonds is \$288,072, calculated on a net present-value basis, using an annual discount rate of 3.97%. The bonds bear an average interest rate of 4.011% and are due in varying amounts through July 2020. Bonds maturing on or after July 1, 2013, are subject to early redemption on July 1, 2013, or thereafter, at a price equal to the unpaid principal plus accrued interest.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

NOTE 4. LONG-TERM DEBT (CONTINUED)

2001 Bonds

The original principal amount of the bonds was \$9,995,000. The bonds bear interest at 4.35% to 5% with an average interest rate of 4.60% and are due in varying amounts through July 2021. Bonds maturing on or after July 1, 2005, are subject to early redemption on July 1, 2004, or thereafter at a price equal to the unpaid principal plus accrued interest. These bonds were refunded by the Series 2010 refunding bonds.

1998 Refunding Bonds

The original principal amount of the bonds was \$3,830,000. The bonds bear interest at 3.35% to 4.25% with an average interest rate of 4.05% and are due in varying amounts through July 2011. Bonds maturing on or after July 2006 are subject to early redemption on July 1, 2005, or thereafter at a price equal to the unpaid principle plus accrued interest.

Notes Payable:

The District agreed to pay \$162,505 to the University of Montana for its portion of the proceeds from the City of Missoula for easements across the Homevale property when the City realigned the South Avenue and Brooks intersection.

The Elementary District issued special improvement obligations with interest rates of 7.5% to 8.25% due in varying amounts through June 2024.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2011

NOTE 4. LONG-TERM DEBT (CONTINUED)

Debt service principal and interest payments required on the bonds and notes payable are as follows:

Year Ended June 30,	General Obligation Bonds		SID Payable and HomeVale		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 1,470,000	\$ 423,705	\$ 178,134	\$ 532	\$ 1,648,134	\$ 424,237
2013	1,140,000	380,018	1,059	440	1,141,059	380,458
2014	1,180,000	344,558	1,059	403	1,181,059	344,961
2015	1,220,000	307,193	1,059	365	1,221,059	307,558
2016	1,275,000	261,973	1,059	327	1,276,059	262,300
2017	1,325,000	220,198	1,059	290	1,326,059	220,488
2018	1,380,000	173,548	1,059	252	1,381,059	173,800
2019	1,435,000	124,173	1,059	214	1,436,059	124,387
2020	1,500,000	74,450	1,059	177	1,501,059	74,627
2021	720,000	21,600	1,059	139	721,059	21,739
2022-2025	-	-	2,887	330	2,887	330
Total	<u>\$ 12,645,000</u>	<u>\$ 2,331,416</u>	<u>\$ 190,552</u>	<u>\$ 3,469</u>	<u>\$ 12,835,552</u>	<u>\$ 2,334,885</u>

Compensated absence payments can be made by the compensated absences fund or by the affected fund, usually the general fund. The District records an estimate of compensated absences due within one year based on prior three year history of payments made to retirees.

The District is authorized by state law to issue general obligation bonds up to an amount equal to the greater of (1) 50% of the taxable value of the property within the District or (2) 50% of the statewide average taxable valuation per student times the number of student's in the District (calculated separately for the elementary and high school districts).

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2011

NOTE 5. RESERVED FUND BALANCES AND RESTRICTED NET ASSETS

Reserved Fund Balances:

State law permits a reserve for operations in certain budgeted funds. The maximum reserve for operations permitted for the School, which is a percentage of the subsequent year's budgeted expenditures, are as follows:

General Fund	10%
Transportation Fund	20%
Retirement Fund	35%
Adult Education Fund	35%

Restricted Net Assets:

The District has adopted the provisions of GASB 54 for 2011. Restricted net assets at June 30, 2011, are as follows:

	<u>Elementary</u>	<u>High School</u>	<u>Total</u>
Transportation	\$ -	\$ 195,298	\$ 195,298
Food services	-	78,278	78,278
Tuition	112,276	95,065	207,341
Retirement	1,151,625	1,268,569	2,420,194
Adult education	14,307	186,499	200,806
Traffic education	-	191,394	191,394
Compensated absences	164,271	67,592	231,863
Technology acquisition	184,419	293,172	477,591
Debt service	396,010	408,047	804,057
Building reserve	<u>2,373,131</u>	<u>1,000,925</u>	<u>3,374,056</u>
Total	<u>\$ 4,396,039</u>	<u>\$ 3,784,839</u>	<u>\$ 8,180,878</u>

State law also permits a reserve for operations in the bond debt service funds equal to the payments required within 17 months after year-end. State law also permits the District to reserve collections of prior year's delinquent and protested property taxes.

NOTE 6. RETIREMENT PLANS

The District participates in two statewide mandatory cost-sharing multi-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) covers other non-teaching employees.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

NOTE 6. RETIREMENT PLANS (CONTINUED)

Both plans issue publicly available annual reports that include financial statements and required supplemental information for the plans. Those reports may be obtained from the following:

Teachers Retirement System
P.O. Box 200139
1500 East Sixth Avenue
Helena, MT 59620-0139

Public Employees Retirement System
P.O. Box 200131
100 N Park Avenue Suite 200
Helena, MT 59620-0131

Public Employees' Retirement System (PERS)

PERS is a statewide retirement plan established in 1945 and is governed by Title 19, Chapters 2 and 3 of the Montana Code Annotated providing retirement services for substantially all public employees. PERS is a mandatory multiple-employer, cost sharing plan administered by the Montana Public Employees' Retirement Administration (MPERA).

PERS offers retirement, disability and death benefits to plan members and their beneficiaries. Benefit eligibility is age 60 with at least five years of service; age 65 regardless of service; or 30 years of service regardless of age. Actuarial reduced benefits may be taken with 25 years of service or at age 50 with at least five years of service. Monthly retirement benefits are determined by taking 1/56 times the number of years of service times the final average salary. A guaranteed annual benefit adjustment (GABA) of 1.5% is provided each January for benefit recipients if they have been receiving a benefit for at least 36 months. Members' rights become vested after five years of service. The authority to establish, amend and provide cost of living adjustments for the plan is assigned to the State legislature.

The State legislature has the authority to establish and amend contribution rates to the plan. Plan members are required to contribute 6.90% of monthly compensation. Local government entities are required to contribute 6.8% of members' compensation. The state of Montana contributes 0.1% of members' compensation on behalf of local government entities.

Teachers Retirement System (TRS)

TRS is a statewide retirement plan established in 1937 and is governed by Title 19, Chapters 20 of the Montana Code Annotated providing retirement services to persons in Montana employed as teachers or professional staff of any public elementary or secondary school. TRS is a mandatory multiple-employer, cost sharing plan administered by the Teachers' Retirement Board.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

NOTE 6. RETIREMENT PLANS (CONTINUED)

TRS offers retirement, disability and death benefits to plan members and their beneficiaries. Benefit eligibility is age 60 with at least five years of service; age 65 regardless of service; or 25 years of service regardless of age. Actuarial reduced benefits may be taken with 25 years of service or at age 50 with at least five years of service. Monthly retirement benefits are determined by taking 1/56 times the number of years of service times the final average salary. A guaranteed annual benefit adjustment (GABA) of 1.5% is provided each January for benefit recipients if they have been receiving a benefit for at least 36 months. Members' rights become vested after five years of service.

The authority to establish, amend and provide cost of living adjustments for the plan is assigned to the State legislature. TRS covered employees are required by State statute to contribute 7.15 percent of their salary to the plan. The District is also required by State law to contribute 7.47 percent of covered payroll. Additionally, they must contribute to the retirement plans of the Special Ed coop on a pro-rata basis depending on usage. The state of Montana contributes an additional 2.49%.

The amounts contributed to TRS and PERS during the year ended June 30, 2011, was equal to the required contribution. The amounts contributed by both the District and its employees were as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
TRS	\$ 6,023,253	\$ 6,505,886	\$ 6,587,332
PERS	<u>1,035,502</u>	<u>1,119,901</u>	<u>1,144,129</u>
Total	<u>\$ 7,058,755</u>	<u>\$ 7,625,787</u>	<u>\$ 7,731,461</u>

NOTE 7. RISK MANAGEMENT

The District faces a number of risks of loss including (a) loss or damage to property, (b) general liability, (c) workers' compensation, and (d) employee medical insurance. There were no significant changes in how the District covered its risks in fiscal year 2011.

The District has established two internal service funds (one for elementary and one for high school employees) to account for and finance its employee medical claims risks. Medical claims are self-insured up to \$100,000 per employee and approximately \$1,000,000 in the aggregate. Claims in excess of these amounts are insured by commercial carriers. Dental claims are also self-insured. The internal service funds charge premiums to the other District funds based on employees in those funds and their respective coverage.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2011

NOTE 7. RISK MANAGEMENT (CONTINUED)

Change in medical claims liabilities were as follows:

	Elementary School	High School	Total
Claims liability, June 30, 2009	\$ 474,788	\$ 388,463	\$ 863,251
Claims incurred in 2010	6,455,040	5,281,396	11,736,436
Claims paid in 2010	<u>(6,339,017)</u>	<u>(5,186,469)</u>	<u>(11,525,486)</u>
Claims liability, June 30, 2010	590,811	483,390	1,074,201
Claims incurred in 2011	5,299,598	4,336,036	9,635,634
Claims paid in 2011	<u>(5,395,409)</u>	<u>(4,414,426)</u>	<u>(9,809,835)</u>
Claims liability, June 30, 2011	<u>\$ 495,000</u>	<u>\$ 405,000</u>	<u>\$ 900,000</u>

Commercial insurance policies are purchased for loss or damage to property and for general liability. The District participates in one statewide public risk pool, the Montana Schools Group Workers' Compensation Risk Retention Program (WCRRP) for workers' compensation coverage.

The Government Accounting Standards Board (GASB) Statement No. 45 sets the accounting and financial reporting requirements for local governments that provide health care benefits to their retirees. Montana law (MCA 2-18-704) requires local governments to permit retired employees with at least five years of service and at least age 50 to remain in the government's medical insurance plan until they become eligible for Medicare. The law requires retirees to pay 100% of the employee premium amount.

The District's medical benefit plans have standard insurance premium amounts that are charged to all members, including retirees. The District pays the premium for the employee and the employee pays the premium for his or her family. Retirees pay their own premium.

NOTE 8. VOLUNTARY TERMINATION BENEFITS

The District has established an early notification of retirement benefit. If an employee submits a letter of retirement between January 1 and February 27 that results in a retirement from the District and the State retirement system effective on or before June 30, they will receive a one-time payment of \$500, less appropriate deductions, to be paid upon retirement. During the year ended June 30, 2011, seventeen employees qualified for this benefit resulting in an expense of \$8,500.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS

The District has adopted the provisions of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pension Plans*. GASB 45 requires employers to calculate the actuarial liability for future retiree benefits and the annual required contribution (ARC) for retirees. Information on the District's health benefit plan is included below.

Plan Description:

The District has a single-employer medical plan that provides medical and dental benefits to eligible employees, retirees, spouses and dependents. Participation is elected by the retiree at the time of retirement. Benefit provisions are set annually by the Board of Trustees and may be revoked or altered at any time. Missoula County Public Schools is not required to issue a separate financial report for the plan.

Funding Policy:

The District provides no direct subsidy to the health insurance premiums for retirees. Retirees pay for the entire cost of the health insurance premium. Eligible retired employees include former full-time and certain other employees. As of July 2010, there are 328 retirees and/or survivors enrolled for the employer's sponsored health insurance plan.

Annual OPEB Cost Obligation and Net OPEB Obligation:

The District's other postemployment benefit (OPEB) cost (expense) is calculated based on the projected unit credit cost method as of June 30, 2011. The objective under this method is to fund each participant's benefits under the plan as they accrue. Thus, the total benefit to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service. Typically, when this method is introduced, there will be an initial liability for benefits credited for service prior to that date, and to the extent that the liability is not covered by assets of the plan, there is an unfunded liability to be funded over a stipulated period in accordance with an amortization schedule. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes on the District's net OPEB obligation:

Annual required contribution (ARC)	\$ 467,350
Interest on net OPEB obligation	116,526
Adjustment to annual required contribution	<u>(91,393)</u>
Annual OPEB cost	492,483
Contributions made	<u>-</u>
Change in net OPEB obligation	492,483
Net OPEB obligation - beginning of year	<u>2,741,799</u>
Net OPEB obligation - end of year	<u><u>\$ 3,234,282</u></u>

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2011

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal years ended June 30, 2011 and 2010 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 1,364,485	0.00%	\$ 2,741,799
June 30, 2011	\$ 492,483	0.00%	\$ 3,234,282

Fiscal year 2009 was the first year of implementation of GASB Statement No. 45. Therefore, prior year comparative data is not available. In future years, three-year trend information will be presented.

Funded Status and Funding Progress:

Because the plan has more than 200 members, the District is required to obtain an actuarial valuation at least every two years. The most recent actuarial valuation was performed on July 1, 2010. As of July 1, 2010, the actuarial accrued liability (AAL) for benefits was \$5,621,548, all of which was unfunded. There are no assets set aside to fund these benefits as the District funds post-retirement health insurance benefits on a pay-as-you-go basis.

Annual Valuation - June 30, 2011

Actuarial Accrued Liability (AAL)	\$ 5,621,548
Actuarial Value of Assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 5,621,548</u>
Funded Ratio (actuarial value of assets / UAAL)	0.00%

Actuarial valuations for 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. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on values which the District's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be. Deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage, and changes in marital status, could result in actual costs being less or greater than estimated.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Funded Status and Funding Progress (Continued):

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Because fiscal year 2009 was the first year of implementation of GASB Statement No. 45 and the District elected to apply the statement prospectively, only two years are presented in the schedule at this time. In future years, required trend data will be presented.

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan and include 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. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following assumptions were made:

- Retirement rates for the Public Employees' Retirement System (PERS) are assumed to follow the RP2000 Healthy Combined Mortality Table projected to 2015 using Scale AA with no collar adjustment for males or females. Retirement rates for the Teacher's Retirement System (TRS) are assumed to follow the RP2000 Combined Mortality Table set back three years for males, set back two years for females, with mortality improvements projected by Scale AA to 2008.
- The UUAL is being amortized using a level of percentage pay on an open basis of 30 years. The discount used is 4.25% along with a 2.50% payroll growth assumption.
- The healthcare cost trend rate (HCCTR) was based on projections from historical rates of the District. The medical trend starts at 19.6% for 2010 with a decrease of 10.6% and then decreases in 0.5% increments until 2019 where it levels off to 5.0% into the future. The prescription drug trend starts at 19.6% for 2010 with a decrease of 10.6% and then decreases in 1.0% increments until 2019 where it levels off to 5.0% into the future.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

NOTE 10. COMMITMENTS AND CONTINGENCIES

The District is party to certain litigation under which it may be required to pay monies upon the decision of the courts. It is the opinion of management and legal counsel that the District's liability in cases not covered by insurance will not be material to the financial statements. Accordingly, no provision has been made in the financial statements for these contingencies.

At June 30, 2011, the District had encumbered \$1.6 million against its 2011 budget, representing the estimated amount of unperformed purchase orders or contracts in process at year end.

REQUIRED
SUPPLEMENTAL INFORMATION

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 EMPLOYEE GROUP BENEFITS PLAN –
 OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 June 30, 2011

<u>Actuarial</u> <u>Valuation Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u>	<u>Funded</u> <u>Ratio (%)</u>	<u>Annual</u> <u>Covered</u> <u>Payroll</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll (%)</u>
	(a)	(b)	(b-a)	(a/b)	(c)	(b-a/c)
July 01, 2011	-	\$ 5,621,548	\$ 5,621,548	0.00%	\$ 44,282,636	12.69%
July 01, 2010	-	20,521,351	20,521,351	0.00%	45,857,026	44.75%
July 01, 2009	-	19,736,638	19,736,638	0.00%	45,857,026	43.04%

Information for years prior to 2009 is not available.

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 SCHEDULE OF BUDGETARY COMPARISON –
 GENERAL FUNDS-BUDGET BASIS
 Year Ended June 30, 2011

	<u>Elementary General Fund</u>	
	Original and	
	Final	
	<u>Budget</u>	<u>Actual</u>
Revenues:		
District levies	\$ 10,571,004	\$ 10,681,377
Investment interest	17,055	12,590
Tuition and fees	35,000	39,381
Federal sources	1,332,423	1,954,673
State sources	18,895,018	18,273,298
Other	<u>7,260</u>	<u>8,297</u>
Total revenue	<u>30,857,760</u>	<u>30,969,616</u>
Expenditures:		
Current:		
Instruction	\$ 19,461,323	\$ 19,614,887
Support services	4,512,026	4,547,629
Administration	3,397,055	3,423,860
Operations and maintenance	3,418,762	3,445,739
Student transportation	12,331	12,428
Extracurricular	<u>56,264.04</u>	<u>56,708</u>
Total expenditures	<u>30,857,760</u>	<u>31,101,251</u>
Revenues over (under)		
expenditures	<u>\$ -</u>	(131,635)
Budget basis fund balances, June 30, 2010		<u>1,852,291</u>
Budget basis fund balances, June 30, 2011		1,720,656
GAAP Basis fund balances, June 30, 2011		<u>\$ 1,720,656</u>

<u>High School General Fund</u>		<u>Combined Totals</u>	
Original and		Original and	
Final		Final	
<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
\$ 9,643,046	\$ 9,692,800	\$ 20,214,050	\$ 20,374,177
11,867	7,852	28,922	20,442
40,000	59,057	75,000	98,438
1,016,958	1,808,142	2,349,381	3,762,815
16,152,719	15,362,779	35,047,737	33,636,077
8,817	20,199	16,077	28,496
<u>26,873,407</u>	<u>26,950,829</u>	<u>57,731,167</u>	<u>57,920,445</u>
\$ 15,787,992	\$ 15,896,026	\$ 35,249,314	\$ 35,510,913
2,956,518	2,976,749	7,468,544	7,524,378
2,769,758	2,788,711	6,166,813	6,212,571
3,667,690	3,692,787	7,086,452	7,138,526
41,562	41,846	53,892	54,274
1,649,888.11	1,661,178.00	1,706,152	1,717,886
<u>26,873,407</u>	<u>27,057,297</u>	<u>57,731,167</u>	<u>58,158,548</u>
<u>\$ -</u>	(106,468)	<u>\$ -</u>	(238,103)
	<u>1,226,253</u>		<u>3,078,544</u>
	<u>\$ 1,119,785</u>		2,840,441
	<u>\$ 1,119,785</u>		<u>\$ 2,840,441</u>

SUPPLEMENTAL INFORMATION
REQUIRED BY THE
MONTANA OFFICE OF PUBLIC INSTRUCTION

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF ENROLLMENT
Year Ended June 30, 2011

Fall Enrollment

Elementary School District

- a. Pre-Kindergarten
- b. Kindergarten Full
- c. Kindergarten Part
- d. Grades 1 - 6
- d. Grades 7 - 8
- f. Total Elementary (add lines a thru e)

Per Enrollment Reports	Audit Per District Records	Difference
49	49	-
1,074	1,074	-
-	-	-
2,751	2,751	-
<u>969</u>	<u>969</u>	-
<u>4,843</u>	<u>4,843</u>	-

Part-time students:

Grade	Per Enrollment Reports				Audit Per District Records				Difference
	<u>< 180 hrs/yr</u>	<u>180-359 hrs/year</u>	<u>360-539 hrs/yr</u>	<u>540-719 hrs/yr</u>	<u>< 180 hrs/yr</u>	<u>180-359 hrs/year</u>	<u>360-539 hrs/yr</u>	<u>540-719 hrs/yr</u>	
K-Full	-	-	4	-	-	-	4	-	0
K-Part	-	-	-	-	-	-	-	-	0
1 - 6	-	-	-	-	-	-	-	-	0
7 - 8	-	-	-	2	-	-	-	2	0

Fall Enrollment

High School District

- a. Grades 9 - 12
- b. 19 Year-olds included on line (f)
- c. Job Corps students included on line (f)

Per Enrollment Reports	Audit Per District Records	Difference
3,643	3,643	-
7	7	-
4	4	-

Part-time students:

Grade	Per Enrollment Reports				Audit Per District Records				Difference
	<u>< 180 hrs/yr</u>	<u>180-359 hrs/year</u>	<u>360-539 hrs/yr</u>	<u>540-719 hrs/yr</u>	<u>< 180 hrs/yr</u>	<u>180-359 hrs/year</u>	<u>360-539 hrs/yr</u>	<u>540-719 hrs/yr</u>	
9 - 12	18	10	10	18	18	10	10	18	0

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF ENROLLMENT (CONTINUED)
Year Ended June 30, 2011

Spring Enrollment

Elementary School District

- a. Pre-Kindergarten
- b. Kindergarten Full
- c. Kindergarten Part
- d. Grades 1 - 6
- d. Grades 7 - 8

Per Enrollment Reports	Audit Per District Records	Difference
109	109	-
1,064	1,064	-
-	-	-
2,750	2,750	-
<u>976</u>	<u>976</u>	<u>-</u>
 f. Total Elementary (add lines a thru e)		
<u><u>4,899</u></u>	<u><u>4,899</u></u>	<u><u>-</u></u>

Part-time students:

Grade	Per Enrollment Reports				Audit Per District Records				Difference
	< 180 hrs/yr	180-359 hrs/year	360-539 hrs/yr	540-719 hrs/yr	< 180 hrs/yr	180-359 hrs/year	360-539 hrs/yr	540-719 hrs/yr	
K-Full	-	-	-	2	-	-	-	2	0
K-Part	-	-	-	-	-	-	-	-	0
1 - 6	-	-	-	-	-	-	-	-	0
7 - 8	-	-	1	1	-	-	1	1	0

Spring Enrollment

High School District

- a. Grades 9 - 12
- b. 19 Year-olds included on line (f)
- c. Job Corps students included on line (f)

Per Enrollment Reports	Audit Per District Records	Difference
3,585	3,585	-
17	17	-
4	4	-

Part-time students:

Grade	Per Enrollment Reports				Audit Per District Records				Difference
	< 180 hrs/yr	180-359 hrs/year	360-539 hrs/yr	540-719 hrs/yr	< 180 hrs/yr	180-359 hrs/year	360-539 hrs/yr	540-719 hrs/yr	
9 - 12	10	16	20	12	10	16	20	12	0

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID –
ELEMENTARY EXTRACURRICULAR FUNDS
Year Ended June 30, 2011

	Balance June 30, 2010	Revenue	Expenditures	Balance June 30, 2011
DISTRICT WIDE				
COATS FOR KIDS	\$23	\$0	\$ -	\$23
EXTRACUR-MISC	-	-	-	-
ELEMENTARY PARTICIPATION	153	16,474	16,607	20
HAWTHORNE				-
1ST GRADE	827	825	1,645	7
3RD GRADE	9	-	-	9
4TH GRADE	20	772	646	146
KINDERGARTEN	27	-	-	27
FLAGSHIP	905	72	-	977
STUDENT COUNCIL	231	95	-	326
STUDENT ACTIVITY	7,592	6,087	6,864	6,815
FAMILY RESOURCE CENTER	286	1	-	287
5TH GRADE	207	294	356	145
2ND GRADE	58	1,070	353	775
JEFFERSON				
EXTRACURRIC FINE ART	(5,505)	27,399	18,105	3,789
MONTANA HMONG YOUTH LEADE	139	191	139	191
MEADOW HILL BANDS	(216)	9,442	8,908	318
MEADOW HILL CHOIRS	3,565	9,513	7,289	5,789
MEADOW HILL ORCHESTRAS	1,170	4,269	4,553	886
C.S. PORTER BANDS	4,249	5,422	3,977	5,694
C.S. PORTER CHOIRS	3,926	2,952	3,505	3,373
C.S. PORTER ORCHESTRAS	2,056	5,003	4,812	2,247
WASHINGTON MS BANDS	4,013	12,674	13,761	2,926
WASHINGTON MS CHOIRS	9,249	7,708	5,722	11,235
WASHINGTON MS ORCHESTRAS	7,290	20,956	17,233	11,013
LOWELL				
STUDENT ACTIVITY	16	-	-	16
P.E. ENHANCEMENT	366	1	277	90
PAXSON				
FOURTH GRADE	89	458	317	230
SECOND GRADE	39	-	-	39
BASKETBALL	4	-	-	4
Subtotal	40,788	131,678	115,069	57,397

(Continued on next page)

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID –
ELEMENTARY EXTRACURRICULAR FUNDS (CONTINUED)
Year Ended June 30, 2011

	Balance June 30, 2010	Revenue	Expenditures	Balance June 30, 2011
(Continued from previous page)	40,788	131,678	115,069	57,397
Subtotal				
PORTER				
8TH GRADE	203	5,287	5,129	361
7TH GRADE	571	5,068	5,202	437
STUDENT COUNCIL	9,439	4,839	10,823	3,455
6TH GRADE	1,633	3,517	4,258	892
ODYSSEY OF THE MIND	179	101	67	213
ROBOTICS CLUB	1	-	1	-
MISC STUDENT ACTIVITIES	102	5,553	4,199	1,456
GT	-	-	-	-
Subtotal	52,916	156,043	144,748	64,211

(Continued on next page)

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID –
ELEMENTARY EXTRACURRICULAR FUNDS (CONTINUED)
Year Ended June 30, 2011

	Balance <u>June 30, 2010</u>	Revenue	Expenditures	Balance <u>June 30, 2011</u>
(Continued from previous page)				
Subtotal	52,916	156,043	144,748	64,211
RUSSELL				
MAGAZINE MONEY	2,039	7	895	1,151
GIFT WRAP SALES	10,446	584	-	11,030
WASHINGTON				
IN/OUT	100	-	90	10
LIFE SKILLS	720	223	413	530
ROBERTS-ELAM-RUSSELL	1,714	1,924	1,944	1,694
BOOK FAIR - LIBRARY	1,827	528	-	2,355
LOWER-IRELAND-TOLLER	519	4,174	4,270	423
STUDENT COUNCIL	673	3,559	3,726	506
YEARBOOK	3,061	6,381	6,246	3,196
MC ATEE	605	14,664	15,256	13
MCNEIL	1,320	2,779	1,520	2,579
FIFIELD-FISHER	449	50	373	126
BUILDERS' CLUB	65	-	-	65
BAKER/GREY-GILLHOUSE/MOE/	1,559	699	1,871	387
GILLHOUSE/KEILMAN/SOMERSE	422	6,623	5,684	1,361
BOUCHR-PICKOL-SCHOWEN-THR	537	4,917	5,113	341
TECHNOLOGY	28	-	-	28
COOKBOOK SALES	(30)	6,058	4,362	1,666
BASKETBALL	3,258	9	1,857	1,410
WASHINGTON SCHOOL	157	942	898	201
Subtotal	<u>82,385</u>	<u>210,164</u>	<u>199,266</u>	<u>93,283</u>

(Continued on next page)

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID –
ELEMENTARY EXTRACURRICULAR FUNDS (CONTINUED)
Year Ended June 30, 2011

	Balance <u>June 30, 2010</u>	Revenue <u></u>	Expenditures <u></u>	Balance <u>June 30, 2011</u>
(Continued from previous page)				
Subtotal	82,385	210,164	199,266	93,283
MEADOW HILL				
8TH GRADE	774	4,249	4,828	195
VOLLEYBALL	12	849	721	140
KEYBOARDING/COMPUTER	53	-	53	-
CHOIR CLUB	126	1	-	127
PARK	336	320	327	329
SCHOLARSHIPS/CLOTHES	384	319	702	1
OFFICE VARIOUS STUDENT PR	2,918	3,750	5,599	1,069
FLAGSHIP	1,296	1,003	650	1,649
LIFE SKILLS	711	361	115	957
VISUAL ART	233	803	423	613
YEARBOOK	2,996	5,713	3,618	5,091
6TH GRADE	2,847	6,326	5,977	3,196
RESOURCE	121	1	-	122
7TH GRADE	987	8,627	8,810	804
RENAISSANCE	1,138	161	-	1,299
STUDENT COUNCIL	825	981	1,016	790
LIBRARY	1,550	1,259	2,482	327
ALT HS				
ALT HS STUDENT ACTIVITIES	<u>2,334</u>	<u>2,363</u>	<u>773</u>	<u>3,924</u>
 TOTAL ELEMENTARY	 <u>\$ 102,026</u>	 <u>\$ 247,250</u>	 <u>\$ 235,360</u>	 <u>\$ 113,916</u>

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID –
 HELLGATE HIGH SCHOOL EXTRACURRICULAR FUNDS
 Year Ended June 30, 2011

	Balance June 30, 2010	Revenue	Expenditures	Balance June 30, 2011
NATIVE AMERCN MSLA YOUTH	\$ 5,721	\$ 1,278	\$ 5,411	\$ 1,588
BSHS FUND RAISING FINE AR	147	1	-	148
HS FESTIVALS	(5,262)	13,112	7,850	-
BSHS FUND RAISING F/A ORC	912	4	-	916
STUDENTS AGAINST MALNUTRI	4,565	1,345	3,477	2,433
GOLF CLUB	645	2	645	2
MODEL UNITED NATIONS	330	836	996	170
AMNESTY	245	588	283	550
SPANISH CLASS	686	3	686	3
NATIVE AMERICAN	143	214	259	98
ART	1,827	1,926	740	3,013
BAND	34,923	101,875	131,405	5,393
CHORAL	14,362	11,242	14,647	10,957
HOME EC	4,382	2,329	1,455	5,256
IE METALS	9,683	1,689	3,519	7,853
ORCHESTRA	1,477	6,240	3,068	4,649
SCIENCE	639	3	-	642
SPEECH	532	1	516	17
DRAMA	3,209	10,196	12,087	1,318
TESTING	2,484	20,350	21,428	1,406
LIBRARY FINES	1,768	272	117	1,923
CHEERLEADERS	1,118	1,001	1,080	1,039
CLASS OF 2008	2	-	2	-
CLASS OF 2014	2	-	-	2
CLASS OF 2015	1,194	397	1,589	2
CLASS OF 2011	3,712	39	1,251	2,500
CLASS OF 2012	1	626	-	627
BPA	2,991	7,613	10,337	267
GERMAN CLUB	17	307	192	132
ACT PROGRAMS/REPORTS	27,928	112,157	93,265	46,820
LETTERMAN	1,557	5	1,265	297
CLASS OF 2013	7	-	-	7
Subtotal	<u>121,947</u>	<u>295,651</u>	<u>317,570</u>	<u>100,028</u>

(Continued on next page)

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID –
 HELLGATE HIGH SCHOOL EXTRACURRICULAR FUNDS (CONTINUED)
 Year Ended June 30, 2011

	<u>June 30, 2010</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>June 30, 2011</u>
(Continued from previous page)				
Subtotal	121,947	295,651	317,570	100,028
KEY CLUB	578	2,078	1,656	1,000
BOOK CLUB	3,288	482	3,746	24
N.F.L.	86	75	136	25
NATH'L HONOR SOCIETY	240	862	924	178
S.A.V.E.--G.R.E.E.N.	121	35	-	156
FLAGSHIP SKI	1,009	3,613	3,299	1,323
COURTYARD (WAS DRILL TEAM	2,410	863	2,138	1,135
THROUBADOUR ENCORE	115	452	241	326
STUDENT GOVERNMENT	554	302	112	744
STUDENT FINES	3,181	902	460	3,623
YEARBOOK	4,397	33,440	36,286	1,551
NEWSPAPER	1,935	461	574	1,822
LOCK FINES	1,507	277	541	1,243
JAPAN SISTER CITY	340	1	-	341
CONCESSIONS	5,047	10,542	7,697	7,892
RESPECT	212	1	-	213
CAPS/GOWNS	608	386	375	619
IN/OUT	2,997	12,520	8,939	6,578
OTHER ACTIVITY	18	5,580	5,530	68
MISSOULA GAAP	56	499	40	515
P.E./ACTIVITY	401	1,293	1,030	664
FRENCH FUND	61	-	61	-
FUTURE PRBLM SOLVERS	38	-	-	38
HELLGATE CARES	2,891	3,637	3,453	3,075
STUDENT ATHLETIC SCHOLARS	1,294	30	-	1,324
PE/SKI	1,860	7,489	7,691	1,658
HELLGATE LEGACY	9,969	9,938	3,507	16,400
Subtotal	<u>167,160</u>	<u>391,409</u>	<u>406,006</u>	<u>152,563</u>

(Continued on next page)

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID –
 HELLGATE HIGH SCHOOL EXTRACURRICULAR FUNDS (CONTINUED)
 Year Ended June 30, 2011

	Balance <u>June 30, 2010</u>	Revenue	Expenditures	Balance <u>June 30, 2011</u>
(Continued from previous page)				
Subtotal	167,160	391,409	406,006	152,563
HOMECOMING	2,762	760	2,378	1,144
US FIRST ROBOTICS	863	8,128	4,881	4,110
AUDITORIUM	378	2	-	380
FLAGSHIP	868	3	-	871
US/CHINA INITIATIVE	1,226	5	-	1,231
LATIN CLUB	1,762	454	2,216	-
CLASS OF 2016	3	-	-	3
BAND FUND RAISING	6,180	12,466	-	18,646
SUNSHINE FUND	713	1,170	850	1,033
HELLGATE BOY'S SOCCER PAR	236	5,150	2,831	2,555
ADVANCED PROBLEMS IN SCIE	5,171	2,149	2,477	4,843
BEZOS FAMILY FOUNDATAION	928	4	-	932
AMERICAN INDIAN BUSINESS	689	118	626	181
HELLGATE POETRY	55	-	-	55
PERU TRIPPERS	49	-	50	(1)
SPECIAL ED CANDY	137	16	-	153
US/CHINA INITIATIVE II	7	-	-	7
Subtotal	<u>189,187</u>	<u>421,834</u>	<u>422,315</u>	<u>188,706</u>

(Continued on next page)

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID –
 HELLGATE HIGH SCHOOL EXTRACURRICULAR FUNDS (CONTINUED)
 Year Ended June 30, 2011

	Balance <u>June 30, 2010</u>	Revenue	Expenditures	Balance <u>June 30, 2011</u>
(Continued from previous page)				
Subtotal	189,187	421,834	422,315	188,706
SCIENCE TRAVEL	2	-	-	2
HELLGATE DANCE TEAM	441	3,966	3,596	811
BAND STUDENT TRAVEL	-	171,504	165,402	6,102
LIFETIME ACTIVITIES	-	1,374	1,025	349
GIRLS SOCCER CONCESSIONS	-	822	821	1
PROM	-	8,165	4,693	3,472
ATHLETIC GENERAL	67,366	41,233	31,525	77,074
ACTIVITY CARD	248	14,800	15,005	43
PARTICIPATION FEE	279	40,791	40,900	170
SEASON TICKETS	391	7,953	8,321	23
BOYS BASKETBALL	2,121	1,004	2,121	1,004
GIRLS BASKETBALL	2,028	1,004	2,028	1,004
CROSS COUNTRY	1,679	7	-	1,686
FOOTBALL	15	4,001	1,166	2,850
GOLF	1,067	7,804	3,852	5,019
SOCCER/BOYS	176	1,001	-	1,177
SOFTBALL	1,030	1,059	987	1,102
SWIMMING	1,124	1,003	906	1,221
TENNIS	1,118	1,003	1,116	1,005
TRACK	1,106	1,003	841	1,268
VOLLEYBALL	1,748	1,003	1,284	1,467
WRESTLING	1,551	1,003	1,460	1,094
TRAINING ROOM	4,284	4,002	4,249	4,037
UNIFORMS	2,333	351	2,025	659
SOCCER/GIRLS	977	948	-	1,925
TOTAL	<u>\$ 280,271</u>	<u>\$ 738,638</u>	<u>\$ 715,638</u>	<u>\$ 303,271</u>

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID –
 SEELEY SWAN HIGH SCHOOL EXTRACURRICULAR FUNDS
 Year Ended June 30, 2011

	Balance			Balance
	June 30, 2010	Revenue	Expenditures	June 30, 2011
ART	\$ 305	101	51	\$ 355
BAND	11	2,784	1,894	901
CHORAL	1	-	-	1
HOME EC	-	106	75	31
IE WOODS	(925)	2,164	957	282
MATH	1,074	824	970	928
DRAMA	2,347	341	-	2,688
TESTING	223	391	488	126
POP FUND	6,496	277	38	6,735
CHEERLEADERS	493	2	-	495
CLASS OF 2008	2	-	2	-
CLASS OF 2014	2	1,259	205	1,056
CLASS OF 2015	403	139	541	1
CLASS OF 2011	1,231	602	1,605	228
CLASS OF 2012	843	3,294	2,513	1,624
CLASS OF 2013	695	929	-	1,624
KEY CLUB	-	221	30	191
LEADERSHIP GROUP	1,931	258	458	1,731
NATH'L HONOR SOCIETY	601	2	-	603
SPANISH	445	11,710	10,431	1,724
STUDENT GOVERNMENT	727	393	330	790
STUDENT FINES	318	9	-	327
YEARBOOK	54	6,197	5,982	269
LIBRARY	2,136	324	33	2,427
CONCESSIONS	12,594	10,617	8,150	15,061
IN/OUT	3,176	3,899	1,811	5,264
OTHER ACTIVITY	5,814	23	-	5,837
STUDENT STORE/BUSINESS	2,661	10	206	2,465
CLASS OF 2016	253	391	253	391
ATHLETIC GENERAL	15,651	3,099	2,098	16,652
PARTICIPATION FEE	53	5,993	6,000	46
BASKETBALL BOYS	10,215	1,661	5,968	5,908
BASKETBALL GIRLS	6,210	2,024	2,049	6,185
FOOTBALL	1,366	2,175	1,940	1,601
GOLF	306	1	-	307
TRACK/GIRLS	2	-	-	2
TRACK	9,827	13,168	13,878	9,117
VOLLEYBALL	2,629	5,397	5,154	2,872
OTHER ATHLETICS	9,932	40	-	9,972
TOTAL	<u>\$ 100,102</u>	<u>\$ 80,825</u>	<u>\$ 74,110</u>	<u>\$ 106,817</u>

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID –
 SENTINEL HIGH SCHOOL EXTRACURRICULAR FUNDS
 Year Ended June 30, 2011

	Balance June 30, 2010	Revenue	Expenditures	Balance June 30, 2011
GOLF CLUB	\$ 1,558	\$ 5,879	\$ 6,548	\$ 889
SOCCER CLUB	505	4,519	4,175	849
SOFTBALL CLUB	11,347	12,265	12,421	11,191
SWIM CLUB	879	698	1,187	390
SCIENCE CLUB	778	3	-	781
VOLLEYBALL CLUB	6	11,689	11,669	26
ROCKY MTN WRESTLING	15,648	10,168	9,470	16,346
MODEL UN	-	1	-	1
AMNESTY INTERNATIONAL	34	31	32	33
WRESTLING CLUB	1,047	547	1,286	308
NATIVE AMERICAN	259	1	203	57
BUS. PROF OF AMERICA	100	1	-	101
ART	1,176	2,300	2,991	485
BAND	22,889	49,527	41,001	31,415
CHORAL	711	12,423	7,563	5,571
COUNSELING	135	25,755	22,962	2,928
FAMILY & CONSUMER SCIENCE	510	697	643	564
IE METALS	114	298	411	1
IE WOODS	1,930	740	1,535	1,135
MATH	1,336	239	402	1,173
ORCHESTRA	7,494	3,976	2,335	9,135
SCIENCE	1,513	4,369	3,690	2,192
SPECIAL ED	683	651	239	1,095
SPEECH	607	9,328	6,163	3,772
SOCIOLOGY	1,320	71	15	1,376
LITERARY CLUB	371	1	355	17
CHEERLEADERS	10,125	20,361	18,374	12,112
CLASS OF 2014	1	-	1	-
CLASS OF 2011	1,394	2	1,385	11
CLASS OF 2012	4	7,159	7,158	5
COMPUTER CLUB	-	1	1	-
DECA	227	121,134	118,743	2,618
FRENCH CLUB	133	-	124	9
LETTERMAN	44	1	-	45
Subtotal	<u>84,878</u>	<u>304,835</u>	<u>283,082</u>	<u>106,631</u>

(Continued on next page)

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID –
 SENTINEL HIGH SCHOOL EXTRACURRICULAR FUNDS (CONTINUED)
 Year Ended June 30, 2011

	Balance <u>June 30, 2010</u>	Revenue	Expenditures	Balance <u>June 30, 2011</u>
(Continued from previous page)				
Subtotal	84,878	304,835	283,082	106,631
CLASS OF 2013	2	501	-	503
KEY CLUB	238	2,557	2,147	648
KOPEE	152	1	-	153
NATH'L HONOR SOCIETY	616	2,073	2,384	305
HANDBOOK FUND	2,559	13,943	9,303	7,199
SKI CLUB	530	9,741	10,058	213
SPANISH	9	846	845	10
THESPIANS	7,064	10,528	7,534	10,058
THROUBADOUR ENCORE	5,667	355	1,894	4,128
TRACK CLUB	1,125	1,186	1,806	505
STUDENT GOVERNMENT	42	674	332	384
S.A.V.E.	365	93	226	232
SOCCER GIRLS	692	502	902	292
STUDENT FINES	6,932	2,430	177	9,185
YEARBOOK	9,382	52,524	63,242	(1,336)
LIBRARY	3,213	919	1,489	2,643
NEWSPAPER	1,538	9,711	6,340	4,909
LOCK FINES	406	136	540	2
VENDING MACHINE/SPED	8,133	24,530	27,914	4,749
STUDENTS AT RISK	1,582	550	841	1,291
TENNIS CLUB	4,424	447	1,302	3,569
MCPS INDIAN CLUB	16	1	-	17
SENTINEL LEGACY ACCOUNT	2,138	5,827	-	7,965
SMALL ENGINES	128	398	525	1
GAY/STRAIGHT ALLIANCE	-	599	72	527
INTERACT	203	1,871	1,980	94
JAPAN TRAVEL	722	3	-	725
Subtotal	<u>142,756</u>	<u>447,781</u>	<u>424,935</u>	<u>165,602</u>

(Continued on next page)

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID –
 SENTINEL HIGH SCHOOL EXTRACURRICULAR FUNDS (CONTINUED)
 Year Ended June 30, 2011

	Balance <u>June 30, 2010</u>	<u>Revenue</u>	<u>Expenditures</u>	Balance <u>June 30, 2011</u>
(Continued from previous page)				
Subtotal	142,756	447,781	424,935	165,602
HEALTH OCC STUDENTS OF AM	1,049	2,344	2,039	1,354
ENVIROMENTAL CLUB	263	1	-	264
SLC STUDENT FUNDS	7	-	7	-
SKILLS USA	452	3,371	3,144	679
ATHLETIC GENERAL	35,268	85,638	82,703	38,203
ACTIVITY CARDS	10	20	-	30
PARTICIPATION FEE	2,045	41,063	41,700	1,408
BOYS BASKETBALL	42	291	212	121
GIRLS BASKETBALL	1,124	1,536	1,879	781
CROSS COUNTRY - BOYS	2,207	2,622	4,672	157
FOOTBALL	214	33,114	31,268	2,060
CROSS COUNTRY - GIRLS	-	3,815	1,793	2,022
NATIVE AMERICAN - ALT HS	7	52	-	59
INDIAN EDUCATION-TITLE VI	(5)	2,450	1,334	1,111
WILLARD A.I.B.L CHAPTER	52	236	200	88
	<u>52</u>	<u>236</u>	<u>200</u>	<u>88</u>
TOTAL	<u>\$ 185,491</u>	<u>\$ 624,334</u>	<u>\$ 595,886</u>	<u>\$ 213,939</u>

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID –
 BIG SKY HIGH SCHOOL EXTRACURRICULAR FUNDS
 Year Ended June 30, 2011

	Balance June 30, 2010	Revenue	Expenditures	Balance June 30, 2011
BOYS BASKETBALL CLUB	\$ -	\$ 230	\$ 230	\$ -
BASKETBALL CLUB	1,649	5	703	951
CROSS COUNTRY CLUB	1,892	2,451	3,131	1,212
FOOTBALL CAMP	5,319	9,788	10,032	5,075
GOLF CLUB	1,861	5,917	3,481	4,297
SOCCER CLUB	8	2,159	1,911	256
SOFTBALL CLUB	435	6,501	6,574	362
VOLLEYBALL CLUB	9,659	186	753	9,092
ROCKY MTN WRESTLING	600	655	406	849
NATIVE AMERICAN	178	99	240	37
AG PROJECT	290	1	-	291
HALL OF FAME	17	-	-	17
SG VENDING MACHINE	604	2,858	2,701	761
BAND	1,004	4,040	3,984	1,060
CHORAL	2	1	-	3
DRAFTING	650	4	-	654
IE METALS	318	2	-	320
IE WOODS	2,350	1,951	3,149	1,152
ORCHESTRA	2,142	576	1,079	1,639
SCIENCE	8,378	6,476	6,038	8,816
SPECIAL ED	1,010	3,812	3,330	1,492
SPEECH	736	2,244	1,200	1,780
DRAMA	(1,917)	16,983	14,511	555
FFA	2,483	6,337	6,953	1,867
TESTING	10,367	8,932	9,337	9,962
POP FUND	857	4,464	2,701	2,620
TRADE P/FB STAD CON	-	300	300	-
TRACK CLUB	9,221	7,728	4,365	12,584
AERIE BIG SKY	219	4,237	1,812	2,644
LIBRARY FINES	-	336	142	194
CHEERLEADERS	11,825	15,681	18,376	9,130
CLASS OF 2008	<u>9</u>	<u>-</u>	<u>-</u>	<u>9</u>
Subtotal	<u>72,166</u>	<u>114,954</u>	<u>107,439</u>	<u>79,681</u>

(Continued on next page)

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID –
BIG SKY HIGH SCHOOL EXTRACURRICULAR FUNDS (CONTINUED)
Year Ended June 30, 2011

	<u>Balance</u> <u>June 30, 2010</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Balance</u> <u>June 30, 2011</u>
(Continued from previous page)				
Subtotal	72,166	114,954	107,439	79,681
CLASS OF 2015	-	101	101	-
CLASS OF 2014	10	0		
CLASS OF 2010	1	-	1	-
CLASS OF 2011	666	2	666	2
CLASS OF 2012	12	3,584	3,596	-
DECA	23,508	70,603	68,086	26,025
FRENCH CLUB	12	61	-	73
GERMAN CLUB	170	1	-	171
ACT PROGRAMS/REPORTS	96	-	96	-
CLASS OF 2013	49	1	-	50
KEY CLUB	(148)	7,201	6,424	629
NATH'L HONOR SOCIETY	508	3	228	283
HANDBOOK FUND	-	1	1	-
S.A.V.E.--G.R.E.E.N.	21	-	21	-
SKI	604	290	800	94
SPANISH CLUB	10	-	10	-
THESPIANS	(148)	12,133	10,855	1,130
ST. GOV EQUIP/REPAIR	884	3	-	887
STUDENT GOVERNMENT	779	984	1,446	317
GIRLS SOCCER	3,259	12,569	11,106	4,722
STUDENT FINES	1	256	85	172
YEARBOOK	24,161	8,186	30,049	2,298
LIBRARY	2,230	178	290	2,118
NEWSPAPER	479	2,399	1,497	1,381
LOCK FINES	-	175	-	175
CONCESSIONS	1,409	6,567	6,988	988
CAPS/GOWNS	-	315	-	315
IN/OUT	4,044	175	-	4,219
OTHER ACTIVITY	6	504	-	510
FARM	7,653	6,419	5,859	8,213
CART SALES	4,447	3,947	2,351	6,043
PARKING PASSES	34	5	-	39
ART CLUB	860	150	58	952
Subtotal	<u>147,783</u>	<u>251,767</u>	<u>258,053</u>	<u>141,497</u>

(Continued on next page)

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID –
BIG SKY HIGH SCHOOL EXTRACURRICULAR FUNDS (CONTINUED)
Year Ended June 30, 2011

	Balance <u>June 30, 2010</u>	Revenue	Expenditures	Balance <u>June 30, 2011</u>
(Continued from previous page)				
Subtotal	147,783	251,767	258,053	141,497
FHA SCHOLARSHIP	693	3	-	696
SOCIAL COMMITTEE	93	40	112	21
TENNIS CLUB	1,310	4	1,310	4
FFA-GREENHOUSE	2,956	410	614	2,752
ADVENTURE CLUB	249	1	250	-
PE/SKI	4,518	4,214	3,849	4,883
FR CLASS FIG.	1	-	1	-
LIBRARY MOUSE PADS	-	-	-	-
BEE ALERT IN SCHOOL	771	331	11	1,091
STUDENT CHOIR	(2,707)	8,995	6,220	68
GRADUATING CLASS DONATION	2,126	4,106	3,041	3,191
ENVIROTHON	1	-	-	1
SCIENCE CIRCUS	2,771	5,473	3,362	4,882
SPED VOC	277	1	-	278
SCREAMING EAGLES	1	-	1	-
SKY BLUES CHOIR	0	-	-	0
ENGLISH PLAYS	339	1	-	340
SOS CRISIS FUND	779	603	1,181	201
SENIOR PROJECTS	2,496	9	604	1,901
POWER TECHNOLOGY	1,638	6	86	1,558
CULINARY ARTS	2,225	202	285	2,142
COASTA RICA TURTLE CLUB	1,721	172	983	910
BIG SKY ROCKS	157	-	157	-
DIVERSITY SCHOLARSHIP	58	63	-	121
STATE TOURNAMENTS	2,367	2,694	2,431	2,630
ECOLOGY CLUB	698	2	277	423
MENTAL HEALTH EVALUATIONS	7	-	8	(1)
GAY/STRAIGHT ALLIANCE	62	-	63	(1)
GIRLS STATE	356	1	356	1
G.U.T.S.	288	1	289	-
Subtotal	<u>174,034</u>	<u>279,099</u>	<u>283,544</u>	<u>169,589</u>

(Continued on next page)

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID –
BIG SKY HIGH SCHOOL EXTRACURRICULAR FUNDS (CONTINUED)
Year Ended June 30, 2011

	Balance <u>June 30, 2010</u>	<u>Revenue</u>	<u>Expenditures</u>	Balance <u>June 30, 2011</u>
(Continued from previous page)				
Subtotal	174,034	279,099	283,544	169,589
B.I.T.E	27	156	63	120
BIG SKY STUDENT ACHIEVEME	135	78	197	16
AMERICAN INDIAN BUS LEADE	1,226	739	1,724	241
SCHOOLS FOR SCHOOLS	3	-	3	-
SSEEJ	84	213	-	297
ACADEMIC TROPHY CASE	23	1	-	24
AERIE INTERNATIONAL	1,647	5,283	2,292	4,638
STUDENT BAND	59,337	31,256	41,822	48,771
MISSOULA MUD DOGS	3	-	3	-
STUDENT SENATE PAINTING	1,085	19	-	1,104
GAPP	2	14,406	14,402	6
ROBOTICS CLUB	313	326	350	289
SMALLER LEARNING COMMITTEE	502	1	502	1
WELDING CLUB	18	1,040	839	219
AG SWINE	-	5,125	4,555	570
THRIFT SHOP	-	250	-	250
ATHLETIC GENERAL	37	15,810	14,944	903
ACTIVITY CARD	(12)	10,728	10,713	3
PARTICIPATION FEE	115	38,810	38,376	549
SEASON TICKETS	5	4,614	4,615	4
BASKETBALL BOYS	7,802	7,588	10,826	4,564
BASKETBALL GIRLS	15,628	5,315	5,352	15,591
CROSS COUNTRY	-	1,690	1,690	-
FOOTBALL	1,314	19,113	20,427	-
GOLF	150	1	-	151
SOCCER/BOYS	2,142	2,736	4,786	92
SOFTBALL	18	3,009	2,534	493
SWIMMING	1	1,212	1,213	-
TENNIS	-	2,502	2,502	-
TRACK	2,510	10,573	12,867	216
VOLLYEBALL	2,518	4,600	3,982	3,136
WRESTLING	3,006	7,830	4,185	6,651
TRAINING ROOM	-	6,000	6,000	-
SOCCER/GIRLS	296	6,155	5,922	529
TOTAL	<u>\$ 273,969</u>	<u>\$ 486,278</u>	<u>\$ 501,230</u>	<u>\$ 259,017</u>

OTHER INFORMATION

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
OTHER INFORMATION
June 30, 2011

DESCRIPTION OF THE DISTRICT

School District Number 1 is comprised of two districts, an elementary and a high school district. The Districts provide public education for students in grades preschool through grade twelve and adults. The public education provided includes services for handicapped, basic education, special needs, gifted, vocational, and traffic education. There are 9 elementary school, 3 middle schools, 4 high schools and an adult education school. The estimated population of the Elementary District is 68,000 and 100,000 for the High School District. The county-wide population is estimated at 109,000. The fall enrollment of students attending the District's schools is as follows:

	Average Fall Enrollment Year Ended June 30,						
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Grades 9-12	3,965	3,884	3,894	3,858	3,659	3,603	3,619
Grades 6-8	1,627	1,652	1,589	1,576	1,526	1,523	1,504
Grades K-5	<u>3,339</u>	<u>3,238</u>	<u>3,270</u>	<u>3,199</u>	<u>3,233</u>	<u>3,255</u>	<u>3,289</u>
Total	8,931	8,774	8,753	8,633	8,418	8,381	8,412
Increase (decrease)	(112)	(157)	(21)	(120)	(215)	(37)	31
Percentage change from prior year	<u>-1.24%</u>	<u>-1.76%</u>	<u>-0.24%</u>	<u>-1.37%</u>	<u>-2.49%</u>	<u>-0.44%</u>	<u>0.37%</u>

SCHOOL DISTRICT VALUATIONS

	As of January 1,			
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
ELEMENTARY				
Assessed Valuation	\$ 3,158,197,355	\$ 3,448,279,533	\$ 3,643,197,241	\$ 3,824,539,620
Taxable Valuation	99,749,479	99,902,302	102,153,308	104,678,227
Taxable Valuation as a Percent of Assessed Valuations	<u>3.16%</u>	<u>2.90%</u>	<u>2.80%</u>	<u>2.74%</u>
HIGH SCHOOL				
Assessed Valuation	\$ 5,718,094,806	\$ 6,284,562,081	\$ 6,615,004,127	\$ 6,915,125,062
Taxable Valuation	171,713,775	173,495,955	176,553,912	179,486,017
Taxable Valuation as a Percent of Assessed Valuations	<u>3.00%</u>	<u>2.76%</u>	<u>2.67%</u>	<u>2.60%</u>

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 OTHER INFORMATION (CONTINUED)
 June 30, 2011

SCHOOL DISTRICT TAX LEVIES (in mills)

	Year Ended June 30,							
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
ELEMENTARY:								
General	105.72	104.96	103.04	103.74	101.47	102.13	103.73	103.48
Transportation	21.30	23.42	23.50	24.10	22.32	24.01	24.12	24.53
Debt Service	17.44	15.60	10.94	9.47	8.80	1.21	1.92	-
Adult Education	1.00	1.00	1.03	1.03	1.00	1.08	1.19	0.92
Technology	3.57	3.44	3.21	3.13	3.04	3.03	3.02	2.96
Flex	-	-	-	-	-	-	-	1.03
Building Reserve	<u>10.24</u>	<u>9.87</u>	<u>9.38</u>	<u>9.07</u>	<u>8.82</u>	<u>8.78</u>	<u>8.77</u>	<u>8.58</u>
Total Elementary Levies	<u>159.27</u>	<u>158.29</u>	<u>151.10</u>	<u>150.54</u>	<u>145.45</u>	<u>140.24</u>	<u>142.75</u>	<u>141.50</u>
HIGH SCHOOL:								
General	62.96	62.08	62.41	61.59	57.65	55.94	56.03	54.48
Transportation	6.37	5.99	5.83	6.15	6.03	8.32	6.71	6.70
Debt Service	9.10	6.41	6.91	6.52	5.80	6.87	6.17	0.27
Adult Education	2.12	2.20	2.27	2.18	2.08	2.61	2.07	2.01
Tuition	0.51	0.32	0.40	0.39	0.13	0.17	0.30	2.54
Technology	3.21	3.08	2.90	2.79	2.68	2.61	2.59	6.09
Building Reserve	<u>-</u>	<u>3.08</u>	<u>2.90</u>	<u>2.79</u>	<u>2.68</u>	<u>2.61</u>	<u>2.59</u>	<u>2.54</u>
Total High School Levies	<u>84.27</u>	<u>83.16</u>	<u>83.62</u>	<u>82.41</u>	<u>77.05</u>	<u>79.13</u>	<u>76.46</u>	<u>74.63</u>

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
OTHER INFORMATION (CONTINUED)
 June 30, 2011

OTHER TAX LEVIES (in mills)

The following table shows the mill rates per \$1,000 of taxable value for property located in the City of Missoula Elementary District No. 1 and the Missoula County High School district for the year ended:

	Year ended June 30,							
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Missoula County	122.79	127.12	129.11	133.64	136.19	140.35	140.60	139.80
University Levy	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
State School Equalization	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00
County-wide School Levy	108.34	101.59	102.35	104.26	104.04	105.61	104.62	103.45
Urban Transportation	11.93	12.23	12.38	13.91	14.62	14.86	16.30	16.45
Missoula School District No. 1	159.27	158.29	151.11	150.26	145.45	140.24	142.75	141.50
MCHS	84.27	83.16	83.63	82.21	77.05	79.13	76.46	74.63
Missoula Rural Fire	77.37	78.26	79.64	80.89	91.13	88.59	94.13	97.98
East Missoula Fire	14.63	14.71	14.98	22.48	22.61	23.36	23.77	24.65
City of Missoula	176.32	182.57	196.39	204.73	212.23	222.45	222.45	225.56
Road/Health	23.59	30.31	28.38	31.06	32.41	32.72	32.36	32.36
Animal Control	0.98	1.20	1.22	1.27	1.33	1.62	1.60	1.60
Medical Levy	0.76	1.67	2.23	2.17	1.94	1.88	1.84	1.82
Emergency	-	0.79	-	-	-	-	-	-
Total Levies	<u>826.25</u>	<u>837.90</u>	<u>847.42</u>	<u>872.88</u>	<u>885.00</u>	<u>896.81</u>	<u>902.88</u>	<u>905.80</u>

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 OTHER INFORMATION (CONTINUED)
 June 30, 2011

TAX COLLECTIONS

The following tables demonstrate the tax collection history for taxes levies by the High School District's general fund only for the period of July 1, 1999 through June 30, 2011 and all funds with tax levies for the period July 1, 1999 through June 30, 2011, and by all budgeted funds for the Elementary District.

Year Ended <u>June 30,</u>	Total Tax <u>Levy</u>	Current Tax <u>Collections</u>	Current Collections as a Percent <u>of Levy</u>	Total Tax <u>Collections</u>	Total Collections as a Percent <u>of Levy</u>
HIGH SCHOOL					
2011	\$ 13,206,990	\$ 13,273,846	100.51%	\$ 13,273,846	100.51%
2010	13,298,245	13,231,109	99.50%	13,231,109	99.50%
2009	13,622,509	13,675,788	100.39%	13,675,788	100.39%
2008	12,941,490	12,302,123	95.06%	12,302,123	95.06%
2007	13,242,712	12,110,597	91.45%	12,110,597	91.45%
2006	12,983,689	12,434,729	95.77%	12,434,729	95.77%
2005	12,131,996	11,746,574	96.82%	11,746,574	96.82%
2004	11,801,126	11,397,890	96.58%	11,697,730	99.12%
2003	11,482,393	10,887,086	94.82%	11,434,007	99.58%
2002	8,199,091	8,110,978	98.93%	8,110,978	98.93%
2001	7,168,543	7,010,185	97.79%	7,030,219	98.07%
2000	7,468,144	7,214,225	96.60%	7,214,225	96.60%
ELEMENTARY					
2011	14,453,531	14,619,640	101.15%	14,619,640	101.15%
2010	14,262,263	14,120,564	99.01%	14,120,564	99.01%
2009	13,989,910	14,316,672	102.34%	14,316,672	102.34%
2008	14,436,513	13,646,623	94.53%	13,646,623	94.53%
2007	14,506,205	13,246,171	91.31%	13,246,171	91.31%
2006	14,206,876	13,676,060	96.26%	13,676,060	96.26%
2005	13,886,741	13,596,914	97.91%	13,596,914	97.91%
2004	13,472,647	13,046,624	96.84%	13,352,390	99.11%
2003	12,616,641	11,959,000	94.79%	12,559,152	99.54%
2002	11,960,569	11,878,551	99.31%	11,878,551	99.31%
2001	10,901,241	10,689,489	98.06%	10,918,671	100.16%
2000	11,180,991	10,997,289	98.36%	11,299,691	101.06%

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 OTHER INFORMATION (CONTINUED)
 June 30, 2011

MAJOR TAXPAYERS

The following table lists the major taxpayers within the Elementary School District for the year ended June 30, 2011, listed in declining order of taxable value.

<u>Taxpayer</u>	<u>Business</u>	<u>Taxable Value</u>	<u>Percent of Total Taxable Value</u>
Northwestern Corporation	Utility	\$ 9,474,581	9.05%
Qwest	Communications	2,051,427	1.96%
Bresnan Communications	Communications	1,484,482	1.42%
Mountain Water	Water Utility	1,175,556	1.12%
Southgate Mall	Retail Shopping Mall	906,142	0.87%
Verizon	Communications	791,124	0.76%
MT Rail Link	Railroad	623,965	0.60%
St. Patrick Hospital	Hospital	595,790	0.57%
AT & T Communications	Communications	504,033	0.48%
First Interstate Bank	Bank	450,320	0.43%
	Total	<u>\$ 18,057,420</u>	<u>17.26%</u>

The following table lists the major taxpayers within the High School District for the year ended June 30, 2011, listed in declining order of taxable value.

<u>Taxpayer</u>	<u>Business</u>	<u>Taxable Value</u>	<u>Percent of Total Taxable Value</u>
Northwestern Corporation	Utility	\$ 12,255,572	6.81%
Qwest	Communications	2,605,378	1.45%
Bresnan Communications	Communications	2,084,636	1.16%
MT Rail Link	Railroad	1,624,663	0.90%
Mountain Water	Water Utility	1,251,944	0.70%
Verizon	Communications	1,052,791	0.59%
Southgate Mall	Retail Shopping Mall	906,142	0.50%
Missoula Electric Coop	Utility	799,772	0.44%
AT & T Communications	Communications	765,207	0.43%
Gateway Ltd Partnership	Retail Shopping Mall	727,385	0.40%
	Total	<u>\$ 24,073,490</u>	<u>13.38%</u>

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 OTHER INFORMATION (CONTINUED)
 June 30, 2011

MAXIMUM BONDED INDEBTEDNESS

State statutes limit the maximum bonded indebtedness to 50% of the District's taxable valuation. For the Elementary district, that is \$52,339,114 and for the high school district that is \$89,743,008. For school districts that qualify for guaranteed tax base aid, the law permits maximum bonded indebtedness equal to 50% of the statewide taxable valuation per student (average number belonging). Maximum bonded indebtedness under this exception is as follows:

	Statewide Taxable Value <u>Per Student</u>	Average Number Belonging <u>June 30, 2011</u>	Percent <u>Allowed</u>	Maximum Bonded <u>Indebtedness</u>	Less: Bonds <u>Outstanding</u>	Remaining Bonding Capacity <u>June 30, 2011</u>
School District:						
High School	72,212	3,741	50%	\$ 135,071,686	\$ 12,437,503	\$ 122,634,183
Elementary	32,169	4,978	50%	<u>80,069,462</u>	<u>370,000</u>	<u>79,699,462</u>
Total				<u>\$ 215,141,148</u>	<u>\$ 12,807,503</u>	<u>\$ 202,333,645</u>

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 OTHER INFORMATION (CONTINUED)
 COMBINING BALANCE SHEETS – GENERAL FUNDS
 June 30, 2011

	<u>Elementary</u> <u>General Fund</u>	<u>High School</u> <u>General Fund</u>	<u>Total General</u> <u>Fund</u>
<u>ASSETS</u>			
Cash and investments	\$ 1,876,097	\$ 1,212,209	\$ 3,088,306
Property taxes receivable	1,070,908	1,180,071	2,250,979
Due from other governments	59,819	85,882	145,701
Prepaid expenses	-	50	50
Other current assets	<u>18,054</u>	<u>31,529</u>	<u>49,583</u>
Total assets	<u>\$ 3,024,878</u>	<u>\$ 2,509,741</u>	<u>\$ 5,534,619</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Other current liabilities	\$ 233,313	\$ 209,886	\$ 443,199
Deferred revenue	<u>1,070,909</u>	<u>1,180,070</u>	<u>2,250,979</u>
Total liabilities	<u>1,304,222</u>	<u>1,389,956</u>	<u>2,694,178</u>
Fund balances:			
Spendable			
Assigned	82,295	304,930	387,225
Unassigned	<u>1,638,361</u>	<u>814,855</u>	<u>2,453,216</u>
Total fund balances	<u>1,720,656</u>	<u>1,119,785</u>	<u>2,840,441</u>
Total liabilities and fund balances	<u>\$ 3,024,878</u>	<u>\$ 2,509,741</u>	<u>\$ 5,534,619</u>

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 OTHER INFORMATION (CONTINUED)
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE – GENERAL FUNDS
 FOR THE YEAR ENDED June 30, 2011

	Elementary <u>General Fund</u>	High School <u>General Fund</u>	Total General <u>Fund</u>
Revenues:			
District levies	\$ 10,681,377	\$ 9,692,800	\$ 20,374,177
Investment interest	12,590	7,852	20,442
Tuition and fees	39,381	59,057	98,438
Federal sources	1,954,673	1,808,142	3,762,815
State sources	18,273,298	15,362,779	33,636,077
Other	<u>8,297</u>	<u>20,199</u>	<u>28,496</u>
Total revenue	<u>30,969,616</u>	<u>26,950,829</u>	<u>57,920,445</u>
Expenditures:			
Current:			
Instruction	19,614,887	15,896,026	35,510,913
Support services	4,547,629	2,976,749	7,524,378
Administration	3,423,860	2,788,711	6,212,571
Operations and maintenance	3,445,739	3,692,787	7,138,526
Student transportation	12,428	41,846	54,274
Extracurricular	<u>56,708</u>	<u>1,661,178</u>	<u>1,717,886</u>
Total expenditures	<u>31,101,251</u>	<u>27,057,297</u>	<u>58,158,548</u>
Revenues over (under) expenditures	(131,635)	(106,468)	(238,103)
Fund balances, beginning of year	<u>1,852,291</u>	<u>1,226,253</u>	<u>3,078,544</u>
Fund balances, end of year	<u><u>\$ 1,720,656</u></u>	<u><u>\$ 1,119,785</u></u>	<u><u>\$ 2,840,441</u></u>

SINGLE AUDIT SECTION

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2011

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Project Number</u>	<u>Beginning Balance 6/30/10</u>	<u>Federal Awards Revenues</u>	<u>Federal Awards Expenditures</u>	<u>Ending Balance 6/30/11</u>
DEPARTMENT OF AGRICULTURE						
State Administered - Office of Public Instruction						
<i>Child Nutrition Cluster</i>						
Food Distribution (Commodities)	10.555	N/A	\$ -	\$ 167,874	\$ 167,874	\$ -
School Lunch Program	10.555	N/A	-	1,654,280	1,654,280	-
Total CFDA 10.555			-	1,822,154	1,822,154	-
School Lunch Summer Program	10.559	N/A	-	55,872	55,872	-
Total Department of Agriculture <i>Child Nutrition Cluster</i>			-	1,878,026	1,878,026	-
DEPARTMENT OF EDUCATION						
<i>Passed through the Office of Public Instruction:</i>						
Adult Ed. St. Admin	84.002	32-0584-5611BG	-	148,318	148,318	-
Adult Ed. St. Admin	84.002	32-0584-5611	-	8,798	8,798	-
Total CFDA 84.002			-	157,116	157,116	-
<i>Title I Part A Cluster</i>						
Title I - Part A	84.010	N/A	-	2,000	2,000	-
Title I - Part A	84.010A	32-0583-3210	-	64,198	64,198	-
Title I - Part A	84.010A	32-0584-3110	-	108,088	108,088	-
Title I - Part A	84.010A	32-0583-3110B	-	36,680	36,680	-
Title I - Part A	84.010A	32-0583-3110	-	87,100	87,100	-
Title I - Part A	84.010A	032-0584-3111	-	522,051	522,051	-
Title I - Part A	84.010A	032-0584-3111B	-	10,573	10,573	-
Title I - Part A	84.010A	N/A	-	3,985	3,950	35
Title I - Part A	84.010A	32-0583-3111	-	888,726	888,726	-
Title I - Part A	84.010A	32-0583-3211	-	664,511	664,511	-
Total CFDA 84.010 and 84.010A			-	2,387,912	2,387,877	35
Title I - Part A - ARRA	84.389	N/A	-	416,400	416,400	-
Title I - Part A - ARRA	84.389	N/A	-	488,311	488,311	-
Title I - Part A - ARRA - Schoolwide	84.389A	N/A	-	430,896	430,896	-
Total CFDA 84.389			-	1,335,607	1,335,607	-
<i>Total Title I Part A Cluster</i>			-	3,723,519	3,723,484	35
Title I - Migrant Part C	84.011A	32-0583-3610	-	56,756	56,756	-
Title I - Migrant Part C	84.011	32-0583-3611	-	29,508	29,508	-
Total CFDA 84.011			-	86,264	86,264	-
<i>Special Education Cluster (IDEA)</i>						
IDEA - Part B - Elementary	84.027	32-0584-7711	-	992,670	992,670	-
IDEA Federal Handicapped	84.027	32-0584-7711	-	1,041,378	1,041,378	-
IDEA - Part B - CSPD Region V	84.027A	32-0584-7711-INST	-	136,627	136,627	-
IDEA Federal Handicapped	84.027A	32-0584-7711-INST	-	5,000	5,000	-
Total CFDA 84.027			-	2,175,675	2,175,675	-
ARRA-IDEA, Part B	84.391	N/A	-	596,046	596,046	-
IDEA - Preschool Sec 619	84.173A	32-0584-7911	-	58,829	58,829	-
IDEA - Part B - Rti	84.323A	32-0583-7811	-	26,494	26,494	-
<i>Total Special Education Cluster (IDEA)</i>			-	2,857,044	2,857,044	-
Carl Perkins Vocational Education	84.048A	32-0584-8111	-	264,783	264,783	-
Total CFDA 84.048			-	264,783	264,783	-

See Note to Schedule of Expenditures of Federal Awards.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
June 30, 2011

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Project Number	Balance 6/30/10	Awards Revenues	Awards Expenditures	Balance 6/30/11
21st Century Community Learning	84.287	32-0583-1711	-	75,899	75,899	-
21st Century Community Learning	84.287	32-0583-1711	-	111,035	111,035	-
Total CFDA 84.287			-	186,934	186,934	-
Title II Part D, Ed Technology	84.318	32-0583-6010	-	1,468	1,468	-
Title II Part D, Ed Technology	84.318	32-0583-6011	-	6,475	6,475	-
Title II Part D, Ed Technology	84.318	32-0584-6010	-	703	703	-
Title II Part D, Ed Technology	84.318	32-0584-6011	-	5,298	5,298	-
Total CFDA 84.318			-	13,944	13,944	-
Title II Part A, Teacher/Principal Training/Recruitment	84.367	32-0584-1410	-	8,376	8,376	-
Title II Part A, Teacher/Principal Training/Recruitment	84.367	32-0584-1411	-	232,425	232,425	-
Title II Part A, Teacher/Principal Training/Recruitment	84.367	32-0583-1410	-	23,198	23,198	-
Title II Part A, Teacher/Principal Training/Recruitment	84.367	32-0583-1411	-	625,724	625,724	-
Title II Part A, Teacher/Principal Training/Recruitment	84.367A	32-0584-1410SLA	-	-	980	(980)
Title II Part A, Teacher/Principal Training/Recruitment	84.367A	32-0584-1411SLA	-	34,823	34,823	-
Total CFDA 84.367			-	924,546	925,526	(980)
Title III Part A, English Language Acquisition	84.365A	32-0583-4110I	-	272	272	-
Title III Part A, English Language Acquisition	84.365A	32-0583-4110	-	3,403	3,403	-
Title III Part A, English Language Acquisition	84.365A	32-0583-4111I	-	5,487	5,487	-
Title III Part A, English Language Acquisition	84.365A	32-0583-4111	-	45,332	45,332	-
Title III Part A, Emergency Immigrant	84.365A	32-0583-4108 I	(230)	-	-	(230)
Total CFDA 84.365			(230)	54,494	54,494	(230)
Title IV Safe and Drug Free Schools	84.186A	32-0584-1610	-	9,478	9,478	-
Title IV Safe and Drug Free Schools	84.186A	32-0583-1610-00	-	27,692	27,692	-
Total CFDA 84.186			-	37,170	37,170	-
Ed. Of Homeless Children	84.196	32-0583-1710	-	31,262	31,262	-
Ed. Of Homeless Children	84.196	32-0583-1711	-	37,846	37,846	-
Total CFDA 84.196			-	69,108	69,108	-
ESEA Title I - Even Start LEA	84.213	32-0583-3810	-	14,698	14,698	-
ESEA Title I - Even Start LEA	84.213	32-0583-3811	-	64,717	64,717	-
Total CFDA 84.213			-	79,415	79,415	-
ARRA-State Fiscal Stabilization Funds	84.394	N/A	-	2,049,602	2,049,602	-
Slate Grant	84.386A	41-0740-9310-CMP	-	130,576	130,576	-
PCTI	84.386A	45-0807-6011	-	14,226	14,226	-
Total CFDA 84.386A			-	144,802	144,802	-
Education Jobs Funds	84.410	N/A	-	889,964	889,964	-
Education Jobs Funds	84.410	N/A	-	823,248	823,248	-
Total CFDA 84.410			-	1,713,212	1,713,212	-
CTE Technology	-	CTE 2003FES	17,803	-	-	17,803
DEPARTMENT OF LABOR						
State Administered - Office of Public Instruction						
WIA Incentive grant	17.267	32-0584-5510-WIA	-	2,596	2,596	-
Total State Administered - Office of Public Instruction			17,573	12,364,549	12,365,494	16,628

See Note to Schedule of Expenditures of Federal Awards.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
June 30, 2011

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Project Number	Balance 6/30/10	Awards Revenues	Awards Expenditures	Balance 6/30/11
<i>Direct:</i>						
Title VII Indian Education	84.060	S060A090873	-	81,900	81,900	-
Frenchtown Alcohol Abuse Reduction Grant	84.184A	N/A	(166)	55,821	50,444	5,211
<i>Passed through the University of Montana:</i>						
Arabic Language & Culture Program	84.293A	T293A090054	-	199,402	199,402	-
Total Department of Education			<u>17,407</u>	<u>12,701,672</u>	<u>12,697,240</u>	<u>21,839</u>
DEPARTMENT OF PUBLIC HEALTH & HUMAN SERVICES						
<i>Federally Administered:</i>						
Public Health Emergency Preparedness	93.069	N/A	-	14,040	14,040	-
Total Department of Health & Human Services			<u>-</u>	<u>14,040</u>	<u>14,040</u>	<u>-</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE						
<i>Passed through the Office of Public Instruction</i>						
Service Learning	94.004	32-0584-5110	-	593	593	-
Service Learning	94.004	32-0584-5111	<u>-</u>	<u>5,204</u>	<u>5,204</u>	<u>-</u>
Total Corporation for National and Community Service			<u>-</u>	<u>5,797</u>	<u>5,797</u>	<u>-</u>
Total Federal Awards			<u>\$ 17,407</u>	<u>\$14,599,535</u>	<u>\$14,595,103</u>	<u>\$ 21,839</u>

See Note to Schedule of Expenditures of Federal Awards.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Missoula County Public Schools, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Missoula County Public Schools
School District No. 1
Missoula, Montana

We have audited the financial statements of the governmental activities, the major funds and the aggregate remaining fund information of Missoula County Public Schools (the District), as of and for the year ended June 30, 2011, and have issued our report thereon dated March 1, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Missoula County Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Missoula County Public Schools' internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Missoula County Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Missoula County Public Schools in a separate letter dated March 1, 2012.

This report is intended solely for the information and use of the Board of Trustees, Missoula County Public Schools management, the Montana Department of Administration, the Montana Office of Public Instruction and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson Zurmuehlen & Co., P.C.

Missoula, Montana
March 1, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Trustees
Missoula County Public Schools
School District No. 1
Missoula, Montana

Compliance

We have audited Missoula County Public Schools' (the District) 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 the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Missoula County Public Schools complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Missoula County Public Schools 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 the 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 the District's internal control over compliance.

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

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

This report is intended solely for the information and use of the Board of Trustees, Missoula County Public Schools management, the Montana Department of Administration, the Montana Office of Public Instruction and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson Zurmuehlen & Co., P.C.

Missoula, Montana
March 1, 2012

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

Section I – Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal Control over major programs:	
Material weakness identified?	No
Significant deficiencies identified not considered material weaknesses?	None Reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No

Identification of Major Programs

Child Nutrition Cluster

- 10.555 National School Lunch Program
- 10.559 Summer food Service Program for Children

Title I Part A Cluster

- 84.010A Title I, Part A
- 84.389 ARRA-Title I, Part A

Special Education Cluster (IDEA)

- 84.027 IDEA B
- 84.391 ARRA- IDEA B
- 84.173A IDEA - Preschool Section 619

84.394 ARRA-State Fiscal Stabilization Funds

84.410 Education Jobs Funds

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011

Dollar threshold used to distinguish between Type A and Type B programs:	\$437,853
Auditee qualified as low-risk auditee?	No

Financial Statement Findings:

None Reported.

Federal Award Finding and Questioned Costs:

None Reported.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2011

Financial Statement Findings:

2010-01 Extracurricular Activities

Criteria

Controls should be in place and operating effectively to ensure the District is in compliance with rules established by the Student Activity Fund Accounting Manual.

Condition:

Purchase authorization forms, deposit forms, and prenumbered receipts are not consistently being used for the activities funds at the various schools as required by the Student Activity Fund Accounting Manual.

Effect

The effect is not being in compliance with rules established by the Student Activity Fund Accounting Manual.

Context

The Office of Public Instruction requires schools to use with the Student Activity Fund Accounting Manual in accounting for extracurricular activities.

Cause

Personnel are not always aware of all requirements and changes in the recommended procedures for student activity accounts.

Recommendation

Every fund custodian, administrator and account sponsor should receive a copy of the Student Activity Fund Accounting manual. An in-service training should be held each year as new people become involved with extracurricular activities.

Each fund custodian should be issued prenumbered forms. Students and sponsors should turn all cash receipts into the fund custodian and a prenumbered receipt should be completed and given to the student or sponsor. The receipt should document the student activity and where the money is coming from (such as fundraising event, dues, etc.). A deposit form could also be used for this purpose. The individual receiving the prenumbered forms should be required to sign or initial the deposit sheet in order to verify the issuance of the forms.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
Year Ended June 30, 2011

Financial Statement Compliance Findings (Continued):

2010-01 Extracurricular Activities (Continued)

District Response:

The District plans to resolve this finding by holding in-service meetings for current staff handling student funds. In addition, new employees will be trained on processes to be utilized for handling these funds. The District will ensure that procedures are followed to ensure proper preapproval is obtained for student fund disbursements. Furthermore, procedures will be implemented to ensure proper handling of student fund revenues and receipts for the protection of those funds as well as for the staff handling them. Processes used will be consistent with processes prescribed in the Student Activity Fund Accounting Manual as they are applicable.

Current Status:

During the 2010 – 2011 fiscal year, the District addressed the weakness identified in the prior year audit. The District Business Manager and Accounting Supervisor met with staff including the principals (or assistant principals as appropriate), secretaries and bookkeepers to go through the Student Activity Fund Accounting manual. This manual was established by the Montana Association of School Business Officials and adopted by the Montana Office of Public Instruction. These meetings also served as an opportunity to determine what new processes and forms were in need of implementation and to review current processes to ensure the District was in compliance at all locations. Specifically, a new Deposit Remittance Form was developed and distributed with specific instructions regarding use. The new forms require detail information regarding funds collected. Also emphasized during the meetings was the requirement that all purchases be preapproved and that evidence of that preapproval be included on the supporting documentation. The first round of meetings occurred slightly after the 2010-11 audit was completed and a second round occurred after the start of the 2011-12 school year. Meetings will be held at least annually to review the correct processes going forward.

2010-02 ANB Reporting

Criteria:

State law (MCA 20-9-311) requires that students have minimum aggregate instruction hours of 1,080 for grades 4–11 and 1,050 for grade 12. One high school (Seeley Lake) reported 1,074 hours for grades 10 and 11, and 1,046 hours for grade 12.

Condition:

Seeley Lake High School did not meet the minimum aggregate instruction hours for grades 10 and 11 (1074 hours) and grade 12 (1044 hours).

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
Year Ended June 30, 2011

Financial Statement Compliance Findings (Continued):

Effect:

Although the effect of the hours deficiency was not material, deficiencies in classroom hours could have an adverse effect on funding.

Context:

Seeley Lake was the only school out of six schools tested to report a deficiency in classroom hours, and the deficiencies were only six hours for grades 10 and 11, and 4 hours for grade 12.

Cause:

Seeley Lake has the 9th grade start one day ahead of the rest of the high school and also has a higher number of passing minutes.

Recommendation:

Seeley Lake school administrators should make sure that each grade has the minimum aggregate instruction hours required each year.

Current Status:

Implemented. This matter did not occur in 2011.

Federal Award Findings:

2010-03 Time and Effort Records

Federal Program:

21st Century Community Learning CFDA No. 84.287

Criteria:

Office of Management and Budget (OMB) Circular A-87 requires grantees to maintain records which document the relationship between payroll costs charged to a grant award and the time actually spent by an employee in carrying out the objectives of that program. When an employee works on more than one project, the grantee must support the salaries, wages and benefits charged to each program with appropriate time distribution records. The method used by a recipient to track time and effort must result in an equitable, after the fact distribution of the actual activity of each employee. When an employee works on only one project, they must sign a semi-annual certification that he/she has been engaged solely in activities supported by the applicable funding source.

Condition:

The required semi-annual certification was missing for one employee.

Questioned Costs:

Salary expense charged to the 21st Century Community Learning grant was \$25,549.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
Year Ended June 30, 2011

Federal Award Findings (Continued):

Context:

Out of a sample of twenty-six employees, one employee that was paid from the 21st Century Community Learning grant did not have proper certifications. It should be noted that because the District's 2009 audit was not completed until June 2010, it was impractical for the District to address this matter until the 2010 fiscal year was almost over. The number of exceptions decreased from twelve in 2009 to one in 2010.

Effect:

Salary and benefit costs may be charged to the grants inappropriately.

Cause:

The District's procedures for ensuring compliance with certification requirements did not function as intended for the employee described above.

Recommendation:

At the beginning of each semester, the District should verify that the amount of each employee's salary that is being charged to the federal funds matches to the amount of time that each employee spends working on federal programs. If an employee will be spending 100% of their time on the grant, certifications should be obtained from that employee.

District Response:

The District had implemented a process in the 2006–2007 fiscal year to collect time and effort documentation for all staff coded to grants as required by federal law. The 2008–2009 audit found that some time and effort forms were not prepared for some staff. Again in the 2009–10 fiscal year, one semiannual certification form out of a sample of 26 was again not prepared. During the 2010–11 fiscal year, the District has again stepped up its efforts to ensure that all staff paid with federal funds completes an appropriate time and effort form.

Current Status:

Implemented. This matter did not occur in 2011.