



BILLINGS PUBLIC SCHOOLS

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR YEAR ENDED JUNE 30, 2010

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

BILLINGS SCHOOL DISTRICT NO. 2
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2010

Prepared by the Financial Services Department
Thomas L. Harper, Chief Financial Officer

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

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SECTION I - INTRODUCTORY

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BILLINGS PUBLIC SCHOOLS

ORGANIZATION

BOARD OF TRUSTEES

High School and Elementary
Single Member District

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

High School
Nominating District

A	Teresa Stroebe	Trustee
B	Joel Guthals	Trustee

OFFICIALS

R. Keith Beeman	Superintendent
Leo Hudetz	District Clerk

Elementary Single Member District Area:

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

High School District Area:

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

Board of Trustees

Superintendent
R. Keith Beeman

Internal Auditor/Clerk
Leo Hudetz

Executive Director
David Munson

- Special Education
- Student Services
- Nursing

Executive Director
Kathy Olson

- Elementary Education
- Special Education
- Music

Executive Director
C. Scott Anderson

- Secondary Education
- Adult Education
- Truancy Center

Executive Director
Dan Martin

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

Executive Director
Dave Williams

- Activities
- Driver Education
- Office of Development and Advancement

Executive Director
Gail Surwill

- Grades K-12 Curriculum
- Librarians

Executive Director
Rich Whitney

- Facilities Services

Chief Financial Officer
Thomas Harper

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

Billings Public Schools

Financial Services

415 North 30th Street Billings MT 59101-1298

www.billingspublicschools.org



December 06, 2010

Barbara Bryan, Chair
Members of the Board of Trustees
Billings Public Schools (School District #2)
415 North 30th Street
Billings, Montana 59101

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) for Billings Public Schools for the fiscal year ended June 30, 2010. The purpose of this report is to provide the Board of Trustees, district management, voters, grantor agencies, and other interested parties with reliable financial information about Billings Public Schools. This report presents complete information about the district's financial position at year-end and financial activities during fiscal year 2010.

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

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

Billings Public Schools engaged EideBailly LLP, an independent auditor, to conduct the district's audit for the fiscal year ended June 30, 2010. The auditors' report is presented as the first component of the financial section of this report.

PROFILE OF THE DISTRICT

Geographically, Billings Public Schools covers an area greater than the city of Billings. The school system includes two legally separate districts, Elementary District No. 2 and High School District No. 2. The Elementary District covers approximately 93 square miles and has an estimated population of 105,500. The High School District covers approximately 740 square miles, and encompasses nine elementary districts including; Billings, Lockwood, Elder Grove, Elysian, Canyon Creek, Morin, Yellowstone Academy, Independent, and Blue Creek. The estimated population of the High School District is 125,000.

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

The Elementary District is governed by a board of seven trustees elected by the voters of single member districts of the Billings Elementary District. The High School District is governed by a board of nine trustees that include the seven Elementary District trustees and two additional trustees elected by voters in the other elementary districts. The superintendent, who acts as chief administrative officer, is selected by the board of trustees.

All funds of the district are included in this report. The district serves approximately 15,676 students and provides a full range of educational services appropriate to grade levels pre-K through 12, as well as adult education. These include regular and enriched academic education, special education, and occupational education. These basic programs are supplemented by a wide variety of offerings in fine arts and athletics.

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

The district is required by state law to annually adopt budgets for certain funds, generally those supported by property taxes. The elementary and high school board of trustees must meet to legally adopt final budgets on or before August 15th immediately preceding the school year. The primary building blocks of the district's overall financial planning include appropriated governmental funds for: General, Transportation, Tuition, Retirement, Technology Acquisition, Adult Education, Flexibility, Debt Service, and Building Reserve.

In May of 2010 the district continues to garner support of the community with passage of an elementary general fund levy, a high school technology levy, and in September a \$12 million bond levy.

ECONOMIC CONDITION AND OUTLOOK

Local Economy

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

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

Financial Information

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

As a recipient of federal and state financial assistance, the district is also required to undergo a single audit in conformity with provisions of the single audit act of 1984, replaced by the single audit act amendment of 1996, and U.S. Office of Management and Budget A-133 (revised 6/30/1997), *Audits of States, Local Governments, and Non-Profit Organizations*.

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

Montana law requires that Billings Public Schools publish audited financial statements within six months of the close of each fiscal year. This Comprehensive Annual Financial Report exceeds that requirement. The scope of the audit concentrates on the following areas:

1. Management Section: report on compliance with laws and regulations and report on the internal control structure.
2. Financial Section: report on financial statements in accordance with GAAP.
3. Single Audit Section (Revised OMB A-133): report on financial statements, internal control, compliance, audit findings and questioned costs.

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

Certificates of Excellence

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

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

Acknowledgements

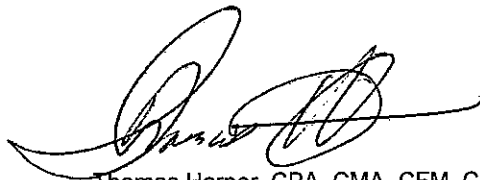
The preparation of the annual financial report was made possible by the dedicated efforts of the Financial Services Department.

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

Respectfully Submitted,



R. Keith Beeman, Ph.D.
Superintendent



Thomas Harper, CPA, CMA, CFM, CIA
CFO/Business Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Billings Public Schools
Montana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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



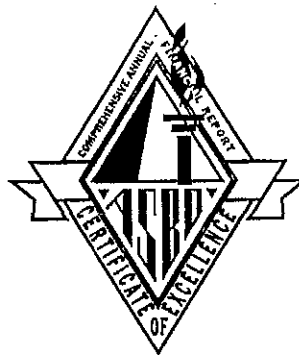
A stylized, handwritten signature in black ink, likely belonging to Jeffrey R. Emer.

President

A handwritten signature in black ink, reading "Jeffrey R. Emer".

Executive Director

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL



This Certificate of Excellence in Financial Reporting

is presented to

Billings Public Schools



For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2009

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

Evin Green

President

John D. Mueso

Executive Director

SECTION II - FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Billings Public Schools
Billings, Montana

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Billings Public Schools, Billings, Montana, as of and for the year ended June 30, 2010 which collectively comprise the Billings Public School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Billings Public School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Billings Public Schools, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2010 on our consideration of Billings Public Schools internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion of 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 required supplementary information, such as management's discussion and analysis and budgetary comparison information and schedule of funding progress and employer contributions are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Billings Public School's basic financial statements. The introductory section, combining and individual fund financial statements, supporting schedules, and State of Montana mandated schedule of changes in fiduciary net assets (extracurricular) and enrollment schedule, statistical tables and the schedule of expenditures of federal awards as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Government and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and budgetary schedules, State of Montana mandated schedules and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

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

Billings, Montana
November 22, 2010

BILLINGS PUBLIC SCHOOLS MANAGEMENT DISCUSSION & ANALYSIS

The following discussion and analysis of Billings Public Schools' (referred to as the "the district" or the "government") financial performance provides an overview of the district's financial activities for the year ended June 30, 2010. We encourage the readers to consider the information presented here in conjunction with additional information presented in the financial statements and footnotes.

FINANCIAL HIGHLIGHTS

- Revenues from governmental activities increased \$6.0 million (from 2009 to 2010) to \$142.6 million. This represents a 4.0% increase compared to the prior year.
- Governmental activity expenditures increased \$5.2 million over 2009 to \$147.0 million. This represents a 4.0% increase over the prior year.
- At year-end, the governmental funds reported total fund balances of \$22.0 million, a decrease of \$1.2 million over the prior year. Total unreserved fund balance decreased \$1.0 million to \$21.6 million over the prior year.
- The 2010 general fund expenditure budget was \$97.2 million, an increase of \$2.6 million or 3.0% over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

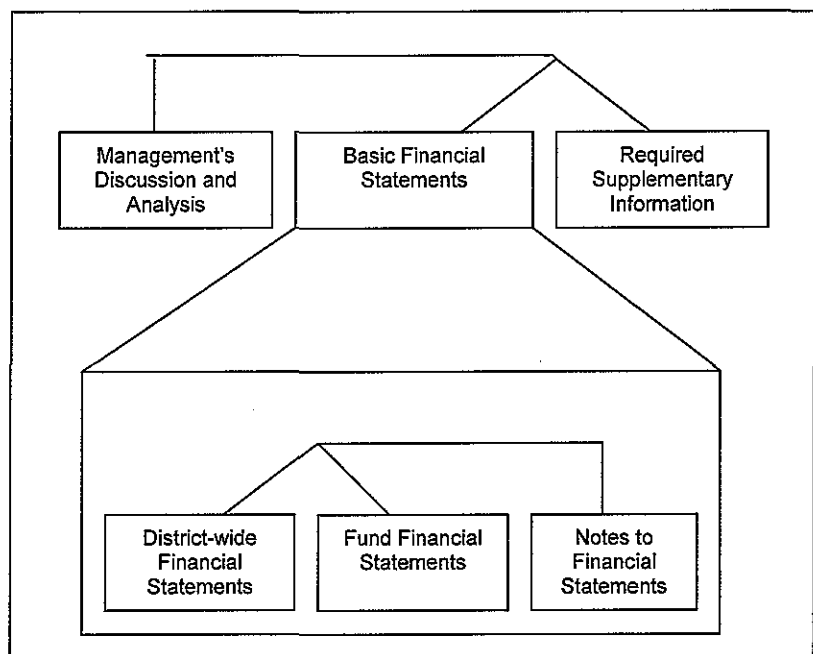


Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

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

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

Government-wide financial statements One of the most important questions asked about the district's finances is, "Is the government, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities (pages 24 and 25) report information about the district as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the net assets and changes in them. You can think of net assets—the difference between assets and liabilities—as one way to measure the district's financial health, or financial position. Over time, increases or decreases in net assets are one indicator of whether the district's financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the property tax base, economy, enrollment and the State's funding of educational costs to assess the district's overall health.

BILLINGS PUBLIC SCHOOLS

MANAGEMENT DISCUSSION & ANALYSIS

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

Governmental funds—Basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements (pages 26 and 28) provide a detailed short-term view of the general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliations (pages 27 and 29, respectively).

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

The three internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. The basic proprietary fund financial statements can be found on pages 30, 31 and 32 of this report. The district has no material business-type activities.

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

BILLINGS PUBLIC SCHOOLS
MANAGEMENT DISCUSSION & ANALYSIS

THE DISTRICT AS A WHOLE

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

NET ASSETS:	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 30,138,558	\$ 31,214,750	\$ -	\$ 13,455	\$ 30,138,558	\$ 31,228,205
Capital assets	61,837,486	61,826,286	-	-	61,837,486	61,826,286
Total assets	91,976,044	93,041,036	-	13,455	91,976,044	93,054,491
Other liabilities	3,704,645	5,041,530	-	13,455	3,704,645	5,054,985
Long-term liabilities outstanding	30,185,545	25,554,706	-	-	30,185,545	25,554,706
Total liabilities	33,890,190	30,596,236	-	13,455	33,890,190	30,609,691
Net assets:						
Invested in capital assets, net of related debt	60,775,788	60,569,790	-	-	60,775,788	60,569,790
Restricted	13,131,943	14,612,086	-	-	13,131,943	14,612,086
Unrestricted	(15,821,877)	(12,737,076)	-	-	(15,821,877)	(12,737,076)
	\$ 58,085,854	\$ 62,444,800	\$ -	\$ -	\$ 58,085,854	\$ 62,444,800
CHANGE IN NET ASSETS:	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 3,237,009	\$ 3,163,194	\$ -	\$ 364,732	\$ 3,237,009	\$ 3,527,926
Operating grants and contributions	33,980,885	26,530,143	-	-	33,980,885	26,530,143
Capital grants and contributions	77,188	892,912	-	-	77,188	892,912
General revenues:						
Taxes	35,921,360	34,991,351	-	-	35,921,360	34,991,351
State sources	55,442,478	56,065,277	-	-	55,442,478	56,065,277
County sources	12,124,782	13,211,358	-	-	12,124,782	13,211,358
Interest	411,620	681,026	-	615	411,620	681,641
Contributions and donations	937,984	835,415	-	21,940	937,984	857,355
Miscellaneous	459,324	235,112	-	-	459,324	235,112
Total revenues	142,592,630	138,605,788	-	387,287	142,592,630	136,993,075
Expenses:						
Instruction	91,294,560	88,164,245	-	-	91,294,560	88,164,245
Support services:						
Students	10,384,550	9,601,125	-	-	10,384,550	9,601,125
Instructional staff	7,115,837	6,945,475	-	-	7,115,837	6,945,475
General administration	1,607,281	1,312,581	-	-	1,607,281	1,312,581
Administration	9,642,520	9,069,215	-	-	9,642,520	9,069,215
Business	1,948,020	1,880,984	-	-	1,948,020	1,880,984
Operation and maintenance	12,232,630	12,140,124	-	-	12,232,630	12,140,124
Student transportation	5,037,035	5,136,849	-	-	5,037,035	5,136,849
Food services	5,253,191	5,146,099	-	-	5,253,191	5,146,099
Community services	26,363	19,891	-	-	26,363	19,891
Extracurricular	2,351,072	2,328,064	-	-	2,351,072	2,328,064
Daycare	-	-	-	333,395	-	333,395
Other current charges	12,350	11,479	-	-	12,350	11,479
Interest on long-term debt	46,167	29,399	-	-	46,167	29,399
Total expenses	146,951,576	141,785,530	-	333,395	146,951,576	142,118,925
Change in net assets before transfers	(4,358,946)	(5,179,742)	-	53,892	(4,358,946)	(5,125,850)
Transfers	-	5,745	-	-	-	5,745
Change in net assets	(4,358,946)	(5,173,997)	-	53,892	(4,358,946)	(5,120,105)
Net assets, beginning	62,444,800	67,618,797	-	(53,892)	62,444,800	67,564,905
Net assets, ending	\$ 58,085,854	\$ 62,444,800	\$ -	\$ -	\$ 58,085,854	\$ 62,444,800

BILLINGS PUBLIC SCHOOLS
MANAGEMENT DISCUSSION & ANALYSIS

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the district's net assets and changes in net assets. The 2010 expenses exceeded revenue by \$4.4 million.

	2010	2009	% Change
Revenue	\$ 142,592,630	\$ 136,605,788	4.4%
Expenses	146,951,576	141,785,530	3.6%
Surplus/Deficit	<u>\$ (4,358,946)</u>	<u>\$ (5,179,742)</u>	<u>15.8%</u>

Total revenues increased by 4.4% due to one-time-only American Recovery and Reinvestment Act (ARRA) funds in 2010 compared to 2009. Expenditures continue to exceed revenue in 2010 for the sixth consecutive year. The district has undertaken an extensive strategic plan to address the continued growth in expenditures. This plan will be completed July 01, 2011.

Net assets consist of cash and cash equivalents and capital assets net of liabilities. In 2010, net assets decreased by the \$4.4 million operating deficit.

NET ASSETS:	2010	2009	Change
Current and other assets	\$ 30,138,558	\$ 31,214,750	\$ (1,076,192)
Capital assets	61,837,486	61,826,286	11,200
Total assets	<u>91,976,044</u>	<u>93,041,036</u>	<u>(1,064,992)</u>
Other liabilities	3,704,645	5,041,530	(1,336,885)
Long-term liabilities outstanding	30,185,545	25,554,706	4,630,839
Total liabilities	<u>33,890,190</u>	<u>30,596,236</u>	<u>3,293,954</u>
Net assets:	2010	2009	Change
Invested in capital assets, net of related debt	60,775,788	60,569,790	205,998
Restricted for debt service	119,793	145,341	(25,548)
Restricted for other purposes	13,012,150	14,466,745	(1,454,595)
Unrestricted deficit	<u>(15,821,877)</u>	<u>(12,737,076)</u>	<u>(3,084,801)</u>
Total net assets	<u>\$ 58,085,854</u>	<u>\$ 62,444,800</u>	<u>\$ (4,358,946)</u>

The district uses its assets to provide services to students and the community. At the close of the 2010 fiscal year the district had \$58.1 million in net assets.

The largest portion of the district's net assets (\$60.8 million) are capital assets which include investments in land, buildings, equipment, improvements, and infrastructure less any outstanding debt used to acquire the assets. Most of these capital assets do not generate revenue and instead generate future liabilities because of the associated maintenance costs. Under state law the facilities and equipment which are used to provide services to students and the community can only be sold if the asset is declared to be surplus property. Future funding to complete the required maintenance of assets and to retire the remaining debt related to acquisition of these assets must be provided from unreserved amounts from the district's different funding sources. The district has an estimated \$123 million in deferred maintenance costs. The district budgeted \$500,000 in its general fund for on-going maintenance in 2011. The district will issue \$12.0 million ARRA bonds in fiscal year 2011 to address a portion of the deferred maintenance costs.

The 2010 net assets restricted for debt service or other purposes totaling \$13.1 million cannot be reallocated to cover other district expenses.

Unrestricted net assets can be used to finance day-to-day operations without constraints established by debt covenants, legislative restrictions, or other legal requirements. The current unrestricted asset balance is a deficit of \$15.8 million and represents unfunded

BILLINGS PUBLIC SCHOOLS

MANAGEMENT DISCUSSION & ANALYSIS

estimated future pension related liabilities. This deficit increased by \$3.1 million, or 24.0%, in 2010 due primarily to amortization related to the service credit and termination pay benefits plan, compensated absences, and other postemployment benefits (See Note 4). The district expects this deficit to continue to increase in future years unless the District begins funding these plans. The district historically has maintained a policy of pay-as-you-go for the service credit, compensated absences, termination pay benefits and other postemployment benefits. The district budgeted \$2.7 million to cover the estimated current costs in 2010 (See Note 3). This obligation will be met using cash balances from different funding sources.

The district's unfunded liability for the service credit and termination pay benefits plan, compensated absences and other postemployment benefits (OPEB) is \$86.6 million. The district's retirement plans are unsustainable at current benefit levels because of the following:

- The liability is funded on a pay-as-you-go basis rather than an actuarial basis with the reasonable expectation that projected benefits disbursements will increase substantially.
- The financial statement amortization of this liability disregards the average number of years before retirement of the district's employees.
- Employee contribution rates are insufficient to fund the liability without significant employer contributions. The employer must make up the difference.
- Operating budget revenue limitations mandated under state law, combined with a tendency toward inflationary retirement benefit increases.
- Declining constituent population base is coupled with generous and unfunded legacy retirement benefits.
- There is no limit on benefits (i.e., no dollar or consumer price index cap).

The district will need to devise a strategy that addresses the sustainability of these benefits programs and consider the on-going financial health of the district.

Net assets from business-type activities was a deficit of \$53,892 in 2009. This deficit was primarily due to the start-up cost of an after school program. The program was transitioned to United Way of Yellowstone County at no cost to the district at year end.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant sources of funds. To be reported as a major fund, total assets, liabilities, revenues, or expenditures of an individual fund must contribute at least 10 percent of the corresponding element total (assets, liabilities, etc.) for all funds. Individual funds are generally allocated or awarded for special purposes and in some instances have a mix of reserved funding (for the purpose of the fund) and unreserved amounts. The following table shows the unreserved balances for all funds for 2010 and 2009.

	2010	2009	Change	% Change
General Fund	\$ 5,058,315	\$ 5,327,292	\$ (268,977)	-5.0%
Miscellaneous Fund	2,520,364	-	2,520,364	
Retirement Fund	3,132,381	3,511,324	(378,943)	-10.8%
Special Revenue Funds	6,603,588	9,056,190	(2,452,602)	-27.1%
Capital Projects	4,285,374	4,674,527	(389,153)	-8.3%
Total	<u>\$ 21,602,032</u>	<u>\$ 22,569,333</u>	<u>\$ (969,311)</u>	<u>-4.3%</u>

The combined unreserved balance for all funds of \$21.6 million decreased by \$1.0 million in 2010. These fund balances are generally an indicator of resources available for spending in the next fiscal year. Most of the fund balances have been budgeted to support infrastructure projects in 2011 and \$17.3 million has been reserved for use in future years. The Board of Trustees and management have set an objective to maintain a minimum general fund reserve of 5% of budgeted general expenditures.

Budgeted expenditures must be adopted by the Board of Trustees prior to the expenditure of governmental funds. If budgeted expenditures are not recognized during the fiscal year, authorization for the expenditure of unused funds lapses at the end of the fiscal year. If projected expenditures are insufficient to meet district requirements, the Board can adopt revised or supplemental budget expenditures after a public hearing that can be held at any time during the fiscal year. There were no Board adopted revisions (amendments) during 2010.

BILLINGS PUBLIC SCHOOLS
MANAGEMENT DISCUSSION & ANALYSIS

General Fund Budgetary Highlights

The general fund is always reported as a major fund (See Note 1). This fund reported an unreserved fund balance of \$5.1 million, a decrease of \$0.3 million over the prior year.

The table below summarizes general fund revenues and expenditures for fiscal year 2010 and 2009. Revenue increased by 1.2% due primarily to federal ARRA funds. Expenditures increased by 2.7% primarily due to increases in instruction, support services, and extracurricular.

	2010	2009	Change
Revenues			
Property taxes	\$ 30,054,248	\$ 30,661,819	\$ (607,571)
State aid	49,697,066	50,287,803	(590,737)
State other	14,179,276	14,556,414	(377,138)
Federal	2,493,094	-	2,493,094
Tuition	201,019	148,290	52,729
Miscellaneous	242,361	85,242	157,119
Total revenues	<u>\$ 96,867,064</u>	<u>\$ 95,739,568</u>	<u>\$ 1,127,496</u>
Expenditures			
Instruction	\$ 62,217,372	\$ 60,197,185	\$ 2,020,187
Support services:			
Students	6,412,634	6,270,596	142,038
Instructional staff	5,000,683	5,132,096	(131,413)
General administration	1,455,004	1,207,359	247,645
School administration	7,182,901	6,854,511	328,390
Business services	1,317,101	1,402,720	(85,619)
Operation and maintenance	10,750,560	10,639,761	110,799
Student transportation	81,841	47,181	34,660
Community services	13,200	6,600	6,600
Extracurricular	2,065,022	1,984,423	80,599
Capital outlay	463,818	653,694	(189,876)
Debt service	245,740	213,839	31,901
Total expenditures	<u>\$ 97,205,876</u>	<u>\$ 94,609,965</u>	<u>\$ 2,595,911</u>

BILLINGS PUBLIC SCHOOLS
MANAGEMENT DISCUSSION & ANALYSIS

Significant General Fund Budgetary Variation

	<u>Final Budget</u>	<u>Actual</u>	<u>Change</u>
Revenues			
Property taxes	\$ 30,836,251	\$ 30,054,248	\$ (782,003)
Intergovernmental:			
State aid	49,697,066	49,697,066	
State other	14,147,139	14,179,276	32,137
Federal	2,493,094	2,493,094	
Tuition	200,000	201,019	1,019
Interest	75,979	64,393	(11,586)
Miscellaneous	9,261	177,968	168,707
Total revenues	<u>\$ 97,458,790</u>	<u>\$ 96,867,064</u>	<u>\$ (591,726)</u>
Expenditures			
Current:			
Instruction	\$ 62,227,790	\$ 62,267,214	\$ 39,424
Support services:			
Students	6,344,348	6,411,260	66,912
Instructional staff	4,897,476	4,965,596	68,120
General administration	1,689,849	1,455,753	(234,096)
School administration	7,468,336	7,181,589	(286,747)
Business services	1,334,276	1,317,101	(17,175)
Operation and maintenance	11,014,884	10,766,778	(248,106)
Student transportation	16,714	81,841	65,127
Community services	11,321	13,200	1,879
Extracurricular	1,882,691	2,064,722	182,031
Debt Service:			
Principal	231,231	229,595	(1,636)
Interest and other charges	16,145	16,145	
Capital outlay	323,729	365,247	41,518
Total expenditures	<u>\$ 97,458,790</u>	<u>\$ 97,136,041</u>	<u>\$ (322,749)</u>
Net change in fund balances		(268,977)	
Fund balances- beginning		<u>5,327,292</u>	
Fund balances- ending		<u>\$ 5,058,315</u>	

General fund revenue actual versus final budget is due to personal and mobile home taxes mailed after June 30, 2010. This is not a recurring problem. There is no significant variation in expenditures.

BILLINGS PUBLIC SCHOOLS
MANAGEMENT DISCUSSION & ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The district's 2010 capital project budget was used to complete the projects funded by the general fund and one-time funds authorized by the state in the 2009 biennium. Construction in progress as of June 30, 2010 of \$1.0 million consists primarily of projects funded by one-time money or donations.

The following schedule presents capital asset balances net of depreciation for the fiscal years ended June 30, 2010 and 2009. The district had \$61.8 million invested in a broad range of capital assets, including technology, equipment and school buildings. Additional information on the district's capital assets can be found in Note 3 of this report.

	2010	2009	Change
Land	\$ 4,377,961	\$ 4,377,961	\$ -
Improvements other than buildings	306,046	296,660	9,386
Building and improvements	54,256,525	54,127,770	128,755
Machinery and equipment	1,898,268	2,302,422	(404,154)
Construction in progress	998,686	721,473	277,213
Total	<u>\$ 61,837,486</u>	<u>\$ 61,826,286</u>	<u>\$ 11,200</u>

Debt Administration - A summary of the district's outstanding long-term debt for the years ended June 30, 2010 and 2009 is presented below:

	2010	2009	Change
Limited obligation bonds	\$ 674,000	\$ 758,250	\$ (84,250)
Notes payable	387,698.00	533,043.00	(145,345.00)
Compensated absences	12,406,489.00	11,645,154.00	761,335.00
Service credit and termination pay benefits	8,996,358.00	7,190,259.00	1,806,099.00
Other postemployment benefits	7,721,000.00	5,428,000.00	2,293,000.00
Total	<u>\$ 30,185,545</u>	<u>\$ 25,554,706</u>	<u>\$ 4,630,839</u>

At year end the district had \$30.2 million in outstanding other long-term debt/liabilities. The current portion which is due within one year is equal to \$1.5 million. The total long-term liability increased \$4.6 million, or 18.0%. The change is due to \$4.9 million of OPEB, service credit and termination pay benefits, and compensated absences liabilities.

Under current state statutes, a district's general obligation bonded debt issuances are subject to a legal limitation based on taxable value. As of June 30, 2010 the district's total debt outstanding was well below the legal limit of \$338.3 million. The district has received an AA- rating from Standard & Poor's Ratings Services for general obligation debt.

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

BILLINGS PUBLIC SCHOOLS

MANAGEMENT DISCUSSION & ANALYSIS

ECONOMIC CONDITION AND OUTLOOK

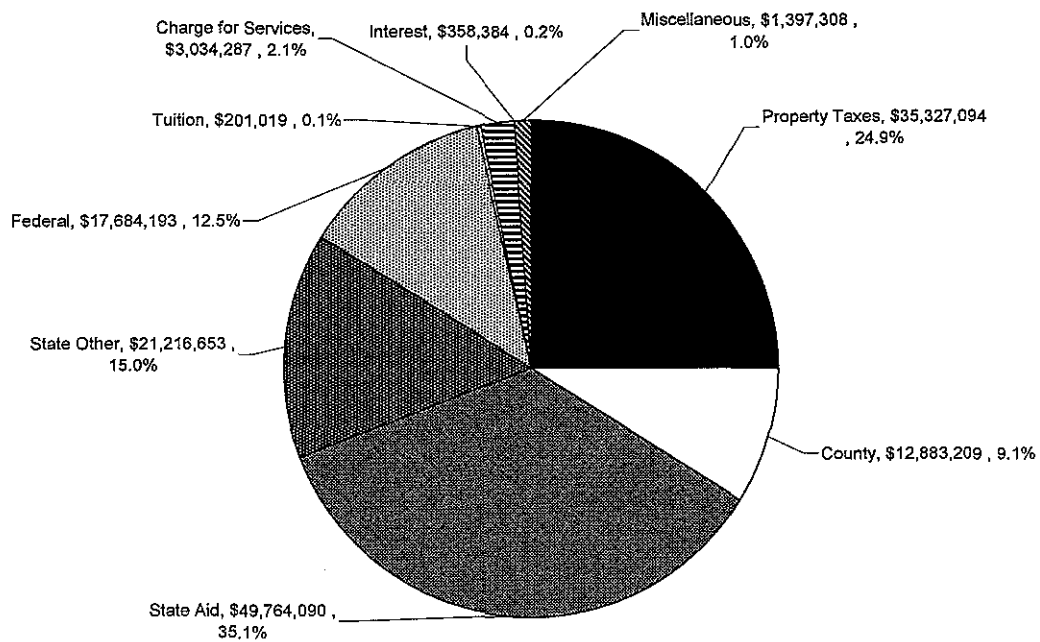
The district serves the city of Billings and some adjacent areas in Yellowstone County. Billings benefits from a diverse economy as a regional center for agriculture, retail, petroleum, medical services, transportation, education, law and government services. Nevertheless, economic indicators for the region continue to weaken along with the national economy. In the past year, housing starts have leveled off from their decline but are still considerably less than 2009 levels. Housing sales also continued to decline. During 2010 there was a small increase in home sales, driven in part by the \$8,000 first time home buyers tax credit. Sales on foreclosed houses have hit a ten year high and are projected to continue to rise as unemployment continues to rise. Unemployment continues to climb in Billings but is still well below the national average. Montana's tourism business continues to rebound from previous years' levels. There are some government stimulus projects under way. Medical services in Billings continue to expand.

In the future the district anticipates difficulty in obtaining the funding needed to maintain its current level of service. Although the State of Montana distributed \$15.9 million in ARRA funds to the district in the current biennium, there was a corresponding decrease in direct state aid for the same period. In order to balance the general fund budget in 2011 the district moved \$2.3 million out of the general fund into Title I and IDEA ARRA funds. In the current biennium the general fund budget also relies on \$6.2 million of State Fiscal Stabilization Funds, which are one-time ARRA funds, to fund ongoing costs. Given the current economic climate and well reported decreases in 2010 state tax revenues, there is no guarantee that the state legislature will be able or willing to replace federal stimulus money with recurring revenues for the 2012 biennium. The district ran a successful elementary operating levy and a high school technology levy in May of 2010. The district anticipates some growth in the K-6 enrollment for 2011 which will have a positive impact on direct state aid in 2012. Overall the district expects to see a decline in middle and high school enrollment for the foreseeable future. The revenue impact of the decline will be partially offset by growth in K-6 enrollment and the ability to use a three-year rolling average to calculate enrollment numbers used for revenue allocations.

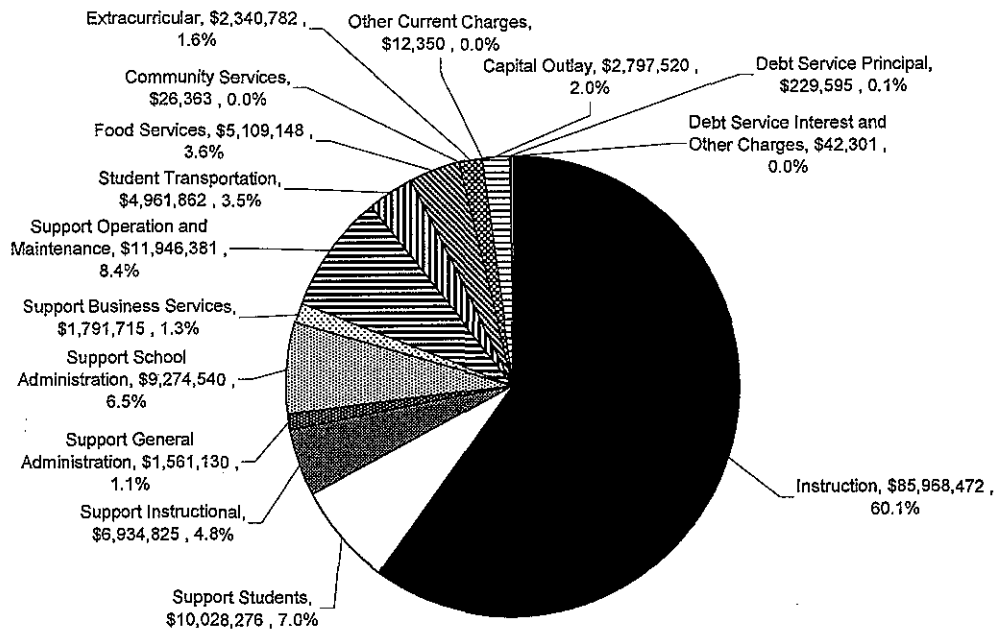
CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

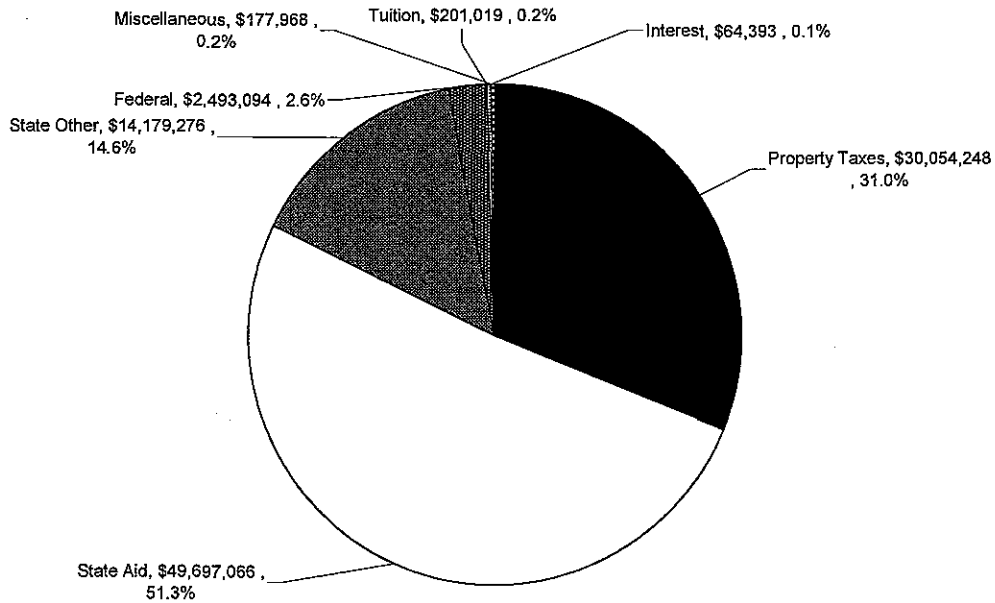
GAAP Basis Revenues by Source-Total Governmental Funds (pg. 28)



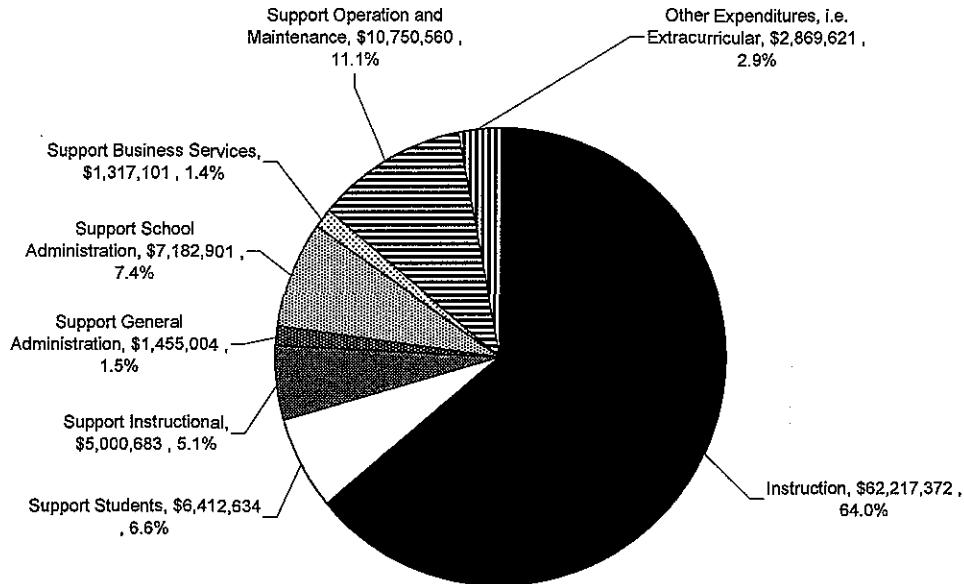
GAAP Basis Expenditures by Function - Total Governmental Funds (pg. 28)



GAAP Basis Revenues by Source - General Fund (Major Fund see page 28)



GAAP Basis Expenditures by Function - General Fund (Major Fund see page 28)



Note items combined

BILLINGS PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
June 30, 2010

ASSETS	
Cash and cash equivalents	\$ 24,803,211
Receivables:	
Taxes, net	3,223,086
Governments	416,316
Other	1,393,302
Inventories	167,749
Prepaid items	103,963
Deferred charges	30,931
Capital assets:	
Land and construction in progress	5,376,647
Depreciable capital assets, net	<u>56,460,839</u>
Total assets	<u>91,976,044</u>
LIABILITIES	
Accounts payable and accrued expenses	3,490,398
Due to other governmental agencies	43,530
Unearned revenue	170,717
Long-term liabilities:	
Due within one year:	
Bonds and notes	236,253
Compensated absences	1,240,649
Due in more than one year:	
Bonds and notes	825,445
Compensated absences	11,165,840
Service credit and termination pay benefits payable	8,996,358
Other postemployment benefits	<u>7,721,000</u>
Total liabilities	<u>33,890,190</u>
NET ASSETS	
Invested in capital assets, net of related debt	60,775,788
Restricted for:	
Debt service	119,793
Capital outlay	4,354,796
Student transportation	990,747
Support programs	2,355,167
Payroll tax related	3,911,035
Miscellaneous trust funds	1,400,405
Unrestricted	<u>(15,821,877)</u>
Total net assets	<u>\$ 58,085,854</u>

See notes to basic financial statements.

BILLINGS PUBLIC SCHOOLS

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Instruction	\$ 91,294,560	\$ 782,219	\$ 19,967,294	\$ -	\$ (70,545,047)
Support services:					
Students	10,384,550	-	5,781,277	-	(4,603,273)
Instructional staff	7,115,837	-	672,167	-	(6,443,670)
General administration	1,607,281	-	4,785	-	(1,602,496)
School administration	9,642,520	-	537,632	-	(9,104,888)
Business services	1,948,020	-	5,827	-	(1,942,193)
Operation and maintenance	12,232,630	33,606	2,483,730	-	(9,715,294)
Student transportation	5,037,035	42,288	1,576,585	-	(3,418,162)
Food services	5,253,191	2,378,896	2,920,047	-	45,752
Community services	26,363	-	-	-	(26,363)
Extracurricular	2,351,072	-	31,541	77,188	(2,242,343)
Other current charges	12,350	-	-	-	(12,350)
Interest	46,167	-	-	-	(46,167)
Total	146,951,576	3,237,009	33,980,885	77,188	(109,656,494)
General revenues:					
Property taxes					35,921,360
Intergovernmental:					
State aid					49,764,090
State other					5,678,388
County					12,124,782
Interest					411,620
Contributions and donations					937,984
Miscellaneous					459,324
Total general revenues					105,297,548
Change in net assets					(4,358,946)
Net assets - beginning					62,444,800
Net assets - ending					\$ 58,085,854

See notes to basic financial statements.

BILLINGS PUBLIC SCHOOLS

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2010

	General	Elementary Retirement	Elementary Miscellaneous Programs	Elementary Building	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 5,156,697	\$ 3,202,940	\$ 2,693,493	\$ 2,939,886	\$ 7,701,771	\$ 21,694,787
Receivables:						
Taxes, net	2,734,263	-	-	-	488,823	3,223,086
Governments	-	-	261,186	-	155,130	416,316
Other	466,655	-	2,063	250,915	131,831	851,464
Due from other funds	-	-	-	-	136,000	136,000
Inventories	-	-	-	-	50,180	50,180
Total assets	\$ 8,357,615	\$ 3,202,940	\$ 2,956,742	\$ 3,190,801	\$ 8,663,735	\$ 26,371,833
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 1,288,496	\$ 70,559	\$ 287,482	\$ 5,212	\$ 507,245	\$ 2,158,994
Payable to other governments	-	-	43,530	-	-	43,530
Deferred revenue	1,717,779	-	105,366	67,612	282,850	2,173,607
Total liabilities	3,006,275	70,559	436,378	72,824	790,095	4,376,131
Fund balances:						
Reserved for:						
Encumbrances	293,025	-	-	-	4,035	297,060
Debt service	-	-	-	-	98,620	98,620
Unreserved	5,058,315	3,132,381	2,520,364	3,117,977	-	13,829,037
Unreserved, reported in non-major:						
Special revenue funds	-	-	-	-	6,603,588	6,603,588
Capital projects funds	-	-	-	-	1,167,397	1,167,397
Total fund balances	5,351,340	3,132,381	2,520,364	3,117,977	7,873,640	21,995,702
Total liabilities and fund balances	\$ 8,357,615	\$ 3,202,940	\$ 2,956,742	\$ 3,190,801	\$ 8,663,735	\$ 26,371,833

See notes to basic financial statements.

BILLINGS PUBLIC SCHOOLS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS June 30, 2010

Total fund balance, governmental funds \$ 21,995,702

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. 60,452,371

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 2,059,978

The internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. (4,080,087)

Some liabilities, including notes payable, limited obligation bonds, compensated absences, and service credit and termination pay benefits, are not due and payable in the current period and therefore are not included in the funds. The details of these balances follows:

Deferred charges	30,931
Notes payable	(387,698)
Limited obligation bonds	(674,000)
Compensated absences	(12,314,985)
Service credit and termination pay benefits	(8,996,358)

Net assets of governmental activities \$ 58,085,854

BILLINGS PUBLIC SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2010

	General	Elementary Retirement	Elementary Miscellaneous Programs	Elementary Building	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 30,054,248	\$ -	\$ -	\$ -	\$ 5,272,846	\$ 35,327,094
Intergovernmental:						
County	-	7,522,091	-	-	5,361,118	12,883,209
State aid	49,697,066	-	-	-	67,024	49,764,090
State other	14,179,276	1,069,669	2,621,485	-	3,346,223	21,216,653
Federal	2,493,094	-	11,997,964	-	3,193,135	17,684,193
Tuition	201,019	-	-	-	-	201,019
Charge for services	-	-	-	10,677	3,023,610	3,034,287
Interest	64,393	48,509	57,996	51,333	136,153	358,384
Miscellaneous	177,968	-	67,941	43,975	1,107,424	1,397,308
Total revenues	96,867,064	8,640,269	14,745,386	105,985	21,507,533	141,866,237
EXPENDITURES						
Current:						
Instruction	62,217,372	6,189,686	10,415,511	-	7,145,903	85,968,472
Support services:						
Students	6,412,634	806,808	1,782,167	-	1,026,667	10,028,276
Instructional staff	5,000,683	438,335	819,484	-	676,323	6,934,825
General administration	1,455,004	42,425	500	-	63,201	1,561,130
School administration	7,182,901	691,894	218,921	-	1,180,824	9,274,540
Business services	1,317,101	122,020	163,676	-	188,918	1,791,715
Operation and maintenance	10,750,560	511,366	307,550	14,044	362,861	11,946,381
Student transportation	81,841	136,134	4,778	-	4,739,109	4,961,862
Food services	-	-	-	-	5,109,148	5,109,148
Community services	13,200	-	-	-	13,163	26,363
Extracurricular	2,065,022	80,544	-	-	195,216	2,340,782
Other current charges	-	-	-	-	12,350	12,350
Capital outlay	463,818	-	708,643	471,922	1,153,137	2,797,520
Debt service:						
Principal	229,595	-	-	-	-	229,595
Interest and other charges	16,145	-	-	-	26,156	42,301
Total expenditures	97,205,876	9,019,212	14,421,230	485,966	21,892,976	143,025,260
Excess (deficiency) of revenues over (under) expenditures	<u>(338,812)</u>	<u>(378,943)</u>	<u>324,156</u>	<u>(379,981)</u>	<u>(385,443)</u>	<u>(1,159,023)</u>
OTHER FINANCING SOURCES (USES)						
Sale of capital assets	-	-	-	5,000	-	5,000
Transfers out	-	-	-	-	(6,637)	(6,637)
Total other financing sources (uses)	-	-	-	5,000	(6,637)	(1,637)
Net change in fund balances	(338,812)	(378,943)	324,156	(374,981)	(392,080)	(1,160,660)
Fund balances - beginning	5,690,152	3,511,324	2,196,208	3,492,958	8,265,720	23,156,362
Fund balances - ending	\$ 5,351,340	\$ 3,132,381	\$ 2,520,364	\$ 3,117,977	\$ 7,873,640	\$ 21,995,702

See notes to basic financial statements.

BILLINGS PUBLIC SCHOOLS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2010

Net change in fund balances - total governmental funds \$ (1,160,660)

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

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

This is the amount by which depreciation (\$2,843,834) exceeded capital outlay (\$2,797,520) in the current period. (46,314)

The net effect of various transactions involving capital assets (i.e., sales, donations and trade-ins) is to increase net assets. 77,188

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. 590,969

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of these transactions follows:

Amortization of deferred charges (3,866)
Repayment of principal on long-term debt 229,595

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Service credit and termination pay benefits (1,806,099)
Compensated absences (754,994)

The internal service fund is used by management to charge the costs of certain activities to individual funds. The change in net assets of the internal service funds is reported with the governmental activities. (1,484,765)

Change in net assets of governmental activities \$ (4,358,946)

BILLINGS PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010

	<u>Internal Service Funds</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,108,424
Accounts receivable, net	541,838
Prepaid items	103,963
Inventories	<u>117,569</u>
Total current assets	<u>3,871,794</u>
Non-current assets:	
Capital assets:	
Land and improvements	122,700
Buildings	1,691,183
Equipment and furniture	626,706
Less accumulated depreciation	<u>(1,055,474)</u>
Total non-current assets	<u>1,385,115</u>
Total assets	<u>5,256,909</u>
LIABILITIES	
Current liabilities:	
Accounts payable	1,331,404
Due to other funds	136,000
Unearned revenue	57,088
Compensated absences	<u>9,151</u>
Total current liabilities	<u>1,533,643</u>
Non-current liabilities:	
Compensated absences	82,353
Other postemployment benefits	<u>7,721,000</u>
Total non-current liabilities	<u>7,803,353</u>
Total liabilities	<u>9,336,996</u>
NET ASSETS	
Invested in capital assets	1,385,115
Unrestricted	<u>(5,465,202)</u>
Total net assets	<u><u>\$ (4,080,087)</u></u>

See notes to basic financial statements.

BILLINGS PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2010

	<u>Internal Service Funds</u>
OPERATING REVENUES	
Charges for services	<u>\$ 16,594,340</u>
Total operating revenues	<u>16,594,340</u>
OPERATING EXPENSES	
Personal services - salaries	381,337
Personal services - benefits	76,280
Purchased professional and technical services	5,328
Purchased property services	114,008
Other purchased services	814,855
Supplies and materials	1,400,655
Insurance claims and expenses	13,006,776
Other postemployment benefits	2,293,000
Miscellaneous	236
Depreciation	<u>39,866</u>
Total operating expenses	<u>18,132,341</u>
Operating loss	<u>(1,538,001)</u>
NON-OPERATING REVENUES	
Interest revenue	<u>53,236</u>
Total non-operating revenues	<u>53,236</u>
Change in net assets	(1,484,765)
Net assets - beginning	<u>(2,595,322)</u>
Net assets - ending	<u><u>\$ (4,080,087)</u></u>

See notes to basic financial statements.

BILLINGS PUBLIC SCHOOLS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2010

	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATIONS:	
Cash received from health insurance premiums	\$ 15,006,352
Cash received from interfund services	1,738,081
Medical claims paid	(13,947,113)
Cash paid to employees health insurance services	(366,802)
Cash paid to employees interfund services	(84,474)
Cash paid to suppliers for goods and services health insurance services	(813,485)
Cash paid to suppliers for goods and services interfund services	<u>(1,541,747)</u>
Net cash used by operating activities	<u>(9,188)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash received-interfund payable	<u>136,000</u>
Net cash provided by noncapital financing activities	<u>136,000</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Purchase of capital assets	<u>(20,192)</u>
Net cash used by capital financing activities	<u>(20,192)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	<u>53,236</u>
Net cash provided by investing activities	<u>53,236</u>
Change in cash and cash equivalents	159,856
Cash and cash equivalents - beginning	<u>2,948,568</u>
Cash and cash equivalents - ending	<u><u>\$ 3,108,424</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	\$ (1,538,001)
Adjustment to reconcile operating loss to net cash used by operating activities:	
Depreciation	39,866
Other postemployment benefits	2,293,000
Increase in accounts receivable	146,082
Increase in inventory	(18,480)
Increase in prepaid items	(4,037)
Decrease in accounts payable	(937,970)
Increase in deferred revenue	4,011
Increase in compensated absences	<u>6,341</u>
Net cash used by operating activities	<u><u>\$ (9,188)</u></u>

See notes to basic financial statements.

BILLINGS PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2010

	Private Purpose Trust Fund- Extracurricular	Agency Funds
ASSETS		
Cash and cash equivalents	<u>\$ 2,173,817</u>	<u>\$ 4,708,961</u>
Total assets	<u>2,173,817</u>	<u>4,708,961</u>
LIABILITIES		
Accounts payable	<u>109,430</u>	<u>4,708,961</u>
Total liabilities	<u>109,430</u>	<u>4,708,961</u>
NET ASSETS		
Held in trust	<u>\$ 2,064,387</u>	<u>\$ -</u>

See notes to basic financial statements.

BILLINGS PUBLIC SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
For the Year Ended June 30, 2010

	Private Purpose Trust Fund- Extracurricular
ADDITIONS	
Contributions:	
Student extracurricular activities	<u>\$ 2,966,863</u>
Total contributions	<u>2,966,863</u>
Investment earnings:	
Interest	<u>33,340</u>
Total net investment earnings	<u>33,340</u>
Other additions:	
Transfers in	<u>6,637</u>
Total other additions	<u>6,637</u>
Total additions	<u>3,006,840</u>
DEDUCTIONS	
Student extracurricular activities	<u>2,730,746</u>
Total deductions	<u>2,730,746</u>
Change in net assets	276,094
Net assets - beginning	<u>1,788,293</u>
Net assets - ending	<u><u>\$ 2,064,387</u></u>

See notes to basic financial statements.

BILLINGS PUBLIC SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the district are prepared in accordance with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB Board. Governments also have the option of following subsequent private-sector guidance for their proprietary funds, subject to this same limitation. The district has elected not to follow subsequent private-sector guidance. The district's significant accounting policies are described below.

Reporting Entity

The district was established under Montana law to provide educational services below the college and university level to residents of the district. The district consists of two legally separate entities: an elementary district and a high school district. Both are managed by a central Board of Trustees and by a central administration appointed by and responsible to the Board.

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

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

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements (fiduciary fund financial statements include agency funds, which have no measurement focus). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the district considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the district.

BILLINGS PUBLIC SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS

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

When both restricted and unrestricted resources are available for use, it is the district's policy to use restricted resources first, then unrestricted resources as they are needed.

The district reports the following major governmental funds:

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

The elementary retirement fund accounts for the financing of the district's contribution to the Teachers' Retirement System, the Public Employees Retirement System, Unemployment and Social Security.

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

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

Additionally, the district reports the following fund types:

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

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

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

Assets, Liabilities and Net Assets or Equity

Cash and Investments

Cash and investments, except amounts in the extracurricular funds, the flexible benefits fund and petty cash accounts, are held by the County Treasurer. The County Treasurer invests the district's cash at the direction of the government as required by state statute. Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). STIP is classified as a 2a7-like pool, and as such, uses amortized cost to report unit values.

Investments are reported at fair value. Fair value is determined annually, based on fiscal year-end market values. Short-term investments are reported at cost, which approximates fair value. Cash on hand, demand, savings and time deposits, STIP and short-term investments with original maturities of three months or less from the date of acquisition are considered cash equivalents.

Receivables

All property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 6 percent of the outstanding balance at June 30, 2010. The allowance at June 30, 2010, was \$205,731.

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

BILLINGS PUBLIC SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS

Inventories and Prepaid Items

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

Capital Assets

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

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

Collections Not Capitalized

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

Compensated Absences

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

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

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

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Reservations include encumbrances, inventories, and debt service.

Miscellaneous Revenue

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

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

Estimates

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

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The health insurance fund, an internal service fund, had a deficit net assets balance of \$5,457,062 as of June 30, 2010. The deficit exists in the health insurance fund because of the unfunded liability for other postemployment benefits. The district is in the process of reviewing the funding of the health insurance fund in order to eliminate the deficit.

NOTE 3. DETAILED NOTES ON ALL FUNDS

Equity in Pooled Cash and Investments

As discussed in Note 1, the district participates in the County's investment pool. The pooled cash is invested by the County Treasurer in accordance with State statute. Interest earnings are distributed to the district based on average daily balances. The County Treasurer withdraws funds as needed to pay warrants. Investment risk related to the district's share of the pool is not determinable. Information related to the pool can be obtained from the County. Demand and savings accounts held outside of the County pool were covered by FDIC insurance. The uninsured portion was covered by collateral held by financial institutions or by their departments or agents, but not in the district's name. The amount of collateral held for the district's deposits as of June 30, 2010, exceeded the amount required by State statute.

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

Disaggregation of Payable Balances

Payables as of June 30, 2010, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Claims incurred but not reported</u>	<u>Total</u>
General	\$ 524,020	\$ 764,476	\$ -	\$ 1,288,496
Elementary retirement	-	70,559	-	70,559
Elementary miscellaneous programs	228,047	59,435	-	287,482
Elementary building	5,118	94	-	5,212
Internal service funds	17,953	13,451	1,300,000	1,331,404
Nonmajor governmental funds	384,959	122,286	-	507,245
	<u>\$ 1,160,097</u>	<u>\$ 1,030,301</u>	<u>\$ 1,300,000</u>	<u>\$ 3,490,398</u>

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Capital assets, not being depreciated:				
Land	\$ 4,377,961	\$ -	\$ -	\$ 4,377,961
Construction in progress	721,473	703,711	(426,498)	998,686
Total capital assets, not being depreciated	5,099,434	703,711	(426,498)	5,376,647
Capital assets, being depreciated:				
Buildings/improvements	85,802,562	2,258,941	-	88,061,503
Improvements other than buildings	391,024	29,350	-	420,374
Machinery and equipment	8,255,306	329,396	-	8,584,702
Total capital assets, being depreciated	94,448,892	2,617,687	-	97,066,579
Less accumulated depreciation for:				
Buildings/improvements	(31,674,792)	(2,130,186)	-	(33,804,978)
Improvements other than buildings	(94,364)	(19,964)	-	(114,328)
Machinery and equipment	(5,952,884)	(733,550)	-	(6,686,434)
Total accumulated depreciation	(37,722,040)	(2,883,700)	-	(40,605,740)
Total capital assets, being depreciated, net	56,726,852	(266,013)	-	56,460,839
Total capital assets, net	\$ 61,826,286	\$ 437,698	\$ (426,498)	\$ 61,837,486

Depreciation expense was charged to district activities as follows:

Instruction	\$ 2,110,570
Support services-students	159,694
Support services-instructional staff	103,049
Support services-general administration	15,115
Support services-administration	31,027
Support services-business	119,123
Operation and maintenance	111,931
Student transportation	15,388
Food services	80,255
Extracurricular	97,682
Internal service fund	39,866
	<u>\$ 2,883,700</u>

Operating Leases

The district leases equipment under noncancelable operating leases. Total rental expenses for operating leases were \$38,262 for the year ended June 30, 2010. Scheduled minimum rental payments for the year ending June 30, 2011 are \$6,765.

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

Long-Term Debt

During the year ended June 30, 2010, the following changes occurred in long-term debt:

	July 1, 2009	Additions	Retirements	June 30, 2010	One Year
Limited obligation bonds	\$ 758,250	\$ -	\$ (84,250)	\$ 674,000	\$ 84,250
Notes payable	533,043	-	(145,345)	387,698	152,003
Compensated absences	11,645,154	1,719,049	(957,714)	12,406,489	1,240,649
Service credit and termination pay benefits	7,190,259	3,571,832	(1,765,733)	8,996,358	-
Other post employment benefits	5,428,000	4,272,000	(1,979,000)	7,721,000	-
	<u>\$ 25,554,706</u>	<u>\$ 9,562,881</u>	<u>\$ (4,932,042)</u>	<u>\$ 30,185,545</u>	<u>\$ 1,476,902</u>

Compensated absences are generally paid from the fund in which the employee's wages have been charged.

Limited Obligation Bonds

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

Notes Payable-State Board of Investments

During June 2008, the district borrowed an additional \$408,564 on a refinanced note from the State Board of Investments. Proceeds from the borrowing were used to purchase 20 new vehicles. Interest and principal payments are due semi-annually. The interest rate on the notes was 1.95% at June 30, 2010. The interest rate is adjusted February of each year and cannot exceed 15% per annum. The elementary and high school general funds will service 100% of the notes payable debt.

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

Year ending June 30,	Notes Payable		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2011	\$ 152,003	\$ 6,821	\$ 84,250	-
2012	114,764	3,852	84,250	-
2013	80,954	1,971	84,250	-
2014	39,977	387	84,250	-
2015	-	-	84,250	-
2016-2019	-	-	252,750	-
	<u>\$ 387,698</u>	<u>\$ 13,031</u>	<u>\$ 674,000</u>	<u>\$ -</u>

NOTE 4. OTHER INFORMATION

Risk Management

The district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; professional liability (i.e., errors and omissions); workers compensation (i.e., employee injuries); medical insurance costs; and environmental damages. A variety of methods is used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for theft, damage or destruction of assets, professional liabilities and employee medical costs. The district participates in the Montana Schools Group's Workers' Compensation Risk Retention Program, a state-wide public risk pool currently operating as a common risk management and insurance program for the member school districts. The district pays quarterly premiums for its employee injury insurance coverage. The agreement for formation of the pool provides that it will be self-sustaining through member premiums. There are no deductibles or maximum coverage limits in the plan. Given lack of coverage available, the

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district has no coverage for potential losses from environmental damages. Coverage limits and the deductibles on the commercial policies have remained relatively constant for the last several years. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Self-Insurance

During the year ended June 30, 2010, employees of the district were covered by a medical self-insurance plan (the "plan"). The district contributed approximately \$531 per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay contributions for dependents. Claims were paid by a third party administrator acting on behalf of the district.

The administrative contract between the district and the third party administrator is renewable annually and administrative fees and stop-loss premiums are included in the contractual provisions. The district was protected against unanticipated catastrophic individual and aggregate loss by stop-loss coverage through Union Labor Life. Stop-loss coverage was in effect for individual claims exceeding \$160,000.

The costs associated with the medical self-insurance plan are reported as interfund transactions. Accordingly, they are treated as operating revenues in the internal service fund and as operating expenditures in the governmental funds. The liability as of June 30, 2010, is based on the requirements of GASB Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability includes an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not result in an exact amount.

Changes in the claims liability amount during fiscal year 2010 and 2009 were:

	Liability July 1,	Curent Year Claims and Changes in Estimates	Claims Payments	Liability June 30,
2008-09	\$ 1,660,572	\$ 14,096,348	\$ (13,518,056)	\$ 2,238,864
2009-10	2,238,864	13,006,776	(13,945,640)	1,300,000

Interlocal Cooperative Agreement

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

Subsequent Events

On September 7, 2010, the voters passed a \$12,000,000 bond levy consisting of \$2,000,000 in Qualified Zone Academy Bonds (QZAB) and \$10,000,000 in Qualified School Construction Bonds (QSCB). The bonds will be used for deferred maintenance in the elementary (\$4.42 million) and high school (\$7.58 million) districts. QZAB bonds can be used to repair and rehabilitate existing schools where at least 35% of the students qualify for free or reduced lunch. QSCB bonds, created under ARRA in 2009, may be used to repair and rehabilitate existing schools or to construct new schools. The bonds are interest free and will be repaid over a 15 year period commencing fiscal year 2012.

ExxonMobile, the third largest taxpayer in the high school district, but not a taxpayer in the elementary district, recently began holding meetings with the Montana Department of Revenue regarding the methodology used to calculate its 2010/11 taxable valuation for its refinery property located in Yellowstone County, which could ultimately lead to the company paying taxes under protest if no agreement can be reached in the near term. We believe they will protest their taxes which will potentially impact the district by \$237,224. Conoco Phillips, the largest taxpayer in both the district and high school district, may also elect to protest their 2010/11 taxes because the taxable valuation methodology called into question by ExxonMobile is the same methodology used to determine the taxable valuation for the refinery owned by Conoco Phillips. The potential impact to the district of Conoco protesting their taxes is \$951,995.

Commitments and Contingencies

At year-end, the district had commitments outstanding, in the form of purchase orders, of approximately \$297,060, primarily for construction projects, equipment and supplies.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the district expects such amounts, if any, to be immaterial.

The district is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the district's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the district.

Retirement Plans

Teachers' Retirement System and Public Employee Retirement System Plans

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

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

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

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

	<u>Employer</u>	<u>Employee</u>	<u>Total</u>
TRS	7.47%	7.15%	14.62%
PERS	6.80%	6.90%	13.70%

The State of Montana contributes .370% and 2.49% per year to the PERS and TRS plans, respectively, on behalf of the employer. Contributions made by the State of Montana were \$45,222 to PERS and \$1,819,861 to TRS. These amounts have been recorded in the financial statements.

The amounts contributed to the plans during the years ended June 30, 2010, 2009 and 2008, were equal to the required contributions for each year. The amounts contributed by both the district and its employees (including additional voluntary contributions by employees as permitted by State law) were as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
TRS-regular	\$ 10,779,984	\$ 10,273,177	\$ 10,115,233
TRS-termination	1,848,904	815,528	3,006,106
Total TRS	<u>\$ 12,628,888</u>	<u>\$ 11,088,705</u>	<u>\$ 13,121,339</u>
PERS	<u>\$ 1,682,557</u>	<u>\$ 1,602,331</u>	<u>\$ 1,553,337</u>

Service Credit and Termination Pay Benefit Plan

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

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Following is a summary of Plan benefit provisions:

Service Credit

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

TRS Option 1 Benefit

Eligibility	Employees who are eligible for retirement with TRS at 25 years of service or age 60 and 5 years of service for Normal Retirement, or age 50 and 5 years of service for Early Retirement.
Benefit	TRS Employees may increase their monthly retirement benefit by including their Termination Pay (service credit, sick leave, and vacation leave) in the calculation of their Average Final Compensation. This option is also available to beneficiaries of eligible TRS employees who had not yet retired.
Employee Cost	Termination Pay x Employee Rate x Total years of Creditable Service
Employer Cost	Termination Pay x Employer Rate x Total years of Creditable Service

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

Annual required contribution	\$ 3,487,945
Interest on net pension obligation	323,562
Adjustment to annual required contribution	<u>(239,675)</u>
Annual pension cost	3,571,832
Contributions made	<u>(1,765,733)</u>
Change in net pension obligation	1,806,099
Net pension obligation-beginning of year	<u>7,190,259</u>
Net pension obligation-end of year	<u>\$ 8,996,358</u>

The annual required contribution (ARC) for the current year was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of the individual's projected compensation between entry age and assumed exit. The portion of this actuarial present value allocated to a valuation year is called the normal cost. The normal cost was first calculated for each individual employee. The normal cost rate is defined to equal the total of the individual normal costs, divided by the total pay rate.

The portion of this actuarial present value not provided for at a valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability (AAL). The excess of the AAL over the actuarial value of the assets, if any, is called the Unfunded

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

Actuarial Accrued Liability (UAAL). The UAAL is amortized as a level percentage of the projected salaries of present and future employees covered by the Plan. The amortization of the UAAL assumes that contributions are made as a level percentage of pay for a period of years. In accordance with GASB Statement 27 guidelines, the maximum amortization period for the UAAL is 40 years for the first ten years following the effective date of the Statement, June 15, 1997. For the Billings Public Schools the ten year period ended June 30, 2006. Effective fiscal year 2007, the maximum amortization period for GASB Statement 27 purposes is 30 years. The benefits from both the service credit benefit plan and the TRS Option 1 benefit plan are computed separately, but reported as one cost rate for purposes of determining the ARC

The actuarial assumptions included a 4.5% annual rate increase in general wage levels, an annual discount rate of 4.5% per year and that 90% of TRS employees will elect TRS Option 1.

Three year trend information is as follows:

Year Ending June 30,	Annual Pension Cost (APC)	Contribution as a Percentage of APC	Net Pension Obligation (NPO)
2008	\$ 3,113,625	80%	\$ 4,783,001
2009	3,265,011	26%	7,190,259
2010	3,571,832	49%	8,996,358

Following is the Schedule of Funding Progress:

Actuarial valuation date	June 30, 2009
Actuarial value of assets	\$ -
Actuarial value of liabilities	\$ 33,870,596
Unfunded actuarial accrued liabilities (UAAL)	\$ 33,870,596
Funded ratio	0%
Covered payroll	\$ 77,474,064
UAAL as a percentage of covered payroll	44%

Funded Status and Funding Progress. As of June 30, 2009, and 2010, the Plan was 0% funded. The actuarial accrued liability for benefits was \$33,870,596, and the actuarial value of assets is \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$33,870,596.

Postemployment Benefits Other Than Pensions

Plan Descriptions. The Billings Public Schools postemployment benefit plan is a single employer defined benefit plan that is self funded for pre Medicare medical / prescription drug benefits and insures for Medicare supplement benefits and retiree life insurance.

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

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

Annual required contribution	\$ 4,235,000
Interest on net OPEB obligation	244,000
Adjustment to annual required contribution	<u>(207,000)</u>
Annual OPEB cost (expense)	4,272,000
Contributions made	<u>(1,979,000)</u>
Increase in net OPEB obligation	2,293,000
Net OPEB obligation - beginning of year	<u>5,428,000</u>
Net OPEB obligation - end of year	<u><u>\$ 7,721,000</u></u>

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

The Billings Public Schools' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 and the two preceding years are as follows:

<u>Year Ending June 30,</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of Annual AOC Contributed</u>	<u>Net OPEB Obligation (NOO)</u>
2008	\$ 2,736,000	43%	\$ 3,053,000
2009	3,796,000	37%	5,428,000
2010	4,272,000	46%	7,721,000

Funded Status and Funding Progress. As of June 30, 2009, and 2010, the Plan was 0% funded. The actuarial accrued liability for benefits was \$40,349,000, and the actuarial value of assets is \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$40,349,000.

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

In the July 1, 2009 actuarial valuation (the most recent valuation), the projected unit credit method was used. The actuarial assumptions included a 4.5% investment rate of return which is based on the expected long term investment return of the employer's own investments used to pay plan benefits and an annual healthcare cost trend rate of 10.5% reduced by decrements of .5% to an ultimate rate of 5%. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The amortization of UAAL is done over a period of 30 years. The plan does not issue a separate report.

REQUIRED SUPPLEMENTARY INFORMATION

BILLINGS PUBLIC SCHOOLS

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

GENERAL FUND

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 30,836,251	\$ 30,836,251	\$ 30,054,248	\$ -	\$ 30,054,248
Intergovernmental:					
State aid	49,697,066	49,697,066	49,697,066	-	49,697,066
State other	14,147,139	14,147,139	14,179,276	-	14,179,276
Federal	2,493,094	2,493,094	2,493,094	-	2,493,094
Tuition	200,000	200,000	201,019	-	201,019
Interest	75,979	75,979	64,393	-	64,393
Miscellaneous	9,261	9,261	177,968	-	177,968
Total revenues	<u>97,458,790</u>	<u>97,458,790</u>	<u>96,867,064</u>	<u>-</u>	<u>96,867,064</u>
EXPENDITURES					
Current:					
Instructional	62,430,274	62,227,790	62,267,214	(49,842)	62,217,372
Support services:					
Students	6,510,163	6,344,348	6,411,260	1,374	6,412,634
Instructional staff	4,852,992	4,897,476	4,965,596	35,087	5,000,683
General administration	1,689,551	1,689,849	1,455,753	(749)	1,455,004
Administration	7,453,519	7,468,336	7,181,589	1,312	7,182,901
Business	1,323,573	1,334,276	1,317,101	-	1,317,101
Operation and maintenance	10,808,109	11,014,884	10,766,778	(16,218)	10,750,560
Student transportation	5,139	16,714	81,841	-	81,841
Community services	6,601	11,321	13,200	-	13,200
Extracurricular	1,882,539	1,882,691	2,064,722	300	2,065,022
Debt Service:					
Principal	222,481	231,231	229,595	-	229,595
Interest and other charges	25,033	16,145	16,145	-	16,145
Capital Outlay	248,816	323,729	365,247	98,571	463,818
Total expenditures	<u>97,458,790</u>	<u>97,458,790</u>	<u>97,136,041</u>	<u>69,835</u>	<u>97,205,876</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(268,977)</u>	<u>(69,835)</u>	<u>(338,812)</u>
Fund balances - beginning			5,327,292	362,860	5,690,152
Fund balances - ending			<u>\$ 5,058,315</u>	<u>\$ 293,025</u>	<u>\$ 5,351,340</u>

NOTES TO THE BUDGET AND ACTUAL SCHEDULES

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

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

State law permits the inclusion of obligations (encumbrances) for construction in progress and the purchase of personal property as expenditures for budget purposes. The budget to GAAP differences consist of encumbrances for the current and prior year and the on-behalf payments made by the state of Montana for the Public Employees Retirement System and the Teachers Retirement System.

BILLINGS PUBLIC SCHOOLS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL ELEMENTARY RETIREMENT FUND For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Intergovernmental:					
County	\$ 7,777,226	\$ 7,777,226	\$ 7,522,091	\$ -	\$ 7,522,091
State other	-	-	-	1,069,669	1,069,669
Interest	51,450	51,450	48,509	-	48,509
Total revenues	7,828,676	7,828,676	7,570,600	1,069,669	8,640,269
EXPENDITURES					
Current:					
Instructional	5,847,203	5,832,812	5,362,838	826,848	6,189,686
Support services:					
Students	549,103	549,168	715,956	90,852	806,808
Instructional staff	354,834	368,359	387,879	50,456	438,335
General administration	32,668	33,228	39,459	2,966	42,425
Administration	741,503	741,503	620,212	71,682	691,894
Business	143,438	143,478	119,238	2,782	122,020
Operation and maintenance	529,757	529,757	499,927	11,439	511,366
Student transportation	106,461	106,461	133,461	2,673	136,134
Food services	35,106	35,307	-	-	-
Extracurricular	59,927	59,927	70,573	9,971	80,544
Total expenditures	8,400,000	8,400,000	7,949,543	1,069,669	9,019,212
Net change in fund balances	\$ (571,324)	\$ (571,324)	(378,943)	-	(378,943)
Fund balances - beginning			3,511,324	-	3,511,324
Fund balances - ending			\$ 3,132,381	\$ -	\$ 3,132,381

SEE NOTES TO THE BUDGET AND ACTUAL SCHEDULE ON PREVIOUS PAGE

BILLINGS PUBLIC SCHOOLS

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

SCHEDULE OF FUNDING PROGRESS-SERVICE CREDIT AND TERMINATION PAY BENEFIT PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UALL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UALL as a Percentage of Covered Payroll [(b-a)/c]
6/30/2010	na	na	na	na	na	na
6/30/2009	\$ -	\$ 33,870,596	\$ 33,870,596	\$ -	\$ 33,870,596	44%
6/30/2008	na	na	na	na	na	na
6/30/2007	-	33,870,596	33,870,596	-	33,870,596	46%
6/30/2006	na	na	na	na	na	na

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

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2010	\$ 3,487,945	51%
2009	3,209,209	27%
2008	3,054,269	81%
2007	2,829,275	92%
2006	2,314,314	93%

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

OTHER SUPPLEMENTARY INFORMATION

General Fund

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

BILLINGS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
ALL GENERAL SUBFUNDS
June 30, 2010

	Elementary General Subfund	High School General Subfund	Total
ASSETS			
Cash and cash equivalents	\$ 3,245,111	\$ 1,911,586	\$ 5,156,697
Receivables:			
Taxes, net	1,532,520	1,201,743	2,734,263
Other	343,811	122,844	466,655
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 5,121,442</u>	<u>\$ 3,236,173</u>	<u>\$ 8,357,615</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 760,667	\$ 527,829	\$ 1,288,496
Deferred revenue	1,033,968	683,811	1,717,779
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>1,794,635</u>	<u>1,211,640</u>	<u>3,006,275</u>
 Fund balances:			
Reserved for:			
Encumbrances	151,585	141,440	293,025
Unreserved	3,175,222	1,883,093	5,058,315
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>3,326,807</u>	<u>2,024,533</u>	<u>5,351,340</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 5,121,442</u>	<u>\$ 3,236,173</u>	<u>\$ 8,357,615</u>

BILLINGS PUBLIC SCHOOLS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

ALL GENERAL SUBFUNDS

For the Year Ended June 30, 2010

	Elementary General Subfund	High School General Subfund	Total
REVENUES			
Property taxes	\$ 17,566,282	\$ 12,487,966	\$ 30,054,248
Intergovernmental:			
State aid	31,135,353	18,561,713	49,697,066
State other	9,537,673	4,641,603	14,179,276
Federal	1,530,052	963,042	2,493,094
Tuition	175,269	25,750	201,019
Interest	41,825	22,568	64,393
Miscellaneous	114,998	62,970	177,968
Total revenues	60,101,452	36,765,612	96,867,064
EXPENDITURES			
Current:			
Instruction	39,343,735	22,873,637	62,217,372
Support services:			
Students	4,528,177	1,884,457	6,412,634
Instructional staff	2,831,021	2,169,662	5,000,683
General administration	878,118	576,886	1,455,004
School administration	4,354,026	2,828,875	7,182,901
Business services	858,594	458,507	1,317,101
Operation and maintenance	6,574,405	4,176,155	10,750,560
Student transportation	78,810	3,031	81,841
Community services	8,822	4,378	13,200
Extracurricular	499,636	1,565,386	2,065,022
Capital outlay	171,115	292,703	463,818
Debt service:			
Principal	181,631	47,964	229,595
Interest and other charges	10,817	5,328	16,145
Total expenditures	60,318,907	36,886,969	97,205,876
Net change in fund balances	(217,455)	(121,357)	(338,812)
Fund balances - beginning	3,544,262	2,145,890	5,690,152
Fund balances - ending	\$ 3,326,807	\$ 2,024,533	\$ 5,351,340

BILLINGS PUBLIC SCHOOLS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
ELEMENTARY GENERAL SUBFUND
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 18,015,311	\$ 18,015,311	\$ 17,566,282	\$ -	\$ 17,566,282
Intergovernmental:					
State aid	31,135,353	31,135,353	31,135,353	-	31,135,353
State other	9,536,023	9,536,023	9,537,673	-	9,537,673
Federal	1,530,052	1,530,052	1,530,052	-	1,530,052
Tuition	150,000	150,000	175,269	-	175,269
Interest	51,133	51,133	41,825	-	41,825
Miscellaneous	7,312	7,312	114,998	-	114,998
Total revenues	60,425,184	60,425,184	60,101,452	-	60,101,452
EXPENDITURES					
Current:					
Instructional	39,678,014	39,354,756	39,407,554	(63,819)	39,343,735
Support services:					
Students	4,398,722	4,509,018	4,526,803	1,374	4,528,177
Instructional staff	2,685,833	2,692,659	2,807,443	23,578	2,831,021
General administration	982,359	982,516	878,620	(502)	878,118
Administration	4,495,695	4,517,203	4,354,026	-	4,354,026
Business	859,271	868,388	858,594	-	858,594
Operation and maintenance	6,659,215	6,790,716	6,569,505	4,900	6,574,405
Student transportation	5,139	16,539	78,810	-	78,810
Community services	4,401	9,121	8,822	-	8,822
Extracurricular	347,028	347,072	499,636	-	499,636
Debt Service:					
Principal	177,126	182,943	181,631	-	181,631
Interest and other charges	16,772	10,817	10,817	-	10,817
Capital Outlay	115,609	143,436	104,148	66,967	171,115
Total expenditures	60,425,184	60,425,184	60,286,409	32,498	60,318,907
Net change in fund balances	\$ -	\$ -	(184,957)	(32,498)	(217,455)
Fund balances - beginning			3,360,179	184,083	3,544,262
Fund balances - ending			<u>\$ 3,175,222</u>	<u>\$ 151,585</u>	<u>\$ 3,326,807</u>

BILLINGS PUBLIC SCHOOLS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
HIGH SCHOOL GENERAL SUBFUND
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 12,820,940	\$ 12,820,940	\$ 12,487,966	\$ -	\$ 12,487,966
Intergovernmental:					
State aid	18,561,713	18,561,713	18,561,713	-	18,561,713
State other	4,611,116	4,611,116	4,641,603	-	4,641,603
Federal	963,042	963,042	963,042	-	963,042
Tuition	50,000	50,000	25,750	-	25,750
Interest	24,846	24,846	22,568	-	22,568
Miscellaneous	1,949	1,949	62,970	-	62,970
Total revenues	37,033,606	37,033,606	36,765,612	-	36,765,612
EXPENDITURES					
Current:					
Instructional	22,752,260	22,873,034	22,859,660	13,977	22,873,637
Support services:					
Students	2,111,441	1,835,330	1,884,457	-	1,884,457
Instructional staff	2,167,159	2,204,817	2,158,153	11,509	2,169,662
General administration	707,192	707,333	577,133	(247)	576,886
Administration	2,957,824	2,951,133	2,827,563	1,312	2,828,875
Business	464,302	465,888	458,507	-	458,507
Operation and maintenance	4,148,894	4,224,168	4,197,273	(21,118)	4,176,155
Student transportation	-	175	3,031	-	3,031
Community services	2,200	2,200	4,378	-	4,378
Extracurricular	1,535,511	1,535,619	1,565,086	300	1,565,386
Debt Service:					
Principal	45,355	48,288	47,964	-	47,964
Interest and other charges	8,261	5,328	5,328	-	5,328
Capital Outlay	133,207	180,293	261,099	31,604	292,703
Total expenditures	37,033,606	37,033,606	36,849,632	37,337	36,886,969
Net change in fund balances	\$ -	\$ -	(84,020)	(37,337)	(121,357)
Fund balances - beginning			1,967,113	178,777	2,145,890
Fund balances - ending			\$ 1,883,093	\$ 141,440	\$ 2,024,533

Nonmajor Governmental Funds - By Fund Type

BILLINGS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
June 30, 2010

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 6,558,680	\$ 111,274	\$ 1,031,817	\$ 7,701,771
Receivables:				
Taxes, net	465,836	21,177	1,810	488,823
Governments	155,130	-	-	155,130
Other	131,831	-	-	131,831
Due from other funds	-	-	136,000	136,000
Inventories	50,180	-	-	50,180
 Total assets	 <u>\$ 7,361,657</u>	 <u>\$ 132,451</u>	 <u>\$ 1,169,627</u>	 <u>\$ 8,663,735</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 494,167	\$ 12,658	\$ 420	\$ 507,245
Deferred revenue	259,867	21,173	1,810	282,850
 Total liabilities	 <u>754,034</u>	 <u>33,831</u>	 <u>2,230</u>	 <u>790,095</u>
 Fund balances:				
Reserved for:				
Encumbrances	4,035	-	-	4,035
Debt service	-	98,620	-	98,620
Unreserved	6,603,588	-	1,167,397	7,770,985
 Total fund balances	 <u>6,607,623</u>	 <u>98,620</u>	 <u>1,167,397</u>	 <u>7,873,640</u>
 Total liabilities and fund balances	 <u>\$ 7,361,657</u>	 <u>\$ 132,451</u>	 <u>\$ 1,169,627</u>	 <u>\$ 8,663,735</u>

BILLINGS PUBLIC SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

ALL NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE

For the Year Ended June 30, 2010

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
REVENUES				
Property taxes	\$ 5,270,952	\$ 1,374	\$ 520	\$ 5,272,846
Intergovernmental:				
County	5,361,118	-	-	5,361,118
State aid	67,024	-	-	67,024
State other	3,346,223	-	-	3,346,223
Federal	3,193,135	-	-	3,193,135
Charges for services	2,997,681	-	25,929	3,023,610
Interest	113,909	1,713	20,531	136,153
Miscellaneous	1,106,569	-	855	1,107,424
Total revenues	21,456,611	3,087	47,835	21,507,533
EXPENDITURES				
Current:				
Instruction	7,145,903	-	-	7,145,903
Support services:				
Students	1,026,332	-	335	1,026,667
Instructional staff	676,323	-	-	676,323
General administration	63,201	-	-	63,201
School administration	1,180,824	-	-	1,180,824
Business services	188,918	-	-	188,918
Operation and maintenance	357,711	-	5,150	362,861
Student transportation	4,739,109	-	-	4,739,109
Food services	5,109,148	-	-	5,109,148
Community services	13,163	-	-	13,163
Extracurricular	195,216	-	-	195,216
Other current charges	12,350	-	-	12,350
Capital outlay	1,096,615	-	56,522	1,153,137
Debt service				
Interest and other charges	-	26,156	-	26,156
Total expenditures	21,804,813	26,156	62,007	21,892,976
Excess (deficiency) of revenues over (under) expenditures	(348,202)	(23,069)	(14,172)	(385,443)
OTHER FINANCING USES				
Transfers out	(6,637)	-	-	(6,637)
Total other financing uses	(6,637)	-	-	(6,637)
Net change in fund balances	(354,839)	(23,069)	(14,172)	(392,080)
Fund balances - beginning	6,962,462	121,689	1,181,569	8,265,720
Fund balances - ending	\$ 6,607,623	\$ 98,620	\$ 1,167,397	\$ 7,873,640

Nonmajor Special Revenue Funds

Budgeted:

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

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

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

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

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

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

Non-Budgeted:

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

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

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

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

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

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

BILLINGS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2010

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	Elementary Transportation	High School Transportation	High School School Food	Elementary Tuition	High School Tuition	High School Retirement
ASSETS						
Cash and cash equivalents	\$ 504,324	\$ 386,630	\$ 78,513	\$ 148,635	\$ 61,087	\$ 1,434,735
Receivables:						
Taxes, net	178,455	114,932	-	12,601	28,412	-
Governments	-	-	-	-	-	-
Other	-	-	125,746	-	-	10
Inventories	-	-	50,180	-	-	-
Total assets	<u>\$ 682,779</u>	<u>\$ 501,562</u>	<u>\$ 254,439</u>	<u>\$ 161,236</u>	<u>\$ 89,499</u>	<u>\$ 1,434,745</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 117,595	\$ 75,999	\$ 4,002	\$ -	\$ -	\$ 44,074
Deferred revenue	96,363	61,610	-	8,257	13,938	-
Total liabilities	<u>213,958</u>	<u>137,609</u>	<u>4,002</u>	<u>8,257</u>	<u>13,938</u>	<u>44,074</u>
Fund balances:						
Reserved for:						
Encumbrances	-	55	-	-	-	-
Unreserved	468,821	363,898	250,437	152,979	75,561	1,390,671
Total fund balances	<u>468,821</u>	<u>363,953</u>	<u>250,437</u>	<u>152,979</u>	<u>75,561</u>	<u>1,390,671</u>
Total liabilities and fund balances	<u>\$ 682,779</u>	<u>\$ 501,562</u>	<u>\$ 254,439</u>	<u>\$ 161,236</u>	<u>\$ 89,499</u>	<u>\$ 1,434,745</u>

BILLINGS PUBLIC SCHOOLS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2010

Page 2 of 4

	High School Miscellaneous Programs	Elementary Adult Education	High School Adult Education	High School Traffic Education	High School Lease Rental	Elementary Compensated Absences
ASSETS						
Cash and cash equivalents	\$ 569,039	\$ 346,710	\$ 706,726	\$ 185,920	\$ 406	\$ 252,233
Receivables:						
Taxes, net	-	30,734	100,702	-	-	-
Governments	37,559	-	6,419	111,152	-	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Total assets	<u>\$ 606,598</u>	<u>\$ 377,444</u>	<u>\$ 813,847</u>	<u>\$ 297,072</u>	<u>\$ 406</u>	<u>\$ 252,233</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 138,208	\$ 2,026	\$ 39,094	\$ 14,447	\$ -	\$ -
Deferred revenue	8,263	16,798	54,638	-	-	-
Total liabilities	<u>146,471</u>	<u>18,824</u>	<u>93,732</u>	<u>14,447</u>	<u>-</u>	<u>-</u>
Fund balances:						
Reserved for:						
Encumbrances	-	22	3,958	-	-	-
Unreserved	460,127	358,598	716,157	282,625	406	252,233
Total fund balances	<u>460,127</u>	<u>358,620</u>	<u>720,115</u>	<u>282,625</u>	<u>406</u>	<u>252,233</u>
Total liabilities and fund balances	<u>\$ 606,598</u>	<u>\$ 377,444</u>	<u>\$ 813,847</u>	<u>\$ 297,072</u>	<u>\$ 406</u>	<u>\$ 252,233</u>

BILLINGS PUBLIC SCHOOLS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2010

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	High School Compensated Absences	Elementary Technology	High School Technology	Elementary Flexibility	High School Flexibility	Elementary Miscellaneous Trust
ASSETS						
Cash and cash equivalents	\$ 9,471	\$ 53,918	\$ 65,121	\$ 194,751	\$ 114,690	\$ 597,566
Receivables:						
Taxes, net	-	-	-	-	-	-
Governments	-	-	-	-	-	-
Other	-	-	-	-	-	4,833
Inventories	-	-	-	-	-	-
Total assets	<u>\$ 9,471</u>	<u>\$ 53,918</u>	<u>\$ 65,121</u>	<u>\$ 194,751</u>	<u>\$ 114,690</u>	<u>\$ 602,399</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ 40	\$ -	\$ 4,089	\$ 3,152	\$ 25,225
Deferred revenue	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>40</u>	<u>-</u>	<u>4,089</u>	<u>3,152</u>	<u>25,225</u>
Fund balances:						
Reserved for:						
Encumbrances	-	-	-	-	-	-
Unreserved	<u>9,471</u>	<u>53,878</u>	<u>65,121</u>	<u>190,662</u>	<u>111,538</u>	<u>577,174</u>
Total fund balances	<u>9,471</u>	<u>53,878</u>	<u>65,121</u>	<u>190,662</u>	<u>111,538</u>	<u>577,174</u>
Total liabilities and fund balances	<u>\$ 9,471</u>	<u>\$ 53,918</u>	<u>\$ 65,121</u>	<u>\$ 194,751</u>	<u>\$ 114,690</u>	<u>\$ 602,399</u>

BILLINGS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2010

Page 4 of 4

	High School Miscellaneous Trust	Total
ASSETS		
Cash and cash equivalents	\$ 848,205	\$ 6,558,680
Receivables:		
Taxes, net	-	465,836
Governments	-	155,130
Other	1,242	131,831
Inventories	-	50,180
Total assets	\$ 849,447	\$ 7,361,657
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 26,216	\$ 494,167
Deferred revenue	-	259,867
Total liabilities	26,216	754,034
Fund balances:		
Reserved for:		
Encumbrances	-	4,035
Unreserved	823,231	6,603,588
Total fund balances	823,231	6,607,623
Total liabilities and fund balances	\$ 849,447	\$ 7,361,657

BILLINGS PUBLIC SCHOOLS

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COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2010

	Elementary Transportation	High School Transportation	High School School Food	Elementary Tuition	High School Tuition	High School Retirement
REVENUES						
Property taxes	\$ 2,156,215	\$ 1,235,813	\$ -	\$ 113,870	\$ 331,751	\$ -
Intergovernmental:						
County	489,766	268,661	-	-	-	4,602,691
State aid	-	-	-	-	67,024	-
State other	636,228	309,260	11,061	-	-	607,825
Federal	-	-	2,908,986	-	-	-
Charges for services	41,336	952	2,378,896	-	-	-
Interest	2,336	2,746	555	3,153	1,946	20,286
Miscellaneous	-	-	-	-	-	-
Total revenues	3,325,881	1,817,432	5,299,498	117,023	400,721	5,230,802
EXPENDITURES						
Current:						
Instruction	-	-	-	147,743	360,746	3,675,234
Support services:						
Students	-	-	-	-	-	300,452
Instructional staff	-	-	-	-	-	274,332
General administration	-	-	-	-	-	30,488
School administration	71,223	113,263	-	-	-	476,877
Business services	20,599	10,070	-	-	-	111,295
Operation and maintenance	-	-	-	-	-	314,711
Student transportation	3,098,052	1,624,551	-	-	-	16,506
Food services	-	-	5,109,148	-	-	-
Community services	-	-	-	-	-	-
Extracurricular	-	-	-	-	-	195,216
Other current charges	-	-	-	-	-	12,350
Capital outlay	-	-	-	-	-	-
Total expenditures	3,189,874	1,747,884	5,109,148	147,743	360,746	5,407,461
Excess (deficiency) of revenues over (under) expenditures	136,007	69,548	190,350	(30,720)	39,975	(176,659)
OTHER FINANCING USES						
Transfers out	-	-	-	-	-	-
Total other financing uses	-	-	-	-	-	-
Net change in fund balances	136,007	69,548	190,350	(30,720)	39,975	(176,659)
Fund balances - beginning	332,814	294,405	60,087	183,699	35,586	1,567,330
Fund balances - ending	\$ 468,821	\$ 363,953	\$ 250,437	\$ 152,979	\$ 75,561	\$ 1,390,671

BILLINGS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUE
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2010

Page 2 of 4

	High School Miscellaneous Programs	Elementary Adult Education	High School Adult Education	High School Traffic Education	High School Lease Rental	Elementary Compensated Absences
REVENUES						
Property taxes	\$ -	\$ 366,751	\$ 1,066,552	\$ -	\$ -	\$ -
Intergovernmental:						
County	-	-	-	-	-	-
State aid	-	-	-	-	-	-
State other	1,232,497	-	-	111,152	-	-
Federal	284,149	-	-	-	-	-
Charges for services	-	-	360,323	216,174	-	-
Interest	21,582	4,950	10,176	3,357	7	6,927
Miscellaneous	168,228	16,097	-	122	-	-
Total revenues	1,706,456	387,798	1,437,051	330,805	7	6,927
EXPENDITURES						
Current:						
Instruction	515,386	269,306	988,672	269,394	-	-
Support services:						
Students	28,057	21,751	70,025	-	-	-
Instructional staff	212,109	450	7,607	-	-	-
General administration	-	-	-	-	-	21,918
School administration	2,596	45,483	451,961	-	-	19,421
Business services	35,209	-	-	-	-	8,523
Operation and maintenance	23,631	-	11,136	-	-	4,929
Student transportation	-	-	-	-	-	-
Food services	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Extracurricular	-	-	-	-	-	-
Other current charges	-	-	-	-	-	-
Capital outlay	1,019,227	-	50,888	12,500	-	-
Total expenditures	1,836,215	336,990	1,580,289	281,894	-	54,791
Excess (deficiency) of revenues over (under) expenditures	(129,759)	50,808	(143,238)	48,911	7	(47,864)
OTHER FINANCING USES						
Transfers out	-	-	-	-	-	-
Total other financing uses	-	-	-	-	-	-
Net change in fund balances	(129,759)	50,808	(143,238)	48,911	7	(47,864)
Fund balances - beginning	589,886	307,812	863,353	233,714	399	300,097
Fund balances - ending	\$ 460,127	\$ 358,620	\$ 720,115	\$ 282,625	\$ 406	\$ 252,233

BILLINGS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUE
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2010

Page 3 of 4

	High School Compensated Absences	Elementary Technology	High School Technology	Elementary Flexibility	High School Flexibility	Elementary Miscellaneous Trust
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:						
County	-	-	-	-	-	-
State aid	-	-	-	-	-	-
State other	-	62,723	37,846	168,919	168,712	-
Federal	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Interest	448	917	970	6,111	5,366	9,207
Miscellaneous	-	-	-	-	-	398,882
Total revenues	448	63,640	38,816	175,030	174,078	408,089
EXPENDITURES						
Current:						
Instruction	-	42,685	6,468	324,481	355,599	137,201
Support services:						
Students	-	-	-	-	4,608	235,123
Instructional staff	1,901	-	-	111,340	48,746	17,104
General administration	10,795	-	-	-	-	-
School administration	-	-	-	-	-	-
Business services	3,222	-	-	-	-	-
Operation and maintenance	3,214	-	-	-	-	90
Student transportation	-	-	-	-	-	-
Food services	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Extracurricular	-	-	-	-	-	-
Other current charges	-	-	-	-	-	-
Capital outlay	-	-	-	13,750	-	250
Total expenditures	19,132	42,685	6,468	449,571	408,953	389,768
Excess (deficiency) of revenues over (under) expenditures	(18,684)	20,955	32,348	(274,541)	(234,875)	18,321
OTHER FINANCING USES						
Transfers out	-	-	-	-	-	-
Total other financing uses	-	-	-	-	-	-
Net change in fund balances	(18,684)	20,955	32,348	(274,541)	(234,875)	18,321
Fund balances - beginning	28,155	32,923	32,773	465,203	346,413	558,853
Fund balances - ending	<u>\$ 9,471</u>	<u>\$ 53,878</u>	<u>\$ 65,121</u>	<u>\$ 190,662</u>	<u>\$ 111,538</u>	<u>\$ 577,174</u>

BILLINGS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUE
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2010

Page 4 of 4

	High School Miscellaneous Trust	Total
REVENUES		
Property taxes	\$ -	\$ 5,270,952
Intergovernmental:		
County	-	5,361,118
State aid	-	67,024
State other	-	3,346,223
Federal	-	3,193,135
Charges for services	-	2,997,681
Interest	12,869	113,909
Miscellaneous	523,240	1,106,569
Total revenues	536,109	21,456,611
EXPENDITURES		
Current:		
Instruction	52,988	7,145,903
Support services:		
Students	366,316	1,026,332
Instructional staff	2,734	676,323
General administration	-	63,201
School administration	-	1,180,824
Business services	-	188,918
Operation and maintenance	-	357,711
Student transportation	-	4,739,109
Food services	-	5,109,148
Community services	13,163	13,163
Extracurricular	-	195,216
Other current charges	-	12,350
Capital outlay	-	1,096,615
Total expenditures	435,201	21,804,813
Excess (deficiency) of revenues over (under) expenditures	100,908	(348,202)
OTHER FINANCING USES		
Transfers out	(6,637)	(6,637)
Total other financing uses	(6,637)	(6,637)
Net change in fund balances	94,271	(354,839)
Fund balances - beginning	728,960	6,962,462
Fund balances - ending	<u>\$ 823,231</u>	<u>\$ 6,607,623</u>

BILLINGS PUBLIC SCHOOLS

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

NONMAJOR SPECIAL REVENUE FUND

ELEMENTARY TRANSPORTATION FUND

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 2,213,384	\$ 2,213,384	\$2,156,215	\$ -	\$ 2,156,215
Intergovernmental:					
County	490,105	490,105	489,766	-	489,766
State other	636,228	636,228	636,228	-	636,228
Charges for services	36,000	36,000	41,336	-	41,336
Interest	837	837	2,336	-	2,336
Total revenues	<u>3,376,554</u>	<u>3,376,554</u>	<u>3,325,881</u>	<u>-</u>	<u>3,325,881</u>
EXPENDITURES					
Current:					
Support services:					
Administration	78,265	78,585	71,223	-	71,223
Business	21,728	21,728	20,599	-	20,599
Student transportation	<u>3,433,551</u>	<u>3,433,231</u>	<u>3,098,052</u>	<u>-</u>	<u>3,098,052</u>
Total expenditures	<u>3,533,544</u>	<u>3,533,544</u>	<u>3,189,874</u>	<u>-</u>	<u>3,189,874</u>
Net change in fund balances	<u>\$ (156,990)</u>	<u>\$ (156,990)</u>	136,007	-	136,007
Fund balances - beginning			<u>332,814</u>	<u>-</u>	<u>332,814</u>
Fund balances - ending			<u>\$ 468,821</u>	<u>\$ -</u>	<u>\$ 468,821</u>

BILLINGS PUBLIC SCHOOLS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL NONMAJOR SPECIAL REVENUE FUND HIGH SCHOOL TRANSPORTATION FUND For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 1,269,809	\$ 1,269,809	\$ 1,235,813	\$ -	\$ 1,235,813
Intergovernmental:					
County	269,000	269,000	268,661	-	268,661
State other	309,260	309,260	309,260	-	309,260
Charges for services	-	-	952	-	952
Interest	-	-	2,746	-	2,746
Total revenues	<u>1,848,069</u>	<u>1,848,069</u>	<u>1,817,432</u>	<u>-</u>	<u>1,817,432</u>
EXPENDITURES					
Current:					
Support services:					
Administration	140,501	140,501	113,318	(55)	113,263
Business	9,731	9,731	10,070	-	10,070
Student transportation	<u>1,796,410</u>	<u>1,796,410</u>	<u>1,624,551</u>	<u>-</u>	<u>1,624,551</u>
Total expenditures	<u>1,946,642</u>	<u>1,946,642</u>	<u>1,747,939</u>	<u>(55)</u>	<u>1,747,884</u>
Net change in fund balances	<u>\$ (98,573)</u>	<u>\$ (98,573)</u>	69,493	55	69,548
Fund balances - beginning			<u>294,405</u>	<u>-</u>	<u>294,405</u>
Fund balances - ending			<u>\$ 363,898</u>	<u>\$ 55</u>	<u>\$ 363,953</u>

BILLINGS PUBLIC SCHOOLS**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL****NONMAJOR SPECIAL REVENUE FUND****ELEMENTARY TUITION FUND**

For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts, Budgetary Basis</u>	<u>Budget to GAAP Differences</u>	<u>Actual Amounts, GAAP Basis</u>
REVENUES					
Property taxes	\$ 116,301	\$ 116,301	\$ 113,870	\$ -	\$ 113,870
Interest	-	-	3,153	-	3,153
Total revenues	<u>116,301</u>	<u>116,301</u>	<u>117,023</u>	<u>-</u>	<u>117,023</u>
EXPENDITURES					
Current:					
Instruction	<u>300,000</u>	<u>300,000</u>	<u>147,743</u>	<u>-</u>	<u>147,743</u>
Total expenditures	<u>300,000</u>	<u>300,000</u>	<u>147,743</u>	<u>-</u>	<u>147,743</u>
Net change in fund balances	<u>\$ (183,699)</u>	<u>\$ (183,699)</u>	<u>(30,720)</u>	<u>-</u>	<u>(30,720)</u>
Fund balances - beginning			<u>183,699</u>	<u>-</u>	<u>183,699</u>
Fund balances - ending			<u>\$ 152,979</u>	<u>\$ -</u>	<u>\$ 152,979</u>

BILLINGS PUBLIC SCHOOLS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
 NONMAJOR SPECIAL REVENUE FUND
 HIGH SCHOOL TUITION FUND
 For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 343,038	\$ 343,038	\$ 331,751	\$ -	\$ 331,751
Intergovernmental:					
State aid	53,377	53,377	67,024	-	67,024
Interest	5,000	5,000	1,946	-	1,946
Total revenues	401,415	401,415	400,721	-	400,721
EXPENDITURES					
Current:					
Instruction	437,000	437,000	360,746	-	360,746
Total expenditures	437,000	437,000	360,746	-	360,746
Net change in fund balances	<u>\$ (35,585)</u>	<u>\$ (35,585)</u>	39,975	-	39,975
Fund balances - beginning			35,586	-	35,586
Fund balances - ending			<u>\$ 75,561</u>	<u>\$ -</u>	<u>\$ 75,561</u>

BILLINGS PUBLIC SCHOOLS

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

NONMAJOR SPECIAL REVENUE FUND

HIGH SCHOOL RETIREMENT FUND

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Intergovernmental:					
County	\$ 4,778,555	\$ 4,778,555	\$ 4,602,691	\$ -	\$ 4,602,691
State other	-	-	-	607,825	607,825
Interest	21,445	21,445	20,286	-	20,286
Total revenues	4,800,000	4,800,000	4,622,977	607,825	5,230,802
EXPENDITURES					
Current:					
Instructional	3,250,933	3,249,279	3,194,019	481,215	3,675,234
Support services:					
Students	248,723	248,848	269,621	30,831	300,452
Instructional staff	217,593	217,975	252,190	22,142	274,332
General administration	36,261	36,261	28,669	1,819	30,488
Administration	459,349	459,349	436,507	40,370	476,877
Business	130,383	130,403	108,706	2,589	111,295
Operation and maintenance	313,935	313,935	307,786	6,925	314,711
Student transportation	15,084	15,092	16,142	364	16,506
Extracurricular	127,739	128,858	173,646	21,570	195,216
Other current charges	-	-	12,350	-	12,350
Total expenditures	4,800,000	4,800,000	4,799,636	607,825	5,407,461
Net change in fund balances	\$ -	\$ -	(176,659)	-	(176,659)
Fund balances - beginning			1,567,330	-	1,567,330
Fund balances - ending			\$ 1,390,671	\$ -	\$ 1,390,671

BILLINGS PUBLIC SCHOOLS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL NONMAJOR SPECIAL REVENUE FUND ELEMENTARY ADULT EDUCATION FUND For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 376,338	\$ 376,338	\$ 366,751	\$ -	\$ 366,751
Interest	7,919	7,919	4,950	-	4,950
Miscellaneous	12,165	12,165	16,097	-	16,097
Total revenues	<u>396,422</u>	<u>396,422</u>	<u>387,798</u>	<u>-</u>	<u>387,798</u>
EXPENDITURES					
Current:					
Instructional	343,406	347,589	267,094	2,212	269,306
Support services:					
Students	17,249	17,257	21,751	-	21,751
Instructional staff	3,100	3,100	450	-	450
Administration	51,096	51,119	45,483	-	45,483
Operation and maintenance	10,000	10,000	-	-	-
Total expenditures	<u>424,851</u>	<u>429,065</u>	<u>334,778</u>	<u>2,212</u>	<u>336,990</u>
Excess (deficiency) of revenues over expenditures	<u>(28,429)</u>	<u>(32,643)</u>	<u>53,020</u>	<u>(2,212)</u>	<u>50,808</u>
OTHER FINANCING USES					
Transfers out	<u>(95,149)</u>	<u>(90,935)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing uses	<u>(95,149)</u>	<u>(90,935)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (123,578)</u>	<u>\$ (123,578)</u>	<u>53,020</u>	<u>(2,212)</u>	<u>50,808</u>
Fund balances - beginning			<u>305,578</u>	<u>2,234</u>	<u>307,812</u>
Fund balances - ending			<u>\$ 358,598</u>	<u>\$ 22</u>	<u>\$ 358,620</u>

BILLINGS PUBLIC SCHOOLS

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

NONMAJOR SPECIAL REVENUE FUND

HIGH SCHOOL ADULT EDUCATION FUND

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 1,094,985	\$ 1,094,985	\$ 1,066,552	\$ -	\$ 1,066,552
Charges for services	250,000	250,000	360,323	-	360,323
Interest	15,000	15,000	10,176	-	10,176
Total revenues	<u>1,359,985</u>	<u>1,359,985</u>	<u>1,437,051</u>	<u>-</u>	<u>1,437,051</u>
EXPENDITURES					
Current:					
Instructional	754,702	756,560	982,103	6,569	988,672
Support services:					
Students	200,564	200,564	70,025	-	70,025
Instructional staff	4,541	4,921	7,607	-	7,607
Administration	472,312	473,246	451,961	-	451,961
Operation and maintenance	41,747	50,611	9,213	1,923	11,136
Capital Outlay	126,134	114,098	-	50,888	50,888
Total expenditures	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,520,909</u>	<u>59,380</u>	<u>1,580,289</u>
Net change in fund balances	<u>\$ (240,015)</u>	<u>\$ (240,015)</u>	(83,858)	(59,380)	(143,238)
Fund balances - beginning			800,015	63,338	863,353
Fund balances - ending			<u>\$ 716,157</u>	<u>\$ 3,958</u>	<u>\$ 720,115</u>

BILLINGS PUBLIC SCHOOLS

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

NONMAJOR SPECIAL REVENUE FUND

ELEMENTARY TECHNOLOGY FUND

For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts, Budgetary Basis</u>	<u>Budget to GAAP Differences</u>	<u>Actual Amounts, GAAP Basis</u>
REVENUES					
Intergovernmental:					
State other	\$ 62,723	\$ 62,723	\$ 62,723	\$ -	\$ 62,723
Interest	-	-	917	-	917
Total revenues	<u>62,723</u>	<u>62,723</u>	<u>63,640</u>	<u>-</u>	<u>63,640</u>
EXPENDITURES					
Current:					
Instructional	<u>83,905</u>	<u>83,905</u>	<u>30,944</u>	<u>11,741</u>	<u>42,685</u>
Total expenditures	<u>83,905</u>	<u>83,905</u>	<u>30,944</u>	<u>11,741</u>	<u>42,685</u>
Net change in fund balances	<u>\$ (21,182)</u>	<u>\$ (21,182)</u>	32,696	(11,741)	20,955
Fund balances - beginning			<u>21,182</u>	<u>11,741</u>	<u>32,923</u>
Fund balances - ending			<u>\$ 53,878</u>	<u>\$ -</u>	<u>\$ 53,878</u>

BILLINGS PUBLIC SCHOOLS**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL****NONMAJOR SPECIAL REVENUE FUND****HIGH SCHOOL TECHNOLOGY FUND**

For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts, Budgetary Basis</u>	<u>Budget to GAAP Differences</u>	<u>Actual Amounts, GAAP Basis</u>
REVENUES					
Intergovernmental:					
State other	\$ 37,846	\$ 37,846	\$ 37,846	\$ -	\$ 37,846
Interest	-	-	970	-	970
Total revenues	<u>37,846</u>	<u>37,846</u>	<u>38,816</u>	<u>-</u>	<u>38,816</u>
EXPENDITURES					
Current:					
Instructional	57,619	57,619	6,468	-	6,468
Support services:					
Capital Outlay	<u>13,000</u>	<u>13,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>70,619</u>	<u>70,619</u>	<u>6,468</u>	<u>-</u>	<u>6,468</u>
Net change in fund balances	<u>\$ (32,773)</u>	<u>\$ (32,773)</u>	32,348	-	32,348
Fund balances - beginning			<u>32,773</u>	<u>-</u>	<u>32,773</u>
Fund balances - ending			<u>\$ 65,121</u>	<u>\$ -</u>	<u>\$ 65,121</u>

BILLINGS PUBLIC SCHOOLS**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL****NONMAJOR SPECIAL REVENUE FUND****ELEMENTARY FLEXIBILITY FUND**

For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts, Budgetary Basis</u>	<u>Budget to GAAP Differences</u>	<u>Actual Amounts, GAAP Basis</u>
REVENUES					
Intergovernmental:					
State other	\$ 168,919	\$ 168,919	\$ 168,919	\$ -	\$ 168,919
Interest	-	-	6,111	-	6,111
Total revenues	<u>168,919</u>	<u>168,919</u>	<u>175,030</u>	<u>-</u>	<u>175,030</u>
EXPENDITURES					
Current:					
Instructional	507,653	507,623	324,481	-	324,481
Support services:					
Instructional staff	126,468	126,498	111,340	-	111,340
Capital Outlay	-	-	13,750	-	13,750
Total expenditures	<u>634,121</u>	<u>634,121</u>	<u>449,571</u>	<u>-</u>	<u>449,571</u>
Net change in fund balances	<u>\$ (465,202)</u>	<u>\$ (465,202)</u>	(274,541)	-	(274,541)
Fund balances - beginning			<u>465,203</u>	<u>-</u>	<u>465,203</u>
Fund balances - ending			<u>\$ 190,662</u>	<u>\$ -</u>	<u>\$ 190,662</u>

BILLINGS PUBLIC SCHOOLS

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

NONMAJOR SPECIAL REVENUE FUND

HIGH SCHOOL FLEXIBILITY FUND

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Intergovernmental:					
State other	\$ 168,712	\$ 168,712	\$ 168,712	\$ -	\$ 168,712
Interest	-	-	5,366	-	5,366
Total revenues	<u>168,712</u>	<u>168,712</u>	<u>174,078</u>	<u>-</u>	<u>174,078</u>
EXPENDITURES					
Current:					
Instructional	462,930	462,930	355,599	-	355,599
Support services:					
Students	2,800	2,800	4,608	-	4,608
Instructional staff	49,394	49,394	48,746	-	48,746
Total expenditures	<u>515,124</u>	<u>515,124</u>	<u>408,953</u>	<u>-</u>	<u>408,953</u>
Net change in fund balances	<u>\$ (346,412)</u>	<u>\$ (346,412)</u>	(234,875)	-	(234,875)
Fund balances - beginning			<u>346,413</u>	<u>-</u>	<u>346,413</u>
Fund balances - ending			<u>\$ 111,538</u>	<u>\$ -</u>	<u>\$ 111,538</u>

Nonmajor Debt Service Funds

Budgeted:

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

BILLINGS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
June 30, 2010

	Elementary Debt Service	High School Debt Service	Total
ASSETS			
Cash and cash equivalents	\$ 98,616	\$ 12,658	\$ 111,274
Receivables:			
Taxes, net	21,177	-	21,177
Total assets	<u>\$ 119,793</u>	<u>\$ 12,658</u>	<u>\$ 132,451</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 12,658	\$ 12,658
Deferred revenue	21,173	-	21,173
Total liabilities	<u>21,173</u>	<u>12,658</u>	<u>33,831</u>
Fund balances:			
Reserved for:			
Debt service	98,620	-	98,620
Total fund balances	<u>98,620</u>	<u>-</u>	<u>98,620</u>
Total liabilities and fund balances	<u>\$ 119,793</u>	<u>\$ 12,658</u>	<u>\$ 132,451</u>

BILLINGS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
For the Year Ended June 30, 2010

	Elementary Debt Service	High School Debt Service	Total
REVENUES			
Property taxes	\$ 1,374	\$ -	\$ 1,374
Interest	1,713	-	1,713
Total revenues	3,087	-	3,087
EXPENDITURES			
Debt service:			
Interest and other charges	26,156	-	26,156
Total expenditures	26,156	-	26,156
Net change in fund balances	(23,069)	-	(23,069)
Fund balances - beginning	121,689	-	121,689
Fund balances - ending	\$ 98,620	\$ -	\$ 98,620

BILLINGS PUBLIC SCHOOLS**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL****NONMAJOR DEBT SERVICE FUND****ELEMENTARY DEBT SERVICE FUND**

For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts, Budgetary Basis</u>	<u>Budget to GAAP Differences</u>	<u>Actual Amounts, GAAP Basis</u>
REVENUES					
Property taxes	\$ -	\$ -	\$ 1,374	\$ -	\$ 1,374
Interest	-	-	1,713	-	1,713
Total revenues	-	-	3,087	-	3,087
EXPENDITURES					
Debt Service:					
Interest and other charges	121,688	121,688	26,156	-	26,156
Total expenditures	121,688	121,688	26,156	-	26,156
Net change in fund balances	<u>\$ (121,688)</u>	<u>\$ (121,688)</u>	(23,069)	-	(23,069)
Fund balances - beginning			121,689	-	121,689
Fund balances - ending			<u>\$ 98,620</u>	<u>\$ -</u>	<u>\$ 98,620</u>

Nonmajor Capital Projects Funds

Budgeted:

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

Nonbudgeted:

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

BILLINGS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
June 30, 2010

	High School Building	Elementary Building Reserve	High School Building Reserve	Total
ASSETS				
Cash and cash equivalents	\$ 324,085	\$ 306,887	\$ 400,845	\$ 1,031,817
Receivables:				
Taxes, net	-	1,275	535	1,810
Due from other funds	136,000	-	-	136,000
Total assets	\$460,085	\$ 308,162	\$ 401,380	\$ 1,169,627
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 420	\$ -	\$ -	\$ 420
Deferred revenue	-	1,275	535	1,810
Total liabilities	420	1,275	535	2,230
Fund balances:				
Unreserved	459,665	306,887	400,845	1,167,397
Total fund balances	459,665	306,887	400,845	1,167,397
Total liabilities and fund balances	\$460,085	\$ 308,162	\$ 401,380	\$ 1,169,627

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

For the Year Ended June 30, 2010

	High School Building	Elementary Building Reserve	High School Building Reserve	Total
REVENUES				
Property taxes	\$ -	\$ 389	\$ 131	\$ 520
Charges for services	25,929	-	-	25,929
Interest	9,060	4,929	6,542	20,531
Miscellaneous	855	-	-	855
Total revenues	<u>35,844</u>	<u>5,318</u>	<u>6,673</u>	<u>47,835</u>
EXPENDITURES				
Current:				
Support services:				
Students	335	-	-	335
Operation and maintenance	4,752	-	398	5,150
Capital outlay	<u>43,420</u>	<u>8,778</u>	<u>4,324</u>	<u>56,522</u>
Total expenditures	<u>48,507</u>	<u>8,778</u>	<u>4,722</u>	<u>62,007</u>
Net change in fund balances	(12,663)	(3,460)	1,951	(14,172)
Fund balances - beginning	<u>472,328</u>	<u>310,347</u>	<u>398,894</u>	<u>1,181,569</u>
Fund balances - ending	<u>\$ 459,665</u>	<u>\$ 306,887</u>	<u>\$ 400,845</u>	<u>\$ 1,167,397</u>

BILLINGS PUBLIC SCHOOLS**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL****NONMAJOR CAPITAL PROJECTS FUND****ELEMENTARY BUILDING RESERVE FUND**

For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts, Budgetary Basis</u>	<u>Budget to GAAP Differences</u>	<u>Actual Amounts, GAAP Basis</u>
REVENUES					
Property taxes	\$ -	\$ -	\$ 389	\$ -	\$ 389
Interest	-	-	4,929	-	4,929
Total revenues	-	-	5,318	-	5,318
EXPENDITURES					
Capital Outlay	310,347	310,347	8,778	-	8,778
Total expenditures	310,347	310,347	8,778	-	8,778
Net change in fund balances	<u>\$ (310,347)</u>	<u>\$ (310,347)</u>	(3,460)	-	(3,460)
Fund balances - beginning			310,347	-	310,347
Fund balances - ending			<u>\$ 306,887</u>	<u>\$ -</u>	<u>\$ 306,887</u>

BILLINGS PUBLIC SCHOOLS

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

NONMAJOR CAPITAL PROJECTS FUND

HIGH SCHOOL BUILDING RESERVE FUND

For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts, Budgetary Basis</u>	<u>Budget to GAAP Differences</u>	<u>Actual Amounts, GAAP Basis</u>
REVENUES					
Property taxes	\$ -	\$ -	\$ 131	\$ -	\$ 131
Interest	-	-	6,542	-	6,542
Total revenues	-	-	6,673	-	6,673
EXPENDITURES					
Current:					
Operation and maintenance	-	-	398	-	398
Capital Outlay	398,894	398,894	4,324	-	4,324
Total expenditures	398,894	398,894	4,722	-	4,722
Net change in fund balances	<u>\$ (398,894)</u>	<u>\$ (398,894)</u>	1,951	-	1,951
Fund balances - beginning			398,894	-	398,894
Fund balances - ending			<u>\$ 400,845</u>	<u>\$ -</u>	<u>\$ 400,845</u>

PROPRIETARY FUNDS

Internal Service Funds:

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

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

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

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

BILLINGS PUBLIC SCHOOLS

COMBINING STATEMENT OF NET ASSETS-ALL INTERNAL SERVICE FUNDS

June 30, 2010

	Warehouse	Self- Insurance Health	Self- Insurance Property	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 28,621	\$ 3,001,260	\$ 78,543	\$ 3,108,424
Accounts receivables, net	3,032	538,806	-	541,838
Inventories	117,569	-	-	117,569
Prepaid items	-	103,963	-	103,963
Total current assets	149,222	3,644,029	78,543	3,871,794
Non-current assets:				
Capital Assets:				
Land and improvements	122,700	-	-	122,700
Buildings	1,691,183	-	-	1,691,183
Equipment and Furniture	626,706	-	-	626,706
Less accumulated depreciation	(1,055,474)	-	-	(1,055,474)
Total non-current assets	1,385,115	-	-	1,385,115
Total assets	1,534,337	3,644,029	78,543	5,256,909
LIABILITIES				
Current Liabilities:				
Accounts payable	31,378	1,300,026	-	1,331,404
Due to other funds	136,000	-	-	136,000
Unearned revenue	-	57,088	-	57,088
Compensated absences	6,853	2,298	-	9,151
Total current liabilities	174,231	1,359,412	-	1,533,643
Non-current liabilities:				
Compensated absences	61,674	20,679	-	82,353
Other postemployment benefits	-	7,721,000	-	7,721,000
Total non-current liabilities	61,674	7,741,679	-	7,803,353
Total liabilities	235,905	9,101,091	-	9,336,996
NET ASSETS				
Invested in capital assets	1,385,115	-	-	1,385,115
Unrestricted	(86,683)	(5,457,062)	78,543	(5,465,202)
Total net assets	\$ 1,298,432	\$ (5,457,062)	\$ 78,543	\$ (4,080,087)

BILLINGS PUBLIC SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS-

ALL INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2010

	Warehouse	Self-Insurance Health	Self-Insurance Property	Total
OPERATING REVENUES				
Charges for services	\$ 1,738,506	\$ 14,855,834	\$ -	\$ 16,594,340
Total operating revenues	1,738,506	14,855,834	-	16,594,340
OPERATING EXPENSES				
Personal services - salaries	301,741	79,596	-	381,337
Personal services - benefits	69,355	6,925	-	76,280
Purchased professional and technical services	724	-	4,604	5,328
Purchased property services	60,499	701	52,808	114,008
Other purchased services	7,471	807,384	-	814,855
Supplies and materials	1,399,232	1,363	60	1,400,655
Insurance claims and expenses	-	13,006,776	-	13,006,776
Other postemployment benefits	-	2,293,000	-	2,293,000
Miscellaneous	236	-	-	236
Depreciation	39,866	-	-	39,866
Total operating expenses	1,879,124	16,195,745	57,472	18,132,341
Operating loss	(140,618)	(1,339,911)	(57,472)	(1,538,001)
NONOPERATING REVENUES				
Interest revenue	1,537	49,545	2,154	53,236
Total non-operating revenues	1,537	49,545	2,154	53,236
Change in net assets	(139,081)	(1,290,366)	(55,318)	(1,484,765)
Net assets - beginning	1,437,513	(4,166,696)	133,861	(2,595,322)
Net assets - ending	\$ 1,298,432	\$ (5,457,062)	\$ 78,543	\$ (4,080,087)

BILLINGS PUBLIC SCHOOLS

COMBINING STATEMENT OF CASH FLOWS-ALL INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2010

	Warehouse	Self-Insurance Health	Self-Insurance Property	Total
CASH FLOWS FROM OPERATIONS:				
Cash received from health insurance premiums	\$ -	\$ 15,006,352	\$ -	\$ 15,006,352
Cash received from interfund services	1,738,081	-	-	1,738,081
Medical claims paid	-	(13,947,113)	-	(13,947,113)
Cash paid to employees health insurance services	(366,802)	-	-	(366,802)
Cash paid to employees interfund services	-	(84,474)	-	(84,474)
Cash paid to suppliers for goods and services health insurance services	-	(813,485)	-	(813,485)
Cash paid to suppliers for goods and services interfund services	(1,483,323)	-	(58,424)	(1,541,747)
Net cash provided (used) by operating activities	(112,044)	161,280	(58,424)	(9,188)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received-interfund payable	136,000	-	-	136,000
Net cash provided by noncapital financing activities	136,000	-	-	136,000
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Purchase of capital assets	(20,192)	-	-	(20,192)
Net cash used by capital financing activities	(20,192)	-	-	(20,192)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	1,537	49,545	2,154	53,236
Net cash provided by investing activities	1,537	49,545	2,154	53,236
Change in cash and cash equivalents	5,301	210,825	(56,270)	159,856
Cash and cash equivalents - beginning	23,320	2,790,435	134,813	2,948,568
Cash and cash equivalents - ending	\$ 28,621	\$ 3,001,260	\$ 78,543	\$ 3,108,424
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating loss	\$ (140,618)	\$ (1,339,911)	\$ (57,472)	\$ (1,538,001)
Adjustment to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation	39,866	-	-	39,866
Other postemployment benefits	-	2,293,000	-	2,293,000
(Increase) decrease in accounts receivable	(425)	146,507	-	146,082
Increase in inventory	(18,480)	-	-	(18,480)
Increase in prepaid items	-	(4,037)	-	(4,037)
Increase (decrease) in accounts payable	3,319	(940,337)	(952)	(937,970)
Increase in deferred revenue	-	4,011	-	4,011
Increase in compensated absences	4,294	2,047	-	6,341
Net cash provided (used) by operating activities	\$ (112,044)	\$ 161,280	\$ (58,424)	\$ (9,188)

Fiduciary Funds

Private-Purpose Trust Funds:

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

Agency Funds:

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

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

BILLINGS PUBLIC SCHOOLS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
ALL PRIVATE-PURPOSE TRUST FUNDS
June 30, 2010

	Elementary Extracurricular	High School Extracurricular	Total
ASSETS			
Cash and cash equivalents	\$ 493,928	\$ 1,679,889	\$ 2,173,817
Total assets	<u>493,928</u>	<u>1,679,889</u>	<u>2,173,817</u>
LIABILITIES			
Accounts payable	<u>21,093</u>	<u>88,337</u>	<u>109,430</u>
Total liabilities	<u>21,093</u>	<u>88,337</u>	<u>109,430</u>
NET ASSETS			
Held in trust	<u>\$ 472,835</u>	<u>\$ 1,591,552</u>	<u>\$ 2,064,387</u>

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

For the Year Ended June 30, 2010

	Elementary Extracurricular	High School Extracurricular	Total
ADDITIONS			
Contributions:			
Student extracurricular activities	\$ 492,283	\$ 2,474,580	\$ 2,966,863
Investment earnings:			
Interest	7,424	25,916	33,340
Other Additions:			
Transfers in	-	6,637	6,637
Total additions	<u>499,707</u>	<u>2,507,133</u>	<u>3,006,840</u>
DEDUCTIONS			
Student extracurricular activities	<u>432,934</u>	<u>2,297,812</u>	<u>2,730,746</u>
Total deductions	<u>432,934</u>	<u>2,297,812</u>	<u>2,730,746</u>
Change in net assets	<u>66,773</u>	<u>209,321</u>	<u>276,094</u>
Net assets - beginning	<u>406,062</u>	<u>1,382,231</u>	<u>1,788,293</u>
Net assets - ending	<u>\$ 472,835</u>	<u>\$ 1,591,552</u>	<u>\$ 2,064,387</u>

BILLINGS PUBLIC SCHOOLS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended June 30, 2010

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
PAYROLL CLEARING FUND				
ASSETS				
Cash	\$ 3,327,787	\$ 103,776,095	\$102,602,705	\$ 4,501,177
Total assets	<u>3,327,787</u>	<u>103,776,095</u>	<u>102,602,705</u>	<u>4,501,177</u>
LIABILITIES				
Accounts payable	<u>3,327,787</u>	<u>102,602,705</u>	<u>103,776,095</u>	<u>4,501,177</u>
Total liabilities	<u>3,327,787</u>	<u>102,602,705</u>	<u>103,776,095</u>	<u>4,501,177</u>
CAFETERIA/FLEX PLAN FUND				
ASSETS				
Cash	<u>206,895</u>	<u>1,339,299</u>	<u>1,338,410</u>	<u>207,784</u>
Total assets	<u>206,895</u>	<u>1,339,299</u>	<u>1,338,410</u>	<u>207,784</u>
LIABILITIES				
Accounts payable	<u>206,895</u>	<u>1,338,410</u>	<u>1,339,299</u>	<u>207,784</u>
Total liabilities	<u>206,895</u>	<u>1,338,410</u>	<u>1,339,299</u>	<u>207,784</u>
TOTAL AGENCY FUNDS				
ASSETS				
Cash	<u>3,534,682</u>	<u>105,115,394</u>	<u>103,941,115</u>	<u>4,708,961</u>
Total assets	<u>3,534,682</u>	<u>105,115,394</u>	<u>103,941,115</u>	<u>4,708,961</u>
LIABILITIES				
Accounts payable	<u>3,534,682</u>	<u>103,941,115</u>	<u>105,115,394</u>	<u>4,708,961</u>
Total liabilities	<u>\$ 3,534,682</u>	<u>\$ 103,941,115</u>	<u>\$105,115,394</u>	<u>\$ 4,708,961</u>

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

BILLINGS PUBLIC SCHOOLS

SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS - EXTRACURRICULAR

For the Year Ended June 30, 2010

Location	Balance July 1, 2009	Revenues	Expenditures	Transfers In (Out)	Balance June 30, 2010
Elementary and Middle School Curriculum	\$ 5,530	\$ 3,248	\$ 7,776	\$ -	\$ 1,002
High School Curriculum	13,570	11,347	4,234	-	20,683
Career Center	104,177	99,488	90,313	-	113,352
Senior High School	384,873	653,924	580,750	-	458,047
West High School	334,110	806,786	784,676	6,637	362,857
Skyview High School	245,010	665,157	611,279	-	298,888
Middle Schools-Athletics	229,799	131,553	53,315	-	308,037
Lewis & Clark Middle School	14,848	36,992	39,262	-	12,578
Lincoln Education Center - Vending & Misc	1,707	27	-	-	1,734
Riverside Middle School	36,434	74,420	73,978	-	36,876
Will James Middle School	42,247	70,224	76,277	-	36,194
Castlerock Middle School	35,457	74,343	75,680	-	34,120
Arrowhead Elementary	6,350	12,356	15,187	-	3,519
Beartooth Elementary	627	2,394	1,472	-	1,549
Bench Elementary	917	3,748	4,365	-	300
Bitterroot Elementary	1,575	434	896	-	1,113
Boulder Elementary	-	6,719	3,247	-	3,472
Broadwater Elementary	787	1,353	1,200	-	940
Burlington Elementary	4,918	7,228	9,028	-	3,118
Central Heights Elementary	950	4,868	2,575	-	3,243
McKinley Elementary	2,012	8,026	8,062	-	1,976
Meadowlark Elementary	1,441	4,428	4,760	-	1,109
Miles Elementary	2,108	13,375	9,111	-	6,372
Newman Elementary	647	709	349	-	1,007
Poly Elementary	-	8,669	8,367	-	302
Ponderosa Elementary	5,179	7,587	8,377	-	4,389
Special Olympics	493	2,899	2,795	-	597
Rose Park Elementary	129	874	499	-	504
Sandstone Elementary	3,368	5,255	4,992	-	3,631
Adult Education	682	9	660	-	31
Washington Elementary	-	366	152	-	214
Big Sky Elementary	5,315	7,023	7,876	-	4,462
Eagle Cliffs Elementary	214	3	144	-	73
Exec Director of Activities	284,239	221,076	184,677	-	320,638
Coordinator of Music	18,580	53,295	54,415	-	17,460
	<u>\$ 1,788,293</u>	<u>\$3,000,203</u>	<u>\$2,730,746</u>	<u>\$ 6,637</u>	<u>\$ 2,064,387</u>

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

BILLINGS PUBLIC SCHOOLS
ENROLLMENT SCHEDULE
For the Year Ended June 30, 2010

	Per Enrollment Reports	Audit Per District Records	Difference
Fall Enrollment - October, 2009			
Elementary School District			
Pre K - 6:			
(a) Pre-Kindergarten	114	114	-
(b) Kindergarten (enrolled 720+ hours per year)	1,223	1,223	-
(c) Kindergarten (enrolled 181-719 hours per year)	1	1	-
(d) Kindergarten (enrolled < 181 hours per year)	-	-	-
(e) Grades 1-6 (enrolled 720+ hours per year)	6,804	6,804	-
(f) Grades 1-6 (enrolled 181-719 hours per year)	1	1	-
(g) Grades 1-6 (enrolled < 181 hours per year)	-	-	-
7-8:			
(h) Grades 7-8 (enrolled 720+ hours per year)	2,348	2,348	-
(i) Grades 7-8 (enrolled 181-719 hours per year)	5	5	-
(j) Grades 7-8 (enrolled < 181 hours per year)	-	-	-
(k) Total Elementary (add lines a through j)	<u>10,496</u>	<u>10,496</u>	<u>-</u>
High School District:			
(l) Grades 9-12 (enrolled 720+ hours per year)	5,151	5,151	-
(m) Grades 9-12 (enrolled 181-719 hours per year)	27	27	-
(n) Grades 9 - 12 (enrolled < 181 hours per year)	2	2	-
(o) Total High School (add lines l through n)	<u>5,180</u>	<u>5,180</u>	<u>-</u>
(p) 19 Year-olds included on line l	<u>22</u>	<u>22</u>	<u>-</u>
Spring Enrollment - February 2010			
Elementary School District			
Pre K - 6:			
(q) Pre-Kindergarten	173	173	-
(r) Kindergarten (enrolled 720+ hours per year)	1,216	1,216	-
(s) Kindergarten (enrolled 181-719 hours per year)	2	2	-
(t) Grades 1-6 (enrolled 720+ hours per year)	6,816	6,816	-
(u) Grades 1-6 (enrolled 181-719 hours per year)	1	1	-
(v) Grades 1-6 (enrolled < 181 hours per year)	1	1	-
7-8:			
(w) Grades 7-8 (enrolled 720+ hours per year)	2,336	2,336	-
(x) Grades 7-8 (enrolled 181-719 hours per year)	5	5	-
(y) Grades 7-8 (enrolled < 181 hours per year)	-	-	-
(z) Total Elementary (add lines q through y)	<u>10,550</u>	<u>10,550</u>	<u>-</u>
High School District:			
(aa) Grades 9-12 (enrolled 720+ hours per year)	5,029	5,029	-
(bb) Grades 9-12 (enrolled 181-719 hours per year)	27	27	-
(cc) Grades 9 - 12 (enrolled < 181 hours per year)	2	2	-
(dd) Total High School (add lines z through bb)	<u>5,058</u>	<u>5,058</u>	<u>-</u>
(ee) 19 Year-olds included on line aa	<u>21</u>	<u>21</u>	<u>-</u>
(ff) Early Graduates	<u>12</u>	<u>12</u>	<u>-</u>

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

Table 1

	Fiscal Year				
	2006	2007	2008	2009	2010
Invested in capital assets, net of related debt	\$ 56,020,328	\$ 58,767,183	\$ 61,191,582	\$ 60,569,790	\$ 60,775,788
Restricted for:					
Debt service	1,287,030	1,350,978	140,053	145,341	119,793
Other purposes	12,399,380	11,915,272	12,393,018	14,466,745	13,012,150
Unrestricted (deficit)	<u>(12,253,119)</u>	<u>(4,326,828)</u>	<u>(6,105,856)</u>	<u>(12,737,076)</u>	<u>(15,821,877)</u>
Total governmental activities net assets	<u>\$ 57,453,619</u>	<u>\$ 67,706,605</u>	<u>\$ 67,618,797</u>	<u>\$ 62,444,800</u>	<u>\$ 58,085,854</u>

1

1 Unrestricted (deficit) net assets for years prior to 2007 included an accrual for service credit and termination pay benefits and was recorded in accordance with GASB Statement 16. Beginning in 2007 the service credit and termination pay benefits were recorded in accordance with GASB Statement 27.

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

Table 2

	Fiscal Year				
	2006	2007	2008	2009	2010
Expenses:					
Instruction	\$ 74,316,304	\$ 78,052,218	\$ 85,812,039	\$ 88,164,245	\$ 91,294,560
Support services:					
Students	8,245,532	9,117,020	9,298,820	9,601,125	10,384,550
Instructional staff	5,992,695	5,878,241	6,555,906	6,945,475	7,115,837
General administration	1,238,774	1,354,664	1,476,711	1,312,581	1,607,281
School administration	8,130,808	8,248,789	9,003,814	9,069,215	9,642,520
Business services	1,769,612	1,842,122	2,019,626	1,880,984	1,948,020
Operation and maintenance	10,270,658	10,713,640	12,421,095	12,140,124	12,232,630
Student transportation	4,310,389	4,375,271	4,658,373	5,136,849	5,037,035
Food services	4,113,009	4,180,626	4,701,734	5,146,099	5,253,191
Community services	15,178	14,953	14,050	19,891	26,363
Extracurricular	1,909,711	1,920,491	2,291,969	2,328,064	2,351,072
Other current charges	-	-	-	11,479	12,350
Interest	221,475	177,913	117,618	29,399	46,167
Total expenses	120,534,145	125,875,948	138,371,755	141,785,530	146,951,576
Program revenues					
Charges for services:					
Instruction	665,848	612,530	626,047	712,110	782,219
Support services:					
Operations and maintenance	82,717	70,401	41,025	41,494	33,606
Student transportation	40,991	44,857	43,180	42,381	42,288
Food services	2,187,687	2,253,548	2,305,026	2,367,209	2,378,896
Operating grants and contributions	21,432,451	27,164,473	28,928,094	26,530,143	33,980,885
Capital grants and contributions	584,375	240,298	628,251	892,912	77,188
Total program revenues	24,994,069	30,386,107	32,571,623	30,586,249	37,295,082
Net expense	(95,540,076)	(95,489,841)	(105,800,132)	(111,199,281)	(109,656,494)
General revenues:					
Property taxes	34,895,621	33,088,889	34,701,063	34,991,351	35,921,360
Intergovernmental:					
State aid	45,208,006	46,174,525	48,956,800	50,341,181	49,764,090
State other	6,298,034	6,173,289	5,714,923	5,724,096	5,678,388
County	10,606,494	11,252,174	11,946,780	13,211,358	12,124,782
Interest	924,471	1,050,145	1,064,579	681,026	411,620
Contributions and donations	538,494	1,146,765	581,134	835,415	937,984
Miscellaneous	177,871	209,184	271,266	235,112	459,324
Gain on disposal of capital assets	-	242,559	2,475,779	-	-
Transfers	-	-	-	5,745	-
Total general revenues	98,648,991	99,337,530	105,712,324	106,025,284	105,297,548
Change in net assets	\$ 3,108,915	\$ 3,847,689	\$ (87,808)	\$ (5,173,997)	\$ (4,358,946)

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

Table 3

	Fiscal Year				
	2006	2007	2008	2009	2010
General fund					
Reserved	\$ 150,314	\$ 401,505	\$ 28,815	\$ 362,860	\$ 293,025
Unreserved	3,356,762	3,520,361	4,856,734	5,327,292	5,058,315
Total general fund	<u>\$ 3,507,076</u>	<u>\$ 3,921,866</u>	<u>\$ 4,885,549</u>	<u>\$ 5,690,152</u>	<u>\$ 5,351,340</u>
All other governmental funds					
Reserved	\$ 1,496,649	\$ 1,299,601	\$ 264,236	\$ 224,169	\$ 102,655
Unreserved, reported in:					
Special revenue funds	8,900,453	11,762,496	10,557,303	16,060,472	15,374,310
Capital projects funds	4,368,356	2,822,725	4,266,136	1,181,569	1,167,397
Total all other governmental funds	<u>\$ 14,765,458</u>	<u>\$ 15,884,822</u>	<u>\$ 15,087,675</u>	<u>\$ 17,466,210</u>	<u>\$ 16,644,362</u>

BILLINGS PUBLIC SCHOOLS

Table 4

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Five Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year				
	2006	2007	2008	2009	2010
Revenues					
Property taxes	\$ 34,811,435	\$ 32,619,080	\$ 35,073,362	\$ 35,782,052	\$ 35,327,094
Intergovernmental:					
County	11,391,515	12,037,153	12,709,341	13,970,410	12,883,209
State aid	45,208,006	46,174,525	48,956,800	50,341,181	49,764,090
State other	13,365,372	19,476,346	21,492,469	19,256,945	21,216,653
Federal	13,243,826	12,740,171	12,387,987	12,177,195	17,684,193
Tuition	221,849	211,263	195,406	148,290	201,019
Charges for services	2,752,809	2,784,051	2,839,302	2,963,437	3,034,287
Interest	865,885	985,219	975,588	577,704	358,384
Miscellaneous	1,612,007	1,915,554	1,451,927	1,708,205	1,397,308
Total revenues	123,472,704	128,943,362	136,082,182	136,925,419	141,866,237
Expenditures					
Instruction	72,234,049	75,118,883	81,669,804	80,508,374	85,968,472
Support services:					
Students	8,028,019	8,585,269	9,057,352	9,101,560	10,028,276
Instructional staff	5,873,420	5,992,282	6,445,953	6,656,922	6,934,825
General administration	1,336,483	1,238,727	1,372,481	1,270,351	1,561,130
School administration	7,745,131	7,969,204	8,984,368	8,554,701	9,274,540
Business services	1,611,884	1,734,354	1,896,926	1,688,771	1,791,715
Operations and maintenance	10,158,538	10,529,579	12,311,325	11,749,344	11,946,381
Student transportation	4,269,620	4,338,968	4,636,606	5,049,102	4,961,862
Food services	4,057,221	4,117,271	4,629,179	5,068,481	5,109,148
Community services	15,178	14,953	14,050	19,891	26,363
Extracurricular	1,890,779	1,846,502	2,213,481	2,225,258	2,340,782
Other current charges	-	-	-	11,479	12,350
Capital outlay	12,284,515	3,440,539	2,924,602	2,535,609	2,797,520
Debt service					
Principal	2,477,521	2,576,269	2,682,454	150,143	229,595
Interest	197,156	153,967	93,796	64,196	42,301
Total expenditures	132,179,514	127,656,767	138,932,377	134,654,182	143,025,260
Excess of revenues					
 over (under) expenditures	(8,706,810)	1,286,595	(2,850,195)	2,271,237	(1,159,023)
Other financing sources (uses)					
Transfers in	-	-	322,502	370,545	181,725
Transfers out	-	-	(322,502)	(349,511)	(188,362)
Insurance	-	-	-	112,617	-
Long-term debt issued	362,000	-	408,564	773,250	-
Sale of capital assets	5,000	247,559	2,608,167	5,000	5,000
Total other financing sources (uses)	367,000	247,559	3,016,731	911,901	(1,637)
Net change in fund balances	\$ (8,339,810)	\$ 1,534,154	\$ 166,536	\$ 3,183,138	\$ (1,160,660)
Debt service as a percentage of					
 non-capital expenditures	2.23%	2.20%	2.04%	0.16%	0.19%

SECTION III - STATISTICAL SECTION

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

Contents	Page
Financial Trends	89-93
<i>These schedules contain trend information to help the reader understand how the district's financial performance and well-being have changed over time.</i>	
Revenue Capacity	94-102
<i>These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.</i>	
Debt Capacity	103-106
<i>These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	107-108
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.</i>	
Operating Information	109-115
<i>The schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.</i>	

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

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

Table 5

Year	Instruction	Support Services					
		Students	Instructional Staff	General Administration	School Administration	Business Services	Operation and Maintenance
2006	\$ 52,136,474	\$ 5,415,414	\$ 4,038,827	\$ 1,249,372	\$ 6,203,024	\$ 1,070,846	\$ 8,801,763
2007	55,197,847	5,740,609	4,636,544	1,132,599	6,386,532	969,121	8,316,670
2008	60,765,662	6,242,820	5,050,350	1,299,542	7,237,252	1,080,768	8,717,531
2009	60,197,185	6,270,596	5,132,096	1,207,359	6,854,511	1,402,720	10,639,761
2010	62,217,372	6,412,634	5,000,683	1,455,004	7,182,901	1,317,101	10,750,560

Year	Support Services					
	Student Transportation	Community Services	Extracurricular	Capital Outlay	Debt Service	Total
2006	\$ 7,392	\$ 6,600	\$ 1,680,764	\$ 157,569	\$ 10,880	\$ 80,778,925
2007	13,657	6,600	1,618,881	69,834	47,516	84,136,410
2008	17,616	6,600	1,936,752	294,915	82,500	92,732,308
2009	47,181	6,600	1,984,423	653,694	150,143	94,546,269
2010	81,841	13,200	2,065,022	463,818	245,740	97,205,876

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

Table 6

<u>Fiscal Year</u>	<u>Assessed Valuation</u>	<u>Mill Levy</u>	<u>Taxes Levied</u>	<u>Tax Collections*</u>	<u>Percent of Tax Collections To Taxes Levied</u>
Elementary District:					
2001	\$ 128,672,973	111.91	\$ 14,399,792	\$ 14,507,842	100.75%
2002	128,868,579	127.86	16,477,137	16,431,385	99.72%
2003	130,715,146	142.74	18,658,280	18,008,740	96.52%
2004	132,441,976	142.98	18,936,554	19,204,919	101.42%
2005	136,732,413	151.35	20,694,451	20,411,068	98.63%
2006	143,178,931	152.52	21,837,651	21,625,072	99.03%
2007	147,991,032	135.32	20,026,146	20,140,046	100.57%
2008	157,587,840	131.28	20,688,132	20,664,888	99.89%
2009	166,020,027	121.87	20,232,861	20,566,137	101.65%
2010	167,860,468	123.45	20,722,375	19,532,418	94.26%
High School District:					
2001	159,258,592	54.01	8,601,557	8,672,406	100.82%
2002	160,982,681	71.03	11,434,600	11,392,222	99.63%
2003	160,993,951	77.62	12,496,350	12,388,988	99.14%
2004	167,565,854	81.35	13,631,482	13,736,169	100.77%
2005	173,527,878	71.53	12,412,449	12,306,074	99.14%
2006	181,865,729	72.47	13,179,809	13,102,976	99.42%
2007	188,925,557	65.51	12,376,513	12,398,385	100.18%
2008	201,862,127	71.68	14,469,477	14,408,474	99.58%
2009	214,427,450	70.31	15,076,394	15,215,915	100.93%
2010	220,537,239	70.42	15,530,232	14,601,758	94.02%

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

BILLINGS PUBLIC SCHOOLS

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

Table 7

<u>Fiscal Year</u>	<u>Assessed Value</u>	<u>*Estimated Actual Value</u>	<u>Percent of Assessed Value to Est. Actual Value</u>
Elementary District:			
2001	\$ 128,672,973	\$ -	N/A
2002	128,868,579	3,694,399,704	3.49%
2003	130,715,146	3,880,213,213	3.37%
2004	132,441,976	4,004,963,619	3.31%
2005	136,732,413	4,476,606,150	3.05%
2006	143,178,931	5,110,110,578	2.80%
2007	147,991,032	5,110,110,578	2.90%
2008	157,587,840	5,498,218,964	2.87%
2009	166,020,027	5,114,046,567	3.25%
2010	167,860,468	5,335,244,057	3.15%
High School District:			
2001	159,258,592	-	N/A
2002	160,982,681	4,632,064,119	3.48%
2003	160,993,951	4,892,349,410	3.29%
2004	167,565,854	5,071,568,445	3.30%
2005	173,527,878	5,648,849,952	3.07%
2006	181,865,729	6,458,283,952	2.82%
2007	188,925,557	6,458,283,952	2.93%
2008	201,862,127	6,986,260,379	2.89%
2009	214,427,450	6,659,116,956	3.22%
2010	220,537,239	7,075,610,744	3.12%

Source: Montana Department of Revenue

*Estimated Actual Value not available for 2001

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

Table 8

Tax Rates (per \$1000 of taxable value)						
Fiscal Year	Billings Elementary District	Billings High School District	City of Billings	Yellowstone County	State of Montana	Total
2001	111.91	54.01	100.34	90.63	46.00	402.89
2002	127.86	71.03	105.34	99.54	46.00	449.77
2003	142.74	77.62	110.23	107.42	46.00	484.01
2004	142.98	81.35	110.23	120.74	46.00	501.30
2005	151.35	71.53	113.73	126.43	46.00	509.04
2006	152.52	72.47	132.81	130.82	46.00	534.62
2007	135.32	65.51	141.58	140.49	46.00	528.90
2008	131.28	71.68	157.53	146.86	46.00	553.35
2009	121.87	70.31	163.65	139.69	46.00	541.52
2010	123.45	70.42	171.28	140.58	46.00	551.73

Tax Levies						
Fiscal Year	Billings Elementary District	Billings High School District	City of Billings	Yellowstone County	State of Montana	Total
2001	\$ 14,399,792	\$ 8,601,557	\$ 10,905,259	\$ 14,772,928	\$ 5,453,536	\$ 54,133,072
2002	16,477,137	11,434,600	11,484,409	15,359,804	5,714,104	60,470,054
2003	18,658,280	12,496,350	12,188,312	17,514,194	6,163,014	67,020,150
2004	18,936,554	13,631,482	12,858,681	20,675,536	6,663,547	72,765,800
2005	20,694,451	12,412,449	13,774,151	21,854,305	7,146,050	75,881,406
2006	21,837,651	13,179,809	16,740,890	23,922,136	7,706,215	83,386,701
2007	20,026,146	12,376,513	18,622,292	27,029,907	8,284,181	86,339,039
2008	20,688,132	14,469,477	23,538,963	36,171,218	8,905,495	103,773,285
2009	20,232,861	15,076,394	25,058,182	36,999,906	12,183,812	109,551,155
2010	20,722,375	15,530,232	27,195,578	39,791,526	13,020,417	116,260,128

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

BILLINGS PUBLIC SCHOOLS

Table 9

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

Taxpayer	2010			2006		
	Assessed Valuation	Rank	Percentage of Total District Assessed Valuation	Assessed Valuation	Rank	Percentage of Total District Assessed Valuation
ConocoPhillips Company	\$ 13,203,599	1	7.54%	\$ 12,130,531	2	8.45%
Northwestern Corp	9,987,165	2	5.70%	15,146,800	1	10.55%
Bresnan Broadband Holdings LLC	5,601,822	3	3.20%	-	-	-
PPL Montana LLC	3,497,297	4	2.00%	-	-	-
Qwest Corporation	3,165,331	5	1.81%	3,498,985	3	2.44%
MDU - Gas	1,486,719	6	0.85%	2,311,985	4	1.61%
Conoco Pipeline Company	908,889	7	0.52%	-	-	-
Verizon	813,226	8	0.46%	-	-	-
Walmart	736,987	9	0.42%	773,741	6	0.54%
Macerich	666,409	10	0.38%	865,404	7	0.60%
Western Sugar Company	607,826		0.35%	800,049	5	0.56%
Rocky Mountain Pipeline LLC	479,585		0.27%			
Montana Rail Link	394,757		0.23%	522,580	9	0.36%
WWC Holdings Co (ALLTEL)	387,666		0.22%			
Yellowstone Pipeline	379,010		0.22%	445,513	10	0.31%
IRET Properties	373,240		0.21%	532,860	8	0.37%
Total	<u>\$ 42,689,518</u>		<u>24.36%</u>	<u>\$ 37,028,448</u>		<u>25.79%</u>

Source: Montana Department of Revenue

BILLINGS PUBLIC SCHOOLS

Table 9a

PRINCIPAL PROPERTY TAX PAYERS IN THE HIGH SCHOOL DISTRICT

Current Year and Five Years Ago

Taxpayer	2010			2006		
	Assessed Valuation	Rank	Percentage of Total District Assessed Valuation	Assessed Valuation	Rank	Percentage of Total District Assessed Valuation
ConocoPhillips Company	\$ 13,205,328	1	5.70%	\$ 12,179,037	2	6.68%
Northwestern Corp	11,742,653	2	5.07%	17,235,860	1	9.46%
Exxon Mobile Corporation	9,068,129	3	3.91%	7,515,535	3	4.12%
Bresnan Broadband	5,601,822	4	2.42%	-	-	-
PPL Montana LLC	3,514,112	5	1.52%	3,517,625	4	1.93%
Qwest Corporation	3,504,497	6	1.51%	2,602,193	5	1.43%
WWC Holding Co (Alltel)	1,886,407	7	0.81%	-	-	-
MDU - Gas	1,486,719	8	0.64%	1,091,012	6	0.60%
Conoco Pipeline Company	1,078,878	9	0.47%	926,552	7	0.51%
Verizon Wireless	991,220	10	0.43%			
Walmart	736,987		0.32%			
Yellowstone Valley Electric	700,212		0.30%	795,659	10	0.44%
Macerich	666,409		0.29%	865,404	8	0.47%
Western Sugar Company	607,826		0.26%	800,049	9	0.44%
Total	<u>\$ 54,791,199</u>		<u>23.64%</u>	<u>\$ 47,528,926</u>		<u>26.08%</u>

Source: Montana Department of Revenue

BILLINGS PUBLIC SCHOOLS
REVENUE BY SOURCE - ALL GOVERNMENTAL FUND TYPES
For the Fiscal Year Ended June 30, 2010
(modified accrual basis of accounting)

Table 10

<u>Source</u>	<u>Actual Revenue</u>	<u>Percent of Total Revenue</u>
Revenue from local and intermediate sources:		
Property taxes	\$ 35,327,094	24.90%
Tuition	201,019	0.14%
Interest	358,384	0.25%
Charges for service	3,034,287	2.14%
County retirement	12,124,782	8.55%
County transportation	758,427	0.53%
Miscellaneous	1,397,308	0.98%
Total revenue from local and intermediate sources	<u>53,201,301</u>	<u>37.49%</u>
Revenue from state sources:		
Direct state aid	35,431,170	24.98%
State quality educator	3,569,088	2.52%
State maintenance	2,264,605	1.60%
State Indian education for all	326,951	0.23%
State American Indian achievement gap	243,400	0.17%
State special ed allowable cost payment	4,908,767	3.46%
State guaranteed tax base aid	14,332,920	10.10%
State transportation	759,105	0.54%
State technology grant	100,569	0.07%
State school block grant	5,488,635	3.87%
State on-behalf payment	1,865,085	1.31%
State other	1,690,448	1.19%
Total revenue from state sources	<u>70,980,743</u>	<u>50.04%</u>
Revenue from federal sources:		
Federal grants	14,775,207	10.41%
Federal food service	2,908,986	2.05%
Total revenue from federal sources	<u>17,684,193</u>	<u>12.46%</u>
Total revenue	<u>\$ 141,866,237</u>	<u>99.99%</u>

Source: District Financial Records

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

Table 11

Year	Property Taxes	State of Montana	Federal	Tuition	Interest	Miscellaneous	Total
2006	\$ 25,635,660	\$ 53,649,285	\$ -	\$ 221,849	\$ 61,706	\$ 16,955	\$ 79,585,455
2007	26,213,125	58,050,178	-	211,263	71,821	4,813	84,551,200
2008	29,915,283	63,450,861	-	195,406	84,912	49,529	93,695,991
2009	30,661,819	64,844,217	-	148,290	75,979	9,263	95,739,568
2010	30,054,248	63,876,342	2,493,094	201,019	64,393	177,968	96,867,064

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

Table 12

Year	District Revenue	State Revenue	Federal Revenue	Total Revenue	October Enrollment	Revenue Per Student			
						District	State	Federal	Total
2006	\$ 25,936,170	\$ 53,649,285	\$ -	\$ 79,585,455	15,704	\$1,652	\$3,416	\$ -	\$ 5,068
2007	26,501,022	58,050,178	-	84,551,200	15,556	1,704	3,732	-	5,436
2008	30,245,130	63,450,861	-	93,695,991	15,503	1,951	4,093	-	6,044
2009	30,895,351	64,844,217	-	95,739,568	15,481	1,996	4,189	-	6,185
2010	30,497,628	63,876,342	2,493,094	96,867,064	15,676	1,945	4,075	159	6,179

Source: District Records

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

Table 13

Fiscal Year	Property Value 1	Bank Deposits (in thousands) 2	Construction 3			
			Commercial		Residential 4	
			Number of Permits	Value	Number of Permits	Value
2006	\$ 6,458,283,952	\$ 1,930,591	113	\$ 47,749,028	503	\$ 93,464,921
2007	6,986,260,379	2,222,151	88	87,937,071	5, 6	89,502,065
2008	6,659,116,956	2,451,699	69	107,949,910	7	71,378,452
2009	7,075,610,744	3,144,622	71	63,332,381	227	38,331,029
2010	8,623,253,538	3,605,242	67	61,242,125	278	51,019,706

Sources and other information:

1 State of Montana Department of Revenue.

2 FDIC

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

4 Single family only.

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

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

7 2008 included \$27 million in permits from one of the medial centers located in Billings. Other large projects included a senior living center, a motel, office buildings, retail stores, a bank processing center and additions to a church.

BILLINGS PUBLIC SCHOOLS

Table 14

Ratio of General Obligation Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	Population	Assessed Value	Net General Obligation Bonded Debt	Percentage of Net G.O. Bonded Debt to Assessed Value	Net G.O. Bonded Debt per Capita
Elementary District					
2001	89,847	\$ 128,672,973	\$ -	0.00%	\$ -
2002	91,195	128,868,579	-	0.00%	-
2003	93,388	130,715,146	-	0.00%	-
2004	97,253	132,441,976	10,000,000	7.55%	102.82
2005	99,198	136,732,413	7,620,000	5.57%	76.82
2006	100,148	143,178,931	5,155,000	3.60%	51.47
2007	101,650	147,991,032	2,615,000	1.77%	25.73
2008	102,000	157,587,840	-	0.00%	-
2009	102,500	166,020,027	-	0.00%	-
2010	105,500	167,860,468	-	0.00%	-
High School District					
2001	105,050	\$ 159,258,592	\$ 7,175,000	4.51%	\$ 68.30
2002	106,150	160,982,681	5,435,000	3.38%	51.20
2003	107,250	160,993,951	3,505,000	2.18%	32.68
2004	108,350	167,565,854	1,510,000	0.90%	13.94
2005	109,450	173,527,878	-	0.00%	-
2006	110,550	181,865,729	-	0.00%	-
2007	111,650	188,925,557	-	0.00%	-
2008	113,000	201,862,127	-	0.00%	-
2009	121,700	214,427,450	-	0.00%	-
2010	125,000	220,537,239	-	0.00%	-

Source and other information:

- 1 Census taken every ten years. Actual census figures given for 2001.
- 2 All other years are estimated by City/County Planning department , Yellowstone County, Montana
- 3 Department Revenue/State of Montana/Yellowstone County , Montana, Assessors office
(these amounts do not include the incremental increases to the tax increment district).

BILLINGS PUBLIC SCHOOLS
COMPUTATION OF LEGAL DEBT MARGIN
For the Year Ended June 30, 2010

Table 15

	Fiscal Year				
	2006	2007	2008	2009	2010
Elementary District:					
Maximum debt limit	\$ 110,532,753	\$ 114,004,638	\$ 140,269,440	\$ 144,564,325	\$ 159,167,625
Total net debt applicable to limit	5,405,616	2,834,141	447,685	357,139	259,758
Legal debt margin	<u>\$ 105,127,137</u>	<u>\$ 111,170,497</u>	<u>\$ 139,821,755</u>	<u>\$ 144,207,186</u>	<u>\$ 158,907,867</u>
Total net debt applicable to limit as a percentage of debt limit	4.89%	2.49%	0.32%	0.25%	0.16%
High School District:					
Maximum debt limit	\$ 127,979,393	\$ 131,491,917	\$ 153,391,170	\$ 163,003,680	\$ 178,979,580
Total net debt applicable to limit	117,507	107,935	220,501	175,904	127,940
Legal debt margin	<u>\$ 127,861,886</u>	<u>\$ 131,383,982</u>	<u>\$ 153,170,669</u>	<u>\$ 162,827,776</u>	<u>\$ 178,851,640</u>
Total net debt applicable to limit as a percentage of debt limit	0.09%	0.08%	0.14%	0.11%	0.07%
DEBT LIMITATION CALCULATION	Elementary	High School			
2009/10 Statewide Average Per ANB	\$ 30,390	\$ 64,520			
X FY10 ANB	<u>10,475</u>	<u>5,552</u>			
Total	<u>318,335,250</u>	<u>358,215,040</u>			
X Debt Limit Rate of .50	0.50	0.50			
Equals: Maximum Debt Capacity	<u>159,167,625</u>	<u>179,107,520</u>			
Less: Bonds Outstanding	-	-			
General Obligation Debt	<u>259,758</u>	<u>127,940</u>			
Estimated Debt Capacity Remaining	<u>\$ 158,907,867</u>	<u>\$ 178,979,580</u>			

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

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

BILLINGS PUBLIC SCHOOLS

Table 16

COMPUTATION OF DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT For the Year Ended June 30, 2010

Governmental Unit	Debt	Applicable to Elementary District		Applicable to Portion of High School District Lying Outside Elementary District	
		Percent	Amount	Percent	Amount
Billings Elementary District:	\$ -	0.00%	\$ -	0.00%	\$ -
Billings High School District:	-	0.00%	-	0.00%	-
Totals	<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>
OVERLAPPING BONDED INDEBTEDNESS					
Yellowstone County:					
Various Issues	\$ 5,450,000	60.60%	\$ 3,302,700	39.40%	\$ 2,147,300
City of Billings:					
Various Issues	<u>23,311,000</u>	84.70%	<u>19,744,417</u>	15.30%	<u>3,566,583</u>
Totals	<u>\$ 28,761,000</u>		<u>\$ 23,047,117</u>		<u>\$ 5,713,883</u>

Source and other information:

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

Finance Department, Yellowstone County, Montana.

City of Billings, Montana

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

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

BILLINGS PUBLIC SCHOOLS

Table 17

RATIO OF ANNUAL DEBT SERVICE FOR GENERAL OBLIGATION
BONDED DEBT TO TOTAL GENERAL SUBFUND EXPENDITURES
Last Ten Fiscal Years
(budget basis of accounting)

Fiscal Year	Principal	Interest and Fiscal Charges	Total Debt Service	Total General Subfund Expenditures	Percentage of Debt Service to General Subfund Expenditures
Elementary:					
2001	\$ 195,944	\$ 1,715	\$ 197,659	\$ 42,957,024	0.5%
2002	64,110	890	65,000	42,797,761	0.2%
2003	-	-	-	45,470,168	0.0%
2004	-	-	-	45,634,306	0.0%
2005	2,380,000	248,400	2,628,400	46,320,009	5.7%
2006	2,465,000	196,180	2,661,180	50,069,551	5.3%
2007	2,540,000	141,950	2,681,950	52,109,893	5.1%
2008	2,615,000	78,750	2,693,750	57,048,871	4.7%
2009	-	-	-	58,207,632	0.0%
2010	-	-	-	60,318,907	0.0%
High School:					
2001	\$ 1,690,000	\$ 460,215	\$ 2,150,215	\$ 25,767,133	8.3%
2002	1,840,000	305,089	2,145,089	26,042,112	8.2%
2003	1,930,000	119,925	2,049,925	28,498,543	7.2%
2004	1,995,000	78,575	2,073,575	28,975,354	7.2%
2005	1,510,000	31,870	1,541,870	29,453,050	5.2%
2006	-	-	-	30,779,438	0.0%
2007	-	-	-	32,026,517	0.0%
2008	-	-	-	35,683,437	0.0%
2009	-	-	-	36,402,333	0.0%
2010	-	-	-	36,886,969	0.0%

Source: District Financial Records

BILLINGS PUBLIC SCHOOLS
DEMOGRAPHIC STATISTICS
 Last Ten Fiscal Years

Table 18

Year	Population	Per Capita Income	Median Age	School Enrollment	Unemployment Rate
2001	105,050	25,253	36.9	15,690	3.7%
2002	106,150	25,632	36.9	15,732	4.5%
2003	107,250	25,323	36.9	15,778	3.4%
2004	108,350	26,057	36.9	15,737	3.1%
2005	109,450	23,884	36.9	15,716	3.3%
2006	110,550	22,316	36.8	15,704	3.5%
2007	111,650	26,491	39.3	15,556	2.6%
2008	113,000	28,427	37.5	15,503	3.1%
2009	121,700	30,427	36.8	15,481	4.4%
2010	125,000	32,427	38.1	15,676	5.8%

Source: Bureau of Business and Economic Research

BILLINGS PUBLIC SCHOOLS
PRINCIPAL EMPLOYERS
Current Year and Ten Years Ago

Table 19

Employer	2010			2001		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Billings Clinic	3,431	1	4.5%	2,989	1	4.5%
St. Vincent Health Care	2,300	2	3.0%	1,993	2	3.0%
Billings Public Schools	2,200	3	2.9%	1,926	3	2.9%
Stillwater Mining Company	1,622	4	2.1%	-	-	0.0%
Wells Fargo Bank & Operations	1,350	5	1.8%	1,196	4	1.8%
Walmart	1,243	6	1.6%	1,063	5	1.6%
Yellowstone County	1,106	7	1.5%	996	6	1.5%
Montana State University-Billings	1,025	8	1.4%	863	7	1.3%
City of Billings	875	9	1.2%	797	8	1.2%
Avitus Group	788	10	1.0%	664	9	1.0%
St. Johns	565	11	0.7%	465	10	0.7%
All others	59,571	-	78.3%	53,469	-	80.5%
Total	76,076		100.0%	66,421		100.0%

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

BILLINGS PUBLIC SCHOOLS
OPERATING STATISTICS
Last Five Fiscal Years
(accrual basis of accounting)

Table 20

Fiscal Year	Expenses	Enrollment	Cost per Pupil	Percentage Change	Certified Staff (FTE)	Pupil/ Certified Staff Ratio
2005	\$ 120,534,145	15,704	\$ 7,675	2%	1,163.5	13.5
2007	127,668,852	15,556	8,207	6%	1,144.4	13.6
2008	138,371,755	15,503	8,925	8%	1,201.8	12.9
2009	141,785,530	15,481	9,159	3%	1,169.2	13.2
2010	147,171,358	15,676	9,388	2%	1,163.4	13.5

1 Expenses are from Statement of Activities

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

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

Table 21

	Fiscal Year				
	2006	2007	2008	2009	2010
Instruction					
Certified Staff	1,002.5	1,007.0	1,067.9	1,031.5	1,027.3
Classified Employees	195.8	192.1	191.6	196.5	194.6
Support Services					
Administrators	5.0	5.0	5.0	5.0	5.0
Administrative Support	1.0	1.0	1.0	1.0	1.0
Certified Staff	144.5	135.4	131.9	135.7	134.1
Classified Employees	64.1	65.1	65.6	64.3	63.2
General Administration					
Administrators	5.5	6.5	6.7	7.7	8.7
Administrative Support	13.5	13.5	12.5	11.5	11.5
Certified Staff	-	1.0	1.0	1.0	1.0
Classified Employees	23.9	23.1	22.5	21.4	19.4
Building Administration					
Administrators	49.0	42.5	48.0	46.0	45.9
Administrative Support	1.3	1.0	1.0	-	-
Certified Staff	16.5	1.0	1.0	1.0	1.0
Classified Employees	84.3	79.2	81.3	80.2	79.4
Operations and Maintenance					
Administrators	1.0	2.0	2.0	2.0	2.0
Classified Employees	123.7	122.1	142.9	144.8	143.2
Student Transportation					
Administrators	1.0	1.0	2.0	1.0	1.0
Administrative Support	1.0	1.0	1.0	1.0	1.0
Classified Employees	33.2	32.5	34.2	31.5	28.9
Extracurricular Activities					
Administrators	1.0	1.0	1.0	2.0	1.0
Classified Employees	4.0	3.5	2.7	2.0	2.0
Total	<u>1,771.8</u>	<u>1,736.5</u>	<u>1,822.8</u>	<u>1,787.1</u>	<u>1,771.2</u>
Fiscal 2009 Summary	Admin	Admin Support	Certified Staff	Classified Employees	Total FTE
Instruction	-	-	1,027.3	194.6	1,221.9
Support Services	5.0	1.0	134.1	63.2	203.3
General Administration	8.7	11.5	1.0	19.4	40.6
Building Administration	45.9	-	1.0	79.4	126.3
Operations and Maintenance	2.0	-	-	143.2	145.2
Student Transportation	1.0	1.0	-	28.9	30.9
Extracurricular Activities	1.0	-	-	2.0	3.0
Total	<u>63.6</u>	<u>13.5</u>	<u>1,163.4</u>	<u>530.7</u>	<u>1,771.2</u>

Source: District Records

BILLINGS PUBLIC SCHOOLS
CERTIFIED STAFF EDUCATION AND EXPERIENCE
November 1, 2009

Table 22

<u>Educational Attainment</u>	<u>Full Time Equivalent</u>	<u>Percent of Total</u>
Bachelor's Degree	127.60	11%
Bachelor's Degree + 15 Credits	64.80	6%
Bachelor's Degree + 30 Credits	71.30	6%
Bachelor's Degree + 45 Credits	78.23	7%
Bachelor's Degree + 60 Credits	58.70	5%
Bachelor's Degree + 75 Credits	49.15	4%
Bachelor's Degree + 90 Credits	50.50	4%
Bachelor's Degree + 105 Credits	134.34	12%
Master's Degree	103.57	9%
Master's Degree + 15 Credits	47.40	4%
Master's Degree + 30 Credits	50.91	4%
Master's Degree + 45 Credits	321.10	28%
Doctorate's Degree	5.80	0%
Total	<u>1,163.40</u>	<u>100%</u>
<u>Years of Experience</u>	<u>Full Time Equivalent</u>	<u>Percent of Total</u>
0-5	300.48	26%
6-10	265.55	23%
11-15	177.20	15%
16-20	197.84	17%
21-25	75.63	6%
26 and Above	152.50	13%
Total	<u>1,169.20</u>	<u>100%</u>

Source: District Records

BILLINGS PUBLIC SCHOOLS
EDUCATIONAL BUILDING DATA
For the Fiscal Year Ended June 30, 2010

Table 23

	Year Built	Year Additions Built	Square Footage	Functional Capacity	Enrollment	Percentage of Capacity Used
<u>Elementary</u>						
<u>K-6 Schools:</u>						
Alkali Creek	1979	--	43,591	391	388	99.23%
Arrowhead	1978	--	41,714	437	480	109.84%
Beartooth	1974	1980	40,330	370	414	111.89%
Bench	1955	1974, 1978	39,817	368	333	90.49%
Big Sky	1986	--	45,000	391	424	108.44%
Bitterroot	1964	1965, 1970	31,690	322	342	106.21%
Boulder	1962	1971	36,917	414	421	101.69%
Broadwater	1910	1916, 1920, 1956	34,429	322	369	114.60%
Burlington	1956	1957	32,868	322	312	96.89%
Central Heights	1962	1965, 1979	38,785	322	335	104.04%
Eagle Cliffs	1986	--	46,600	437	407	93.14%
Highland	1947	1956	30,994	253	307	121.34%
McKinley	1906	1918, 1958	30,072	322	303	94.10%
Meadowlark	1964	1971	33,808	414	453	109.42%
Miles	1955	1957, 1965	32,072	322	337	104.66%
Newman	1953	1957	29,808	276	279	101.09%
Orchard	1918	1948, 1956, 1987	57,933	414	425	102.66%
Poly	1952	1955, 1960	35,209	299	315	105.35%
Ponderosa	1965	--	32,000	437	372	85.13%
Rose Park	1958	1962	30,276	299	282	94.31%
Sandstone	1978	--	41,714	437	461	105.49%
Washington	1948	1952, 1962	36,064	276	315	114.13%
<u>7-8 Schools</u>						
Castle Rock	1979	--	107,500	820	735	89.63%
Lewis & Clark	1956	1962	156,712	900	568	63.11%
Riverside	1963	1979	87,844	640	532	83.13%
Will James	1967	1974	94,120	690	518	75.07%
<u>High Schools:</u>						
Career Center	1975	--	135,200	650	N/A	N/A
Senior	1940	1953, 1967, 1974	232,789	1,600	1,742	108.88%
Skyview	1987	--	239,000	1,575	1,482	94.10%
West	1959	1962, 1966, 1975, 1976	219,662	1,690	1,956	115.74%
<u>Administration:</u>						
Lincoln Center	1913	1921, 1935, 1951, 1964, 1968, 1985	136,805			
Facilities	1958	--	24,000			
Warehouse	1994	--	40,000			
<u>Vacant Land Sites:</u>						
Elem. - 35 acres						
Elem. - 10 acres						
H.S. - 40 acres						

Source: District Records

BILLINGS PUBLIC SCHOOLS

Table 24

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<u>Elementary Schools:</u>										
<u>K-6 Schools:</u>										
Alkali Creek	12.9%	9.2%	17.4%	19.0%	15.9%	22.2%	24.4%	20.1%	19.6%	19.2%
Arrowhead	1.2%	2.6%	2.3%	1.6%	1.9%	3.4%	4.2%	4.9%	5.2%	4.6%
Beartooth (1) (2)	27.0%	N/A	N/A	N/A	N/A	N/A	N/A	35.9%	41.8%	46.7%
Bench	48.2%	51.7%	52.2%	49.9%	40.9%	40.0%	49.2%	55.2%	60.3%	61.3%
Big Sky	17.5%	20.5%	20.7%	18.8%	17.3%	18.0%	18.5%	22.1%	22.7%	24.2%
Bitterroot	41.3%	34.9%	34.8%	38.6%	31.8%	37.8%	37.2%	35.1%	36.4%	42.3%
Boulder	16.0%	13.3%	20.1%	17.2%	11.2%	17.7%	19.2%	22.3%	23.7%	25.2%
Broadwater	56.3%	46.7%	45.1%	55.2%	41.5%	55.0%	45.5%	51.4%	57.1%	60.9%
Burlington	31.6%	27.8%	34.2%	38.9%	37.2%	38.8%	31.5%	35.8%	38.3%	40.6%
Central Heights	20.0%	28.2%	24.3%	36.4%	26.4%	33.0%	34.4%	32.8%	30.0%	35.7%
Eagle Cliffs	15.2%	13.2%	18.0%	14.9%	14.7%	18.5%	23.8%	21.5%	18.7%	19.0%
Garfield (1)	101.2%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Highland	42.9%	38.9%	22.3%	26.2%	24.4%	25.7%	27.0%	31.0%	35.9%	35.2%
McKinley	62.8%	42.3%	69.3%	55.1%	49.8%	56.0%	60.1%	66.3%	65.1%	65.3%
Meadowlark	22.4%	20.8%	16.3%	20.0%	21.1%	20.6%	19.0%	28.8%	30.8%	33.8%
Miles	43.7%	35.7%	40.4%	38.7%	43.7%	44.5%	50.0%	46.3%	48.5%	53.1%
Newman	68.8%	66.2%	67.7%	77.3%	67.7%	62.6%	67.9%	75.0%	74.4%	74.1%
Orchard	93.2%	71.3%	88.3%	78.3%	78.0%	79.0%	78.7%	84.8%	85.6%	89.0%
Poly	10.0%	12.8%	14.0%	11.4%	14.2%	16.6%	14.5%	17.2%	21.8%	24.5%
Ponderosa	54.0%	30.4%	70.5%	63.6%	65.3%	68.0%	71.8%	74.3%	73.4%	74.1%
Rimrock (1) (2)	11.4%	N/A	N/A	N/A	N/A	N/A	N/A	36.8%	N/A	N/A
Rose Park	29.3%	23.5%	31.3%	26.9%	27.4%	35.2%	27.7%	29.1%	23.3%	33.1%
Sandstone	28.2%	27.6%	27.8%	30.5%	32.3%	35.8%	34.5%	35.0%	37.3%	37.1%
Washington	63.4%	66.1%	59.7%	56.8%	58.9%	64.9%	72.7%	66.5%	64.7%	73.4%
<u>7-8 Schools:</u>										
Castle Rock	23.4%	22.0%	22.4%	27.9%	23.8%	25.9%	28.3%	28.5%	27.6%	31.2%
Lewis & Clark	31.7%	32.9%	34.5%	31.7%	29.8%	35.1%	37.0%	32.9%	34.2%	42.1%
Riverside	50.9%	51.3%	52.2%	49.5%	45.0%	58.0%	54.0%	51.8%	49.4%	55.1%
Will James	11.6%	12.3%	13.2%	15.0%	11.8%	16.9%	17.1%	11.2%	15.4%	18.6%
<u>High Schools:</u>										
Senior	17.7%	16.9%	18.3%	21.7%	16.3%	25.6%	22.6%	23.1%	24.1%	27.9%
Skyview	12.6%	12.9%	14.3%	16.8%	14.5%	16.7%	17.6%	17.5%	17.9%	23.0%
West	10.7%	9.6%	10.3%	13.0%	11.0%	12.4%	16.0%	12.5%	13.6%	18.8%

(1) School closed

(2) School reopened

Source: District Records

BILLINGS PUBLIC SCHOOLS
ATTENDANCE DATA
Last Ten Fiscal Years

Table 25

Year Ended June 30	October Enrollment	Percent Increase (Decrease)	Average Number Belonging (ANB)		
			ANB	Percent Increase (Decrease)	Percent of Prior Year's Enrollment
2001	15,690	(1.38)	15,818	(0.74)	99.26
2002	15,732	0.27	15,740	(0.49)	99.51
2003	15,778	0.29	15,604	(0.86)	99.14
2004	15,737	(0.26)	15,672	0.44	100.44
2005	15,728	(0.06)	15,622	(0.32)	99.68
2006	15,704	(0.15)	15,552	(0.45)	99.55
2007	15,556	(0.94)	15,529	(0.15)	99.85
2008	15,503	(0.34)	16,025	3.19	103.19
2009	15,481	(0.14)	15,923	(0.64)	99.36
2010	15,676	1.26	16,208	1.79	101.79

Source: District Records

BILLINGS PUBLIC SCHOOLS
SCHEDULE OF INSURANCE IN FORCE

Table 26

I. Commercial Property	
A. Policy #:	KTK-CMB-545D602-3-09
B. Carrier:	The Travelers Insurance Companies
C. Policy Period:	7/1/09-7/1/10
D. Coverages:	Buildings/Contents Incl Daylis Turf
E. Limits:	\$398,644,100
II. Commercial General Liability	
A. Policy #:	GLA399387204
B. Carrier:	American Zurich Insurance Company
C. Policy Period:	7/1/09-7/1/10
D. Coverages:	General Liability, Sexual Molestation, Employee Benefits
E. Limits:	\$1,000,000 per occurrence; \$2,000,000 aggregate
III. Commercial Auto	
A. Policy #:	GLA399387204
B. Carrier:	American Zurich Insurance Company
C. Policy Period:	7/1/09-7/1/10
D. Coverages:	Automobile Liability and Physical Damage
E. Limits:	\$1,000,000
IV. Boiler and Machinery Policy	
A. Policy #:	BNS 2702117
B. Carrier:	The Cincinnati Insurance Company
C. Policy Period:	7/1/09-7/1/10
D. Limits:	Based on property values
V. Storage Tank System 3rd Party Liability & Corrective Action	
A. Policy #:	USC3834053-07
B. Carrier:	Zurich Insurance Company
C. Policy Period:	7/1/09-7/1/10
D. Limits:	\$1,000,000 per occurrence; \$2,000,000 aggregate
VI. Commercial Excess Liability	
A. Policy #:	82A2UB0000023-04
B. Carrier:	American Alternative Insurance Corporation
C. Policy Period:	7/1/09-7/1/10
D. Limits:	\$10,000,000
VII. Crime	
A. Policy #:	104123769
B. Carrier:	St. Paul Travelers
C. Policy Period:	7/1/09-7/1/10
D. Limits:	\$100,000 and \$500,000
VIII. Educators Legal Liability	
A. Policy #:	24201865
B. Carrier:	National Union Fire Insurance Company of Pittsburgh, PA.
C. Policy Period:	7/1/09-7/1/10
D. Limits:	\$4,000,000 aggregate
IX. Workers' Compensation	
A. Policy #:	N/A
B. Carrier:	Workers' Compensation Risk Retention Program
C. Policy Period:	7/1/09-7/1/10

SINGLE AUDIT SECTION

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

Board of Trustees
Billings Public Schools
Billings, Montana

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Billings School District, Montana as of and for the year ended June 30, 2010, which collectively comprise Billings School District's basic financial statements and have issued our report thereon dated November 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Billings School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Billings School District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Billings School District's 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 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 Billings School District, Montana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2010-A.

We also noted certain matters that we reported to the management of the Billings School District in a separate letter dated November 22, 2010.

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

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

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

Billings, Montana
November 22, 2010



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

Board of Trustees
Billings School District
Billings, Montana

Compliance

We have audited the compliance of Billings School District, Montana, 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 Billings School District's major federal programs for the year ended June 30, 2010. Billings School District, Montana's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Billings School District, Montana's management. Our responsibility is to express an opinion on Billings School District, Montana's compliance based on our audit.

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

In our opinion, Billings School District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of non compliance, with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompany schedule of findings and questioned costs as item 2010-01, 2010-02 and 2010-05.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-05 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-01, 2010-02, 2010-03 and 2010-4.

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

This report is intended for the information and use of the Board of Trustee's, management and federal agencies, and pass through entities and is not intended to be used and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Billings, Montana
November 22, 2010

BILLINGS PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010

Federal Grantor/Pass Through Grantor/Program Title or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Award Amount	(Due from), Due to, Deferred or Fund Balance July 1, 2009	Cash Receipts	Expenditures	Other	(Due from), Due to, Deferred or Fund Balance June 30, 2010
U.S. Department of Education:								
Direct programs:								
Indian Education-Grants to LEA's	84.060	S060A082167	\$ 236,976	\$ (35,881)	\$ 35,881	\$ -	\$ -	\$ -
Indian Education-Grants to LEA's	84.060	S060A092167	241,398	-	236,631	(241,398)	-	(4,767)
Total Direct Programs				(35,881)	272,512	(241,398)	-	(4,767)
Passed Through State Office of Public Instruction:								
Adult Education-State Grant Program	84.002	5609655610BG	109,348	-	109,348	(109,348)	-	-
CFDA subtotal				-	109,348	(109,348)	-	-
Title I Grants to LEA's	84.010	5609653110	4,261,708	-	3,659,566	(3,736,136)	-	(76,570)
Title I Grants to LEA's	84.010	5609653109	4,383,650	(604,188)	651,519	(47,331)	-	-
Title I Grants to LEA's	84.010	N/A	45,000	22	-	(22)	-	-
Title I Grants to LEA's, Recovery Act	84.389	5609659110	2,928,737	-	1,007,023	(1,020,747)	-	(13,724)
CFDA subtotal				(604,166)	5,318,108	(4,804,236)	-	(90,294)
Vo Ed-Basic Grants to States	84.048	5609668110BG	280,412	-	273,767	(280,412)	-	(6,645)
CFDA subtotal				-	273,767	(280,412)	-	(6,645)
Special Education-Grants to States	84.027	5609657710ALLO	4,177,261	-	3,371,825	(3,328,295)	-	43,530
Special Education-Grants to States	84.027	5609657709ALLO	3,771,800	(390,338)	390,338	-	-	-
Special Education-Preschool Grants	84.173	5609657910ALLO	128,233	-	128,233	(128,233)	-	-
Special Education-Grants to States, Recovery Act	84.391	5609659210	3,953,288	-	1,426,068	(1,449,085)	-	(23,017)
Special Education-Preschool Grants, Recovery Act	84.392	5609659510	123,782	-	27,416	(30,482)	-	(3,066)
CFDA subtotal				(390,338)	5,343,880	(4,936,095)	-	17,447
Safe and Drug Free Schools and Communities-State Grants	84.186	5609651610	161,729	-	123,033	(128,377)	-	(5,344)
Safe and Drug Free Schools and Communities-State Grants	84.186	5609651609	160,221	(36,508)	60,351	(23,843)	-	-
CFDA subtotal				(36,508)	183,384	(152,220)	-	(5,344)
Education for Homeless Children and Youth	84.196	5609655709	61,076	(87)	1,076	(989)	-	-
CFDA subtotal				(87)	1,076	(989)	-	-
Educational Technology State Grants	84.318	5609656009	64,122	(15,198)	17,022	(1,824)	-	-
Educational Technology State Grants	84.318	5609656009	58,530	-	56,485	(58,530)	-	(2,045)
CFDA subtotal				(15,198)	73,507	(60,354)	-	(2,045)
Reading First State Grants	84.357	5609653509	109,305	(12,882)	69,305	(56,423)	-	-
CFDA subtotal				(12,882)	69,305	(56,423)	-	-
English Language Acquisition Grants	84.365	5609654110	26,643	-	18,143	(24,768)	-	(6,625)
English Language Acquisition Grants	84.365	5609654109	23,837	(14,787)	16,159	(1,372)	-	-
English Language Acquisition Grants	84.365	5609654110I	2,647	-	2,647	(2,083)	-	564
English Language Acquisition Grants	84.365	5609654109I	1,499	(1,402)	1,402	-	-	-
CFDA subtotal				(16,189)	38,351	(28,223)	-	(6,061)
Mathematics and Science Partnerships	84.366	5609651510	50,000	-	32,000	(34,767)	-	(2,767)
Mathematics and Science Partnerships	84.366	5609651510	50,000	-	50,000	(50,000)	-	-
Mathematics and Science Partnerships	84.366	5609651509	50,000	(3,779)	11,000	(7,221)	-	-
Mathematics and Science Partnerships	84.366	5609651509	50,000	9,433	-	(9,433)	-	-
CFDA subtotal				5,654	93,000	(101,421)	-	(2,767)
Improving Teacher Quality State Grants	84.367	5609651410	1,286,484	-	1,152,471	(1,097,515)	-	54,956
Improving Teacher Quality State Grants	84.367	5609651409	1,207,263	(40,237)	65,106	(24,869)	-	-
CFDA subtotal				(40,237)	1,217,577	(1,122,384)	-	54,956
Education for Homeless Children and Youth, Recovery Act	84.387	5609655710	80,040	-	80,040	(76,525)	-	3,515
CFDA subtotal				-	80,040	(76,525)	-	3,515
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	N/A	2,493,094	-	2,493,094	(2,493,094)	-	-
CFDA subtotal				-	2,493,094	(2,493,094)	-	-
Passed Through State Department of Public Health and Human Services:								
Special Education-Grants for Infants and Families	84.181	10-143-1800	239,785	-	239,785	(239,785)	-	-
CFDA subtotal				-	239,785	(239,785)	-	-
Total Pass Through Programs				(1,109,951)	15,534,222	(14,461,509)	-	(37,238)
Total U.S. Department of Education				\$ (1,145,832)	\$ 15,806,734	\$ (14,702,907)	\$ -	\$ (42,005)

BILLINGS PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010

Federal Grantor/Pass Through Grantor/Program Title or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Award Amount	(Due from), Due to, Deferred or Fund Balance July 1, 2009	Cash Receipts	Expenditures	Other	(Due from), Due to, Deferred or Fund Balance June 30, 2010
<u>U.S. Department of Agriculture:</u>								
Passed Through State Office of Public Instruction:								
Child Nutrition Cluster:								
Non-Cash Assistance (Commodities):								
National School Lunch Program	10.555	N/A	238,683	\$ -	\$ 238,683	\$ (238,683)	\$ -	\$ -
Summer Food Service Program for Children	10.559	N/A	556	-	556	(556)	-	-
Non-Cash Assistance Subtotal				-	239,239	(239,239)	-	-
Cash Assistance:								
School Breakfast Program	10.553	N/A	436,753	-	436,753	(436,753)	-	-
National School Lunch Program	10.555	N/A	2,040,386	-	2,040,386	(2,040,386)	-	-
Summer Food Service Program for Children	10.559	N/A	78,644	-	78,644	(78,644)	-	-
Cash Assistance Subtotal				-	2,555,783	(2,555,783)	-	-
CFDA subtotal				-	2,795,022	(2,795,022)	-	-
Fresh Fruit and Vegetable Program	10.582	N/A	113,964	-	113,964	(113,964)	-	-
CFDA subtotal				-	113,964	(113,964)	-	-
Total U.S. Department of Agriculture				\$ -	\$ 2,908,986	\$ (2,908,986)	\$ -	\$ -
<u>Federal Highway Administration</u>								
Passed Through Montana Department of Transportation:								
Highway Planning and Construction	20.205	SRTS 1099(58)	49,495	\$ (18,275)	\$ 49,494	\$ (31,219)	\$ -	\$ -
<u>U.S. Department of Health and Human Services:</u>								
Passed Through State Department of Public Health and Human Services:								
Public Health Emergency Preparedness	93.069	N/A	79,500	\$ -	\$ 79,500	\$ (24,907)	\$ -	\$ 54,593
CFDA subtotal				-	79,500	(24,907)	-	54,593
Social Services Block Grant	93.667	10-143-1800	16,174	-	16,174	(16,174)	-	-
CFDA subtotal				-	16,174	(16,174)	-	-
Total U.S. Department of Health and Human Services				\$ -	\$ 95,674	\$ (41,081)	\$ -	\$ 54,593
Total Federal Awards				\$ (1,164,107)	\$ 18,860,888	\$ (17,684,193)	\$ -	\$ 12,588

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SCHOOLWIDE TITLE I PROGRAM

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

NOTE C - FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of commodities received and disbursed. At June 30, 2010, Billings Public Schools had food commodities on hand totaling \$109,348.

NOTE D - RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

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

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

Cash receipts	\$ 18,860,888
Revenue accrual adjustments	(1,176,695)
Federal sources	<u>\$ 17,684,193</u>

Billings School District, Montana
Schedule of Findings and Questioned Costs
June 30, 2010

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued is **unqualified**.

Internal control over financial reporting:

- Material weakness (es) identified? ☐ yes ☒ no
- Significant deficiencies identified
that are not considered to be material weaknesses? ☒ yes ☐ none
reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☒ yes ☐ no
- Significant deficiencies identified that are not considered to be material
weakness(es)? ☒ yes ☐ none reported

Type of auditor's report issued on compliance for major programs is unqualified for the
major programs tested.

Any audit findings disclosed that are
required to be reported in accordance
with section 510(a) of Circular A-133 ☒ yes ☐ no

Billings School District, Montana
Schedule of Findings and Questioned Costs (continued)
June 30, 2010

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
Title I Cluster	
CFDA 84.010	TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES
CFDA 84.389	TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT
Title II	
CFDA 84.367	Title II - IMPROVING TEACHER QUALITY STATE GRANTS
IDEA Part B Cluster	
CFDA 84.027	SPECIAL EDUCATION—GRANTS TO STATES (IDEA, Part B)
CFDA 84.173	SPECIAL EDUCATION—PRESCHOOL GRANTS (IDEA Preschool)
CFDA 84.391	SPECIAL EDUCATION—GRANTS TO STATES (IDEA, Part B), RECOVERY ACT
CFDA 84.392	SPECIAL EDUCATION—PRESCHOOL GRANTS (IDEA Preschool), RECOVERY ACT
SFSF	
CFDA 84.394	STATE FISCAL STABILIZATION FUND (SFSF) – EDUCATION STATE GRANTS, RECOVERY ACT (Education Stabilization Fund)
Food Service Cluster	
CFDA 10.553	SCHOOL BREAKFAST PROGRAM (SBP)
CFDA 10.555	NATIONAL SCHOOL LUNCH PROGRAM (NSLP)
CFDA 10.559	SUMMER FOOD SERVICE PROGRAM FOR CHILDREN (SFSPC)

Dollar threshold used to distinguish between type A and type B programs: **\$530,526**

Auditee qualified as low-risk auditee? ☒ X yes ☐ no

Section II—Financial Statement Findings

2010-A Compliance with Office of Public Instruction (OPI)

Criteria – OPI requires extracurricular account (ECA) custodians to reconcile activity in ECA accounts on a monthly basis and report to the Trustees with District oversight as noted on compliance requirement #29 of the State of Montana compliance supplement for audits of local government entities SD-9. It is also required that periodic inventory counts are conducted by account

Billings School District, Montana
Schedule of Findings and Questioned Costs (continued)
June 30, 2010

custodians of ECA accounts with supplies held for resale as noted in compliance requirement #29 of SD-9.

Condition/Context – During our audit procedures, we noted the following instances of noncompliance:

- Two of 17 account custodians did not send in monthly reporting (cash reconciliation) to the District during the entire fiscal reporting period.
- Two of 17 ECA account reconciliations did not agree to the District's records by approximately \$16 and \$14 for the two accounts.
- One ECA account was not maintaining monthly reconciliations during the entire fiscal reporting period.
- Two ECA accounts did not perform periodic inventory count for the school stores during the entire fiscal reporting period.

Effect – Noncompliance may result in a loss of funding or increased oversight from the state.

Cause – The District was not following up on its monitoring procedures in a timely manner to ensure compliance with OPI.

Recommendation – We recommend the District management implement policies, procedures, and follow up with ECA account custodians to ensure compliance with OPI.

Management Corrective Action Plan - Monthly reminders are being sent by email to secretaries and principals/administrators to reconcile extracurricular accounts and submit signed monthly reports. Semi-annual emails will be sent out to remind them to track any inventory they may have. Excel forms have been created for them to record their inventory and one to record their ECA activity. These forms aren't mandatory, but they can use them for setting up handwritten spreadsheets (for those that don't know how to use Excel). Random audits will be done to make sure reconciling and inventories are being done.

Section III—Federal Award Findings and Questioned Costs

2010-01 Passed through State Office of Public Instruction
CFDA# 84.010 – Title I Grants to Local Educational Agencies
CFDA# 84.367 – Title II Improving Teacher Quality State Grants
CFDA# 84.027 – Special Education – Grants to States (IDEA, Part B)
CFDA# 84.394 - State Fiscal Stabilization Fund (SFSF) – Education
State Grants, Recovery Act

Cash Management

Non Compliance

Significant Deficiency in Internal Control Over Compliance

Criteria – When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government. When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement.

When advance payment procedures are used, recipients must establish similar procedures for subrecipients. Pass-through entities must establish reasonable procedures to ensure receipt of reports on subrecipients' cash balances and cash disbursements in sufficient time to enable the pass-through entities to submit complete and accurate cash transactions reports to the Federal awarding agency or pass-through entity. Pass-through entities must monitor cash drawdowns by their subrecipients to ensure that subrecipients conform substantially to the same standards of timing and amount as apply to the pass-through entity.

U. S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 *et seq.*), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs. The agreements also specify the terms and conditions in which an interest liability would be incurred. Programs not covered by a Treasury-State Agreement are subject to procedures prescribed by Treasury in Subpart B of 31 CFR part 205 (Subpart B).

Except for interest earned on advances of funds exempt under the Intergovernmental Cooperation Act (31 USC 6501 *et seq.*) and the Indian Self-Determination Act (23 USC 450), interest earned by local government and Indian tribal government grantees and

Billings School District, Montana
Schedule of Findings and Questioned Costs (continued)
June 30, 2010

subgrantees on advances is required to be submitted promptly, but at least quarterly, to the Federal agency. Up to \$100 per year may be kept for administrative expenses. Interest earned by non-State non-profit entities on Federal fund balances in excess of \$250 is required to be remitted to Department of Health and Human Services, Payment Management System, P.O. Box 6021, Rockville, MD 20852.

“The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.....the objectives of internal control, and certain characteristics of internal control that, when present and operating effectively, may ensure compliance with program requirements. Circular A-133 defines internal control over federal programs as follows: Internal control pertaining to the compliance requirements for federal programs (internal control over federal programs) means a process – affected by an entity’s management and other personnel – designed to provide reasonable assurance for the achievement of the following objectives for federal programs:

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

Condition – We noted the following issues:

Title I - In December, 2009 and January 2010 requests for reimbursement were made in the amounts of \$1,445,820 and \$1,768,926, respectively. Actual expenditures on these dates were \$1,412,476 and \$1,729,188, respectively. This resulted in an excess cash of \$33,344 in December and \$39,738 in January. None of the monthly requests for reimbursement were reviewed by a level above to determine if the request was appropriate by reviewing the expenditures from the detail general ledger for the expenditures incurred. The fiscal total of expenditures did not exceed the cost reimbursements. Also, included in Title I were separate draws made for the prior year carryforward that was spent in fiscal 2010. It was noted an excess draw was made and returned to the State in the amount of approximately \$89,000 although the state reimbursed them approximately \$27,000 after this payment was received. The total effect of these transactions indicated that \$62,000 was overdrawn.

Billings School District, Montana
Schedule of Findings and Questioned Costs (continued)
June 30, 2010

Title II - In December, 2009 and January, March, April, and May 2010 requests made in the fiscal period for cost reimbursements in the amounts of \$420,000, \$80,000, \$105,000, \$99,400 and \$98,074, respectively. Actual expenditures to date at these dates were less than this amount. This resulted in an excess cash of \$18,194, \$3,085, \$2,648, \$3,243, and \$4,714, respectively. None of the monthly requests for reimbursement were reviewed by a level above to determine if the request was appropriate by reviewing the expenditures from the detail general ledger for the expenditures incurred. The fiscal total of expenditures did exceed the cost reimbursements by approximately \$50,000.

IDEA Part B- In June, 2010 requests made in the fiscal period for cost reimbursement were \$3,371,825. Actual expenditures to date at these dates were \$3,328,295. This resulted in an excess cash of \$43,530 that was reimbursed to the state after June 30, 2010. None of the monthly requests for reimbursement were reviewed by a level above to determine if the request was appropriate by reviewing the expenditures from the detail general ledger for the expenditures incurred.

SFSF – The third quarter cost reimbursement request was made in the amount of \$1,593,301 for actual expenditures incurred of \$668,607 resulting in an excess cash of \$924,694. None of the requests for reimbursement were reviewed by a level above to determine if the request was appropriate by reviewing the expenditures from the detail general ledger for the expenditures incurred. At the end of the fiscal year the expenditures and requests for reimbursement did not exceed the grant award.

Questioned Costs -Unknown

Effect – Requesting funds in excess of actual expenditures could result in interest and penalties assessed and repayment to the state by the District as these excesses maybe considered non compliance with the Treasury rule.

Cause – There does not appear to be an effective design or method of internal controls for determining the funds to be requested that ensures compliance with the Treasury rule. These advances were requested by the accountant without supervisory review to determine if the draw was appropriate and in compliance with state and federal compliance requirements. If a supervisory review was performed these advances would have been addressed and appropriate action taken to ensure this was the District's intent. Lack of management internal controls over cash management requirements resulted in the non compliance issues we noted above.

Recommendations – We recommend management address the cash management issues noted and implement a policy that requires supervisor review of all cash reimbursement requests to ensure compliance with state and federal requirements. We also recommend management review the Treasury rule and calculate the interest and penalties, if any, and determine if these amounts are to be returned to the state on a monthly and grant by grant basis.

Billings School District, Montana
Schedule of Findings and Questioned Costs (continued)
June 30, 2010

Management Corrective Action Plan - Title I – Advance requests must be submitted no later than the 25th of each month. Due to this timing requirement, adjusting for anticipated balances on the last day of each month can be difficult. The district will adjust their monitoring and projected balances to minimize any cash balances.

Title II – Advance requests must be submitted no later than the 25th of each month. Due to this timing requirement, adjusting for anticipated balances on the last day of each month can be difficult. The district will adjust their monitoring and projected balances to minimize any cash balances.

IDEA – In June 2010, management made a decision to reclassify salaries from the IDEA grant due to budgeting decisions. This created an overage of cash that was returned to the state at the end of the grant period.

SFSF – The district followed guidance issued by the Office of Public Instruction (OPI) that advised us to request funding based on equitable offset of salaries and benefits paid in the third quarter.

The district has worked with OPI to implement a change in the approval roles that will require supervisory approval of cash advance and/or reimbursement requests. The requests are prepared electronically and will be entered by staff, then reviewed, approved and submitted by the Chief Financial Officer.

OPI has advised the district that no amounts should be returned to the state on a monthly basis, but rather an adjustment be made to the subsequent cash request.

Billings School District, Montana
Schedule of Findings and Questioned Costs (continued)
June 30, 2010

2010-02 **Passed through State Office of Public Instruction**
CFDA#84.010 - Title I Grants to Local Educational Agencies
CFDA#84.389 – Title I Grants to Local Educational Agencies, Recovery
CFDA# 84.027 – Special Education – Grants to States (IDEA, Part B)
CFDA#84.173–Special Education – Preschool Grants (IDEA Preschool
CFDA#84.391 – Special Education – Grants to States (IDEA, Part B),
Recovery Act
CFDA#84.392 – Special Education – Preschool Grants (IDEA
Preschool), Recovery Act

Procurement/Suspension/Debarment

Non Compliance

Significant Deficiency in Internal Control Over Compliance

Criteria – Government wide requirements for non-procurement, suspension and debarment are contained in the OMB guidance in 2 CFR part 180, which implements Executive Orders 12549 and 12689, Debarment and Suspension. The OMB guidance, which superseded the suspension and debarment common rule published November 26, 2003, is substantially the same as that rule. Non-Federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. 2 CFR section 180.220 of the government wide non-procurement, debarment and suspension guidance contains those additional limited circumstances when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Condition – The District’s purchasing department and the District’s management did not perform the suspension and debarment requirements on contracts related to Title I and IDEA that were over the \$25,000 threshold. The District did perform an EPLS check, after the fact, which indicated the vendor/contracts in question were not disbarred or suspended.

Billings School District, Montana
Schedule of Findings and Questioned Costs (continued)
June 30, 2010

Questioned Costs -None

Effect – Entering into contracts with a suspended or debarred vendor will result in disallowed costs and reimbursement to the federal agency for payments made to the vendor.

Cause – Management nor the purchasing department were aware of the federal requirement to determine if the District contracts entered into with a vendor be reviewed to ensure the vendor is not suspended or debarred and do not have a system in place to ensure this compliance requirement is performed in a timely manner.

Recommendations – We recommend the District purchasing department and management work together to establish a system to ensure the EPLS check is performed timely to ensure the suspension and debarment checks are determined before entering into future contracts (new or renewal contracts).

Management Corrective Action Plan – During our review we found two other contracts that would require certification. They are: 1) IDEA – Senior High bathroom remodel; and, 2) Title 1 – Tumbleweed.

We did not have a process in place at the time these contracts were let. We have since verified that they are not suspended or debarred or otherwise excluded. Further, we have changed all of our bid documents, RFP's, and contracts to include language covering the covered transactions. In addition, we will also put in place a procedure to check the Excluded Parties List System (EPLS) for consultant contracts.

2010-03 Passed through State Office of Public Instruction
CFDA#84.010 - Title I Grants to Local Educational Agencies
CFDA#84.389 –Title I Grants to Local Educational Agencies,
Recovery
CFDA# 84.394-State Fiscal Stabilization Fund (SFSF) – Education
State Grants, Recovery Act

Allowable Costs

Significant Deficiency in Internal Control Over Compliance

Criteria –“The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.....the objectives of internal control, and certain characteristics of internal control that, when present and operating effectively, may ensure compliance with

Billings School District, Montana
Schedule of Findings and Questioned Costs (continued)
June 30, 2010

program requirements. Circular A-133 defines internal control over federal programs as follows: Internal control pertaining to the compliance requirements for federal programs (internal control over federal programs) means a process – affected by an entity's management and other personnel – designed to provide reasonable assurance for the achievement of the following objectives for federal programs:

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

Condition – We tested 60 payroll transactions that included Title I, Title II, IDEA and SFSF. Of the 60 transactions tested, 10 transactions were related to the SFSF grant and eight did not have the proper approval for salaries paid. In fiscal 2010 the District received separate ARRA funds that were used to pay for guidance counselors and other types of salaries. A spreadsheet indicating the teachers that will be paid from this grant including the allocation to other grants was forwarded to the payroll department only. The spreadsheet was not documented as to the preparer or supervisory approval.

We tested 40 non payroll related expenditures that included Title I, Title II and IDEA. SFSF did not have any non payroll related expenditures. Of the 40 transactions tested, 29 related to Title I and two of these transactions did not follow the purchasing policy for ordering items through the warehouse. The request for these items is to be processed through the warehouse ordering system that is originated via electronic CW process. These two transactions were initiated verbally and the documentation was not sufficient nor was the purchases properly approved. The total amount of these two transactions was \$1,420 and \$199. We were able to determine the grant was properly charged as the originator was a Title I staff.

Questioned Costs -None

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

Cause – Management is not following or conveying the importance of effective internal controls to staff as noted in the purchasing and the payroll issues noted above.

Billings School District, Montana
Schedule of Findings and Questioned Costs (continued)
June 30, 2010

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

Management Corrective Action Plan - The normal process of moving budget data to a new expenditure code would be that the Accounting Department would move the expenditures, and the department would move the people via a Personnel Action Request (ePAR). This did not happen. We moved all of the individuals on a “blanket” ePAR in consultation with the appropriate Director. The files were kept in the Payroll Department rather than the Human Resources Department. This has since been corrected. ePARs will be required for all salary and/or FTE changes involving ARRA funds. The Business Office will conduct additional training with Title I administrators to enforce the importance of proper documentation of purchase approvals.

2010-04 Passed through State Office of Public Instruction
CFDA#84.389 – Title I Grants to Local Educational Agencies, Recovery
CFDA#84.391 – Special Education – Grants to States (IDEA, Part B),
Recovery Act
CFDA# 84.394-State Fiscal Stabilization Fund (SFSF) – Education
State Grants, Recovery Act

ARRA Reporting

Significant Deficiency in Internal Control Over Compliance

Criteria - Entities receiving ARRA funds for certain grants are required to submit quarterly reports that reflect how the funds were spent.

Condition - In 4/4 ARRA reports tested all were filed timely, although there was no supervisor review of the information submitted by staff until after the report was submitted.

Questioned costs - None

Effect - The School District is not in compliance with the basic requirement of ensuring there are adequate internal controls over federal grants and this includes ARRA quarterly reports.

Cause - The School District does not have an effective system of internal control for ensuring the information submitted to the federal government is accurate and correct. Internal controls also infer segregation of duties and not one person perform all operations and this would include the review by a supervisor to ensure the amounts the reports are accurate.

Billings School District, Montana
Schedule of Findings and Questioned Costs (continued)
June 30, 2010

Recommendation - The School District should establish an effective system of internal control which requires a supervisor review of staff prepared reports for accuracy. The School District should provide sufficient training to ensure that all staff and supervisors are aware of the importance of effective internal controls.

Management's Corrective Action Plan - The district has worked with OPI to create levels of input (accountant) and review (business manager) of ARRA electronic reports. The Accountant will submit the report after the Chief Financial Officer review. As new requirements for ARRA reporting are received, the district will continue to develop processes to comply with internal control.

2010-05 Passed through State Office of Public Instruction
CFDA#84.391 – Special Education – Grants to States (IDEA, Part B),
Recovery Act

Davis Bacon

Non Compliance

Material Weakness in Internal Control Over Compliance

Criteria - When required by the Davis-Bacon Act, the Department of Labor's (DOL) governmentwide implementation of the Davis-Bacon Act, ARRA, or by Federal program legislation, all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the DOL (40 USC 3141-3144, 3146, and 3147 (formerly 40 USC 276a to 276a-7)).

Non-federal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6). This reporting is often done using Optional Form WH-347, which includes the required statement of compliance (*OMB No. 1215-0149*).

The requirements for Davis-Bacon are contained in 40 USC 3141-3144, 3146, and 3147; 29 CFR part 29; the A-102 Common Rule (§ __.36(i)(5)); OMB Circular A-110 (2 CFR part 215, Appendix A, Contract Provisions); program legislation; **Section 1606 of ARRA and OMB guidance at 2 CFR part 176, Subpart C**; Federal awarding agency regulations; and the terms and conditions of the award (**including that imposed by ARRA**).

Billings School District, Montana
Schedule of Findings and Questioned Costs (continued)
June 30, 2010

Condition - The school district used IDEA Part B ARRA funds to renovate a restroom at a local high school for approximately \$30,000 and also used these same funds for a fence around Rose Park for approximately \$6,000. We received the contract and certified payrolls for the restroom but no information was received on the Rose Park fence i.e. contract or certified payrolls. We did test both of these construction projects for proper approvals for payment of services.

We noted the following issues surrounding the restroom renovation:

- The AIA contract (Standard Form of Agreement Between Owner and Construction Manager where the Construction Manager is Also the Contractor) did not contain the proper Davis Bacon verbiage with the contractor as required by the Davis Bacon Act when using federal funds for construction projects.
- One of the laborer's was not paid the correct prevailing rate (Montana or Davis Bacon) from the start of the project (6/22/09) to the end (12/20/09) of the project that consisted of payroll periods 2, 3, 4 and 8. The laborer was paid \$18.00 and should have been paid either the MT prevailing rate of \$19.60 or the Davis Bacon wages of \$18.49. In the Architectural Clarification, item AC1.2, it was stated that prevailing wage rates apply to this project.
- There was no indication in the school district's AIA agreement with the general contractor or in the Architectural clarification #1 who was responsible for monitoring compliance with federal Davis Bacon requirements.

Questioned costs - None for underpayment of laborer's wages

Effect - Due to the non compliance noted above and ineffective internal controls over this compliance the Davis Bacon requirements were not complied with and may result in refunding these amounts to the state/federal agency. Due to the underpayment this will have to be resolved between the contractor and the laborer and may involve the DOL.

Cause - Neither the School District management nor its Facilities Services department were aware that the use of ARRA funds or any other federal funds used in construction projects are to comply with Federal Davis Bacon requirements. The school district is aware of the Montana rules and regulations related to construction contracts.

Billings School District, Montana
Schedule of Findings and Questioned Costs (continued)
June 30, 2010

Recommendation - We recommend the school district and the facilities department review the current procedures when entering into contracts and determine the projects that are being constructed with federal funds to ensure compliance with Davis Bacon requirements, including the responsibility (either the school or the architect and include the details in the scope of work) of monitoring the contractors laborer's for paying the prevailing rate by recalculating the payrolls and receiving the weekly certified payrolls in a timely manner by stamping a date when received and documenting who reviewed the certified payroll. Also include a clause the School District is to be notified by the engineer on a weekly basis if there are issues with complying with Davis Bacon.

Management's Corrective Action Plan - The contractor has corrected the pay issue. The district will put a process in place to inform the architect and engineers when federal funds are being used for construction projects. Contract language will be changed accordingly when falling under Davis-Bacon rules.

Billing School District, Montana
Summary Schedule of Prior Year Findings
June 30, 2010

2009-01 Passed through State Office of Public Instruction
Title I – CFDA # 84.010
IDEA - CFDA#84.027 and 84.173

Allowable Costs

Non Compliance

Significant Deficiency in Internal Control over Compliance

Finding – Three out of forty expenditures related to procurement cards were charged to federal grants without proper approval by the appropriate personnel.

Status – The district has fully implemented procedures for approvals for PCard purchases.

Auditor Response – Fully implemented as related to procurement cards.