

BILLINGS SCHOOL DISTRICT NO. 2
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2007

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

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

BILLINGS PUBLIC SCHOOLS

INTRODUCTORY SECTION

- **Table of Contents**
- **Directory of Officials**
- **Organization Chart**
- **Letter of Transmittal**

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BILLINGS PUBLIC SCHOOLS

ORGANIZATION

June 30, 2007

BOARD OF TRUSTEES

High School and Elementary
Single Member District

7	Malcolm Goodrich	Trustee, Chair
6	Katharin Kelker	Trustee, Vice-Chair
4	Kathleen Aragon	Trustee
1	Dawn Achten	Trustee
3	Mary Jo Fox	Trustee
2	Sandra Mossman	Trustee
5	Peter Gesuale	Trustee

High School
Nominating District

A	Tim Trafford	Trustee
B	Joel Guthals	Trustee

OFFICIALS

Jack Copps	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
Jack Copps

Internal Auditor/Clerk
Leo Hudetz

Executive Director Elementary Education
Kathy Olson

- Elementary Principals
- Special Education
- Music Department

Executive Director Secondary Education
C. Scott Anderson

- Middle School Principals
- High School Principals
- Adult Education
- Truancy Center

Executive Director Human Resources
Dan Martin

- Human Resource Services
- Benefits
- Technology
- Parent & Student Assistance
- Federal Programs

Executive Director Activities/Facilities
Dave Williams

- Drivers Education
- Office of Development and Advancement

Executive Director Curriculum
Gail Surwill

- Grades k-12 Curriculum

Executive Director Facilities
Rich Whitney

- Facilities Services

Chief Financial Officer
Thomas Harper

- Financial Operations
- Accounting
- Accounts Payable
- Accounts Receivable
- Payroll
- Transportation
- Warehouse/Purchasing
- Food Service

Billings Public Schools

Financial Services

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



March 31, 2008

Malcolm Goodrich, Chairman
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, 2007. 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 2007.

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

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement 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, 2007. The auditors report is presented as the first component of the financial section of this report.

To improve readability, the Comprehensive Annual Financial Report is presented in three sections as described below:

The **Introductory Section** includes a table of contents, the transmittal letter, an organization chart, and a directory of school district officials. This section is intended to provide a summary of financial transactions, an overview of the school district as one entity, and a summary of other significant facts for trends related to the District.

The **Financial Section** includes the MD&A, government-wide and fund financial statements, fiduciary fund financial statements, notes to the financial statements, required supplemental information (RSI), supplemental information other than MD&A, as well as the independent auditor's report on the financial statements.

The **Statistical Section** includes selected financial and demographic information, presented on a multi-year basis where possible. This section is intended to provide additional financial and non-financial information relevant to the school district. This section is unaudited.

PROFILE OF THE DISTRICT

Geographically, Billings Public Schools covers an area greater than the city of Billings. The school system includes two legal districts, Elementary District No. 2 and High School District No. 2. The Elementary District covers approximately 33 square miles and has a 2000 census population of 89,847 and a current estimate of 103,000. The High School District covers approximately 100 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 113,000. The school system is a public entity under the authority of the state of Montana.

The District is governed by a board of nine trustees, seven of which are citizens elected by the voters of single member districts of the the Billings Elementary District. Two are elected by the citizens of the other elementary districts to serve with the Billings elementary trustees as a high school board. The superintendent who acts as chief administrative officer is selected by the board of trustees.

The two separate legal entities make up one independent reporting entity within the criteria established in section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards. All funds of the District are included in this report. The District serves approximately 15,556 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 following governmental funds require an annual budget to be appropriated: General, Transportation Bus Deprecation, Tuition, Retirement, Technology Acquisition, Adult Education, Flexibility, Debt Service, and Building Reserve. These budgeted funds are the primary building blocks of the District's overall financial planning.

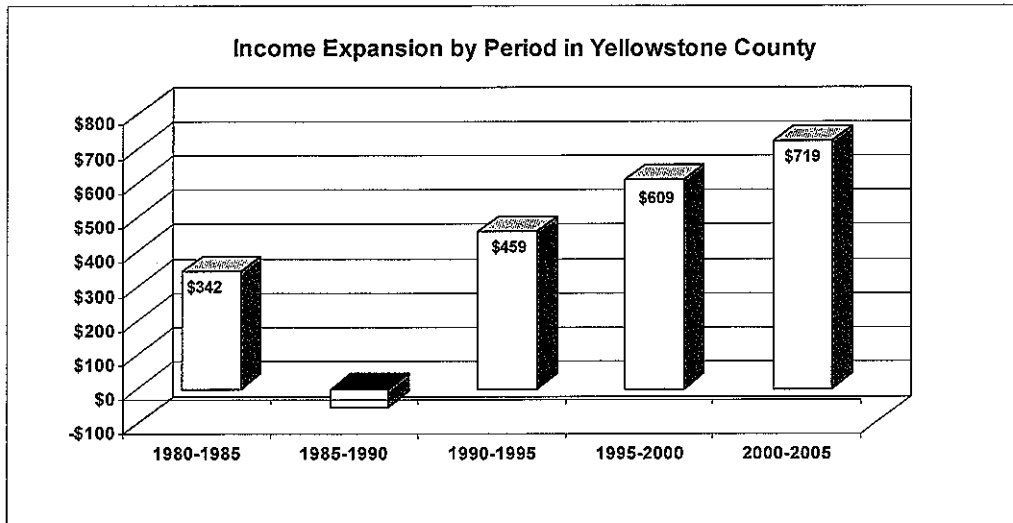
The District may have turned the corner on voters support for educational program maintenance and operations levies as well as school facility improvement bonds. The school district passed general fund mill levies in May of 2007.

ECONOMIC CONDITION AND OUTLOOK

Local Economy

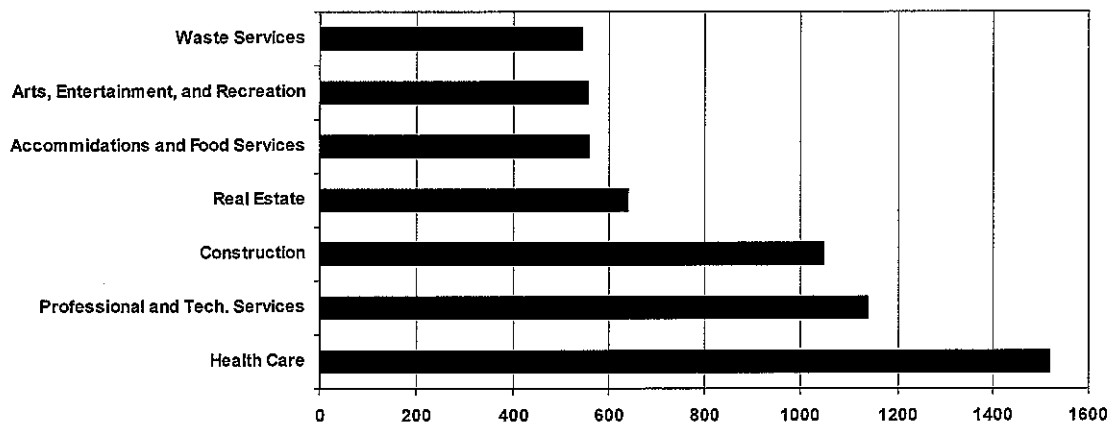
The District is located in south-central Montana. The major city within the District is Billings, the largest city in Montana, which also serves as the county seat of Yellowstone County. Since the late 1980's, the city of Billings has experienced a steady growth rate. The stable economy can be attributed to Billings's various economies to include; energy, health care, and professional and technical services.

The personal income base has expanded considerably since the early 1990's in Yellowstone County, resulting in continuous economic expansion.



Health Care has experienced the biggest increase in jobs in Yellowstone County between the years 2001 and 2005 with an increase of 1,571 jobs. The second largest increase in jobs in the county was in the professional and technical services sector with jobs such as engineers, accountants, and computer technicians. The third largest growth sector was in construction jobs.

2001- 05 Yellowstone County Job Growth by Sector



Major initiatives

In 2005, a consortium of school districts and associations supporting schools successfully brought suit against the state of Montana for not adequately funding schools. The state legislature met in special sessions in 2005 and 2007 and provided increased state funding. The Legislature established the following language in its definition of the basic system of free quality education, adopted by the Legislature in May of 2005:

20-0-309(4) By July 1, 2007, the Legislature shall:

- (a) determine the costs of providing the basic system of free quality public elementary and secondary schools;
- (b) establish a funding formula that:
 - (i) is based on the definition of a basic system of free quality public elementary and secondary schools and reflects the costs associated with providing that system as determined in subsection (4)(a);
 - (ii) allows the legislature to adjust the funding formula based on the educationally relevant factors identified in this section;
 - (iii) is self-executing and includes a mechanism for annual inflationary adjustments;
 - (iv) is based on state laws;
 - (v) is based on federal education laws consistent with Montana's constitution and laws; and
 - (vi) distributes to school districts in an equitable manner the state's share of the costs of the basic system of free quality public elementary and secondary schools; and
- (c) consolidate the budgetary fund structure to create the number and types of funds necessary to provide school districts with the greatest budgetary flexibility while ensuring accountability and efficiency.

The Montana Quality Education Coalition (MQEC) is comprised of school districts and educational organizations throughout Montana. The MQEC does not believe the state has satisfied the expectations established in the 2004 court decision, therefore, the Board of Directors has decided to return to court to seek relief on school funding. The MQEC will argue that an adequate level of funding is not being provided to Montana schools.

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 Generally Accepted Accounting Principles. 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 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.

Budgetary Control

Trustees adopt budgets for all governmental funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level.

Cash Management

Cash in excess of current expenditures is invested during the year in the Yellowstone County Investment Pool. The investment pool yield continued to rise during FY07 as higher yielding securities replaced matured investments at lower rates. This resulted in interest earnings exceeding the budget.

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. 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.

Independent Audit

The District requested and received an extension from the Montana Department of Administration to extend the audit issuance date to March 31, 2008. An extension was requested for the following reasons:

- Early adoption of GASB 45
- Adoption of GASB 27
- First time CAFR program

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 Generally Accepted Accounting Principles.

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 FY07 and FY08 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 the Association of School Business Officials International (ASBO) for its certificate of Excellence in Financial reporting. We believe our current report conforms to the ASBO and GFOA requirements, and we will submit it for determination of its eligibility for certification.

Acknowledgements


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

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

Respectfully Submitted,



Jack Copps
Superintendent



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



INDEPENDENT AUDITORS' 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, 2007, which collectively comprise the school's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Billings Public Schools' management. Our responsibility is to express an opinion 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 the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Billings Public Schools, as of June 30, 2007, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, certain omissions resulting in the understatement of previously reported long-term obligations as of June 30, 2006, were discovered by management of Billings Public Schools during the current year. Accordingly, an adjustment has been made to the governmental activity net assets as of July 1, 2006, to correct the omission.

In accordance with *Government Auditing Standards*, we have issued our report dated March 27, 2008 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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

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results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information as found in the table of contents, 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 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 Schools' basic financial statements. The introductory section, combining and individual non-major fund financial statements, supporting schedules, statistical data listed in the table of contents 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 Governments and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements of Billings Public Schools. Such information, except for the statistical data marked as unaudited and the introductory section, on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Eric Sully LLP".

Billings, Montana
March 27, 2008

BILLINGS PUBLIC SCHOOLS

FINANCIAL SECTION

- **Independent Auditor's Report**
- **Management's Discussion and Analysis**
- **Basic Financial Statements**
 - **Government-wide Financial Statements**
 - **Fund Financial Statements**
 - **Notes to Basic Financial Statements**
- **Required Supplementary Information**
- **Other Supplementary Information**

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, 2007. We encourage the readers to consider the information presented here in conjunction with additional information presented in the financial statements and footnotes.

FINANCIAL HIGHLIGHTS

- Total assets increased \$2.2 million in 2007.
- Government-wide revenues increased \$6.1 million over 2006 to \$129.7 million. This represents a 6% increase over the prior year
- Government-wide expenditures increased \$5.3 million over 2006 to \$125.9 million. This represents a 4.4% increase over the prior year.
- At year-end, the governmental funds reported total fund balances of \$19.8 million, an increase of \$1.5 million over the prior year. Total unreserved fund balance increased \$1.5 million to \$18.1 million.
- The 2007 general fund expenditure budget was \$84.4 million, an increase of \$2.8 million or 3.4% over the prior year. Of the budgeted amount, all but \$6,580 was spent or unobligated.
- The prior period adjustment of \$6.4 million reflects adjustment for service credit and the termination pay benefit plan.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The first two statements are *district-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 district-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 three internal service funds used to provide services to all other district funds: purchasing and self-insurance.
- *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 for the year.

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

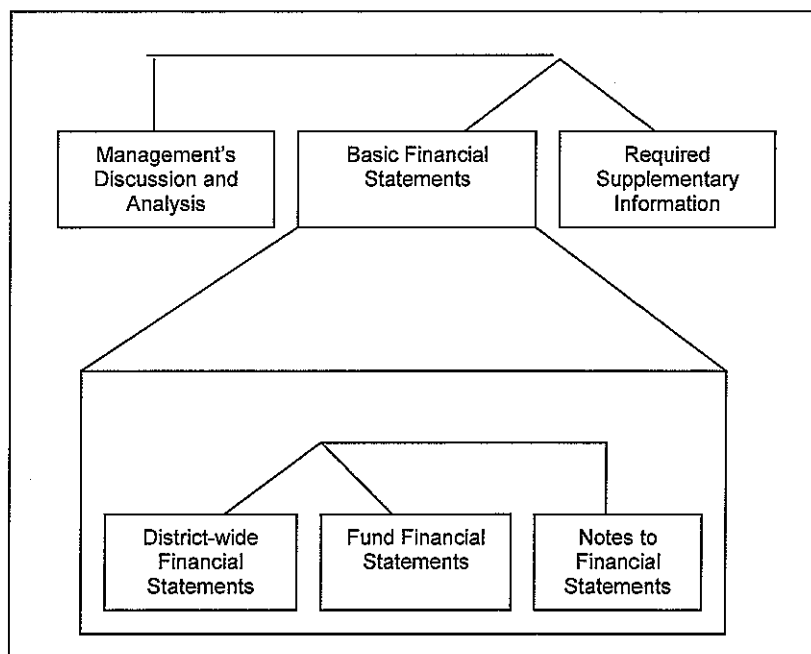


Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

<p>Figure A-2 Major Features of District-Wide and Fund Financial Statements</p>			
	District-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 21 and 22) 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 its 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 changes in the State's funding of educational costs to assess the overall health.

BILLINGS PUBLIC SCHOOLS

MANAGEMENT DISCUSSION & ANALYSIS

Fund financial statements The fund financial statements (pages 23 and 25) 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. We utilize 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 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 24 and 26, respectively).

Proprietary funds—The district maintains one proprietary fund type. 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 27, 28 and 29 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. We exclude these activities from the other financial statements because we cannot use these assets to finance our operations. We are 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:	2007	2006	Change
Current and other assets	\$ 27,759,887	\$ 26,521,687	\$ 1,238,200
Capital assets	61,685,437	60,738,360	947,077
Total assets	89,445,324	87,260,047	2,185,277
Other liabilities	3,723,036	4,759,371	(1,036,335)
Long-term liabilities outstanding	18,015,683	25,047,057	(7,031,374)
Total liabilities	21,738,719	29,806,428	(8,067,709)
Net assets:			
Invested in capital assets, net of related debt	58,767,183	56,020,328	2,746,855
Restricted for debt service	1,350,978	1,287,030	63,948
Restricted for other purposes	11,915,272	12,399,380	(484,108)
Unrestricted deficit	(4,326,828)	(12,253,119)	7,926,291
Total net assets	\$ 67,706,605	\$ 57,453,619	\$ 10,252,986
CHANGES IN NET ASSETS:			
Revenues:			
Program revenues:			
Charges for services	\$ 2,981,336	\$ 2,977,243	\$ 4,093
Operating grants and contributions	27,164,473	21,432,451	5,732,022
Capital grants and contributions	240,298	584,375	(344,077)
General revenues:			
Taxes	33,088,889	34,895,621	(1,806,732)
State sources	52,347,814	51,506,040	841,774
County sources	11,252,174	10,606,494	645,680
Interest	1,050,145	924,471	125,674
Contributions and donations	1,146,765	538,494	608,271
Miscellaneous	209,184	177,871	31,313
Gain on disposal of capital assets	242,559	-	242,559
Total revenues	129,723,637	123,643,060	6,080,577
Expenses:			
Instruction	78,052,218	74,316,304	3,735,914
Support services-students	9,117,020	8,245,532	871,488
Support services-instructional staff	5,878,241	5,992,695	(114,454)
Support services-general administration	1,354,664	1,238,774	115,890
Support services-administration	8,248,789	8,130,808	117,981
Support services-business	1,842,122	1,769,612	72,510
Operation and maintenance	10,713,640	10,270,658	442,982
Student transportation	4,375,271	4,310,389	64,882
Food services	4,180,626	4,113,009	67,617
Community services	14,953	15,178	(225)
Extracurricular	1,920,491	1,909,711	10,780
Interest on long-term debt	177,913	221,475	(43,562)
Total expenses	125,875,948	120,534,145	5,341,803
Increase in net assets	3,847,689	3,108,915	738,774
Net assets, beginning	57,453,619	54,344,704	3,108,915
Prior period adjustment	6,405,297	-	6,405,297
Net assets, ending	\$ 67,706,605	\$ 57,453,619	\$ 10,252,986

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.

DISTRICT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net assets and changes in net assets of the district. The 2007 revenue of \$129.7 million exceeded expenses of \$125.9 million by \$3.8 million. The 2006 revenue of \$123.6 million exceeded expenses of \$120.5 by \$3.1 million due in large part to the continual spend down of bond and building reserve proceeds issued in June of 2004 and 2001.

The unrestricted deficit decreased by \$7.9 million, or 65%, resulting in an unrestricted deficit of \$4.3 million. The decrease is due to the district properly accounting for the service credit and termination pay benefits plan. This resulted in a prior period credit adjustment of \$6,405,297. The district historically has maintained a policy of pay-as-you-go for the service credit and termination pay benefits. The district budgeted \$3.3 million to cover the estimated current cost in FY2008 (See Note 2).

The net assets of the district increased by \$10.2 million, or 17.8%, resulting in net assets of \$67.7 million. Net assets consist of cash and cash equivalents and capital assets net of liabilities. Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislative restrictions, or other legal requirements. The increase in net assets is due to the district properly accounting for the service credit and termination pay benefits plan (See Note 4).

FUND FINANCIAL STATEMENTS

As the district completed the year, its governmental funds (see balance sheet on page 23) reported a combined fund balance of \$19.8 million, an increase of \$1.5 million over the prior year. The total unreserved fund balance increased \$1.5 million to \$18.1 million.

The fund financial statements provide detailed information about the major (most significant) funds. To be reported as a major fund, total assets, liabilities, revenues, or expenditures of an individual fund must be at least 10 percent of the corresponding element total (assets, liabilities, etc.) for all funds. The general fund is always reported as a major fund (See Note 1).

General Fund Budgetary Highlights

Adopted budgeted expenditures are a prerequisite to expenditures in the governmental funds. The budgeted expenditures lapse at the end of the fiscal year. The Board can adopt revised or supplemental budget expenditures after a public hearing any time during the fiscal year. There were no Board adopted revisions (amendments) during FY2007. The table below summarizes general fund revenues and expenditures for fiscal year 2007 and 2006. The total percentage change is relatively minor.

BILLINGS PUBLIC SCHOOLS
MANAGEMENT DISCUSSION & ANALYSIS

	<u>2007</u>	<u>2006</u>	<u>Percent Change</u>
Revenues			
Property taxes	\$ 26,213,125	\$ 25,635,660	2.3%
State aid	44,938,154	43,982,940	2.2%
State other	13,112,024	9,666,345	35.6%
Tuition	211,263	221,849	-4.8%
Miscellaneous	76,634	78,661	-2.6%
Total revenues	<u>\$ 84,551,200</u>	<u>\$ 79,585,455</u>	
Expenditures			
Instruction	\$ 55,197,847	\$ 52,136,474	5.9%
Support services:			
Students	5,740,609	5,415,414	6.0%
Instructional staff	4,636,544	4,038,827	14.8%
General administration	1,132,599	1,249,372	-9.3%
School administration	6,386,532	6,203,024	3.0%
Business services	969,121	1,070,846	-9.5%
Operation and maintenance	8,316,670	8,801,763	-5.5%
Student transportation	13,657	7,392	84.8%
Community services	6,600	6,600	0.0%
Extracurricular	1,618,881	1,680,764	-3.7%
Capital outlay	69,834	157,569	-55.7%
Debt service	47,516	10,880	336.7%
Total expenditures	<u>\$ 84,136,410</u>	<u>\$ 80,778,925</u>	

Elementary Retirement Fund Budgetary Highlights

Prior year excess reserves were sufficient to cover increased retirement costs through 2006. Current year permissive levies were increased to cover retirement costs.

	<u>2007</u>	<u>2006</u>	<u>Percent Change</u>
Revenues			
County	\$ 7,281,408	\$ 6,378,722	14.2%
Miscellaneous	60,930	64,217	-5.1%
Total revenues	<u>\$ 7,342,338</u>	<u>\$ 6,442,939</u>	
Expenditures			
Instruction	\$ 5,078,729	\$ 4,967,762	2.2%
Support services:			
Students	646,424	626,133	3.2%
Instructional staff	363,383	324,090	12.1%
General administration	25,319	28,960	-12.6%
School administration	574,697	560,343	2.6%
Business services	115,142	109,001	5.6%
Operation and maintenance	448,354	441,520	1.5%
Student transportation	106,755	100,810	5.9%
Extracurricular	64,950	64,510	0.7%
Total expenditures	<u>\$ 7,423,753</u>	<u>\$ 7,223,129</u>	

BILLINGS PUBLIC SCHOOLS
MANAGEMENT DISCUSSION & ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – At the end of the fiscal year 2007, the district had \$61,685,437 invested in a broad range of capital assets, including technology, equipment and school buildings. This amount represents a net increase (including additions and deletions) of \$947,077.

The district's fiscal year 2006-2007 capital project budget was \$3.1 million. These included projects funded by the 2004 bond issue, 2001 building reserve and locally funded projects. Projects funded by bonds and building reserves authorized by voters in 2004 and 2001 are complete.

In the spring of 2004, the district issued \$10 million of general obligation bonds to finance the construction of various district projects including the renovation of several elementary schools.

In the spring of 2001 the district passed a mill levy for 5 years totaling \$15 million to address the district backlog of deferred maintenance. The construction in progress as of June 30, 2007 of \$653,000 consists primarily of projects funded by one time money or donations.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2007:

	2007	2006	Change
Land	\$ 4,275,461	\$ 4,275,461	\$ -
Improvements other than bldgs	285,459	170,566	114,893
Building and improvements	54,479,873	46,999,849	7,480,024
Machinery and equipment	1,991,362	2,383,234	(391,872)
Construction in progress	653,282	6,909,250	(6,255,968)
Total	<u>\$ 61,685,437</u>	<u>\$ 60,738,360</u>	<u>\$ 947,077</u>

Additional information on the district's capital assets can be found in Note 3 of this report.

Debt administration – At year end the district had \$18,015,683 in general obligation bonds and other long-term debt/liabilities outstanding, of which \$3,701,344 is due within one year. Total long-term liability decreased \$7,031,374, or 28%, compared to a decrease of \$1,086,861 in 2006. The decrease is due to the district properly accounting for the service credit and termination pay benefits (see Note 2). The final payment on the general obligation debt is due June 30, 2008.

Under current state statutes, district general obligation bonded debt issuances are subject to a legal limitation based on taxable value. As of June 30, 2007 the district's total debt outstanding was well below the legal limit of \$240 million. Outstanding bonds currently financed received an A-1 rating from Moody's Financial Services for general obligation debt. A summary of the district's outstanding long-term debt for the years ended June 30, 2007 and 2006 is presented below:

	2007	2006	Change
General obligation bonds	\$ 2,615,000	\$ 5,155,000	\$ (2,540,000)
Capital leases		1,345	(1,345)
Notes payables	327,076	367,209	(40,133)
Compensated absences	10,188,899	9,849,851	339,048
Service Credit and termination pay benefits	3,393,708	3,267,976	125,732
Other postemployment benefits	1,491,000	0	1,491,000
Total	<u>\$ 18,015,683</u>	<u>\$ 18,641,381</u>	<u>\$ (625,698)</u>

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

ECONOMIC CONDITION AND OUTLOOK

The district serves the City of Billings and some adjacent areas in Yellowstone County. The economic indicators for the region are favorable. In recent years the region has shown an increase in home sales, an increase in retail, increased personal income and decreased unemployment. In addition, there are numerous construction projects – both government and private sector – that are in progress or anticipated to begin soon.

BILLINGS PUBLIC SCHOOLS

MANAGEMENT DISCUSSION & ANALYSIS

The 2007-2008 expenditures for budgeted funds of the district were budgeted at over \$118 million. The 2007 property tax rate was 154.39 per thousand dollars of assessed value for the amounts collected in the budgeted funds. For further details see charts on pages 19 and 20.

The district anticipates a decline in student enrollment for the 2007-2008 year. The revenue impact of this decline will be partially offset by two factors: 1) implementation of all-day kindergarten; and, 2) the ability to use a three-year rolling average for revenue purposes. Long-term, the decline in enrollment may be attributed to demographic elements. For example, even though the general population is growing, there are fewer children, and the population is older.

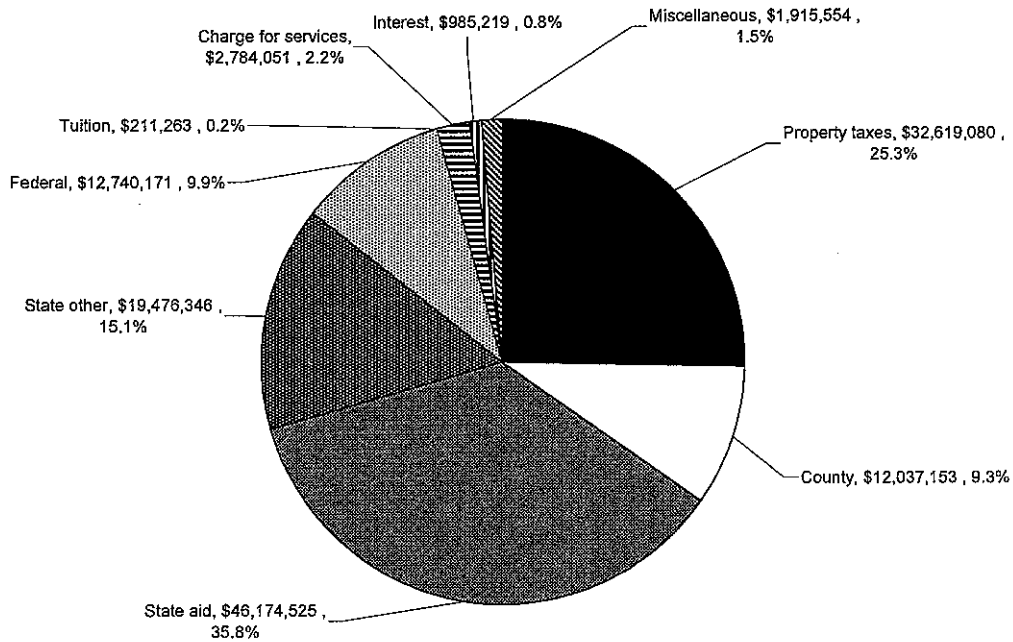
The school board and management have an objective to maintain a minimum general fund reserve of 5% of budgeted general expenditures. FY2008 the district budgeted an additional \$800,000 to bring the general fund up to a 5% level.

The board and management will continue to keep staff and community involved in the budget process of the district.

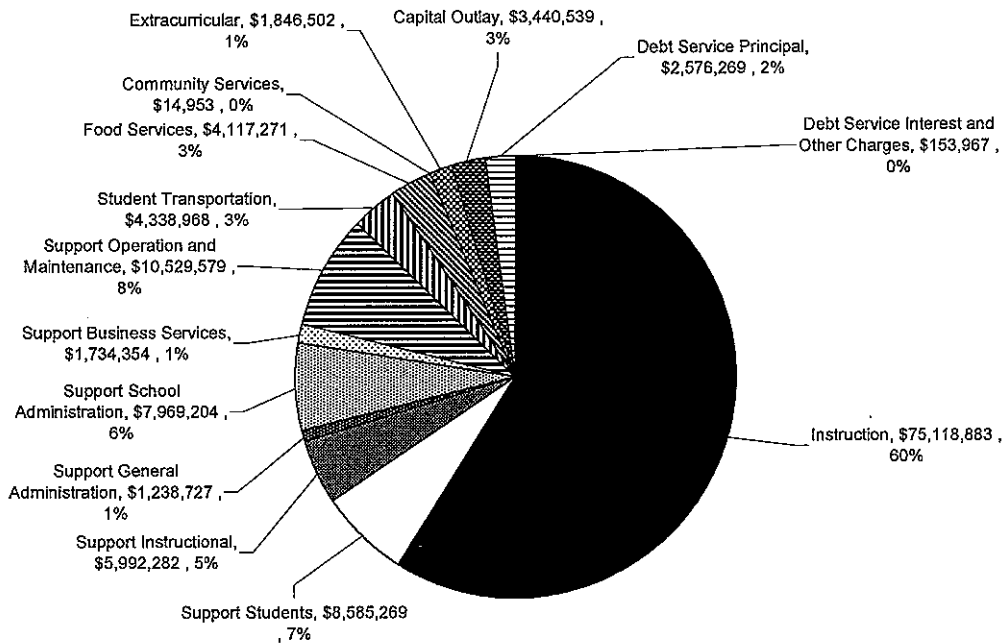
CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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 Lincoln Center, 415 N. 30th Street, Billings, Montana, 59101.

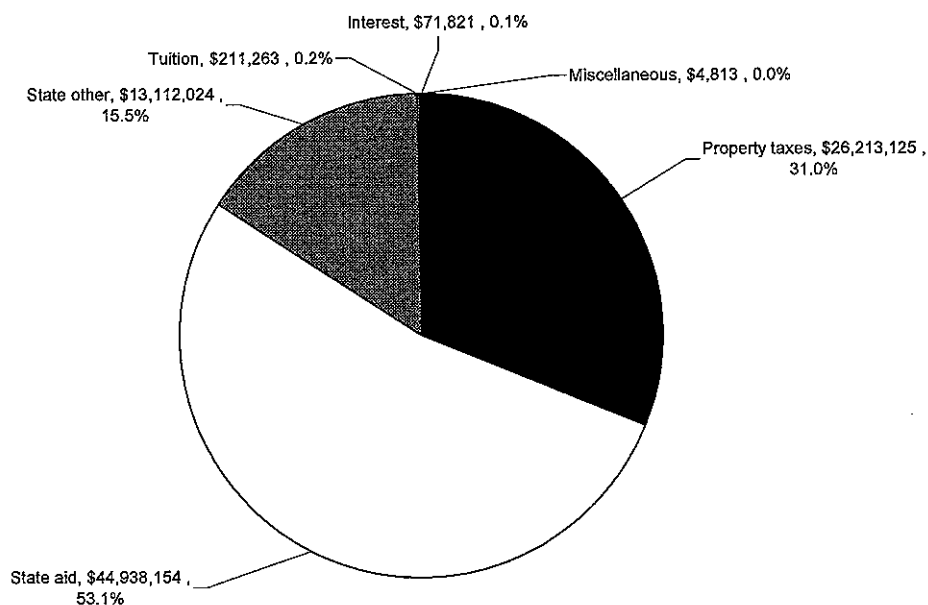
GAAP Basis Revenues by Source - Total Governmental Funds (pg. 25)



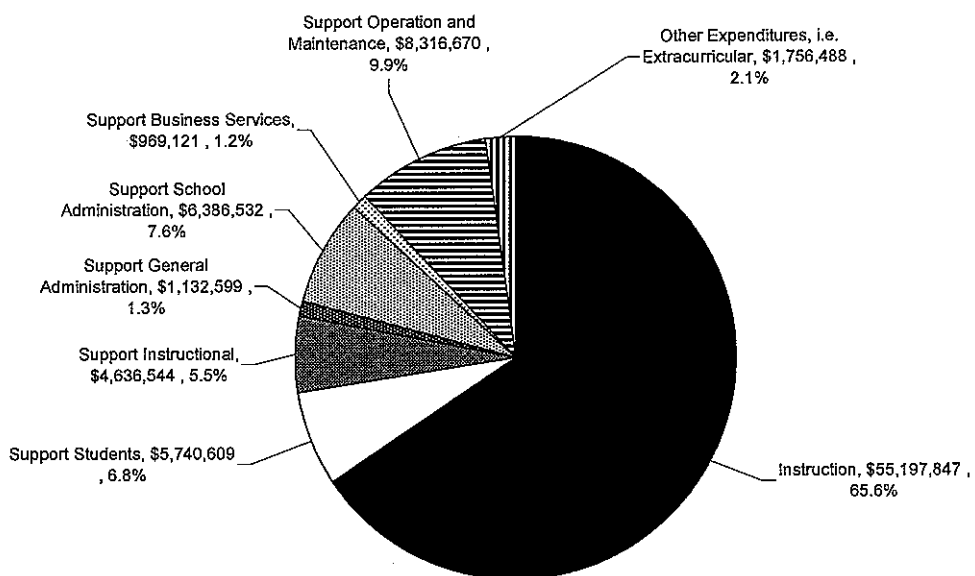
GAAP Basis Expenditures by Function - Total Governmental Funds (pg. 25)



GAAP Basis Revenues by Source - General Fund (Major Fund see page 25)



GAAP Basis Expenditures by Function - General Fund (Major Fund see page 25)



Note items combined

BILLINGS PUBLIC SCHOOLS

STATEMENT OF NET ASSETS

June 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 22,420,523	\$ 681	\$ 22,421,204
Receivables:			
Taxes, net	2,368,321	-	2,368,321
Governments	824,426	-	824,426
Other	1,853,933	-	1,853,933
Inventories	185,917	-	185,917
Prepaid expenses	82,945	-	82,945
Deferred charges	23,822	-	23,822
Land and construction in progress	4,928,743	-	4,928,743
Depreciable capital assets, net	56,756,694	-	56,756,694
 Total assets	 89,445,324	 681	 89,446,005
LIABILITIES			
Accounts payable and accrued expenses	3,626,327	117	3,626,444
Due to other governmental agencies	26,073	-	26,073
Deferred revenues	70,636	-	70,636
Long-term liabilities:			
Due within one year:			
Bonds and notes	2,682,454	-	2,682,454
Compensated absences	1,018,890	-	1,018,890
Due in more than one year:			
Bonds and notes	259,622	-	259,622
Compensated absences	9,170,009	-	9,170,009
Service credit and termination pay benefits payable	3,393,708	-	3,393,708
Other postemployment benefits	1,491,000	-	1,491,000
 Total liabilities	 21,738,719	 117	 21,738,836
NET ASSETS			
Invested in capital assets, net of related debt	58,767,183	-	58,767,183
Restricted for:			
Debt service	1,350,978	-	1,350,978
Other purposes	11,915,272	-	11,915,272
Unrestricted	(4,326,828)	564	(4,326,264)
 Total net assets	 \$ 67,706,605	 \$ 564	 \$ 67,707,169

See notes to basic financial statements.

BILLINGS PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction	\$ 78,052,218	\$ 612,530	\$ 16,973,704	\$ -	\$ (60,465,984)	\$ -	\$ (60,465,984)
Support services:							
Students	9,117,020	-	3,219,184	-	(5,897,836)	-	(5,897,836)
Instructional staff	5,878,241	-	611,060	-	(5,267,181)	-	(5,267,181)
General administration	1,354,664	-	-	-	(1,354,664)	-	(1,354,664)
School administration	8,248,789	-	-	-	(8,248,789)	-	(8,248,789)
Business services	1,842,122	-	404,232	-	(1,437,890)	-	(1,437,890)
Operation and maintenance	10,713,640	70,401	2,397,715	-	(8,245,524)	-	(8,245,524)
Student transportation	4,375,271	44,857	1,571,745	-	(2,758,669)	-	(2,758,669)
Food services	4,180,626	2,253,548	1,986,833	-	59,755	-	59,755
Community services	14,953	-	-	-	(14,953)	-	(14,953)
Extracurricular	1,920,491	-	-	240,298	(1,680,193)	-	(1,680,193)
Interest	177,913	-	-	-	(177,913)	-	(177,913)
Total governmental activities	125,875,948	2,981,336	27,164,473	240,298	(95,489,841)	-	(95,489,841)
Business-type activities							
Day Care	502	1,065	-	-	-	563	563
Total business-type activities	502	1,065	-	-	-	563	563
Total	\$ 125,876,450	\$ 2,982,401	\$ 27,164,473	\$ 240,298	(95,489,841)	563	(95,489,278)
General revenues:							
Property taxes					33,088,889	-	33,088,889
Intergovernmental:							
State aid					46,174,525	-	46,174,525
State other					6,173,289	-	6,173,289
County					11,252,174	-	11,252,174
Interest					1,050,145	1	1,050,146
Contributions and donations					1,146,765	-	1,146,765
Miscellaneous					209,184	-	209,184
Gain on disposal of capital assets					242,559	-	242,559
Total general revenues					99,337,530	1	99,337,531
Change in net assets					3,847,689	564	3,848,253
Net assets - beginning as restated (Footnote 2)					63,858,916	-	63,858,916
Net assets - ending					\$ 67,706,605	\$ 564	\$ 67,707,169

See notes to basic financial statements.

BILLINGS PUBLIC SCHOOLS

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2007

	General	Elementary Retirement	Elementary Miscellaneous Programs	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,732,507	\$2,849,674	\$ 1,620,656	\$ 10,942,855	\$ 20,145,692
Receivables:					
Taxes, net	1,846,543	-	-	521,778	2,368,321
Governments	-	-	594,423	230,003	824,426
Other	276,755	-	256,402	583,243	1,116,400
Inventories	-	-	-	42,390	42,390
Total assets	<u>\$ 6,855,805</u>	<u>\$2,849,674</u>	<u>\$ 2,471,481</u>	<u>\$ 12,320,269</u>	<u>\$ 24,497,229</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 928,357	\$ -	\$ 432,388	\$ 672,237	\$ 2,032,982
Payable to other governments	-	-	26,073	-	26,073
Deferred revenue	2,005,582	-	21,514	604,390	2,631,486
Total liabilities	<u>2,933,939</u>	<u>-</u>	<u>479,975</u>	<u>1,276,627</u>	<u>4,690,541</u>
Fund balances:					
Reserved for:					
Inventories	-	-	-	42,390	42,390
Encumbrances	401,505	-	-	9,425	410,930
Debt service	-	-	-	1,247,786	1,247,786
Unreserved	3,520,361	2,849,674	1,991,506	-	8,361,541
Unreserved, reported in non-major:					
Special revenue funds	-	-	-	6,921,316	6,921,316
Capital projects funds	-	-	-	2,822,725	2,822,725
Total fund balances	<u>3,921,866</u>	<u>2,849,674</u>	<u>1,991,506</u>	<u>11,043,642</u>	<u>19,806,688</u>
Total liabilities and fund balances	<u>\$ 6,855,805</u>	<u>\$2,849,674</u>	<u>\$ 2,471,481</u>	<u>\$ 12,320,269</u>	<u>\$ 24,497,229</u>

See notes to basic financial statements.

BILLINGS PUBLIC SCHOOLS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS June 30, 2007

Total fund balance, governmental funds	\$ 19,806,688
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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.	60,199,531
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	2,609,972
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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.	1,508,429
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Some liabilities, including notes payable, compensated absences, bonds payable and service credit and termination pay benefits, are not due and payable in the current period and therefore are not included in the funds.	<u>(16,418,015)</u>
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Net assets of governmental activities	<u>\$ 67,706,605</u>
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BILLINGS PUBLIC SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2007

	General	Elementary Retirement	Elementary Miscellaneous Programs	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 26,213,125	\$ -	\$ -	\$ 6,405,955	\$ 32,619,080
Intergovernmental:					
County	-	7,281,408	-	4,755,745	12,037,153
State aid	44,938,154	-	-	1,236,371	46,174,525
State other	13,112,024	-	3,050,012	3,314,310	19,476,346
Federal	-	-	9,520,735	3,219,436	12,740,171
Tuition	211,263	-	-	-	211,263
Charge for services	-	-	-	2,784,051	2,784,051
Interest	71,821	60,930	232,368	620,100	985,219
Miscellaneous	4,813	-	305,222	1,605,519	1,915,554
Total revenues	84,551,200	7,342,338	13,108,337	23,941,487	128,943,362
EXPENDITURES					
Current:					
Instruction	55,197,847	5,078,729	8,281,013	6,561,294	75,118,883
Support services:					
Students	5,740,609	646,424	1,382,659	815,577	8,585,269
Instructional staff	4,636,544	363,383	579,233	413,122	5,992,282
General administration	1,132,599	25,319	36,888	43,921	1,238,727
School administration	6,386,532	574,697	173,428	834,547	7,969,204
Business services	969,121	115,142	428,238	221,853	1,734,354
Operation and maintenance	8,316,670	448,354	839,085	925,470	10,529,579
Student transportation	13,657	106,755	2,204	4,216,352	4,338,968
Food services	-	-	-	4,117,271	4,117,271
Community services	6,600	-	-	8,353	14,953
Extracurricular	1,618,881	64,950	-	162,671	1,846,502
Capital outlay	69,834	-	119,898	3,250,807	3,440,539
Debt service:					
Principal	35,799	-	426	2,540,044	2,576,269
Interest and other charges	11,717	-	-	142,250	153,967
Total expenditures	84,136,410	7,423,753	11,843,072	24,253,532	127,656,767
Excess (deficiency) of revenues over (under) expenditures	414,790	(81,415)	1,265,265	(312,045)	1,286,595
OTHER FINANCING SOURCES					
Sale of capital assets	-	-	-	247,559	247,559
Total other financing sources	-	-	-	247,559	247,559
Net change in fund balances	414,790	(81,415)	1,265,265	(64,486)	1,534,154
Fund balances - beginning	3,507,076	2,931,089	726,241	11,108,128	18,272,534
Fund balances - ending	\$ 3,921,866	\$ 2,849,674	\$ 1,991,506	\$ 11,043,642	\$ 19,806,688

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, 2007

Net change in fund balances - total governmental funds \$ 1,534,154

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 capital outlays (\$3,440,539) exceeded depreciation (\$2,472,600) in the current period. 967,939

The net effect of various transactions involving capital assets (i.e., sales, donations and trade-ins) is to increase net assets. 16,959

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. 450,831

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 (23,822)
Repayment of principal on long-term debt 2,576,269

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 (125,732)
Compensated absences (323,899)

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. (1,225,010)

Change in net assets of governmental activities \$ 3,847,689

BILLINGS PUBLIC SCHOOLS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

June 30, 2007

	Business-type Activities- Enterprise Fund	Governmental Activities- Internal Service Funds
	Day Care	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 681	\$ 2,274,831
Accounts receivable, net	-	462,533
Due from fiduciary funds	-	275,000
Prepaid expenses	-	82,945
Inventories	-	143,527
Total current assets	681	3,238,836
Non-current assets:		
Capital assets:		
Land and improvements	-	122,700
Buildings	-	1,691,183
Equipment and furniture	-	781,456
Less accumulated depreciation	-	(1,109,433)
Total non-current assets	-	1,485,906
Total assets	681	4,724,742
LIABILITIES		
Current Liabilities:		
Accounts payable	117	1,593,345
Deferred revenue	-	49,122
Compensated absences	-	8,284
Total current liabilities	117	1,650,751
Non-current liabilities:		
Compensated absences	-	74,562
Other postemployment benefits	-	1,491,000
Total non-current liabilities	-	1,565,562
Total liabilities	117	3,216,313
NET ASSETS		
Invested in capital assets	-	1,485,906
Unrestricted	564	22,523
Total net assets	\$ 564	\$ 1,508,429

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, 2007

	Business-type Activities- Enterprise Fund	Governmental Activities- Internal Service Funds
	Day Care	Funds
OPERATING REVENUES		
Charges for services	\$ 1,065	\$ 14,932,666
Total operating revenues	1,065	14,932,666
OPERATING EXPENSES		
Personal services	-	439,552
Professional and technical services	-	35,325
Purchased property services	-	4,224
Other purchased services	-	135,429
Supplies and materials	502	1,732,431
Insurance claims and expenses	-	12,346,684
Other postemployment benefits	-	1,491,000
Miscellaneous	-	12
Depreciation	-	37,821
Total operating expenses	502	16,222,478
Operating income	563	(1,289,812)
NON-OPERATING REVENUES (EXPENSES)		
Interest revenue	1	64,926
Interest expense	-	(124)
Total non-operating revenues (expenses)	1	64,802
Change in net assets	564	(1,225,010)
Net assets - beginning	-	2,733,439
Net assets - ending	\$ 564	\$ 1,508,429

See notes to basic financial statements.

BILLINGS PUBLIC SCHOOLS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2007

	Business-type Activities- Enterprise Fund	Governmental Activities- Internal Service Funds
	Day Care	
CASH FLOWS FROM OPERATIONS:		
Cash received from customers	\$ 1,065	\$ -
Cash received from health insurance premiums	-	12,828,946
Cash received from interfund services	-	2,113,609
Medical claims paid	-	(10,400,763)
Cash paid to employees health insurance services	-	(77,237)
Cash paid to employees interfund services	-	(348,588)
Cash paid to suppliers for goods and services	(385)	-
Cash paid to suppliers for goods and services health insurance services	-	(1,979,487)
Cash paid to suppliers for goods and services interfund services	-	(1,878,098)
Net cash provided by operating activities	680	258,382
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Principal payments on note payable	-	(5,209)
Interest paid	-	(124)
Net cash used by capital financing activities	-	(5,333)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	1	64,926
Net cash provided by investing activities	1	64,926
Change in cash and cash equivalents	681	317,975
Cash and cash equivalents - beginning	-	1,956,856
Cash and cash equivalents - ending	\$ 681	\$ 2,274,831
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 563	\$ (1,289,812)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	-	37,821
Increase in accounts receivable	-	(208,881)
Decrease in inventory	-	69,347
Increase in prepaid expenses	-	(82,945)
Increase in accounts payable	117	221,114
Increase in deferred revenue	-	5,968
Increase in compensated absences	-	14,770
Increase in other postemployment benefits	-	1,491,000
Net cash provided by operating activities	\$ 680	\$ 258,382

See notes to basic financial statements.

BILLINGS PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2007

	Private Purpose Trust Fund- Extracurricular	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 1,537,213	\$ 5,260,364
Total assets	<u>1,537,213</u>	<u>5,260,364</u>
LIABILITIES		
Accounts payable	50,560	4,985,364
Due to internal service funds	-	275,000
Total liabilities	<u>50,560</u>	<u>5,260,364</u>
NET ASSETS		
Held in trust	<u>\$ 1,486,653</u>	<u>\$ -</u>

BILLINGS PUBLIC SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
For the Year Ended June 30, 2007

	Private Purpose Trust Fund- <u>Extracurricular</u>
ADDITIONS	
Contributions:	
Student extracurricular activities	\$ 2,865,816
Investment earnings:	
Interest	<u>45,497</u>
Total additions	<u>2,911,313</u>
DEDUCTIONS	
Student extracurricular activities	<u>2,786,451</u>
Total deductions	<u>2,786,451</u>
Change in net assets	124,862
Net assets - beginning	<u>1,361,791</u>
Net assets - ending	<u><u>\$ 1,486,653</u></u>

BILLINGS PUBLIC SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the district are prepared in accordance with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards 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. In July 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and effective prospectively. The Statement establishes standards for the measurement, recognition, and display of other postemployment benefits expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The district's significant accounting policies are described below.

Reporting Entity

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

The 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

BILLINGS PUBLIC SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS

been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the district.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund and of the internal service funds are charges to customers for sales and services. Operating expenses for enterprise fund and internal service funds 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 countywide retirement levy and the district's share of TRS, PERS, unemployment and Social Security and Medicare.

The elementary miscellaneous programs fund (a non-budgeted fund) accounts for federal, state and local grants and indirect cost monies received by the district.

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 accounts 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 in the pool are reported at fair value. Fair value is determined annually, based on 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 outstanding balance at June 30, 2007. The allowance at June 30, 2007, was \$151,170.

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 become delinquent on December 1 and June 1. 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 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 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.

Warrants Payable

The district pays expenditures by means of warrants. These warrants are orders to the County Treasurer to pay a specified sum to the person named or to the bearer. Warrants not redeemed by the County Treasurer as of June 30, 2007, are reported on the statement of fiduciary net assets as accounts payable.

Compensated Absences

Accrued 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.

BILLINGS PUBLIC SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS

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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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

Prior Period Adjustment

In previous years the district had included obligations for certain termination pay benefits as compensated absences. During the current year, the district staff has re-evaluated the accounting treatment of these commitments and has concluded they should be recorded as a service credit and termination pay benefit in accordance with GASB 27. Accordingly, a net adjustment of \$6,405,297 was made during 2007 to record these obligations as of the beginning of the year. A corresponding entry was made to increase previously reported net assets by the same amount. This adjustment only affected the governmental activities on the Statement of Net Assets and the Statement of Activities.

Beginning net assets were restated as follows:

Net assets - beginning, as previously reported		\$ 57,453,619
Adjustment to remove incorrect accounting for the service credit and termination pay benefit	9,673,652	
Adjustment to properly reflect the service credit and termination pay benefit under GASB Statement 27	<u>(3,268,355)</u>	
		6,405,297
Net assets - beginning, as restated		<u>\$ 63,858,916</u>

Deficit Fund Equity

The health insurance fund, an internal service fund, had a deficit net assets balance of \$163,080 as of June 30, 2007. The deficit occurred because of the implementation of GASB Statement 45. 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, 2007, exceeded the amount required by State statute.

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

Disaggregation of Payable Balances

Payables as of June 30, 2007, were as follows:

	Vendors	Salaries and Benefits	IBNR	Total
General	\$ 336,652	\$ 591,705	\$ -	\$ 928,357
Elementary miscellaneous programs	260,308	172,080	-	432,388
Enterprise fund-Day care	117	-	-	117
Internal service funds	272,631	20,714	1,300,000	1,593,345
Nonmajor governmental funds	539,069	133,168	-	672,237
	<u>\$ 1,408,777</u>	<u>\$ 917,667</u>	<u>\$ 1,300,000</u>	<u>\$ 3,626,444</u>

Capital Assets

Capital asset activity for the year ended June 30, 2007, was as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Capital assets, not being depreciated				
Land	\$ 4,275,461	\$ -	\$ -	\$ 4,275,461
Construction in progress	6,909,250	653,282	(6,909,250)	653,282
Total capital assets, not being depreciated	<u>11,184,711</u>	<u>653,282</u>	<u>(6,909,250)</u>	<u>4,928,743</u>
Capital assets, being depreciated				
Buildings/improvements	72,809,542	9,332,641	-	82,142,183
Improvements other than buildings	214,649	129,400	-	344,049
Machinery and equipment	6,937,749	251,425	(162,565)	7,026,609
Total capital assets, being depreciated	<u>79,961,940</u>	<u>9,713,466</u>	<u>(162,565)</u>	<u>89,512,841</u>
Less accumulated depreciation for:				
Buildings/improvements	(25,809,693)	(1,852,617)	-	(27,662,310)
Improvements other than buildings	(44,083)	(14,507)	-	(58,590)
Machinery and equipment	(4,554,515)	(643,297)	162,565	(5,035,247)
Total accumulated depreciation	<u>(30,408,291)</u>	<u>(2,510,421)</u>	<u>162,565</u>	<u>(32,756,147)</u>
Total capital assets, being depreciated, net	<u>49,553,649</u>	<u>7,203,045</u>	<u>-</u>	<u>56,756,694</u>
Total capital assets, net	<u>\$ 60,738,360</u>	<u>\$ 7,856,327</u>	<u>\$ (6,909,250)</u>	<u>\$ 61,685,437</u>

Depreciation expense was charged to district activities as follows:

Instruction	\$ 1,949,321
Support services-students	142,534
Support services-instructional staff	80,562
Support services-general administration	29,592
Support services-administration	27,216
Support services-business	71,205
Operation and maintenance	30,686
Student transportation	11,254
Food services	63,354
Extracurricular	66,876
Internal service fund depreciation	37,821
	<u>\$ 2,510,421</u>

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

Activity Between Primary Government and Fiduciary Fund

Interfund receivables and payables consisted of the flex plan fund, a fiduciary fund type, owing the health insurance fund, an internal service fund, \$275,000. The interfund balances are due to the timing of cash flows. There were no transfers during the year.

Operating Leases

The district leases equipment under noncancelable operating leases. Total rental expenses for operating leases were \$31,052 for the year ended June 30, 2007. Scheduled minimum rental payments for succeeding years ending June 30, are as follows:

Year Ended June 30,	
2008	\$ 34,586
2009	31,262
2010	25,105
	<u>\$ 90,953</u>

Long-Term Debt

During the year ended June 30, 2007, the following changes occurred in long-term debt:

	Balance July 1, 2006	Additions	Retirements	Balance June 30, 2007	Due Within One Year
General obligation debt	\$ 5,155,000	\$ -	\$ 2,540,000	\$ 2,615,000	\$ 2,615,000
Capital leases	1,345	-	1,345	-	-
Notes payable	367,209	-	40,133	327,076	67,454
Compensated absences	9,849,851	3,561,244	3,222,196	10,188,899	1,018,890
Service credit and termination pay benefits	3,267,976	2,634,250	2,508,518	3,393,708	-
Other postemployment benefits	-	1,491,000	-	1,491,000	-
	<u>\$ 18,641,381</u>	<u>\$ 7,686,494</u>	<u>\$ 8,312,192</u>	<u>\$ 18,015,683</u>	<u>\$ 3,701,344</u>

General Obligation Debt

The district issued \$10,000,000 in general obligation bonds during fiscal year 2004 to provide funds for the remodel of certain elementary buildings. General obligation bonds are direct obligations and pledge the full faith and credit of the district. General obligation bonds currently outstanding are as follows:

	Original Amount	Term	Interest Rate	Balance June 30, 2007
2004 Elementary bonds	\$ 10,000,000	4 yrs	1.75-3.00%	\$ 2,615,000

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

Notes Payable-State Board of Investments

During June 2006, the district borrowed \$362,000 to upgrade the internal technology system. Interest and principal payments are due semi-annually. The interest rate on the notes was 4.85% at June 30, 2007. The interest rate is adjusted February of each year and cannot exceed 15% per annum.

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

Year ending June 30,	General Obligation Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2008	\$ 2,615,000	\$ 78,450	\$ 67,454	\$ 15,046
2009	-	-	70,693	11,772
2010	-	-	74,093	8,267
2011	-	-	77,654	4,631
2012	-	-	37,182	894
	<u>\$ 2,615,000</u>	<u>\$ 78,450</u>	<u>\$ 327,076</u>	<u>\$ 40,610</u>

NOTE 4. OTHER INFORMATION

Risk Management

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

Self-Insurance

During the year ended June 30, 2007, employees of the district were covered by a medical self-insurance plan (the "plan"). The district contributed approximately \$416 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 \$150,000.

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 of the medical self-insurance plan includes incurred but not reported claims. The liability as of June 30, 2007, is based on the requirements of Governmental Accounting Standards No. 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 necessarily result in an exact amount.

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

Changes in the claims liability amount during fiscal year 2007 and 2006 were:

	Liability July 1,	Curent Year Claims and Changes in Estimates	Claims Payments	Liability June 30,
2005-06	\$ 1,300,000	\$ 11,704,042	\$ (11,704,042)	\$ 1,300,000
2006-07	1,300,000	10,400,763	(10,400,763)	1,300,000

Interlocal Cooperative Agreement

In September 1983, the district, the City of Billings and Yellowstone 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/printing fund, an internal service fund.

Restricted Net Assets

Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Other restricted net assets as of June 30, 2006 consisted of the following:

Capital outlay	\$ 2,998,198
Student transportation	957,140
Support programs	4,415,579
Payroll tax related	2,475,630
Miscellaneous trust funds	1,068,725
	<u>\$ 11,915,272</u>

Subsequent Events

During November 2007, voters, in a siting election, approved Cottonwood Park as a potential site for a new school. The district is currently in negotiations with the City of Billings to purchase the property.

Also during November 2007, the district sold the Grand Avenue school and land located near the Career Center for \$2,125,000 and \$300,000, respectively. The proceeds were receipted into the respective district's building funds.

In December 2007, the board approved the Yellowstone Boys and Girls Ranch assumption of the contract for deed to purchase Garfield school.

Approval was received from the Montana Board of Investments to borrow an additional \$410,000 to purchase and/or lease twenty vehicles. The approval included extending the term of the current loan from five to seven years.

Commitments and Contingencies

At year-end, the district had commitments outstanding, in the form of contracts and purchase orders, of approximately \$1,956,543, primarily for construction projects and equipment.

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

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

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

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 include 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 .10% and .11% per year to the PERS and TRS plans, respectively, on behalf of the employer. The State of Montana contributions have not been recorded in the financial statements.

The amounts contributed to the plans during the years ended June 30, 2007, 2006 and 2005, 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>2007</u>	<u>2006</u>	<u>2005</u>
TRS-regular	\$ 9,567,648	\$ 9,263,508	\$ 8,876,948
TRS-termination	2,691,619	2,412,209	2,158,095
Total TRS	<u>\$ 12,259,267</u>	<u>\$ 11,675,717</u>	<u>\$ 11,035,043</u>
PERS	<u>\$ 1,433,372</u>	<u>\$ 1,363,358</u>	<u>\$ 1,264,647</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.

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

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 year of Creditable Service
Employer Cost	Termination Pay x Employer Rate x Total year 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	\$ 2,587,490
Interest on net Pension obligation	163,399
Adjustment to annual required contribution	<u>(116,639)</u>
Annual pension cost	2,634,250
Contributions made	<u>(2,508,518)</u>
Change in net pension obligation	125,732
Net pension obligation-beginning of year	<u>3,267,976</u>
Net pension obligation-end of year	<u>\$ 3,393,708</u>

The annual required contribution (ARC) for the current year was determined as part of the June 30, 2007, 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.

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

The portion of this actuarial present value not provided for at a valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability (AAL). The excess of the AAL over the actuarial value of the assets, if any, is called the Unfunded Actuarial Accrued Liability (UAAL). The UAAL is amortized as a level percentage of the projected salaries of present and future employees covered by the Plan. The amortization payments of the UAAL assume 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, this was until 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 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 5% per year and 90% of TRS employees will elect Option 1.

Three year trend information is as follows:

	Fiscal Year Ending	Annual Pension Cost (APC)	Contribution as a Percentage of APC	Net Pension Obligation (NPO)	
	June 30, 2005	\$ 2,137,901	87	\$ 3,118,524	
	June 30, 2006	2,233,264	93	3,267,976	
	June 30, 2007	2,634,250	92	3,393,708	

Following is the Schedule of Funding Progress:

Actuarial valuation date	June 30, 2007
Actuarial value of assets	\$ -
Actuarial accrued liabilities	\$ 28,864,208
Unfunded Actuarial accrued liabilities (UAAL)	\$ 28,864,208
Funded ratio	0%
Covered payroll	\$ 67,207,522
UAAL as a percentage of covered payroll	43%

Post-Retirement Healthcare Plan

Plan Description. Billings Public Schools Post-Retirement Healthcare Plan (BPSPHP) is a single-employer defined benefit healthcare plan administered by Employee Benefit Management Services (EBMS). BPSPHP provides medical, dental, prescription drug, life, and AD&D insurance benefits to eligible retirees and their eligible dependents. A retiree who retires in accordance with state law is eligible to keep the health insurance as a retiree. Retirement eligibility is determined based on the minimum of (1) reaching age 50 with at least 5 years of membership service or (2) reaching 25 years of membership at any age. Eligible retirees receive health care coverage through one of three medical plans: Plan B, Plan C and the Medicare Supplement Plan. Plans B and C are available to those under age 65, while the Medicare Supplement Plan is only available to those 65 and older.

Funding Policy. The contribution requirements of plan members are established by the district's insurance committee in conjunction with Gallagher Benefit Services, Inc. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2007, the district contributed \$8.1 million to the plan for current premiums or approximately 63 percent of total premiums. Plan members receiving benefits contributed \$4.7 million or approximately 37 percent of the total premiums. Retirees are required to pay 100% of the premiums for both the retiree and dependent coverage. Monthly contribution rates in effect for retirees under age 65 during fiscal year 2007 were as follows:

BILLINGS PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

<u>Rate Tier</u>	<u>Plan B</u>	<u>Plan C</u>
Retiree only	\$ 531	\$ 376
Retiree plus 1	950	600
Retiree plus children	997	623
Retiree plus family	1,168	726

The monthly contribution rate for retirees 65 and over participating in the Medicare Supplement Plan was \$240 for fiscal year 2007.

Annual OPEB Cost and Net OPEB Obligation. The district's annual other post-employment 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 normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following schedule shows the components of the district's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the district's net OPEB obligation to BPSPHP:

Annual required contribution	\$ 2,533,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	2,533,000
Contributions made	<u>(1,042,000)</u>
Increase in net OPEB obligation	1,491,000
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	<u>\$ 1,491,000</u>

Three year disclosure of the district's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation is not necessary as fiscal year 2007 is the year of implementation for GASB Statement 45.

Funded Status and Funding Progress. As of January 1, 2007, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was \$33.5 million. The district's plan is considered to be unfunded since there are no assets and retiree benefits are paid annually on a cash basis. Because the plan is unfunded, the AAL and UAAL are equal. The covered payroll (annual payroll of active employees covered by the plan) was \$67,380,002, and the ratio of the UAAL to the covered payroll was 49.7 percent.

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

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 include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2007, actuarial valuation, the unit credit method was used. The actuarial assumptions included a 5 percent discount rate assuming the district will fund the retirement benefit on a pay as you go basis, 85 percent of all employees and their dependents who are eligible for retiree benefits will actually participate in the retiree medical benefit, and an annual healthcare cost trend rate of 11 percent initially, decreasing .5 percent per year until reaching an ultimate rate of 5 percent. It was assumed salary increases will be 4 percent per annum. The UAAL is being amortized as a level percentage of projected payrolls over a thirty year time period.

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, 2007

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 26,110,161	\$ 26,110,161	\$ 26,213,125	\$ -	\$ 26,213,125
Intergovernmental:					
State aid	44,938,154	44,938,154	44,938,154	-	44,938,154
State other	13,073,386	13,073,386	13,112,024	-	13,112,024
Tuition	200,000	200,000	211,263	-	211,263
Interest	61,706	61,706	71,821	-	71,821
Miscellaneous	10,774	10,774	4,813	-	4,813
Total revenues	84,394,181	84,394,181	84,551,200	-	84,551,200
EXPENDITURES					
Current:					
Instructional	54,623,130	54,624,035	55,519,351	(321,504)	55,197,847
Support services:					
Students	5,792,110	5,894,635	5,740,609	-	5,740,609
Instructional staff	4,457,298	4,674,191	4,617,704	18,840	4,636,544
General administration	1,817,438	1,478,859	1,132,386	213	1,132,599
Administration	6,364,583	6,371,010	6,386,532	-	6,386,532
Business	879,841	879,782	968,892	229	969,121
Operation and maintenance	8,800,366	8,817,614	8,278,995	37,675	8,316,670
Student transportation	5,300	5,000	13,657	-	13,657
Community services	6,600	6,600	6,600	-	6,600
Extracurricular	1,543,096	1,542,602	1,618,881	-	1,618,881
Debt Service:					
Principal	41,833	33,783	35,799	-	35,799
Interest and other charges	11,165	11,165	11,717	-	11,717
Capital Outlay	51,421	54,905	56,478	13,356	69,834
Total expenditures	84,394,181	84,394,181	84,387,601	(251,191)	84,136,410
Net change in fund balances	\$ -	\$ -	163,599	251,191	414,790
Fund balances - beginning			3,356,762	150,314	3,507,076
Fund balances - ending			\$ 3,520,361	\$ 401,505	\$ 3,921,866

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 above consist of encumbrances for the current and prior year.

BILLINGS PUBLIC SCHOOLS**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
ELEMENTARY RETIREMENT FUND
For the Year Ended June 30, 2007**

	<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					
County	\$ 7,281,408	\$ 7,281,408	\$ 7,281,408	\$ -	\$ 7,281,408
Interest	65,000	65,000	60,930	-	60,930
Total revenues	<u>7,346,408</u>	<u>7,346,408</u>	<u>7,342,338</u>	<u>-</u>	<u>7,342,338</u>
EXPENDITURES					
Current:					
Instructional	5,594,653	5,594,653	5,078,729	-	5,078,729
Support services:					
Students	548,176	548,176	646,424	-	646,424
Instructional staff	323,204	323,204	363,383	-	363,383
General administration	32,349	32,349	25,319	-	25,319
Administration	506,418	506,418	574,697	-	574,697
Business	101,560	101,560	115,142	-	115,142
Operation and maintenance	366,486	366,486	448,354	-	448,354
Student transportation	82,115	82,115	106,755	-	106,755
Extracurricular	58,000	58,000	64,950	-	64,950
Total expenditures	<u>7,612,961</u>	<u>7,612,961</u>	<u>7,423,753</u>	<u>-</u>	<u>7,423,753</u>
Net change in fund balances	<u>\$ (266,553)</u>	<u>\$ (266,553)</u>	(81,415)	-	(81,415)
Fund balances - beginning			<u>2,931,089</u>	<u>-</u>	<u>2,931,089</u>
Fund balances - ending			<u>\$ 2,849,674</u>	<u>\$ -</u>	<u>\$ 2,849,674</u>

SEE NOTES TO THE BUDGET AND ACTUAL SCHEDULE ON PREVIOUS PAGE

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 three *major* funds, combining general subfund schedules have been presented to show the reader activity in the separate entities that comprise the General fund, in total.

BILLINGS PUBLIC SCHOOLS
 COMBINING BALANCE SHEET
 ALL GENERAL SUBFUNDS
 June 30, 2007

	Elementary General Subfund	High School General Subfund	Total
ASSETS			
Cash and cash equivalents	\$ 3,185,786	\$ 1,546,721	\$ 4,732,507
Receivables:			
Taxes, net	1,151,280	695,263	1,846,543
Other	213,478	63,277	276,755
Total assets	<u>\$ 4,550,544</u>	<u>\$ 2,305,261</u>	<u>\$ 6,855,805</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 535,082	\$ 393,275	\$ 928,357
Deferred revenue	1,306,911	698,671	2,005,582
Total liabilities	<u>1,841,993</u>	<u>1,091,946</u>	<u>2,933,939</u>
Fund balances:			
Reserved for:			
Encumbrances	63,021	338,484	401,505
Unreserved	2,645,530	874,831	3,520,361
Total fund balances	<u>2,708,551</u>	<u>1,213,315</u>	<u>3,921,866</u>
Total liabilities and fund balances	<u>\$ 4,550,544</u>	<u>\$ 2,305,261</u>	<u>\$ 6,855,805</u>

BILLINGS PUBLIC SCHOOLS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

ALL GENERAL SUBFUNDS

For the Year Ended June 30, 2007

	Elementary General Subfund	High School General Subfund	Total
REVENUES			
Property taxes	\$ 16,203,040	\$ 10,010,085	\$ 26,213,125
Intergovernmental:			
State aid	27,107,496	17,830,658	44,938,154
State other	8,707,344	4,404,680	13,112,024
Tuition	152,132	59,131	211,263
Interest	52,232	19,589	71,821
Miscellaneous	2,307	2,506	4,813
Total revenues	52,224,551	32,326,649	84,551,200
EXPENDITURES			
Current:			
Instruction	35,061,293	20,136,554	55,197,847
Support services:			
Students	3,810,022	1,930,587	5,740,609
Instructional staff	2,838,136	1,798,408	4,636,544
General administration	645,791	486,808	1,132,599
School administration	3,876,208	2,510,324	6,386,532
Business services	547,449	421,672	969,121
Operation and maintenance	4,911,023	3,405,647	8,316,670
Student transportation	13,657	-	13,657
Community services	4,400	2,200	6,600
Extracurricular	345,012	1,273,869	1,618,881
Capital outlay	25,238	44,596	69,834
Debt service:			
Principal	23,768	12,031	35,799
Interest and other charges	7,896	3,821	11,717
Total expenditures	52,109,893	32,026,517	84,136,410
Net change in fund balances	114,658	300,132	414,790
Fund balances - beginning	2,593,893	913,183	3,507,076
Fund balances - ending	\$ 2,708,551	\$ 1,213,315	\$ 3,921,866

BILLINGS PUBLIC SCHOOLS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL ELEMENTARY GENERAL SUBFUND For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 16,117,169	\$ 16,117,169	\$ 16,203,040	\$ -	\$ 16,203,040
Intergovernmental:					
State aid	27,107,496	27,107,496	27,107,496	-	27,107,496
State other	8,693,664	8,693,664	8,707,344	-	8,707,344
Tuition	150,000	150,000	152,132	-	152,132
Interest	48,102	48,102	52,232	-	52,232
Miscellaneous	7,759	7,759	2,307	-	2,307
Total revenues	52,124,190	52,124,190	52,224,551	-	52,224,551
EXPENDITURES					
Current:					
Instructional	34,615,599	34,610,486	35,071,732	(10,439)	35,061,293
Support services:					
Students	3,724,597	3,828,690	3,810,022	-	3,810,022
Instructional staff	2,733,172	2,817,501	2,830,645	7,491	2,838,136
General administration	1,006,084	780,035	645,608	183	645,791
Administration	3,847,369	3,853,945	3,876,208	-	3,876,208
Business	575,475	576,080	547,220	229	547,449
Operation and maintenance	5,239,602	5,281,141	4,917,003	(5,980)	4,911,023
Student transportation	5,300	5,000	13,657	-	13,657
Community services	4,400	4,400	4,400	-	4,400
Extracurricular	324,884	325,038	345,012	-	345,012
Debt Service:					
Principal	30,513	22,168	23,768	-	23,768
Interest and other charges	7,481	7,481	7,896	-	7,896
Capital Outlay	9,714	12,225	25,238	-	25,238
Total expenditures	52,124,190	52,124,190	52,118,409	(8,516)	52,109,893
Net change in fund balances	\$ -	\$ -	106,142	8,516	114,658
Fund balances - beginning			2,539,388	54,505	2,593,893
Fund balances - ending			\$ 2,645,530	\$ 63,021	\$ 2,708,551

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, 2007

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 9,992,992	\$ 9,992,992	\$ 10,010,085	\$ -	\$ 10,010,085
Intergovernmental:					
State aid	17,830,658	17,830,658	17,830,658	-	17,830,658
State other	4,379,722	4,379,722	4,404,680	-	4,404,680
Tuition	50,000	50,000	59,131	-	59,131
Interest	13,604	13,604	19,589	-	19,589
Miscellaneous	3,015	3,015	2,506	-	2,506
Total revenues	32,269,991	32,269,991	32,326,649	-	32,326,649
EXPENDITURES					
Current:					
Instructional	20,007,531	20,013,549	20,447,619	(311,065)	20,136,554
Support services:					
Students	2,067,513	2,065,945	1,930,587	-	1,930,587
Instructional staff	1,724,126	1,856,690	1,787,059	11,349	1,798,408
General administration	811,354	698,824	486,778	30	486,808
Administration	2,517,214	2,517,065	2,510,324	-	2,510,324
Business	304,366	303,702	421,672	-	421,672
Operation and maintenance	3,560,764	3,536,473	3,361,992	43,655	3,405,647
Community services	2,200	2,200	2,200	-	2,200
Extracurricular	1,218,212	1,217,564	1,273,869	-	1,273,869
Debt Service:					
Principal	11,320	11,615	12,031	-	12,031
Interest and other charges	3,684	3,684	3,821	-	3,821
Capital Outlay	41,707	42,680	31,240	13,356	44,596
Total expenditures	32,269,991	32,269,991	32,269,192	(242,675)	32,026,517
Net change in fund balances	\$ -	\$ -	57,457	242,675	300,132
Fund balances - beginning			817,374	95,809	913,183
Fund balances - ending			\$ 874,831	\$ 338,484	\$ 1,213,315

Nonmajor Governmental Funds - By Fund Type

BILLINGS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
June 30, 2007

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 6,758,281	\$ 1,260,444	\$ 2,924,130	\$ 10,942,855
Receivables:				
Taxes, net	325,725	103,192	92,861	521,778
Governments	230,003	-	-	230,003
Other	158,931	-	424,312	583,243
Inventories	42,390	-	-	42,390
Total assets	\$ 7,515,330	\$ 1,363,636	\$ 3,441,303	\$ 12,320,269
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 216,474	\$ 12,658	\$ 443,105	\$ 672,237
Deferred revenue	325,725	103,192	175,473	604,390
Total liabilities	542,199	115,850	618,578	1,276,627
Fund balances:				
Reserved for:				
Inventories	42,390	-	-	42,390
Encumbrances	9,425	-	-	9,425
Debt service	-	1,247,786	-	1,247,786
Unreserved	6,921,316	-	2,822,725	9,744,041
Total fund balances	6,973,131	1,247,786	2,822,725	11,043,642
Total liabilities and fund balances	\$ 7,515,330	\$ 1,363,636	\$ 3,441,303	\$ 12,320,269

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, 2007

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
REVENUES				
Property taxes	\$ 4,832,148	\$ 1,478,369	\$ 95,438	\$ 6,405,955
Intergovernmental:				
County	4,755,745	-	-	4,755,745
State aid	53,329	1,183,042	-	1,236,371
State other	3,303,120	11,190	-	3,314,310
Federal	3,219,436	-	-	3,219,436
Charges for services	2,713,650	-	70,401	2,784,051
Interest	191,071	51,747	377,282	620,100
Miscellaneous	890,480	-	715,039	1,605,519
Total revenues	19,958,979	2,724,348	1,258,160	23,941,487
EXPENDITURES				
Current:				
Instruction	6,559,644	-	1,650	6,561,294
Support services:				
Students	812,444	-	3,133	815,577
Instructional staff	413,122	-	-	413,122
General administration	43,921	-	-	43,921
School administration	834,547	-	-	834,547
Business services	221,853	-	-	221,853
Operation and maintenance	640,512	-	284,958	925,470
Student transportation	4,216,352	-	-	4,216,352
Food services	4,117,271	-	-	4,117,271
Community services	8,353	-	-	8,353
Extracurricular	162,671	-	-	162,671
Capital outlay	489,198	-	2,761,609	3,250,807
Debt service				
Principal	44	2,540,000	-	2,540,044
Interest and other charges	-	142,250	-	142,250
Total expenditures	18,519,932	2,682,250	3,051,350	24,253,532
Excess (deficiency) of revenues over (under) expenditures	1,439,047	42,098	(1,793,190)	(312,045)
OTHER FINANCING SOURCES				
Sale of capital assets	-	-	247,559	247,559
Total other financing sources	-	-	247,559	247,559
Net change in fund balances	1,439,047	42,098	(1,545,631)	(64,486)
Fund balances - beginning	5,534,084	1,205,688	4,368,356	11,108,128
Fund balances - ending	\$ 6,973,131	\$ 1,247,786	\$ 2,822,725	\$ 11,043,642

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, 2007

	Elementary Transportation	High School Transportation	High School School Food	Elementary Tuition	High School Tuition
ASSETS					
Cash and cash equivalents	\$ 530,598	\$ 275,517	\$ 139,732	\$ 100,508	\$ 60,853
Receivables:					
Taxes, net	122,328	65,826	-	19,522	11,360
Governments	-	-	3,287	-	-
Other	-	-	36,786	-	-
Inventories	-	-	42,390	-	-
Total assets	<u>\$ 652,926</u>	<u>\$ 341,343</u>	<u>\$ 222,195</u>	<u>\$ 120,030</u>	<u>\$ 72,213</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 32,915	\$ 4,214	\$ 920	\$ -	\$ 4,020
Deferred revenue	122,328	65,826	-	19,522	11,360
Total liabilities	<u>155,243</u>	<u>70,040</u>	<u>920</u>	<u>19,522</u>	<u>15,380</u>
Fund balances:					
Reserved for:					
Inventories	-	-	42,390	-	-
Encumbrances	5,888	-	-	-	-
Unreserved	491,795	271,303	178,885	100,508	56,833
Total fund balances	<u>497,683</u>	<u>271,303</u>	<u>221,275</u>	<u>100,508</u>	<u>56,833</u>
Total liabilities and fund balances	<u>\$ 652,926</u>	<u>\$ 341,343</u>	<u>\$ 222,195</u>	<u>\$ 120,030</u>	<u>\$ 72,213</u>

BILLINGS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2007

	High School Retirement	High School Miscellaneous Programs	Elementary Adult Education	High School Adult Education	High School Traffic Education
ASSETS					
Cash and cash equivalents	\$ 1,565,900	\$ 1,051,129	\$ 351,071	\$ 1,061,955	\$ 162,220
Receivables:					
Taxes, net	-	-	22,627	84,062	-
Governments	-	130,956	-	-	95,760
Other	5	121,989	-	-	-
Inventories	-	-	-	-	-
Total assets	\$ 1,565,905	\$ 1,304,074	\$ 373,698	\$ 1,146,017	\$ 257,980
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 76,087	\$ 2,760	\$ 34,457	\$ 14,000
Deferred revenue	-	-	22,627	84,062	-
Total liabilities	-	76,087	25,387	118,519	14,000
Fund balances:					
Reserved for:					
Inventories	-	-	-	-	-
Encumbrances	-	-	-	3,537	-
Unreserved	1,565,905	1,227,987	348,311	1,023,961	243,980
Total fund balances	1,565,905	1,227,987	348,311	1,027,498	243,980
Total liabilities and fund balances	\$ 1,565,905	\$ 1,304,074	\$ 373,698	\$ 1,146,017	\$ 257,980

BILLINGS PUBLIC SCHOOLS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2007

	High School Lease Rental	Elementary Compensated Absences	High School Compensated Absences	Elementary Technology	High School Technology
ASSETS					
Cash and cash equivalents	\$ 379	\$ 93	\$ 2,997	\$ 103,863	\$ 61,743
Receivables:					
Taxes, net	-	-	-	-	-
Governments	-	-	-	-	-
Other	-	-	-	-	-
Inventories	-	-	-	-	-
Total assets	\$ 379	\$ 93	\$ 2,997	\$ 103,863	\$ 61,743
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 9,281	\$ 9,188
Deferred revenue	-	-	-	-	-
Total liabilities	-	-	-	9,281	9,188
Fund balances:					
Reserved for:					
Inventories	-	-	-	-	-
Encumbrances	-	-	-	-	-
Unreserved	379	93	2,997	94,582	52,555
Total fund balances	379	93	2,997	94,582	52,555
Total liabilities and fund balances	\$ 379	\$ 93	\$ 2,997	\$ 103,863	\$ 61,743

BILLINGS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2007

	Elementary Flexibility	High School Flexibility	Elementary Miscellaneous Trust	High School Miscellaneous Trust	Total
ASSETS					
Cash and cash equivalents	\$ 172,191	\$33,479	\$ 520,957	\$ 563,096	\$ 6,758,281
Receivables:					
Taxes, net	-	-	-	-	325,725
Governments	-	-	-	-	230,003
Other	-	-	-	151	158,931
Inventories	-	-	-	-	42,390
Total assets	<u>\$ 172,191</u>	<u>\$33,479</u>	<u>\$ 520,957</u>	<u>\$ 563,247</u>	<u>\$ 7,515,330</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 7,407	\$ 5,746	\$ 3,980	\$ 11,499	\$ 216,474
Deferred revenue	-	-	-	-	325,725
Total liabilities	<u>7,407</u>	<u>5,746</u>	<u>3,980</u>	<u>11,499</u>	<u>542,199</u>
Fund balances:					
Reserved for:					
Inventories	-	-	-	-	42,390
Encumbrances	-	-	-	-	9,425
Unreserved	164,784	27,733	516,977	551,748	6,921,316
Total fund balances	<u>164,784</u>	<u>27,733</u>	<u>516,977</u>	<u>551,748</u>	<u>6,973,131</u>
Total liabilities and fund balances	<u>\$ 172,191</u>	<u>\$33,479</u>	<u>\$ 520,957</u>	<u>\$ 563,247</u>	<u>\$ 7,515,330</u>

BILLINGS PUBLIC SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2007

	Elementary Transportation	High School Transportation	High School School Food	Elementary Tuition	High School Tuition
REVENUES					
Property taxes	\$ 1,866,034	\$ 987,290	\$ -	\$ 261,984	\$ 156,796
Intergovernmental:					
County	520,614	264,365	-	-	-
State aid	-	-	-	-	53,329
State other	677,731	313,055	32,713	1,967	1,461
Federal	-	-	1,954,120	-	-
Charges for services	43,855	1,002	2,253,548	-	-
Interest	3,388	3,706	4,795	3,095	5,921
Miscellaneous	-	-	-	-	-
Total revenues	<u>3,111,622</u>	<u>1,569,418</u>	<u>4,245,176</u>	<u>267,046</u>	<u>217,507</u>
EXPENDITURES					
Current:					
Instruction	-	-	-	207,754	281,257
Support services:					
Students	-	-	-	-	-
Instructional staff	-	-	-	-	-
General administration	-	-	-	-	-
School administration	-	-	-	-	-
Business services	34,930	82,511	-	-	-
Operation and maintenance	-	-	-	-	-
Student transportation	2,723,603	1,479,038	-	-	-
Food services	-	-	4,117,271	-	-
Community services	-	-	-	-	-
Extracurricular	-	-	-	-	-
Capital outlay	125,963	-	36,883	-	-
Debt service	-	-	-	-	-
Principal	-	-	-	-	-
Total expenditures	<u>2,884,496</u>	<u>1,561,549</u>	<u>4,154,154</u>	<u>207,754</u>	<u>281,257</u>
Net change in fund balances	227,126	7,869	91,022	59,292	(63,750)
Fund balances - beginning	<u>270,557</u>	<u>263,434</u>	<u>130,253</u>	<u>41,216</u>	<u>120,583</u>
Fund balances - ending	<u>\$ 497,683</u>	<u>\$ 271,303</u>	<u>\$ 221,275</u>	<u>\$ 100,508</u>	<u>\$ 56,833</u>

BILLINGS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUE
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2007

	High School Retirement	High School Miscellaneous Programs	Elementary Adult Education	High School Adult Education	High School Traffic Education
REVENUES					
Property taxes	\$ -	\$ -	\$ 318,751	\$ 1,241,293	\$ -
Intergovernmental:					
County	3,970,766	-	-	-	-
State aid	-	-	-	-	-
State other	-	1,376,844	2,419	11,668	98,185
Federal	-	1,265,316	-	-	-
Charges for services	-	-	-	229,143	186,102
Interest	38,899	54,913	5,431	19,542	6,143
Miscellaneous	-	280,167	20,049	-	196
Total revenues	4,009,665	2,977,240	346,650	1,501,646	290,626
EXPENDITURES					
Current:					
Instruction	2,966,799	1,252,135	166,759	697,912	283,178
Support services:					
Students	292,897	44,951	8,310	92,416	-
Instructional staff	190,611	207,236	1,324	199	-
General administration	25,754	18,167	-	-	-
School administration	387,457	56,933	39,569	350,588	-
Business services	103,775	574	63	-	-
Operation and maintenance	278,096	337,817	-	7,473	-
Student transportation	13,711	-	-	-	-
Food services	-	-	-	-	-
Community services	-	-	-	-	-
Extracurricular	160,894	-	-	-	-
Capital outlay	-	10,122	-	222,398	14,591
Debt service					
Principal	-	10	-	-	34
Total expenditures	4,419,994	1,927,945	216,025	1,370,986	297,803
Net change in fund balances	(410,329)	1,049,295	130,625	130,660	(7,177)
Fund balances - beginning	1,976,234	178,692	217,686	896,838	251,157
Fund balances - ending	\$ 1,565,905	\$ 1,227,987	\$ 348,311	\$ 1,027,498	\$ 243,980

BILLINGS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUE
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2007

	High School Lease Rental	Elementary Compensated Absences	High School Compensated Absences	Elementary Technology	High School Technology
REVENUES					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:					
County	-	-	-	-	-
State aid	-	-	-	-	-
State other	-	-	-	275,771	181,258
Federal	-	-	-	-	-
Charges for services	-	-	-	-	-
Interest	10	3	80	5,809	4,497
Miscellaneous	-	-	-	-	-
Total revenues	10	3	80	281,580	185,755
EXPENDITURES					
Current:					
Instruction	-	-	99	204,108	219,252
Support services:					
Students	-	-	-	-	-
Instructional staff	-	-	-	5,135	4,228
General administration	-	-	-	-	-
School administration	-	-	-	-	-
Business services	-	-	-	-	-
Operation and maintenance	-	-	-	104	104
Student transportation	-	-	-	-	-
Food services	-	-	-	-	-
Community services	-	-	-	-	-
Extracurricular	-	-	-	-	-
Capital outlay	-	-	-	10,626	37,620
Debt service					
Principal	-	-	-	-	-
Total expenditures	-	-	99	219,973	261,204
Net change in fund balances	10	3	(19)	61,607	(75,449)
Fund balances - beginning	369	90	3,016	32,975	128,004
Fund balances - ending	\$ 379	\$ 93	\$ 2,997	\$ 94,582	\$ 52,555

BILLINGS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUE
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2007

	Elementary Flexibility	High School Flexibility	Elementary Miscellaneous Trust	High School Miscellaneous Trust	Total
REVENUES					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 4,832,148
Intergovernmental:					
County	-	-	-	-	4,755,745
State aid	-	-	-	-	53,329
State other	165,125	164,923	-	-	3,303,120
Federal	-	-	-	-	3,219,436
Charges for services	-	-	-	-	2,713,650
Interest	2,708	3,313	14,648	14,170	191,071
Miscellaneous	-	-	245,117	344,951	890,480
Total revenues	167,833	168,236	259,765	359,121	19,958,979
EXPENDITURES					
Current:					
Instruction	7,407	162,323	36,226	74,435	6,559,644
Support services:					
Students	-	4,910	179,137	189,823	812,444
Instructional staff	-	-	3,558	831	413,122
General administration	-	-	-	-	43,921
School administration	-	-	-	-	834,547
Business services	-	-	-	-	221,853
Operation and maintenance	-	-	16,918	-	640,512
Student transportation	-	-	-	-	4,216,352
Food services	-	-	-	-	4,117,271
Community services	-	-	-	8,353	8,353
Extracurricular	-	-	-	1,777	162,671
Capital outlay	-	-	30,995	-	489,198
Debt service	-	-	-	-	
Principal	-	-	-	-	44
Total expenditures	7,407	167,233	266,834	275,219	18,519,932
Net change in fund balances	160,426	1,003	(7,069)	83,902	1,439,047
Fund balances - beginning	4,358	26,730	524,046	467,846	5,534,084
Fund balances - ending	\$ 164,784	\$ 27,733	\$ 516,977	\$ 551,748	\$ 6,973,131

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, 2007

	<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	\$ 1,868,439	\$ 1,868,439	\$ 1,866,034	\$ -	\$ 1,866,034
Intergovernmental:					
County	542,314	542,314	520,614	-	520,614
State other	698,340	698,340	677,731	-	677,731
Charges for services	36,000	36,000	43,855	-	43,855
Interest	1,924	1,924	3,388	-	3,388
Total revenues	<u>3,147,017</u>	<u>3,147,017</u>	<u>3,111,622</u>	<u>-</u>	<u>3,111,622</u>
EXPENDITURES					
Current:					
Support services:					
Business	61,308	61,308	34,930	-	34,930
Student transportation	2,835,709	2,835,709	2,723,603	-	2,723,603
Capital Outlay	250,000	250,000	123,051	2,912	125,963
Total expenditures	<u>3,147,017</u>	<u>3,147,017</u>	<u>2,881,584</u>	<u>2,912</u>	<u>2,884,496</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	230,038	(2,912)	227,126
Fund balances - beginning			261,757	8,800	270,557
Fund balances - ending			<u>\$ 491,795</u>	<u>\$ 5,888</u>	<u>\$ 497,683</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, 2007

	<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	\$ 990,482	\$ 990,482	\$ 987,290	\$ -	\$ 987,290
Intergovernmental:					
County	321,209	321,209	264,365	-	264,365
State other	369,329	369,329	313,055	-	313,055
Charges for services	4,800	4,800	1,002	-	1,002
Interest	1,703	1,703	3,706	-	3,706
Total revenues	<u>1,687,523</u>	<u>1,687,523</u>	<u>1,569,418</u>	<u>-</u>	<u>1,569,418</u>
EXPENDITURES					
Current:					
Support services:					
Business	165,842	165,842	82,511	-	82,511
Student transportation	<u>1,521,681</u>	<u>1,521,681</u>	<u>1,479,038</u>	<u>-</u>	<u>1,479,038</u>
Total expenditures	<u>1,687,523</u>	<u>1,687,523</u>	<u>1,561,549</u>	<u>-</u>	<u>1,561,549</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	7,869	-	7,869
Fund balances - beginning			<u>263,434</u>	<u>-</u>	<u>263,434</u>
Fund balances - ending			<u>\$ 271,303</u>	<u>\$ -</u>	<u>\$ 271,303</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, 2007

	<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	\$ 256,793	\$ 256,793	\$ 261,984	\$ -	\$ 261,984
Intergovernmental:					
State other	1,991	1,991	1,967	-	1,967
Interest	-	-	3,095	-	3,095
	<u>258,784</u>	<u>258,784</u>	<u>267,046</u>	<u>-</u>	<u>267,046</u>
Total revenues					
EXPENDITURES					
Current:					
Instruction	<u>300,000</u>	<u>300,000</u>	<u>207,754</u>	<u>-</u>	<u>207,754</u>
	<u>300,000</u>	<u>300,000</u>	<u>207,754</u>	<u>-</u>	<u>207,754</u>
Total expenditures					
Net change in fund balances	<u>\$ (41,216)</u>	<u>\$ (41,216)</u>	59,292	-	59,292
Fund balances - beginning			<u>41,216</u>	<u>-</u>	<u>41,216</u>
Fund balances - ending			<u>\$ 100,508</u>	<u>\$ -</u>	<u>\$ 100,508</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, 2007

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 155,438	\$ 155,438	\$ 156,796	\$ -	\$ 156,796
Intergovernmental:					
State aid	22,500	22,500	53,329	-	53,329
State other	1,479	1,479	1,461	-	1,461
Interest	-	-	5,921	-	5,921
Total revenues	<u>179,417</u>	<u>179,417</u>	<u>217,507</u>	<u>-</u>	<u>217,507</u>
EXPENDITURES					
Current:					
Instruction	<u>300,000</u>	<u>300,000</u>	<u>281,257</u>	<u>-</u>	<u>281,257</u>
Total expenditures	<u>300,000</u>	<u>300,000</u>	<u>281,257</u>	<u>-</u>	<u>281,257</u>
Net change in fund balances	<u>\$ (120,583)</u>	<u>\$ (120,583)</u>	(63,750)	-	(63,750)
Fund balances - beginning			120,583	-	120,583
Prior period adjustments			-	-	-
Fund balances - ending			<u>\$ 56,833</u>	<u>\$ -</u>	<u>\$ 56,833</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, 2007

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Intergovernmental:					
County	\$ 3,970,766	\$ 3,970,766	\$3,970,766	\$ -	\$ 3,970,766
Interest	20,000	20,000	38,899	-	38,899
Total revenues	3,990,766	3,990,766	4,009,665	-	4,009,665
EXPENDITURES					
Current:					
Instructional	3,229,206	3,229,206	2,966,799	-	2,966,799
Support services:					
Students	260,762	260,762	292,897	-	292,897
Instructional staff	162,723	162,723	190,611	-	190,611
General administration	26,344	26,344	25,754	-	25,754
Administration	364,201	364,201	387,457	-	387,457
Business	82,071	82,071	103,775	-	103,775
Operation and maintenance	213,388	213,388	278,096	-	278,096
Student transportation	7,673	7,673	13,711	-	13,711
Extracurricular	73,632	73,632	160,894	-	160,894
Total expenditures	4,420,000	4,420,000	4,419,994	-	4,419,994
Net change in fund balances	\$ (429,234)	\$ (429,234)	(410,329)	-	(410,329)
Fund balances - beginning			1,976,234	-	1,976,234
Fund balances - ending			\$ 1,565,905	\$ -	\$ 1,565,905

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, 2007

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 316,010	\$ 316,010	\$ 318,751	\$ -	\$ 318,751
State other	2,435	2,435	2,419	-	2,419
Interest	3,000	3,000	5,431	-	5,431
Miscellaneous	15,000	15,000	20,049	-	20,049
Total revenues	<u>336,445</u>	<u>336,445</u>	<u>346,650</u>	<u>-</u>	<u>346,650</u>
EXPENDITURES					
Current:					
Instructional	351,794	351,174	166,759	-	166,759
Support services:					
Students	13,623	13,843	8,259	51	8,310
Instructional staff	3,500	3,500	1,324	-	1,324
Administration	41,513	41,913	39,569	-	39,569
Business	-	-	63	-	63
Total expenditures	<u>410,430</u>	<u>410,430</u>	<u>215,974</u>	<u>51</u>	<u>216,025</u>
Net change in fund balances	<u>\$ (73,985)</u>	<u>\$ (73,985)</u>	130,676	(51)	130,625
Fund balances - beginning			217,635	51	217,686
Fund balances - ending			<u>\$ 348,311</u>	<u>\$ -</u>	<u>\$ 348,311</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, 2007

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 1,236,878	\$ 1,236,878	\$ 1,241,293	\$ -	\$ 1,241,293
Intergovernmental:					
State other	11,704	11,704	11,668	-	11,668
Charges for services	225,000	225,000	229,143	-	229,143
Interest	8,000	8,000	19,542	-	19,542
Total revenues	<u>1,481,582</u>	<u>1,481,582</u>	<u>1,501,646</u>	<u>-</u>	<u>1,501,646</u>
EXPENDITURES					
Current:					
Instructional	711,697	1,030,239	697,886	26	697,912
Support services:					
Students	94,438	96,858	92,416	-	92,416
Instructional staff	501,393	411,272	199	-	199
Administration	-	-	347,431	3,157	350,588
Operation and maintenance	36,564	39,747	3,913	3,560	7,473
Capital Outlay	<u>250,000</u>	<u>15,976</u>	<u>6,283</u>	<u>216,115</u>	<u>222,398</u>
Total expenditures	<u>1,594,092</u>	<u>1,594,092</u>	<u>1,148,128</u>	<u>222,858</u>	<u>1,370,986</u>
Net change in fund balances	<u>\$ (112,510)</u>	<u>\$ (112,510)</u>	353,518	(222,858)	130,660
Fund balances - beginning			<u>670,443</u>	<u>226,395</u>	<u>896,838</u>
Fund balances - ending			<u>\$ 1,023,961</u>	<u>\$ 3,537</u>	<u>\$ 1,027,498</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, 2007

	<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	\$ 275,719	\$ 275,719	\$ 275,771	\$ -	\$ 275,771
Interest	-	-	5,809	-	5,809
Total revenues	<u>275,719</u>	<u>275,719</u>	<u>281,580</u>	<u>-</u>	<u>281,580</u>
EXPENDITURES					
Current:					
Instructional	104,200	203,570	204,108	-	204,108
Support services:					
Instructional staff	29,000	19,000	5,135	-	5,135
Operation and maintenance	-	-	104	-	104
Capital Outlay	<u>148,981</u>	<u>59,611</u>	<u>10,626</u>	<u>-</u>	<u>10,626</u>
Total expenditures	<u>282,181</u>	<u>282,181</u>	<u>219,973</u>	<u>-</u>	<u>219,973</u>
Net change in fund balances	<u>\$ (6,462)</u>	<u>\$ (6,462)</u>	61,607	-	61,607
Fund balances - beginning			<u>32,975</u>	<u>-</u>	<u>32,975</u>
Fund balances - ending			<u>\$ 94,582</u>	<u>\$ -</u>	<u>\$ 94,582</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, 2007

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Intergovernmental:					
State other	\$ 181,224	\$ 181,224	\$ 181,258	\$ -	\$ 181,258
Interest	-	-	4,497	-	4,497
Total revenues	<u>181,224</u>	<u>181,224</u>	<u>185,755</u>	<u>-</u>	<u>185,755</u>
EXPENDITURES					
Current:					
Instructional	302,117	245,641	219,252	-	219,252
Support services:					
Instructional staff	-	4,228	4,228	-	4,228
Operation and maintenance	-	-	104	-	104
Capital Outlay	-	52,248	37,620	-	37,620
Total expenditures	<u>302,117</u>	<u>302,117</u>	<u>261,204</u>	<u>-</u>	<u>261,204</u>
Net change in fund balances	<u>\$ (120,893)</u>	<u>\$ (120,893)</u>	(75,449)	-	(75,449)
Fund balances - beginning			<u>128,004</u>	<u>-</u>	<u>128,004</u>
Fund balances - ending			<u>\$ 52,555</u>	<u>\$ -</u>	<u>\$ 52,555</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, 2007

	<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	\$ 165,125	\$ 165,125	\$ 165,125	\$ -	\$ 165,125
Interest	-	-	2,708	-	2,708
Total revenues	<u>165,125</u>	<u>165,125</u>	<u>167,833</u>	<u>-</u>	<u>167,833</u>
EXPENDITURES					
Current:					
Instructional	<u>169,125</u>	<u>169,125</u>	<u>7,407</u>	<u>-</u>	<u>7,407</u>
Total expenditures	<u>169,125</u>	<u>169,125</u>	<u>7,407</u>	<u>-</u>	<u>7,407</u>
Net change in fund balances	<u>\$ (4,000)</u>	<u>\$ (4,000)</u>	160,426	-	160,426
Fund balances - beginning			<u>4,358</u>	<u>-</u>	<u>4,358</u>
Fund balances - ending			<u>\$ 164,784</u>	<u>\$ -</u>	<u>\$ 164,784</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, 2007

	<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	\$ 164,923	\$ 164,923	\$ 164,923	\$ -	\$ 164,923
Interest	-	-	3,313	-	3,313
Total revenues	<u>164,923</u>	<u>164,923</u>	<u>168,236</u>	<u>-</u>	<u>168,236</u>
EXPENDITURES					
Current:					
Instructional	153,289	154,502	162,301	22	162,323
Support services:					
Students	6,000	4,787	4,910	-	4,910
Instructional staff	<u>27,700</u>	<u>27,700</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>186,989</u>	<u>186,989</u>	<u>167,211</u>	<u>22</u>	<u>167,233</u>
Net change in fund balances	<u>\$ (22,066)</u>	<u>\$ (22,066)</u>	1,025	(22)	1,003
Fund balances - beginning			<u>26,708</u>	<u>22</u>	<u>26,730</u>
Fund balances - ending			<u>\$ 27,733</u>	<u>\$ -</u>	<u>\$ 27,733</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, 2007

	Elementary Debt Service	High School Debt Service	Total
ASSETS			
Cash and cash equivalents	\$ 1,247,786	\$ 12,658	\$ 1,260,444
Receivables:			
Taxes, net	103,192	-	103,192
Total assets	<u>\$ 1,350,978</u>	<u>\$ 12,658</u>	<u>\$ 1,363,636</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 12,658	\$ 12,658
Deferred revenue	103,192	-	103,192
Total liabilities	<u>103,192</u>	<u>12,658</u>	<u>115,850</u>
Fund balances:			
Reserved for:			
Debt service	1,247,786	-	1,247,786
Total fund balances	<u>1,247,786</u>	<u>-</u>	<u>1,247,786</u>
Total liabilities and fund balances	<u>\$ 1,350,978</u>	<u>\$ 12,658</u>	<u>\$ 1,363,636</u>

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

For the Year Ended June 30, 2007

	Elementary Debt Service	High School Debt Service	Total
REVENUES			
Property taxes	\$ 1,478,369	\$ -	\$ 1,478,369
Intergovernmental:			
State aid	1,183,042	-	1,183,042
State other	11,190	-	11,190
Interest	51,747	-	51,747
Total revenues	<u>2,724,348</u>	<u>-</u>	<u>2,724,348</u>
EXPENDITURES			
Debt service			
Principal	2,540,000	-	2,540,000
Interest and other charges	142,250	-	142,250
Total expenditures	<u>2,682,250</u>	<u>-</u>	<u>2,682,250</u>
Net change in fund balances	42,098	-	42,098
Fund balances - beginning	<u>1,205,688</u>	<u>-</u>	<u>1,205,688</u>
Fund balances - ending	<u>\$ 1,247,786</u>	<u>\$ -</u>	<u>\$ 1,247,786</u>

BILLINGS PUBLIC SCHOOLS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL NONMAJOR DEBT SERVICE FUND ELEMENTARY DEBT SERVICE FUND For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 1,465,208	\$ 1,465,208	\$ 1,478,369	\$ -	\$ 1,478,369
Intergovernmental:					
State aid	-	-	1,183,042	-	1,183,042
State other	11,354	11,354	11,190	-	11,190
Interest	-	-	51,747	-	51,747
Total revenues	<u>1,476,562</u>	<u>1,476,562</u>	<u>2,724,348</u>	<u>-</u>	<u>2,724,348</u>
EXPENDITURES					
Debt Service:					
Principal	2,540,000	2,540,000	2,540,000	-	2,540,000
Interest and other charges	<u>142,250</u>	<u>142,250</u>	<u>142,250</u>	<u>-</u>	<u>142,250</u>
Total expenditures	<u>2,682,250</u>	<u>2,682,250</u>	<u>2,682,250</u>	<u>-</u>	<u>2,682,250</u>
Net change in fund balances	<u>\$ (1,205,688)</u>	<u>\$ (1,205,688)</u>	42,098	-	42,098
Fund balances - beginning			1,205,688	-	1,205,688
Prior period adjustments			<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending			<u>\$ 1,247,786</u>	<u>\$ -</u>	<u>\$ 1,247,786</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 - (Elementary and 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, 2007

	Elementary Building	High School Building	Elementary Building Reserve	High School Building Reserve	Total
ASSETS					
Cash and cash equivalents	\$ 1,214,817	\$ (74,363)	\$ 877,134	\$ 906,542	\$ 2,924,130
Receivables:					
Taxes, net	-	-	52,249	40,612	92,861
Other	82,612	341,700	-	-	424,312
Total assets	\$ 1,297,429	\$267,337	\$ 929,383	\$ 947,154	\$ 3,441,303
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 158,056	\$245,384	\$ 39,575	\$ 90	\$ 443,105
Deferred revenue	82,612	-	52,249	40,612	175,473
Total liabilities	240,668	245,384	91,824	40,702	618,578
Fund balances:					
Unreserved	1,056,761	21,953	837,559	906,452	2,822,725
Total fund balances	1,056,761	21,953	837,559	906,452	2,822,725
Total liabilities and fund balances	\$ 1,297,429	\$267,337	\$ 929,383	\$ 947,154	\$ 3,441,303

BILLINGS PUBLIC SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR CAPITAL PROJECTS FUNDS

For the Year Ended June 30, 2007

	Elementary Building	High School Building	Elementary Building Reserve	High School Building Reserve	Total
REVENUES					
Property taxes	\$ -	\$ -	\$ 60,724	\$ 34,714	\$ 95,438
Charges for services	36,149	34,252	-	-	70,401
Interest	319,993	5,045	26,682	25,562	377,282
Miscellaneous	443,500	271,539	-	-	715,039
Total revenues	<u>799,642</u>	<u>310,836</u>	<u>87,406</u>	<u>60,276</u>	<u>1,258,160</u>
EXPENDITURES					
Current:					
Instruction	1,650	-	-	-	1,650
Support services:					
Students	325	2,808	-	-	3,133
Operation and maintenance	102,173	136,681	23,346	22,758	284,958
Capital outlay	1,239,722	660,994	588,877	272,016	2,761,609
Total expenditures	<u>1,343,870</u>	<u>800,483</u>	<u>612,223</u>	<u>294,774</u>	<u>3,051,350</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(544,228)</u>	<u>(489,647)</u>	<u>(524,817)</u>	<u>(234,498)</u>	<u>(1,793,190)</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	47,559	200,000	-	-	247,559
Total other financing sources (uses)	<u>47,559</u>	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>247,559</u>
Net change in fund balances	<u>(496,669)</u>	<u>(289,647)</u>	<u>(524,817)</u>	<u>(234,498)</u>	<u>(1,545,631)</u>
Fund balances - beginning	<u>1,553,430</u>	<u>311,600</u>	<u>1,362,376</u>	<u>1,140,950</u>	<u>4,368,356</u>
Fund balances - ending	<u>\$ 1,056,761</u>	<u>\$ 21,953</u>	<u>\$ 837,559</u>	<u>\$ 906,452</u>	<u>\$ 2,822,725</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, 2007**

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ -	\$ -	\$ 60,724	\$ -	\$ 60,724
Interest	25,671	25,671	26,682	-	26,682
Miscellaneous	27,045	27,045	-	-	-
Total revenues	52,716	52,716	87,406	-	87,406
EXPENDITURES					
Current:					
Operation and maintenance	-	140,881	23,346	-	23,346
Capital Outlay	1,415,092	1,274,211	588,877	-	588,877
Total expenditures	1,415,092	1,415,092	612,223	-	612,223
Net change in fund balances	\$ (1,362,376)	\$ (1,362,376)	(524,817)	-	(524,817)
Fund balances - beginning			1,362,376	-	1,362,376
Fund balances - ending			\$ 837,559	\$ -	\$ 837,559

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, 2007

	<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	\$ -	\$ -	\$ 34,714	\$ -	\$ 34,714
Interest	49,310	49,310	25,562	-	25,562
Miscellaneous	15,000	15,000	-	-	-
Total revenues	<u>64,310</u>	<u>64,310</u>	<u>60,276</u>	<u>-</u>	<u>60,276</u>
EXPENDITURES					
Current:					
Operation and maintenance	732,841	735,201	22,758	-	22,758
Capital Outlay	472,419	470,059	272,016	-	272,016
Total expenditures	<u>1,205,260</u>	<u>1,205,260</u>	<u>294,774</u>	<u>-</u>	<u>294,774</u>
Net change in fund balances	<u>\$ (1,140,950)</u>	<u>\$ (1,140,950)</u>	(234,498)	-	(234,498)
Fund balances - beginning			<u>1,140,950</u>	<u>-</u>	<u>1,140,950</u>
Fund balances - ending			<u>\$ 906,452</u>	<u>\$ -</u>	<u>\$ 906,452</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, 2007

	Warehouse	Self- Insurance Health	Self- Insurance Property	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ (65,029)	\$2,139,052	\$ 200,808	\$ 2,274,831
Accounts receivables, net	1,118	461,415	-	462,533
Due from fiduciary funds	-	275,000	-	275,000
Inventories	143,527	-	-	143,527
Prepaid expenses	-	82,945	-	82,945
Total current assets	79,616	2,958,412	200,808	3,238,836
Non-current assets:				
Capital Assets:				
Land and improvements	122,700	-	-	122,700
Buildings	1,691,183	-	-	1,691,183
Equipment and Furniture	781,456	-	-	781,456
Less accumulated depreciation	(1,109,433)	-	-	(1,109,433)
Total non-current assets	1,485,906	-	-	1,485,906
Total assets	1,565,522	2,958,412	200,808	4,724,742
LIABILITIES				
Current Liabilities:				
Accounts payable	24,996	1,566,617	1,732	1,593,345
Deferred revenue	-	49,122	-	49,122
Compensated absences	6,809	1,475	-	8,284
Total current liabilities	31,805	1,617,214	1,732	1,650,751
Non-current liabilities:				
Compensated absences	61,284	13,278	-	74,562
Other postemployment benefits	-	1,491,000	-	1,491,000
Total non-current liabilities	61,284	1,504,278	-	1,565,562
Total liabilities	93,089	3,121,492	1,732	3,216,313
NET ASSETS				
Invested in capital assets	1,485,906	-	-	1,485,906
Unrestricted	(13,473)	(163,080)	199,076	22,523
Total net assets	\$ 1,472,433	\$ (163,080)	\$ 199,076	\$ 1,508,429

BILLINGS PUBLIC SCHOOLS

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

ALL INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2007

	Warehouse	Self-Insurance Health	Self-Insurance Property	Total
OPERATING REVENUES				
Charges for services	\$ 2,114,609	\$ 12,818,057	\$ -	\$ 14,932,666
Total operating revenues	2,114,609	12,818,057	-	14,932,666
OPERATING EXPENSES				
Personal services	361,605	77,947	-	439,552
Professional and technical services	-	-	35,325	35,325
Purchased property services	4,224	-	-	4,224
Other purchased services	108,342	409	26,678	135,429
Supplies and materials	1,729,745	2,524	162	1,732,431
Insurance claims and expenses	-	12,346,684	-	12,346,684
Other postemployment benefits	-	1,491,000	-	1,491,000
Miscellaneous	12	-	-	12
Depreciation	37,821	-	-	37,821
Total operating expenses	2,241,749	13,918,564	62,165	16,222,478
Operating income (loss)	(127,140)	(1,100,507)	(62,165)	(1,289,812)
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	3,090	56,101	5,735	64,926
Interest expense	(124)	-	-	(124)
Total non-operating revenue (expenses)	2,966	56,101	5,735	64,802
Change in net assets	(124,174)	(1,044,406)	(56,430)	(1,225,010)
Net assets - beginning	1,596,607	881,326	255,506	2,733,439
Net assets - ending	\$ 1,472,433	\$ (163,080)	\$ 199,076	\$ 1,508,429

BILLINGS PUBLIC SCHOOLS

COMBINING STATEMENT OF CASH FLOWS-ALL INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2007

	Warehouse	Self-Insurance Health	Self-Insurance Property	Total
CASH FLOWS FROM OPERATIONS:				
Cash received from health insurance premiums	\$ -	\$ 12,828,946	\$ -	\$ 12,828,946
Cash received from interfund services	2,113,609	-	-	2,113,609
Medical claims paid	-	(10,400,763)	-	(10,400,763)
Cash paid to employees health insurance services	-	(77,237)	-	(77,237)
Cash paid to employees interfund services	(348,588)	-	-	(348,588)
Cash paid to suppliers for goods and services health insurance services	-	(1,979,487)	-	(1,979,487)
Cash paid to suppliers for goods and services interfund services	(1,812,582)	-	(65,516)	(1,878,098)
Net cash provided (used) by operating activities	(47,561)	371,459	(65,516)	258,382
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Principal payments on note payable	(5,209)	-	-	(5,209)
Interest paid	(124)	-	-	(124)
Net cash used by capital financing activities	(5,333)	-	-	(5,333)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	3,090	56,101	5,735	64,926
Net cash provided by investing activities	3,090	56,101	5,735	64,926
Change in cash and cash equivalents	(49,804)	427,560	(59,781)	317,975
Cash and cash equivalents - beginning	(15,225)	1,711,492	260,589	1,956,856
Cash and cash equivalents - ending	\$ (65,029)	\$ 2,139,052	\$ 200,808	\$ 2,274,831
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating loss	\$ (127,140)	\$ (1,100,507)	\$ (62,165)	\$ (1,289,812)
Adjustment to reconcile operating loss to net cash provided by operating activities:				
Depreciation	37,821	-	-	37,821
Increase in accounts receivable	(1,000)	(207,881)	-	(208,881)
Decrease in inventory	69,347	-	-	69,347
Increase in prepaid expenses	-	(82,945)	-	(82,945)
Increase (decrease) in accounts payable	(39,606)	264,071	(3,351)	221,114
Increase in deferred revenue	-	5,968	-	5,968
Increase in compensated absences	13,017	1,753	-	14,770
Increase in other postemployment benefits	-	1,491,000	-	1,491,000
Net cash provided (used) by operating activities	\$ (47,561)	\$ 371,459	\$ (65,516)	\$ 258,382

Fiduciary Funds

Private-Purpose Trust Funds:

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

BILLINGS PUBLIC SCHOOLS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
ALL PRIVATE-PURPOSE TRUST FUNDS
June 30, 2007

	Elementary Extracurricular	High School Extracurricular	Total
ASSETS			
Cash and cash equivalents	<u>\$ 376,952</u>	<u>\$ 1,160,261</u>	<u>\$ 1,537,213</u>
Total assets	<u>376,952</u>	<u>1,160,261</u>	<u>1,537,213</u>
LIABILITIES			
Accounts payable	<u>12,979</u>	<u>37,581</u>	<u>50,560</u>
Total liabilities	<u>12,979</u>	<u>37,581</u>	<u>50,560</u>
NET ASSETS			
Held in trust	<u>\$ 363,973</u>	<u>\$ 1,122,680</u>	<u>\$ 1,486,653</u>

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

For the Year Ended June 30, 2007

	Elementary Extracurricular	High School Extracurricular	Total
ADDITIONS			
Contributions:			
Student extracurricular activities	\$ 507,267	\$ 2,358,549	\$ 2,865,816
Investment earnings:			
Interest	11,776	33,721	45,497
Total additions	519,043	2,392,270	2,911,313
DEDUCTIONS			
Student extracurricular activities	513,763	2,272,688	2,786,451
Total deductions	513,763	2,272,688	2,786,451
Change in net assets	5,280	119,582	124,862
Net assets - beginning	358,693	1,003,098	1,361,791
Net assets - ending	\$ 363,973	\$ 1,122,680	\$ 1,486,653

See notes to basic financial statements.

BILLINGS PUBLIC SCHOOLS

STATISTICAL SECTION

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

Table 1

	Fiscal Year				
	2003	2004	2005	2006	2007
Invested in capital assets, net of related debt	\$ 39,421,682	\$ 43,934,804	\$ 50,433,854	\$ 56,020,328	\$ 58,767,183
Restricted for:					
Debt service	1,028,344	1,794,068	961,384	1,287,030	1,350,978
Other purposes	10,742,792	10,770,777	12,710,261	12,399,380	11,915,272
Unrestricted (deficit)	<u>(8,131,599)</u>	<u>(8,873,712)</u>	<u>(9,760,795)</u>	<u>(12,253,119)</u>	<u>(4,326,828)</u>
Total governmental activities net assets	<u>\$ 43,061,219</u>	<u>\$ 47,625,937</u>	<u>\$ 54,344,704</u>	<u>\$ 57,453,619</u>	<u>\$ 67,706,605</u>

1

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

BILLINGS PUBLIC SCHOOLS

Table 2

CHANGES IN NET ASSETS - GOVERNMENTAL ACTIVITIES

Last Five Fiscal Years

(accrual basis of accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses:					
Instruction	\$ 63,928,039	\$ 68,603,766	\$ 69,408,652	\$ 74,316,304	\$ 78,052,218
Support services:					
Students	6,547,994	7,318,577	7,502,320	8,245,532	9,117,020
Instructional staff	5,487,455	5,326,663	5,354,675	5,992,695	5,878,241
General administration	2,016,253	1,429,577	1,471,734	1,238,774	1,354,664
School administration	6,856,382	7,322,209	7,432,014	8,130,808	8,248,789
Business services	906,263	1,333,322	1,408,610	1,769,612	1,842,122
Operation and maintenance	8,302,190	9,463,421	9,395,802	10,270,658	10,713,640
Student transportation	3,683,039	3,844,736	4,128,160	4,310,389	4,375,271
Food services	3,721,168	3,805,629	4,216,117	4,113,009	4,180,626
Community services	46,577	14,729	11,094	15,178	14,953
Extracurricular	1,768,576	1,754,424	1,802,211	1,909,711	1,920,491
Interest	142,364	91,488	308,478	221,475	177,913
Total expenses	103,406,300	110,308,541	112,439,867	120,534,145	125,875,948
Program revenues					
Charges for services	2,582,060	2,755,382	2,918,533	2,977,243	2,981,336
Operating grants and contributions	16,534,038	18,749,300	19,621,440	21,432,451	27,164,473
Capital grants and contributions	-	-	-	584,375	240,298
Total program revenues	19,116,098	21,504,682	22,539,973	24,994,069	30,386,107
Net expense	(84,290,202)	(88,803,859)	(89,899,894)	(95,540,076)	(95,489,841)
General revenues:					
Property taxes	31,197,984	32,763,840	32,898,784	34,895,621	33,088,889
Intergovernmental:					
State aid	39,843,254	41,255,716	43,827,961	45,208,006	46,174,525
State other	6,959,433	5,919,009	6,195,386	6,298,034	6,173,289
County	10,640,000	11,950,586	12,307,903	10,606,494	11,252,174
Federal	-	170,621	-	-	-
Interest	497,331	322,613	710,566	924,471	1,050,145
Contributions and donations	303,722	391,433	444,283	538,494	1,146,765
Miscellaneous	463,292	502,667	233,778	177,871	209,184
Gain on disposal of capital assets	156,925	92,092	-	-	242,559
Total general revenues	90,061,941	93,368,577	96,618,661	98,648,991	99,337,530
Change in net assets	\$ 5,771,739	\$ 4,564,718	\$ 6,718,767	\$ 3,108,915	\$ 3,847,689

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

Table 3

	Fiscal Year				
	2003	2004	2005	2006	2007
General fund					
Reserved	\$ 959,078	\$ 149,804	\$ 81,413	\$ 150,314	\$ 401,505
Unreserved	4,175,707	4,803,576	4,619,133	3,356,762	3,520,361
Total general fund	<u>\$ 5,134,785</u>	<u>\$ 4,953,380</u>	<u>\$ 4,700,546</u>	<u>\$ 3,507,076</u>	<u>\$ 3,921,866</u>
All other governmental funds					
Reserved	\$ 965,631	\$ 1,767,133	\$ 1,031,166	\$ 1,496,649	\$ 1,299,601
Unreserved, reported in:					
Special revenue funds	7,099,584	8,396,891	5,769,299	8,900,453	11,762,496
Capital projects funds	3,722,143	13,698,815	15,111,333	4,368,356	2,822,725
Total all other governmental funds	<u>\$ 11,787,358</u>	<u>\$ 23,862,839</u>	<u>\$ 21,911,798</u>	<u>\$ 14,765,458</u>	<u>\$ 15,884,822</u>

Source: Billings Public Schools Annual Financial Report

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

Table 4

	Fiscal Year				
	2003	2004	2005	2006	2007
Revenues					
Property taxes	\$ 30,486,682	\$ 33,056,359	\$ 32,790,871	\$ 34,811,435	\$ 32,619,080
Intergovernmental:					
County	11,115,370	12,608,117	13,048,693	11,391,515	12,037,153
State aid	44,269,638	45,393,256	43,827,961	45,208,006	46,174,525
State other	8,137,778	7,919,070	12,751,938	13,365,372	19,476,346
Federal	10,453,929	12,124,789	12,324,098	13,243,826	12,740,171
Tuition	219,254	231,686	250,649	221,849	211,263
Charges for services	2,334,735	2,516,770	2,709,121	2,752,809	2,784,051
Interest	425,420	282,869	660,337	865,885	985,219
Miscellaneous	798,801	885,768	678,061	1,612,007	1,915,554
Total revenues	108,241,607	115,018,684	119,041,729	123,472,704	128,943,362
Expenditures					
Instruction	63,050,018	66,203,971	67,456,999	72,234,049	75,118,883
Support services:					
Students	6,718,144	7,009,749	7,309,457	8,028,019	8,585,269
Instructional staff	5,318,025	5,156,607	5,204,476	5,873,420	5,992,282
General administration	2,033,929	1,473,573	1,505,556	1,336,483	1,238,727
School administration	6,708,546	7,257,844	7,875,293	7,745,131	7,969,204
Business services	833,476	1,248,703	1,252,813	1,611,884	1,734,354
Operations and maintenance	8,284,436	9,371,228	9,467,402	10,158,538	10,529,579
Student transportation	3,649,286	3,791,755	4,105,306	4,269,620	4,338,968
Food services	3,674,460	3,751,990	4,158,542	4,057,221	4,117,271
Community services	46,577	14,729	11,094	15,178	14,953
Extracurricular	1,776,710	1,733,646	1,800,017	1,890,779	1,846,502
Capital outlay	5,545,731	3,724,644	6,815,946	12,284,515	3,440,539
Debt service					
Principal	2,133,062	2,205,003	4,003,685	2,477,521	2,576,269
Interest	140,609	186,166	284,018	197,156	153,967
Total expenditures	109,913,009	113,129,608	121,250,604	132,179,514	127,656,767
Excess of revenues over (under) expenditures	(1,671,402)	1,889,076	(2,208,875)	(8,706,810)	1,286,595
Other financing sources (uses)					
Operating transfers in	41,766	30,043	1,193,489	-	-
Operating transfers out	(41,766)	(30,043)	(1,193,489)	-	-
Capital lease obligations	42,606	-	-	-	-
Long-term debt issued	-	10,000,000	-	362,000	-
Sale of capital assets	153,500	5,000	5,000	5,000	247,559
Total other financing sources (uses)	196,106	10,005,000	5,000	367,000	247,559
Net change in fund balances	\$ (1,475,296)	\$ 11,894,076	\$ (2,203,875)	\$ (8,339,810)	\$ 1,534,154
Debt service as a percentage of non-capital expenditures	2.18%	2.19%	3.75%	2.23%	2.20%

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	Operations and Maintenance
2003	\$ 63,050,018	\$ 6,718,144	\$ 5,318,025	\$ 2,033,929	\$ 6,708,546	\$ 833,476	\$ 8,284,436
2004	66,203,971	7,009,749	5,156,607	1,473,573	7,257,844	1,248,703	9,371,228
2005	67,456,999	7,309,457	5,204,476	1,505,556	7,875,293	1,252,813	9,467,402
2006	72,234,049	8,028,019	5,873,420	1,336,483	7,745,131	1,611,884	10,158,538
2007	75,118,883	8,585,269	5,992,282	1,238,727	7,969,204	1,734,354	10,529,579

Year	Support Services						
	Student Transportation	Food Services	Community Services	Extracurricular	Capital Outlay	Debt Service	Total
2003	\$ 3,649,286	\$ 3,674,460	\$ 46,577	\$ 1,776,710	\$ 5,545,731	\$ 2,273,671	\$ 109,913,009
2004	3,791,755	3,751,990	14,729	1,733,646	3,724,644	2,391,169	113,129,608
2005	4,105,306	4,158,542	11,094	1,800,017	6,815,946	4,287,703	121,250,604
2006	4,269,620	4,057,221	15,178	1,890,779	12,284,515	2,674,677	132,179,514
2007	4,338,968	4,117,271	14,953	1,846,502	3,440,539	2,730,236	127,656,767

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:					
1998	\$ 145,348,579	109.35	\$ 15,893,867	\$ 15,974,827	100.51%
1999	147,705,470	112.96	16,684,810	16,434,664	98.50%
2000	139,298,199	114.75	15,984,468	15,856,397	99.20%
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%
High School District:					
1998	180,371,380	54.63	9,853,688	9,905,019	100.52%
1999	182,585,023	55.62	10,155,379	9,988,842	98.36%
2000	174,883,343	62.53	10,935,455	10,762,070	98.41%
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%

* Total tax collections included delinquent taxes from prior years.

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:			
1998	\$ 145,348,579	\$ -	N/A
1999	147,705,470	-	N/A
2000	139,298,199	-	N/A
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	152,812,175	5,110,110,578	2.99%

High School District:

1998	180,371,380	-	N/A
1999	182,585,023	-	N/A
2000	174,883,343	-	N/A
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	193,746,700	6,458,283,952	3.00%

Source: Montana Department of Revenue

*Estimated Actual Value not available for 1998-2001

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
1998	109.35	54.63	89.00	79.07	46.00	378.05
1999	112.96	55.62	89.00	77.67	46.00	381.25
2000	114.41	62.53	94.00	80.74	46.00	397.68
2001	111.91	54.01	100.34	90.63	46.00	402.89
2002	127.86	71.05	105.34	99.54	46.00	449.79
2003	142.74	77.62	110.23	107.42	46.00	484.01
2004	143.30	81.37	110.23	120.74	46.00	501.64
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

Tax Levies						
Fiscal Year	Billings Elementary District	Billings High School District	City of Billings	Yellowstone County	State of Montana	Total
1998	\$ 15,893,867	\$ 9,853,688	\$ 10,274,532	\$ 15,020,325	\$ 5,165,496	\$ 56,207,909
1999	16,684,810	10,155,379	10,484,620	14,991,619	5,421,425	57,737,853
2000	15,984,468	10,935,455	10,319,873	14,542,965	5,455,298	57,238,060
2001	14,399,792	8,601,557	10,905,259	14,772,928	5,453,536	54,133,072
2002	16,477,137	9,834,432	11,484,409	15,359,804	5,714,104	58,869,885
2003	18,658,280	10,981,397	12,188,312	17,514,194	6,163,014	65,505,197
2004	18,936,554	11,620,692	12,858,681	20,675,536	6,663,547	70,755,010
2005	19,193,129	12,412,449	13,774,151	21,854,305	7,146,050	74,380,084
2006	20,093,731	13,179,809	16,740,890	23,922,136	7,706,215	81,642,782
2007	18,561,035	12,376,513	18,622,292	27,029,907	-	76,589,747

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

BILLINGS PUBLIC SCHOOLS
PRINCIPAL PROPERTY TAX PAYERS IN THE ELEMENTARY DISTRICT
Current Year and Three Years Ago

Table 9

Taxpayer	2007			2004		
	Assessed Valuation	Rank	Percentage of Total District Assessed Valuation	Assessed Valuation	Rank	Percentage of Total District Assessed Valuation
Northwestern Corp Transmission	\$ 13,469,696	1	3.89%	\$ 4,737,850	1	1.58%
ConocoPhillips Company	8,574,191	2	2.47%	-		
Qwest Corporation	4,890,535	3	1.41%	1,795,527	2	0.60%
PPL Montana LLC	3,861,855	5	1.11%	-		-
Montana Dakota Utilities Company	1,304,531	6	0.38%	1,071,236	3	0.36%
Puget Sound Energy Incorporated	1,008,280	7	0.29%	-		-
Yellowstone Valley Electric Coop	941,334	8	0.27%	-		-
Macerch Rimrock Limited Partnership	875,526	9	0.25%	857,344	4	0.29%
Conoco Pipe Line Co	799,538	10	0.23%	-		-
Wal-Mart Real Estate Business Trust	-		-	587,725	5	0.20%
Med-Map LLC	-		-	548,451	6	0.18%
Western Sugar Company	-		-	427,398	7	0.14%
ACG West Park Plaza Investors LLC	-		-	403,366	8	0.13%
Sysco Food Services of Montana Inc.	-		-	348,154	9	0.12%
United Parcel Service Co	-		-	317,386	10	0.11%
Total	<u>\$ 35,725,486</u>		<u>10.31%</u>	<u>\$ 11,094,437</u>		<u>3.70%</u>

Source: Montana Department of Revenue

* 2004 is the oldest data available

BILLINGS PUBLIC SCHOOLS

PRINCIPAL PROPERTY TAX PAYERS IN THE HIGH SCHOOL DISTRICT

Current Year and Three Years Ago

Table 9a

Taxpayer	2007			2004		
	Assessed Valuation	Rank	Percentage of Total District Assessed Valuation	Assessed Valuation	Rank	Percentage of Total District Assessed Valuation
Northwestern Corp Transmission	\$ 13,469,696	1	3.89%	\$ 4,737,850	1	1.58%
ConocoPhillips Company	8,574,191	2	2.47%	-		
Qwest Corporation	4,890,535	3	1.41%	1,795,527	2	0.60%
Exxon Mobile Corporation	4,677,871	4	1.35%	-		-
PPL Montana LLC	3,861,855	5	1.11%	-		-
Montana Dakota Utilities Company	1,304,531	6	0.38%	1,071,236	3	0.36%
Puget Sound Energy Incorporated	1,008,280	7	0.29%	-		-
Yellowstone Valley Electric Coop	941,334	8	0.27%	-		-
Macerch Rimrock Limited Partnership	875,526	9	0.25%	857,344	4	0.29%
Conoco Pipe Line Co	799,538	10	0.23%	-		-
Wal-Mart Real Estate Business Trust	-		-	587,725	5	0.20%
Med-Map LLC	-		-	548,451	6	0.18%
Western Sugar Company	-		-	427,398	7	0.14%
ACG West Park Plaza Investors LLC	-		-	403,366	8	0.13%
Sysco Food Services of Montana Inc.	-		-	348,154	9	0.12%
United Parcel Service Co	-		-	317,386	10	0.11%
Total	<u>\$ 40,403,357</u>		<u>11.66%</u>	<u>\$ 11,094,437</u>		<u>3.70%</u>

Source: Montana Department of Revenue

* 2004 is the oldest data available

BILLINGS PUBLIC SCHOOLS
REVENUE BY SOURCE - ALL GOVERNMENTAL FUND TYPES
For the Fiscal Year Ended June 30, 2007
(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	\$ 32,618,080	25.30%
Tuition	211,263	0.16%
Interest	985,219	0.76%
Charges for service	2,784,051	2.16%
County retirement	11,252,174	8.73%
County transportation	784,979	0.61%
Miscellaneous	1,915,554	1.46%
Total revenue from local and intermediate sources	50,551,320	39.18%
Revenue from state sources:		
Direct state aid	33,776,697	26.20%
State quality educator	2,332,674	1.81%
State at risk student	419,376	0.33%
State Indian education for all	1,056,132	0.82%
State American Indian achievement gap	231,000	0.18%
State special ed allowable cost payment	4,701,676	3.65%
State guaranteed tax base aid	12,397,828	9.62%
State transportation	784,979	0.61%
State technology grant	457,029	0.35%
State personal property tax reimbursement	269,653	0.21%
State school block grant	5,365,372	4.16%
State weatherization and maintenance	2,377,937	1.84%
State other	1,480,518	1.15%
Total revenue from state sources	65,650,871	50.93%
Revenue from federal sources:		
Federal grants	10,786,051	8.37%
Federal food service	1,954,120	1.52%
Total revenue from federal sources	12,740,171	9.89%
Total revenue	\$ 128,942,362	100.00%

Source: Billings Public Schools Annual Financial Report

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	Tuition	Interest	Miscellaneous	Total
2003	\$ 23,726,005	\$ 49,249,288	\$ 219,254	\$ 105,265	\$ 10,699	\$ 73,310,511
2004	24,899,505	49,883,497	231,686	53,162	179,142	75,246,992
2005	24,607,135	50,641,647	250,649	56,738	11,341	75,567,510
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

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

Table 12

Year	District Revenue	State Revenue	Total Revenue	October Enrollment	Revenue Per Student		
					District	State	Total
2003	\$ 24,061,223	\$ 49,249,288	\$ 73,310,511	15,737	\$ 1,529	\$ 3,130	\$ 4,659
2004	25,363,495	49,883,497	75,246,992	15,716	1,614	3,174	4,788
2005	24,925,863	50,641,647	75,567,510	15,704	1,587	3,225	4,812
2006	25,936,170	53,649,285	79,585,455	15,556	1,667	3,449	5,116
2007	26,501,022	58,050,178	84,551,200	15,503	1,709	3,744	5,453

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
2003	\$ 4,959,293,066	\$ 1,607,785	94	\$ 34,640,124	450	\$ 62,714,706
2004	5,648,849,952	1,645,937	129	44,527,113	569	91,458,054
2005	6,038,666,505	1,720,366	112	52,378,039	560	92,302,312
2006	6,458,283,952	1,930,591	113	47,749,028	503	93,464,621
2007	6,986,260,379	2,222,151	88	87,937,071 5	496	89,502,065

Sources and other information:

1 State of Montana Department of Revenue.

2 Individual Banks.

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.

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					
1998	91,195	\$ 145,348,579	\$ 980,000	0.67%	\$ 10.75
1999	91,750	147,705,470	190,000	0.13%	2.07
2000	92,988	139,298,199	-	0.00%	-
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	152,812,175	2,615,000	1.71%	25.73
High School District					
1998	101,750	\$ 180,371,380	\$ 12,055,000	6.68%	\$ 118.48
1999	102,850	182,585,023	10,455,000	5.73%	101.65
2000	103,950	174,883,343	8,865,000	5.07%	85.28
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	193,746,700	-	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, 2007

Table 15

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Elementary District:						
Maximum debt limit	\$ 84,649,338	\$ 87,139,890	\$ 103,784,976	\$ 105,789,744	\$ 110,532,753	\$ 114,004,638
Total net debt applicable to limit	8,362,073	6,234,649	14,104,638	9,639,803	5,405,616	2,834,141
Legal debt margin	<u>\$ 76,287,265</u>	<u>\$ 80,905,241</u>	<u>\$ 89,680,338</u>	<u>\$ 96,149,941</u>	<u>\$ 105,127,137</u>	<u>\$ 111,170,497</u>
Total net debt applicable to limit as a percentage of debt limit	9.88%	7.15%	13.59%	9.11%	4.89%	2.49%
High School District:						
Maximum debt limit	\$ 98,249,130	\$ 101,717,847	\$ 121,384,386	\$ 122,633,838	\$ 127,979,393	\$ 131,491,917
Total net debt applicable to limit	9,613,335	6,615,423	3,559,241	1,009,753	117,507	107,935
Legal debt margin	<u>\$ 88,635,795</u>	<u>\$ 95,102,424</u>	<u>\$ 117,825,145</u>	<u>\$ 121,624,085</u>	<u>\$ 127,861,886</u>	<u>\$ 131,383,982</u>
Total net debt applicable to limit as a percentage of debt limit	9.78%	6.50%	2.93%	0.82%	0.09%	0.08%

DEBT LIMITATION CALCULATION	Elementary	High School
2006/07 Statewide Average Per ANB	25,960	51,210
X FY07 ANB	9,759	5,706
Total	<u>253,343,640</u>	<u>292,204,260</u>
X Debt Limit Rate of .45	0.45	0.45
Equals: Maximum Debt Capacity	<u>114,004,638</u>	<u>131,491,917</u>
Less: Bonds Outstanding	2,615,000	-
General Obligation Debt	219,141	107,935
Estimated Debt Capacity Remaining	<u>111,170,497</u>	<u>131,383,982</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) 45% 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 45%. 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, 2007

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:	\$ 2,615,000	100.00%	\$ 2,615,000	0.00%	\$ -
Billings High School District:	-	0.00%	-	0.00%	-
Totals	<u>\$ 2,615,000</u>		<u>\$ 2,615,000</u>		<u>\$ -</u>

OVERLAPPING BONDED INDEBTEDNESS

Yellowstone County:

Various Issues	\$ 6,680,809	60.60%	\$ 4,048,570	39.40%	\$ 2,632,239
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City of Billings:

Various Issues	18,655,000	84.70%	15,800,785	15.30%	2,854,215
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Totals	<u>\$ 27,950,809</u>		<u>\$ 22,464,355</u>		<u>\$ 5,486,454</u>
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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:					
1998	\$ 915,000	\$ 100,745	\$ 1,015,745	\$ 39,158,238	2.6%
1999	790,000	59,690	849,690	40,552,135	2.1%
2000	190,000	13,395	203,395	41,388,850	0.5%
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%
High School:					
1998	\$ 1,582,835	\$ 688,651	\$ 2,271,486	\$ 22,164,801	10.2%
1999	1,600,000	614,600	2,214,600	23,204,761	9.5%
2000	1,590,000	540,573	2,130,573	24,640,281	8.6%
2001	1,690,000	460,215	2,150,215	25,767,133	8.3%
2002	8,140,000	305,089	8,445,089	26,042,112	32.4%
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%

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
1998	91,195	\$ 22,235	33.5	15,910	5.4%
1999	91,750	22,647	35.8	15,877	4.3%
2000	92,988	24,425	35.8	15,690	3.7%
2001	89,847	25,253	36.9	15,732	3.7%
2002	91,195	25,632	36.9	15,778	4.5%
2003	93,388	25,323	36.9	15,737	3.4%
2004	97,253	26,057	36.9	15,716	3.1%
2005	99,198	29,421	36.9	15,704	3.3%
2006	100,148	31,220	36.9	15,556	3.5%
2007	101,650	35,068	39.3	15,503	2.6%

Source: Bureau of Business and Economic Research

BILLINGS PUBLIC SCHOOLS
 PRINCIPAL EMPLOYERS
 Current Year and Nine Years Ago

Table 19

Employer	2007			1998		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	*Percentage of Total City Employment
Billings Clinic	3,250	1	4.0%	1,835	2	N/A
St. Vincent Health Care	2,200	2	2.7%	1,425	3	N/A
School District #2	2,200	3	2.7%	2,017	1	N/A
Stillwater Mining Company	1,622	4	2.0%	825	7	N/A
Yellowstone County	1,106	5	1.4%	1,020	4	N/A
Montana State University-Billings	1,025	6	1.3%	901	5	N/A
Walmart	954	7	1.2%	-	-	N/A
Wells Fargo Bank & Operations	925	8	1.1%	444	12	N/A
City of Billings	875	9	1.1%	750	6	N/A
Avitus Group	788	10	1.0%	-	-	N/A
Supervalu	-		-	612	8	N/A
U. S. Postal Service	-		-	552	9	N/A
Buttrey Food-Drug stores	-		-	523	10	N/A
Total	14,945		18.4%	10,904		

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

*Total City Employment not available for 1998.

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)	2	Pupil/ Certified Staff Ratio
2003	\$ 103,406,300	15,778	\$ 6,554	NA	1,134.2		13.9
2004	110,308,541	15,737	7,010	7%	1,133.5		13.9
2005	112,439,867	15,716	7,154	2%	1,136.2		13.8
2006	120,534,145	15,704	7,675	7%	1,141.5		13.8
2007	127,668,852	15,556	8,207	6%	1,130.6		13.8

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
 (accrual basis of accounting)

Table 21

	Fiscal Year				
	2003	2004	2005	2006	2007
Instruction					
Administrators	-	-	0.9	-	-
Certified Staff	1,012.9	1,009.1	988.3	997.8	993.1
Classified Employees	199.2	208.6	205.1	191.8	192.1
Support Services					
Administrators	5.0	4.0	5.0	5.0	5.0
Administrative Support	1.0	1.0	1.0	1.0	1.0
Certified Staff	131.1	132.7	134.3	134.5	131.3
Classified Employees	53.3	47.6	50.4	64.1	63.3
General Administration					
Administrators	5.7	4.7	4.1	5.5	6.5
Administrative Support	14.7	14.2	14.2	13.5	13.5
Certified Staff	-	-	-	-	1.0
Classified Employees	21.8	21.1	23.2	23.3	23.1
Building Administration					
Administrators	52.0	52.0	49.5	49.0	42.5
Administrative Support	0.5	1.5	1.6	1.3	1.0
Certified Staff	1.0	7.4	15.8	15.8	1.0
Classified Employees	81.3	83.5	83.3	83.0	81.8
Operations and Maintenance					
Administrators	1.0	1.0	1.0	1.0	2.0
Certified Staff	0.2	-	-	-	-
Classified Employees	130.9	124.6	125.4	123.7	123.7
Student Transportation					
Administrators	1.3	1.3	1.3	1.0	1.0
Administrative Support	1.0	1.0	1.0	1.0	1.0
Classified Employees	29.3	31.3	32.8	33.2	32.5
Extracurricular Activities					
Administrators	1.0	1.0	1.0	1.0	1.0
Classified Employees	3.6	6.6	5.5	4.0	3.5
Total	<u>1,747.6</u>	<u>1,754.1</u>	<u>1,743.9</u>	<u>1,750.6</u>	<u>1,720.8</u>
Fiscal 2007 Summary	Admin.	Admin Support	Certified Staff	Classified Employees	Total FTE
Instruction	-	-	993.1	192.1	1,185.1
Support Services	5.0	1.0	131.3	63.3	200.6
General Administration	6.5	13.5	1.0	23.1	44.1
Building Administration	42.5	1.0	1.0	81.8	126.3
Operations and Maintenance	2.0	-	-	123.7	125.7
Student Transportation	1.0	1.0	-	32.5	34.5
Extracurricular Activities	1.0	-	-	3.5	4.5
Total	<u>58.0</u>	<u>16.5</u>	<u>1,126.4</u>	<u>519.9</u>	<u>1,720.8</u>

Source: District Records

BILLINGS PUBLIC SCHOOLS
CERTIFIED STAFF EDUCATION AND EXPERIENCE
November 1, 2006

Table 22

<u>Educational Attainment</u>	<u>Full Time Equivalent</u>	<u>Percent of Total</u>
Bachelor's Degree	129.3	11%
Bachelor's Degree + 15 Credits	66.9	6%
Bachelor's Degree + 30 Credits	86.6	8%
Bachelor's Degree + 45 Credits	92.7	8%
Bachelor's Degree + 60 Credits	52.6	5%
Bachelor's Degree + 75 Credits	51.2	5%
Bachelor's Degree + 90 Credits	52.7	5%
Bachelor's Degree + 105 Credits	115.3	10%
Master's Degree	70.6	6%
Master's Degree + 15 Credits	53.0	5%
Master's Degree + 30 Credits	56.3	5%
Master's Degree + 45 Credits	294.4	26%
Doctorate's Degree	<u>4.8</u>	<u>0%</u>
Total	<u><u>1,126.4</u></u>	<u><u>100%</u></u>
<u>Years of Experience</u>	<u>Full Time Equivalent</u>	<u>Percent of Total</u>
0-5	200.3	18%
6-10	214.8	19%
11-15	211.4	19%
16 and Over	<u>499.9</u>	<u>44%</u>
Total	<u><u>1,126.4</u></u>	<u><u>100%</u></u>

Source: District Records

BILLINGS PUBLIC SCHOOLS
EDUCATIONAL BUILDING DATA
For the Fiscal Year Ended June 30, 2007

Table 23

	<u>Year Built</u>	<u>Square Footage</u>	<u>Functional Capacity</u>	<u>Enrollment</u>	<u>Percentage of Capacity Used</u>
<u>Elementary Schools:</u>					
<u>K-6 Schools</u>					
Alkali Creek	1979	43,591	391	367	93.86%
Arrowhead	1978	41,714	437	427	97.71%
Bench	1955	39,817	368	330	89.67%
Big Sky	1986	45,000	391	413	105.63%
Bitterroot	1964	31,690	322	315	97.83%
Boulder	1962	36,917	414	391	94.44%
Broadwater	1910	34,429	322	321	99.69%
Burlington	1956	32,868	322	302	93.79%
Central Heights	1962	38,785	322	292	90.68%
Eagle Cliffs	1986	46,600	437	401	91.76%
Highland	1947	30,994	253	289	114.23%
McKinley	1906	30,072	322	291	90.37%
Meadowlark	1964	33,808	414	482	116.43%
Miles	1955	32,072	322	325	100.93%
Newman	1953	29,808	276	267	96.74%
Orchard	1918	57,933	414	352	85.02%
Poly	1952	35,209	299	300	100.33%
Ponderosa	1965	32,000	437	376	86.04%
Rose Park	1958	30,276	299	264	88.29%
Sandstone	1978	41,714	437	452	103.43%
Washington	1948	36,064	276	269	97.46%
<u>7-8 Schools</u>					
Castle Rock	1979	107,500	820	695	84.76%
Lewis & Clark	1956	156,712	900	540	60.00%
Riverside	1963	87,844	640	505	78.91%
Will James	1967	94,120	690	541	78.41%
<u>High Schools:</u>					
Career Center	1975	135,200	650	N/A	N/A
Senior	1940	232,789	1600	1,932	120.75%
Skyview	1987	239,000	1575	1,518	96.38%
West	1959	219,662	1690	2,016	119.29%

Source: District Records

BILLINGS PUBLIC SCHOOLS

Table 24

PERCENTAGE OF STUDENTS WHO QUALIFIED FOR FREE AND REDUCED LUNCH

Last Ten Fiscal Years

	Fiscal Year									
	1998 **	1999	2000	2001	2002	2003	2004	2005	2006	2007
Elementary Schools:										
<u>K-6 Schools</u>										
Alkali Creek		13.4%	9.5%	12.9%	9.2%	17.4%	19.0%	15.9%	22.2%	24.4%
Arrowhead		1.6%	2.8%	1.2%	2.6%	2.3%	1.6%	1.9%	3.4%	4.2%
*Beartooth		23.7%	22.5%	27.0%	N/A	N/A	N/A	N/A	N/A	N/A
Bench		48.1%	45.4%	48.2%	51.7%	52.2%	49.9%	40.9%	40.0%	49.2%
Big Sky		19.0%	16.7%	17.5%	20.5%	20.7%	18.8%	17.3%	18.0%	18.5%
Bitterroot		38.5%	39.4%	41.3%	34.9%	34.8%	38.6%	31.8%	37.8%	37.2%
Boulder		22.5%	18.8%	16.0%	13.3%	20.1%	17.2%	11.2%	17.7%	19.2%
Broadwater		57.1%	58.6%	56.3%	46.7%	45.1%	55.2%	41.5%	55.0%	45.5%
Burlington		36.3%	34.7%	31.6%	27.8%	34.2%	38.9%	37.2%	38.8%	31.5%
Central Heights		24.3%	25.5%	20.0%	28.2%	24.3%	36.4%	26.4%	33.0%	34.4%
Eagle Cliffs		11.9%	13.1%	15.2%	13.2%	18.0%	14.9%	14.7%	18.5%	23.8%
*Garfield		96.4%	80.3%	101.2%	N/A	N/A	N/A	N/A	N/A	N/A
Highland		40.9%	44.9%	42.9%	38.9%	22.3%	26.2%	24.4%	25.7%	27.0%
McKinley		60.9%	53.0%	62.8%	42.3%	69.3%	55.1%	49.8%	56.0%	60.1%
Meadowlark		17.9%	21.2%	22.4%	20.8%	16.3%	20.0%	21.1%	20.6%	19.0%
Miles		35.4%	38.7%	43.7%	35.7%	40.4%	38.7%	43.7%	44.5%	50.0%
Newman		64.9%	61.7%	68.8%	66.2%	67.7%	77.3%	67.7%	62.6%	67.9%
Orchard		82.4%	78.8%	93.2%	71.3%	88.3%	78.3%	78.0%	79.0%	78.7%
Poly		11.4%	10.4%	10.0%	12.8%	14.0%	11.4%	14.2%	16.6%	14.5%
Ponderosa		50.6%	41.9%	54.0%	30.4%	70.5%	63.6%	65.3%	68.0%	71.8%
*Rimrock		15.1%	11.2%	11.4%	N/A	N/A	N/A	N/A	N/A	N/A
Rose Park		25.3%	27.8%	29.3%	23.5%	31.3%	26.9%	27.4%	35.2%	27.7%
Sandstone		24.1%	28.0%	28.2%	27.6%	27.8%	30.5%	32.3%	35.8%	34.5%
Washington		69.0%	69.6%	63.4%	66.1%	59.7%	56.8%	58.9%	64.9%	72.7%
<u>7-8 Schools</u>										
Castle Rock		19.2%	24.6%	23.4%	22.0%	22.4%	27.9%	23.8%	25.9%	28.3%
Lewis & Clark		32.5%	30.3%	31.7%	32.9%	34.5%	31.7%	29.8%	35.1%	37.0%
Riverside		54.0%	50.9%	50.9%	51.3%	52.2%	49.5%	45.0%	58.0%	54.0%
Will James		12.7%	13.1%	11.6%	12.3%	13.2%	15.0%	11.8%	16.9%	17.1%
<u>High Schools</u>										
Senior		15.7%	17.4%	17.7%	16.9%	18.3%	21.7%	16.3%	25.6%	22.6%
Skyview		12.2%	12.8%	12.6%	12.9%	14.3%	16.8%	14.5%	16.7%	17.6%
West		12.2%	11.1%	10.7%	9.6%	10.3%	13.0%	11.0%	12.4%	16.0%

*School closed

** 1998 data not available

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
1997	15,964	(0.98)	15,991	0.05	100.05
1998	15,910	(0.34)	15,936	(0.34)	99.66
1999	15,877	(0.21)	15,815	(0.76)	99.24
2000	15,690	(1.18)	15,818	0.02	100.02
2001	15,732	0.27	15,740	(0.49)	99.51
2002	15,778	0.29	15,604	(0.86)	99.14
2003	15,737	(0.26)	15,672	0.44	100.44
2004	15,716	(0.13)	15,622	(0.32)	99.68
2005	15,704	(0.08)	15,552	(0.45)	99.55
2006	15,556	(0.94)	15,529	(0.15)	99.85
2007	15,503	(0.34)	16,025	3.19	103.19

Source: District Records

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

BILLINGS PUBLIC SCHOOLS
SCHEDULE OF INSURANCE IN FORCE

Table 26

I. Commercial Property	
A. Policy #:	KTK-CMB-545D602-3-06
B. Carrier:	The Travelers Indemnity Company
C. Policy Period:	7/1/06-7/1/07
D. Coverages:	Buildings/Contents Incl Daylis Turf
E. Limits:	\$235,849,842 policy limit
II. Commercial General Liability	
A. Policy #:	CPO 3993872-00
B. Carrier:	Zurich American Insurance Company
C. Policy Period:	7/1/06-7/1/07
D. Coverages:	General Liability, Sexual Molestation, Employee Benefits
E. Limits:	\$1,000,000 per occurrence; \$2,000,000 aggregate
III. Commercial Auto	
A. Policy #:	CPO 3993872-00
B. Carrier:	Zurich American Insurance Company
C. Policy Period:	7/1/06-7/1/07
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:	7/1/06-7/1/07
V. Storage Tank System 3rd Party Liability & Cleanup Policy	
A. Policy #:	USC3834053-04
B. Carrier:	Zurich American Insurance Company
C. Policy Period:	7/1/06-7/1/07
D. Limits:	\$1,000,000 each claim; \$2,000,000 total for all claims
VI. Commercial Excess Liability	
A. Policy #:	82A2UB0000023-01
B. Carrier:	American Alternative Insurance Corporation
C. Policy Period:	7/1/06-7/1/07
D. Limits:	\$9,000,000
VII. Crime	
A. Policy #:	104123769
B. Carrier:	Travelers Casualty and Surety Company of America
C. Policy Period:	7/1/06-7/1/07
D. Limits:	\$100,000/\$300,000
VIII. Educators Legal Liability	
A. Policy #:	672-75-95
B. Carrier:	National Union Fire Insurance Company of Pittsburgh, PA.
C. Policy Period:	7/1/06-7/1/07
D. Limits:	\$5,000,000 aggregate
IX. Worker' Compensation	
A. Policy #:	31147
B. Carrier:	Workers' Compensation Risk Retention Program
C. Policy Period:	7/1/06-6/30/07

SINGLE AUDIT SECTION

- **Independent auditor's Report on Internal Control Over Financial Reporting Compliance and on Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***
- **Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133**
- **Schedule of Expenditures of Federal Awards**
- **Schedule of Changes in Fiduciary Net Assets – Extracurricular**
- **Enrollment Schedule**
- **Schedule of Findings and Questioned Costs**
- **Schedule of Prior Year audit Findings**
- **Management Letter**



CPAs & BUSINESS ADVISORS

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

The 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 Public Schools**, as of and for the year ended June 30, 2007, which collectively comprise the Schools' basic financial statements and have issued our report thereon dated March 27, 2008. 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 Public Schools'** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the effectiveness of the Entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

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Compliance and Other Matters

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

This report is intended solely for the information and use of the audit committee, Board of Trustees, management, state agencies, the federal cognizant audit agency and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

Billings, Montana
March 27, 2008

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board Trustees
Billings Public Schools
Billings, Montana

Compliance

We have audited the compliance of **Billings Public Schools**, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. **Billings Public Schools'** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of **Billings Public Schools'** management. Our responsibility is to express an opinion on **Billings Public Schools'** compliance based on our audit.

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

In our opinion, **Billings Public Schools**, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of **Billings Public Schools'** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered **Billings Public Schools'** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our 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. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

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A *control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

This report is intended solely for the information and use of the audit committee, 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 cursive script that reads "Eide Sully LLP".

Billings, Montana
March 27, 2008

BILLINGS PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2007

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, 2006	Cash Receipts	Expenditures	Other	(Due from), Due to, Deferred or Fund Balance June 30, 2007
U.S. Department of Education:								
Direct programs:								
Indian Education-Grants to LEA's	84.060	S060A042167	\$ 221,440	\$ -	\$ 175,185	\$ (221,440)	\$ -	\$ (46,255)
Safe and Drug Free Schools and Communities-National Programs	84.184	Q184E050070	247,927	(1,178)	170,600	(169,422)	-	-
Fund for the Improvement of Education	84.215	V215L042142	1,250,000	(5,141)	334,117	(368,470)	-	(39,494)
Total Direct Programs				(6,319)	679,902	(759,332)	-	(85,749)
Passed Through State Office of Public Instruction:								
Adult Education-State Grant Program	84.002	5609655607BG	151,118	-	151,118	(151,118)	-	-
CFDA subtotal				-	151,118	(151,118)	-	-
Title I Grants to LEA's	84.010	5609653106	2,779,165	(134,499)	261,012	(126,513)	-	-
Title I Grants to LEA's	84.010	5609653106	501,634	(44,289)	80,354	(36,065)	-	-
Title I Grants to LEA's	84.010	5609653107	3,056,883	-	2,605,000	(2,818,236)	-	(213,236)
Title I Grants to LEA's	84.010	5609653107	510,416	-	435,000	(486,209)	-	(51,209)
Title I Grants to LEA's	84.010	5609653706	30,000	(9,989)	17,500	(7,511)	-	-
Title I Grants to LEA's	84.010	5609653707	20,000	-	-	(5,464)	-	(5,464)
Title I Grants to LEA's	84.010	5609656306	97,906	-	51,760	(51,760)	-	-
Title I Grants to LEA's	84.010	5609656307	2,000	-	2,000	(2,000)	-	-
Title I Grants to LEA's	84.010	N/A	45,000	41,850	-	(38,013)	-	3,837
CFDA subtotal				(146,927)	3,452,626	(3,571,771)	-	(266,072)
Vo Ed-Basic Grants to States	84.048	5609668107BG	301,160	-	301,160	(301,160)	-	-
CFDA subtotal				-	301,160	(301,160)	-	-
Special Education-Grants to States	84.027	5609657706ALLO	3,581,838	(32,842)	32,842	-	-	-
Special Education-Grants to States	84.027	5609657707ALLO	3,607,796	-	3,260,000	(3,361,444)	-	(101,444)
Special Education-Preschool Grants	84.173	5609657906ALLO	191,996	(11,996)	11,996	-	-	-
Special Education-Preschool Grants	84.173	5609657907ALLO	130,487	-	120,000	(93,927)	-	26,073
CFDA subtotal				(44,838)	3,424,838	(3,455,371)	-	(75,371)
Safe and Drug Free Schools and Communities-State Grants	84.186	5609651606	210,479	(5,098)	40,000	(25,511)	(9,391)	-
Safe and Drug Free Schools and Communities-State Grants	84.186	5609651607	187,517	-	138,000	(145,377)	-	(7,377)
CFDA subtotal				(5,098)	178,000	(170,888)	(9,391)	(7,377)
Education for Homeless Children and Youth	84.196	5609655706	55,669	(4,857)	5,269	(412)	-	-
Education for Homeless Children and Youth	84.196	5609655707	62,458	-	51,400	(61,390)	-	(9,990)
CFDA subtotal				(4,857)	56,669	(61,802)	-	(9,990)
21st Century Community Learning Centers	84.287	5609651707	248,000	-	248,000	(248,000)	-	-
CFDA subtotal				-	248,000	(248,000)	-	-
State Grants for Innovative Programs	84.298	5609653907	51,330	-	35,000	(32,892)	-	2,108
CFDA subtotal				-	35,000	(32,892)	-	2,108
Educational Technology State Grants	84.318	5609656006	134,282	17,545	-	(43)	(17,502)	-
Educational Technology State Grants	84.318	5609656007	80,311	-	62,576	(72,800)	-	(10,224)
CFDA subtotal				17,545	62,576	(72,843)	(17,502)	(10,224)
Advanced Placement Program	84.330	5609664006	13,225	-	13,225	(13,225)	-	-
Advanced Placement Program	84.330	5609664007	17,249	-	-	(1,307)	-	(1,307)
CFDA subtotal				-	13,225	(14,532)	-	(1,307)
Reading First State Grants	84.357	5609653506	231,155	15,365	399	(15,764)	-	-
Reading First State Grants	84.357	5609653507	206,336	-	196,000	(197,785)	-	(1,785)
CFDA subtotal				15,365	196,399	(213,549)	-	(1,785)
English Language Acquisition Grants	84.365	5609654106	18,682	4,170	-	(4,170)	-	-
English Language Acquisition Grants	84.365	5609664107	4,463	-	4,463	(4,463)	-	-
English Language Acquisition Grants	84.365	5609654107	19,334	-	9,000	(19,334)	-	(10,334)
CFDA subtotal				4,170	13,463	(27,967)	-	(10,334)
Mathematics and Science Partnerships	84.366	5609651506	172,588	(1,035)	33,588	(32,553)	-	-
Mathematics and Science Partnerships	84.366	5609651507	75,000	-	65,000	(49,432)	-	15,568
Mathematics and Science Partnerships	84.366	5609651507	151,175	-	116,000	(120,205)	-	(4,205)
CFDA subtotal				(1,035)	214,588	(202,190)	-	11,363

BILLINGS PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2007

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, 2006	Cash Receipts	Expenditures	Other	(Due from), Due to, Deferred or Fund Balance June 30, 2007
Improving Teacher Quality State Grants	84.367	5609651406	1,373,387	71,194	-	(39,155)	(32,039)	-
Improving Teacher Quality State Grants	84.367	5609651407	1,256,693	-	1,080,000	(1,080,029)	-	(29)
<i>CFDA subtotal</i>				<i>71,194</i>	<i>1,080,000</i>	<i>(1,119,184)</i>	<i>(32,039)</i>	<i>(29)</i>
Hurricane Education Recovery	84.938	5609655806	10,000	3,965	5,000	(8,965)	-	-
<i>CFDA subtotal</i>				<i>3,965</i>	<i>5,000</i>	<i>(8,965)</i>	-	-
Passed Through State Department of Public Health and Human Services:								
Special Education-Grants for Infants and Families with Disabilities	84.181	140400018	221,516	-	221,516	(221,516)	-	-
<i>CFDA subtotal</i>				-	<i>221,516</i>	<i>(221,516)</i>	-	-
Total Pass Through Programs				(90,516)	9,654,178	(9,873,748)	(58,932)	(369,018)
Total U.S. Department of Education				<u>\$ (96,835)</u>	<u>\$ 10,334,080</u>	<u>\$ (10,633,080)</u>	<u>\$ (58,932)</u>	<u>\$ (454,767)</u>
<u>U.S. Department of Agriculture:</u>								
Passed Through State Office of Public Instruction:								
School Breakfast Program	10.553	N/A	303,614	\$ -	\$ 303,614	\$ (303,614)	\$ -	\$ -
National School Lunch Program	10.555	N/A	1,410,937	-	1,410,937	(1,410,937)	-	-
Summer Food Service Program for Children	10.559	N/A	67,358	-	67,358	(67,358)	-	-
<i>CFDA subtotal</i>				-	<i>1,781,909</i>	<i>(1,781,909)</i>	-	-
Food Donation	10.550	N/A	172,209	-	172,209	(172,209)	-	-
<i>CFDA subtotal</i>				-	<i>172,209</i>	<i>(172,209)</i>	-	-
Total U.S. Department of Agriculture				<u>\$ -</u>	<u>\$ 1,954,118</u>	<u>\$ (1,954,118)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>National Aeronautics and Space Administration:</u>								
Passed Through Montana State University:								
Aerospace Education Services Program	43.001	G173-07-W0734	7,600	\$ -	\$ 7,599	\$ (7,599)	\$ -	\$ -
<u>U.S. Department of Health and Human Services:</u>								
Passed Through State Department of Public Health and Human Services:								
Social Services Block Grant	93.667	140400018	145,374	\$ -	\$ 145,374	\$ (145,374)	\$ -	\$ -
Total Federal Awards				<u>\$ (96,835)</u>	<u>\$ 12,441,171</u>	<u>\$ (12,740,171)</u>	<u>\$ (58,932)</u>	<u>\$ (454,767)</u>

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 with 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, Title IV, 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, 2007, Billings Public Schools had food commodities on hand totaling \$73,913.

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	\$ 12,441,171
Returned to grantor	(58,932)
Revenue accrual adjustments	357,932
Federal sources	<u>\$ 12,740,171</u>

BILLINGS PUBLIC SCHOOLS
SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS - EXTRACURRICULAR
For the Year Ended June 30, 2007

Location	Balance July 1, 2006	Revenues	Expenditures	Balance June 30, 2007
Elementary and Middle School Curriculum	\$ 6,395	\$ 3,572	\$ -	\$ 9,967
High School Curriculum	11,880	10,745	10,558	12,067
Career Center	60,598	69,564	70,271	59,891
Senior High School	242,233	697,997	655,195	285,035
West High School	227,607	724,365	694,702	257,270
Skyview High School	238,164	590,639	582,543	246,260
Middle Schools-Athletics	231,513	4,532	53,204	182,841
Lewis & Clark Middle School	12,608	63,681	52,085	24,204
Lincoln Education Center - Vending & Misc	1,792	47	218	1,621
Riverside Middle School	21,233	92,977	82,583	31,627
Will James Middle School	35,593	102,623	90,633	47,583
Castlerock Middle School	21,395	87,461	90,075	18,781
Arrowhead Elementary	3,707	6,904	7,995	2,616
Beartooth Elementary	-	100	-	100
Bench Elementary	-	27	-	27
Broadwater Elementary	33	4,018	3,873	178
Burlington Elementary	2,483	13,012	6,129	9,366
Central Heights Elementary	4,816	5,135	8,228	1,723
Crossroads Alternative High School	1,869	1	1,826	44
McKinley Elementary	2,829	2,947	3,630	2,146
Meadowlark Elementary	1,912	5,553	4,103	3,362
Miles Elementary	1,122	1,823	1,147	1,798
Newman Elementary	176	995	292	879
Poly Elementary	72	195	260	7
Ponderosa	640	5,526	5,293	873
Sandstone Elementary	1,023	3,376	3,917	482
Adult Education	533	1,021	654	900
Big Sky Library Enrichment	3,019	2,997	2,104	3,912
Eagle Cliffs Elementary	1,998	1,266	2,476	788
Middle Schools-Stipends	-	96,136	80,406	15,730
Exec Director of Activities	202,186	248,263	208,578	241,871
Coordinator of Music	22,362	63,815	63,473	22,704
	<u>\$ 1,361,791</u>	<u>\$2,911,313</u>	<u>\$2,786,451</u>	<u>\$ 1,486,653</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, 2007

	Per Enrollment Reports	Audit Per District Records	Difference
Fall Enrollment - October, 2006			
Elementary School District			
Pre K - 6:			
(a) Pre-Kindergarten	121	121	-
(b) Kindergarten (enrolled 180+ hours per year)	1,118	1,118	-
(c) Kindergarten (enrolled <180 hours per year)	-	-	-
(d) Grades 1-6 (enrolled 360+ hours per year)	6,422	6,422	-
(e) Grades 1-6 (enrolled 180-359 hours per year)	-	-	-
(f) Grades 1-6 (enrolled < 180 hours per year)	-	-	-
7-8:			
(g) Grades 7-8 (enrolled 360+ hours per year)	2,282	2,282	-
(h) Grades 7-8 (enrolled 180-359 hours per year)	-	-	-
(i) Grades 7-8 (enrolled < 180 hours per year)	-	-	-
(j) Total Elementary (add lines a through i)	<u>9,943</u>	<u>9,943</u>	<u>-</u>
High School District:			
(k) Grades 9-12 (enrolled 360+ hours per year)	5,538	5,538	-
(l) Grades 9-12 (enrolled 180-359 hours per year)	72	72	-
(m) Grades 9 - 12 (enrolled < 180 hours per year)	3	3	-
(n) Total High School (add lines k through m)	<u>5,613</u>	<u>5,613</u>	<u>-</u>
(o) 19 Year-olds included on line k	<u>22</u>	<u>22</u>	<u>-</u>
Spring Enrollment - February 2007			
Elementary School District			
Pre K - 6:			
(p) Pre-Kindergarten	142	142	-
(q) Kindergarten (enrolled 180+ hours per year)	1,124	1,124	-
(r) Kindergarten (enrolled <180 hours per year)	-	-	-
(s) Grades 1-6 (enrolled 360+ hours per year)	6,410	6,410	-
(t) Grades 1-6 (enrolled 180-359 hours per year)	-	-	-
(u) Grades 1-6 (enrolled < 180 hours per year)	-	-	-
7-8:			
(v) Grades 7-8 (enrolled 360+ hours per year)	2,264	2,264	-
(w) Grades 7-8 (enrolled 180-359 hours per year)	3	3	-
(x) Grades 7-8 (enrolled < 180 hours per year)	-	-	-
(y) Total Elementary (add lines p through x)	<u>9,943</u>	<u>9,943</u>	<u>-</u>
High School District:			
(z) Grades 9-12 (enrolled 360+ hours per year)	5,324	5,324	-
(aa) Grades 9-12 (enrolled 180-359 hours per year)	113	113	-
(bb) Grades 9 - 12 (enrolled < 180 hours per year)	6	6	-
(cc) Total High School (add lines z through bb)	<u>5,443</u>	<u>5,443</u>	<u>-</u>
(dd) 19 Year-olds included on line z	<u>18</u>	<u>18</u>	<u>-</u>
(ee) Early Graduates	<u>13</u>	<u>13</u>	<u>-</u>

BILLINGS PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

A. SUMMARY OF AUDIT RESULTS

1. The auditors report expresses an unqualified opinion of the basic financial statements of **Billings Public Schools**.
2. No reportable conditions disclosed during the audit of the financial statements are reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of **Billings Public Schools** were disclosed during the audit.
4. No instances of reportable conditions were disclosed during the audit of internal control over major federal award programs are reported in the Schedule of Findings and Questioned Costs.
5. The auditor's report on compliance of the major federal award programs for **Billings Public Schools** expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for **Billings Public Schools** are reported in Part C of the schedule.
7. The programs tested as major programs included: Special Education, CFDA #84.027, Fund for the Improvement of Education, CFDA #84.215, and Nutrition Cluster, CFDA #10.553, #10.555 and #10.559.
8. The threshold for distinguishing a Type A program was \$382,205 (3% of total Federal Expenditures).
9. **Billings Public Schools** was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

C. FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

BILLINGS PUBLIC SCHOOLS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2007

Finding #06-1 National School Lunch Program
CFDA #10.553, #10.555, 10.559
Grant Years Ending June 30, 2006

Condition

It was noted while testing free and reduced applications that 2 out of 91 individuals tested did not have a current application on file to support being listed as eligible to receive free and reduced lunches.

Criteria

The family must submit an application which is used to determine if the student is eligible for either free or reduced price lunches. The applications must be filed within the first 30 days of the school year. During the first 30 days, they use the application filed for the previous year. If an application is not filed timely, the student is considered ineligible for free and reduced lunch.

Cause

These two students were incorrectly listed as eligible for free and reduced lunch without having the supporting application as documentation.

Recommendation

This appears to be a computer software problem as both students left the District and came back to school during the same year. The computer software used by the contracted food service provider changed the status from deleted to active as if they had an approved application for the current year when they came back into the district. We recommend resolving this issue with the software provider.

Resolution

Corrective action taken.

BILLINGS PUBLIC SCHOOLS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2007

Finding #06-2

Fund for Improvement of Education CFDA #84.215
Grant Year Ending June 30, 2006

Condition

It was noted during the testing of expenditures in the Fund for Improvement of Education Grant (also known as the Smaller Learning Communities Grant) that two out of fifteen expenditures did not have adequate documentation as a federal grant expenditure as no receipt was available.

Criteria

Adequate documentation was not available to demonstrate that these expenditures were allowable under the Smaller Learning Communities Grant

Effect

There is \$371 of questioned costs associated with the Fund for Improvement of Education Grant.

Cause

Documentation of the expenditure from the Smaller Learning Communities grant was determined to be inadequate as it applies to federal programs.

Recommendation

We recommend appropriate and timely documentation be received by the finance department for all grant expenditures.

Resolution

Corrective action taken.

BILLINGS PUBLIC SCHOOLS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2007

Finding #06-3

**Fund for Improvement of Education CFDA #84.215
Grant Year Ending June 30, 2006**

Condition

It was noted during the testing of expenditures in the Fund for Improvement of Education Grant (also known as the Smaller Learning Communities Grant) that three out of fifteen expenditures did not have adequate documentation as a federal grant expenditure allowable under the Smaller Learning Communities Grant.

Criteria

Adequate documentation was not available to demonstrate that these expenditures were allowable under the Smaller Learning Communities Grant or that they were within the objectives and goals of the grant.

Effect

There is \$525 of questioned costs associated with the Smaller Learning Communities Grant.

Cause

Documentation of the expenditures from the Smaller Learning Communities grant was determined to be inadequate as it did not fit within the objectives of the grant.

Recommendation

We recommend appropriate documentation be received by the finance department for all grant expenditures and that proper oversight and training is provided to all individuals involved with the federal grant expenditures as to what is allowable under the grant.

Resolution

Corrective action taken.



CPAs & BUSINESS ADVISORS

MANAGEMENT LETTER

Board of Trustees
Billings Public Schools
Billings, Montana

We have audited the basic financial statements of the **Billings Public Schools (the District), Billings, Montana** for the year ended June 30, 2007, and have issued our report thereon dated March 27, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 15, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements.

As described in Note 1 to the financial statements, the District changed accounting policies related to accounting for post-employment benefits by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, in 2007, effective prospectively.

We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were the determination of incurred but not reported (IBNR) insurance claims, compensated absences liability and taxes receivable allowance.

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Management's estimate of the IBNR is based on insurance claims history. Management's estimate of compensated absences is based on data available at June 30 regarding years of service, current pay rates and vacation and sick balances. Management's estimate of taxes receivable is based on the levy approved by the county. We evaluated the key factors and assumptions used to develop the IBNR, compensated absences liability and taxes receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the District's financial reporting process (that is, cause future financial statements to be materially misstated). There were no uncorrected financial statement misstatements that are material, either individually or in the aggregate, to the financial statements when taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Other Matters

The following is a summary of the actions taken by the School District on the corrective action plan as it relates to the prior year management comments from 2006 that was not fully implemented.

Prior Year Comments - 2006

Enrollment

Implemented

Minutes of Board of Trustees – Timely Preparation and Approval

Implemented

Procurement From The Warehouse

Implemented

Prior Year Comments - 2005

The following is a summary of the actions taken by the School District on the corrective action plan as it relates to the prior year management comments from 2005 that was not fully implemented in 2006.

Enrollment

Implemented

Prior Year Comments - 2001

The following is a summary of the actions taken by the School District on the corrective action plan as it relates to the prior year management comments from 2001 that was not fully implemented in 2006:

Bitech Asset Receiving Module

Implemented

This report is intended solely for the information and use of the Audit Committee, Board of Trustees and management of **Billings Public Schools** and is not intended to be and should not be used by anyone other than these specified parties.

As always, we would be pleased to discuss these or any other topics at your convenience. We would like to take this opportunity to express our appreciation to you and your staff for the cooperation we received during the course of our audit.

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

Billings, Montana
March 27, 2008