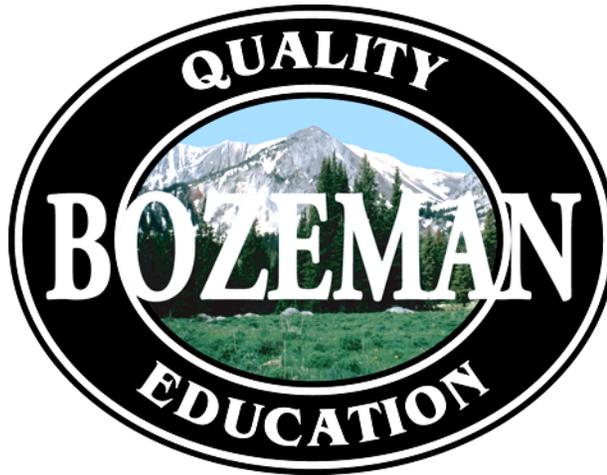


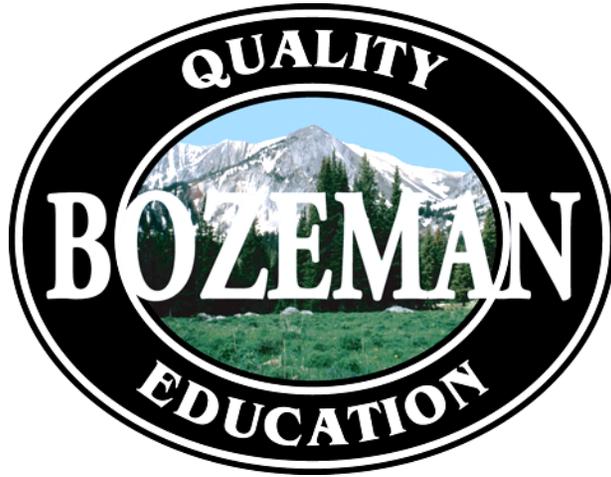
COMPREHENSIVE ANNUAL FINANCIAL REPORT



BOZEMAN SCHOOL DISTRICT NUMBER 7

For the year ended June 30, 2012

Gallatin County, P.O. Box 520, Bozeman, Montana 59771-0520



Comprehensive Annual Financial Report

of

BOZEMAN SCHOOL DISTRICT NO. 7

For the fiscal year ended June 30, 2012

Prepared by the Business Office

Steven D. Johnson, CPA, Deputy Superintendent Operations

Mike Waterman, Director of Business Services

Richard J. Tvedt, CPA, Accounting Supervisor

404 West Main, P.O. Box 520

Bozeman, Montana 59771-0520

Phone: (406) 522-6042

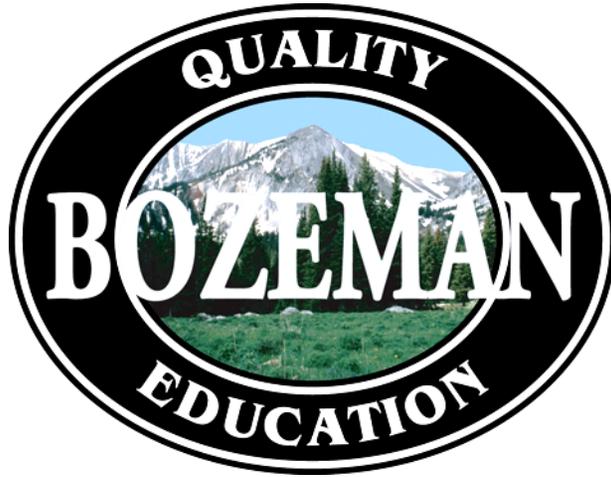


Table of Contents

INTRODUCTORY SECTION

Letter of Transmittal 1
 Certificate of Achievement for Excellence in Financial Reporting 6
 Administrative Organization Chart 7
 Board of Trustees 8
 Map of City of Bozeman denoting school locations 9

FINANCIAL SECTION

Independent Auditor's Report12
 Management's Discussion and Analysis15

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

Statement of Net Assets28
 Statement of Activities29

Fund Financial Statements

Governmental Fund Financial Statements

Balance Sheet - Governmental Funds32
 Reconciliation of the Balance Sheet of Governmental Funds to Statement of Net Assets33
 Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds34
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities35
 Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual -
 General Fund36

Proprietary Fund Financial Statements

Statement of Net Assets - Proprietary Funds37
 Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds38
 Statement of Cash Flows - Proprietary Funds39

Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets.....	40
Statement of Changes in Fiduciary Net Assets.....	41
Notes to the Financial Statements.....	43
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT DISCUSSION AND ANALYSIS	
Schedule of Funding Progress - Other Postemployment Healthcare Benefits.....	70
SUPPLEMENTAL INFORMATION	
Combining Financial Statements	
Combining Balance Sheet - All General Subfunds.....	76
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -	
All General Subfunds.....	77
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual -	
All General Subfunds.....	78
Nonmajor Governmental Funds - By Fund Type	
Combining Balance Sheet - All Nonmajor Governmental Funds - By Fund Type.....	80
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -	
All Nonmajor Governmental Funds - By Fund Type.....	81
Nonmajor Special Revenue Funds	
Combining Balance Sheet.....	84
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	86
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	
Elementary Transportation and Elementary Bus Depreciation.....	88
Elementary Tuition and Elementary Retirement.....	89
Elementary Technology Acquisition and High School Transportation.....	90
High School Bus Depreciation and High School Tuition.....	91
High School Retirement and High School Adult Education.....	92
High School Technology Acquisition.....	93
Nonmajor Debt Service Funds	
Combining Balance Sheet.....	96
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	97

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -
 Nonmajor Elementary Debt Service and Major High School Debt Service.....98

Nonmajor Capital Projects Funds

Combining Balance Sheet.....100
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....101
 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -
 Major Elementary Building Reserve and Nonmajor High School Building Reserve.....102

Proprietary Funds

Combining Statement of Net Assets - All Internal Service Funds.....104
 Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets -
 All Internal Service Funds.....105
 Combining Statement of Cash Flows - All Internal Service Funds.....106

Fiduciary Funds

Combining Statement of Net Assets - All Private-Purpose Trust Funds.....108
 Combining Statement of Changes in Fiduciary Net Assets - All Private-Purpose Trust Funds.109

Capital Assets Used in the Operation of Governmental Funds

Capital Assets Used in the Operation of Governmental Funds - Schedule by Source112
 Capital Assets Used in the Operation of Governmental Funds - Schedule by Function
 and Activity113
 Capital Assets Used in the Operation of Governmental Funds - Schedule of Change
 by Function and Activity114

SUPPLEMENTAL INFORMATION MANDATED BY MONTANA OFFICE OF PUBLIC INSTRUCTION

Extracurricular Fund Activity Detail

Elementary Student Extracurricular Fund.....116
 Chief Joseph Middle School Student Extracurricular Fund.....117
 Sacajawea Middle School Student Extracurricular Fund.....118
 High School Student Extracurricular Fund.....119

Schedule of Enrollment121

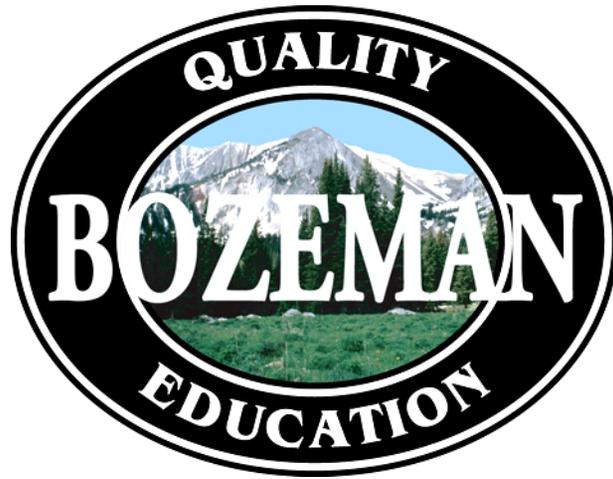
STATISTICAL SECTION

Table 1 - Net Assets	124
Table 2 - Changes in Net Assets	125
Table 3 - Fund Balances of Governmental Funds	126
Table 4 - Changes in Fund Balances of Governmental Funds	127
Table 5 - General Fund Expenditures by Function	128
Table 6 - Property Tax Assessments and Collections	129
Table 7 - Property Tax Rates and Tax Levies - Direct and Overlapping Governments	130
Table 8 - Principal Property Tax Payers in the Bozeman Elementary District	131
Table 9 - Principal Property Tax Payers in the Bozeman High School District	132
Table 10 - Revenue by Source - All Governmental Fund Types	133
Table 11 - General Fund Revenue by Source	134
Table 12 - General Fund Revenue per Student	135
Table 13 - Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt per Capita	136
Table 14 - Computation of Legal Debt Margin	137
Table 15 - Computation of Direct and Overlapping Governmental Activities Bonded Debt	138
Table 16 - Ratio of Annual Debt Service for General Obligation Bonded Debt to Total General Subfund Expenditures	139
Table 17 - Demographic Statistics	140
Table 18 - Principal Employers	141
Table 19 - Operating Statistics	142
Table 20 - Employee Full Time Equivalency (FTE) by Function	143
Table 21 - Certified Staff Education and Experience	144
Table 22 - Educational Building Data	145
Table 23 - Percentage of Students Who Qualified for Free and Reduced Lunch	146
Table 24 - Attendance Data	147
Table 25 - Schedule of Insurance in Force	148

SINGLE AUDIT SECTION

Schedule of Federal Award Expenditures	151
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	152
Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	154
Schedule of Findings and Questioned Costs	156

INTRODUCTORY SECTION





Bozeman Public Schools

404 West Main
P.O. Box 520
Bozeman, MT 59771-0520
Voice: (406) 522-6001
Fax: (406) 522-6065

Dr. Robert J. Watson
Superintendent

Dr. Marilyn King
Deputy Superintendent
Instruction

Steven D. Johnson, CPA
Deputy Superintendent
Operations

December 27, 2012

Letter of Transmittal

Gary Lusin, Chair
Members of the Board of Trustees
Bozeman School District No. 7
404 W. Main
Bozeman, Montana 59715

Dear Board Members:

Montana Law requires that Bozeman School District No. 7 annually publish audited financial statements within twelve months of the close of each fiscal year. This Comprehensive Annual Financial Report meets that requirement for the fiscal year ended June 30, 2012.

Responsibility for the accuracy of the presentation, including all disclosures, rests with the Superintendent and the Assistant Superintendent for Business and Operations. A framework of internal controls has been established to assist in the accuracy and reliability of the enclosed financial information. Due to the cost effectiveness of internal controls, they are designed to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements.

For the year ended June 30, 2012, Anderson ZurMuehlen & Co., P.C. has issued an unqualified (referred to as "clean") opinion on the Bozeman School District No. 7's financial statements. Their independent audit report is located at the beginning of the financial section of this report.

Generally accepted accounting principles require 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 the MD & A and should be read in conjunction with it. The MD & A can be found immediately following the auditor's report in the financial section.

PROFILE OF THE DISTRICT

Geographically, the Bozeman Public School system covers an area greater than the City of Bozeman. The school system includes two legal districts - Elementary District No. 7 and High School District No. 7. The elementary district covers approximately 275 square miles and has an estimated population of 51,472. The high school district covers approximately 700 square miles, and encompasses eight elementary districts (kindergarten through 8th grade (K-8) - Bozeman, Anderson,

Cottonwood, Gallatin Gateway, LaMotte, Malmborg, Monforton, and Sedan-Wilsall). The estimated population of the high school district is 62,088. The school system is a public entity under the authority of the State of Montana.

The school district is governed by a Board of Trustees - seven of which are citizens who are elected by the voters of the Bozeman Elementary District. One Trustee-at-large is elected by the citizens of the other elementary districts to serve with the Bozeman elementary trustees as a high school board. Board policies are administered by the district superintendent.

The two separate legal entities make up one independent reporting entity clearly 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 5,810 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 for students with disabilities and occupational education. These basic programs are supplemented by a wide variety of offerings in fine arts and athletics. The Bozeman Schools Foundation, Bozeman Hawk Booster Club, Bozeman Schools Friends of Music and the various parent organizations are separate legal entities. The impacts of these individual entities is 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 Depreciation, Tuition, Retirement, Technology Acquisition, Adult Education, Debt Service, and Building Reserve. These budgeted funds are the primary building blocks of the District's overall financial planning.

ECONOMIC CONDITION AND OUTLOOK

Local Economy

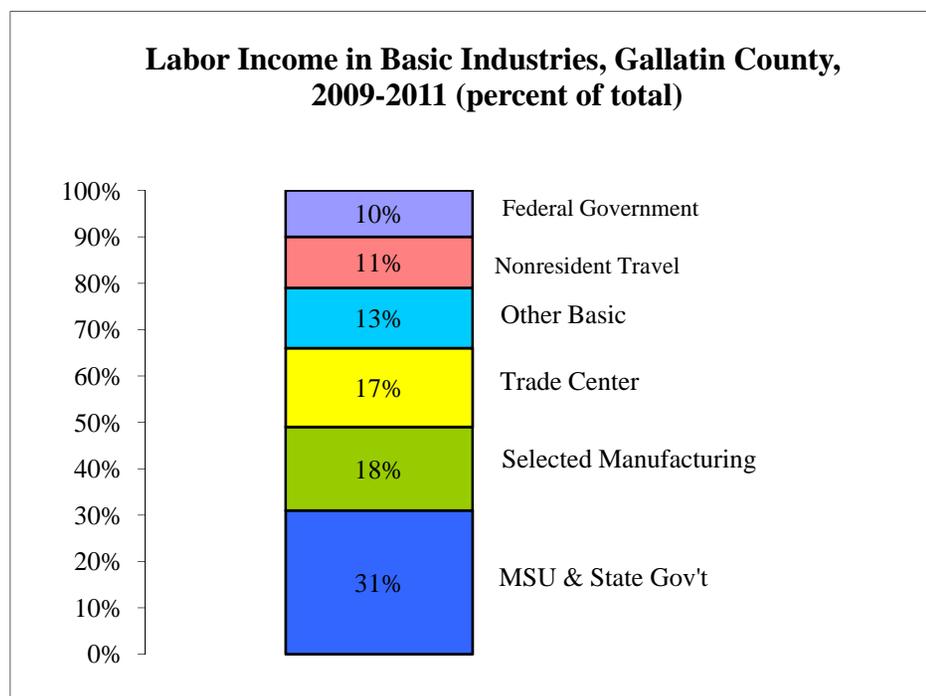
The District is located on the eastern slope of the Rocky Mountains in Southwestern Montana. The major city within the District is Bozeman, which also serves as the county seat of Gallatin County.

Montana State University - Bozeman (M.S.U.) represents a major economic activity in the District. M.S.U., with a fiscal year 2011-2012 annual budget of approximately \$376,805,521, employs approximately 3,579 employees (2,301 full time, 711 part time, and 567 graduate teaching and research assistants). With a student enrollment of 14,153 (Fall 2011), M.S.U. is not only one of the largest factors in the area economy but also one of the more stable factors.

The Bureau of Business and Economic Research (BBER) is the research and public service branch of the University of Montana's School of Business Administration. The Bureau is regularly involved in a wide

variety of activities, including economic analysis and forecasting. Excerpts from the Bureau's forecasts contained in the Spring 2012 issue of the *Montana Business Quarterly* and their *Outlook 2013* issue related to Bozeman and Gallatin County, are restated in the following paragraphs.

The Great Recession hit the Gallatin County economy hard, but none of the basic industries were permanently scarred. The recession impacts were concentrated in the home building, construction, and nonresident travel industries. The Gallatin County construction industry bore much of the brunt of the recession with overall construction activity declining by roughly 37% during the 2007 to 2009 period. Gallatin County is getting a reputation as being the state's center for high tech manufacturing and the Bozeman area is evolving into a regional trade center. More and more retail trade customers from nearby rural areas are now shopping in Bozeman stores as opposed to traveling to larger nearby Montana cities. After two consecutive years of decline in 2008 and 2009, the Gallatin County economy posted a slight increase in 2010 and a modest acceleration in 2011. The Bureau forecasts an approximate 3.2 percent growth from 2012 to 2015. The unemployment rate for the State of Montana dropped a full percentage point to 6.3% as of June 2012.



Outdoor recreational opportunities and the natural beauty of the area and its proximity to Yellowstone National Park promote the nonresident travel to the area.

Major Initiatives

The District uses a continual long range strategic planning process (LRSP), that includes core ideology, envisioned future, goal statements, strategic objectives and assumptions that bring rigor to the process of setting goals; ensures the wants, preferences and needs of our community are well understood; and strategically focuses our resources to build a strong, vital School District.

The LRSP helps to form the culture of the District and is a valuable tool for moving the District forward. One of many intended outcomes of the LRSP is to provide a tool to assure available resources are appropriately allocated to accomplish attainable strategic outcomes. This Comprehensive Annual Financial Report (CAFR) helps demonstrate how valuable resources are received and spent.

Relevant Financial Policies

The Montana Legislature allocates one-time only funds to the District as part of the increased funds received during the Legislative Session. One-time funds have been a significant part of the State's funding for schools since 2005-06. The use of these funds is currently restricted for facility maintenance and Indian Education for All. However, for the first time in the history of Montana, the 2009 legislature used one-time federal funds to finance a portion of their obligation to fund school district General Funds in 2009-10 and 2010-11. Care was taken not to build these one-time only sources of revenue into the ongoing expenditure obligations of the District. The District has worked hard to maintain and currently has a structurally balanced General Fund. This means that the current annual obligations of the General Fund are paid with current available General Fund revenues.

Long-Term Financial Planning

In addition to the main purpose of the district, which is academic performance, the LRSP includes sections for Operations and Capacity Building, Community Engagement and External Relations and Student Success/Safety/Health/Welfare.

As part of the Operations and Capacity Building Goal the public gave its approval of a \$26.375 million bond issue in the spring of 2012 to build a new 500+ student elementary school, expand the support services facility and renovate Longfellow Elementary School. These projects are vital to position the District to handle future growth in student enrollment and provide better facilities for the existing student population. Opening a new school, along with anticipated student enrollment increases, will impact the

operating budgets of the Elementary district. As the project is completed, and anticipated enrollment increases are confirmed, the operating budgets will be adjusted to accommodate these added costs.

OTHER INFORMATION

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Bozeman School District for its comprehensive annual financial report for the fiscal year ended June 30, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement for Excellence, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. *This is the twenty-third year that the District has received this prestigious award.* We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

We would like to express our appreciation to the Board of Trustees for their concern in providing fiscal accountability to the patrons of our school district and thereby contributing their support to the development of one of the best educational financial operations within the State. The preparation of this report could not be accomplished without the efficient and dedicated services of R.J. Tvedt and the entire Business Office staff. To those personnel who assisted and contributed to its preparation, thank you!

Sincerely,



Steven D. Johnson, CPA
Deputy Superintendent Operations



Robert J. Watson, Ed.D.
Superintendent

Certificate of Achievement for Excellence in Financial Reporting

Presented to
Bozeman School District No. 7
Montana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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



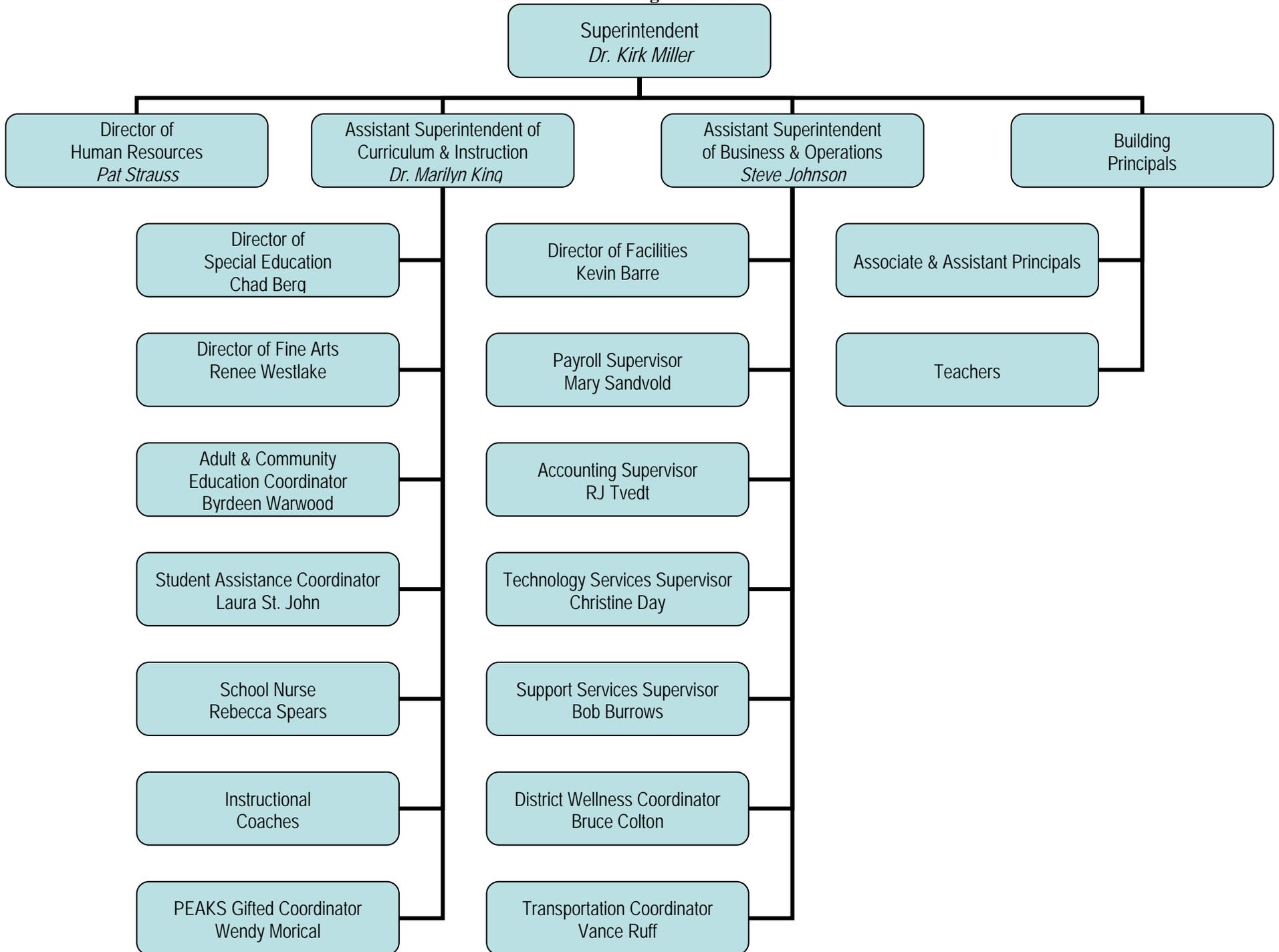
Christopher P. Moivell

President

Jeffrey R. Emer

Executive Director

**Bozeman Public School
Administrative Organization Chart**



BOZEMAN SCHOOL DISTRICT NO. 7

Elected Officials
Board of Trustees

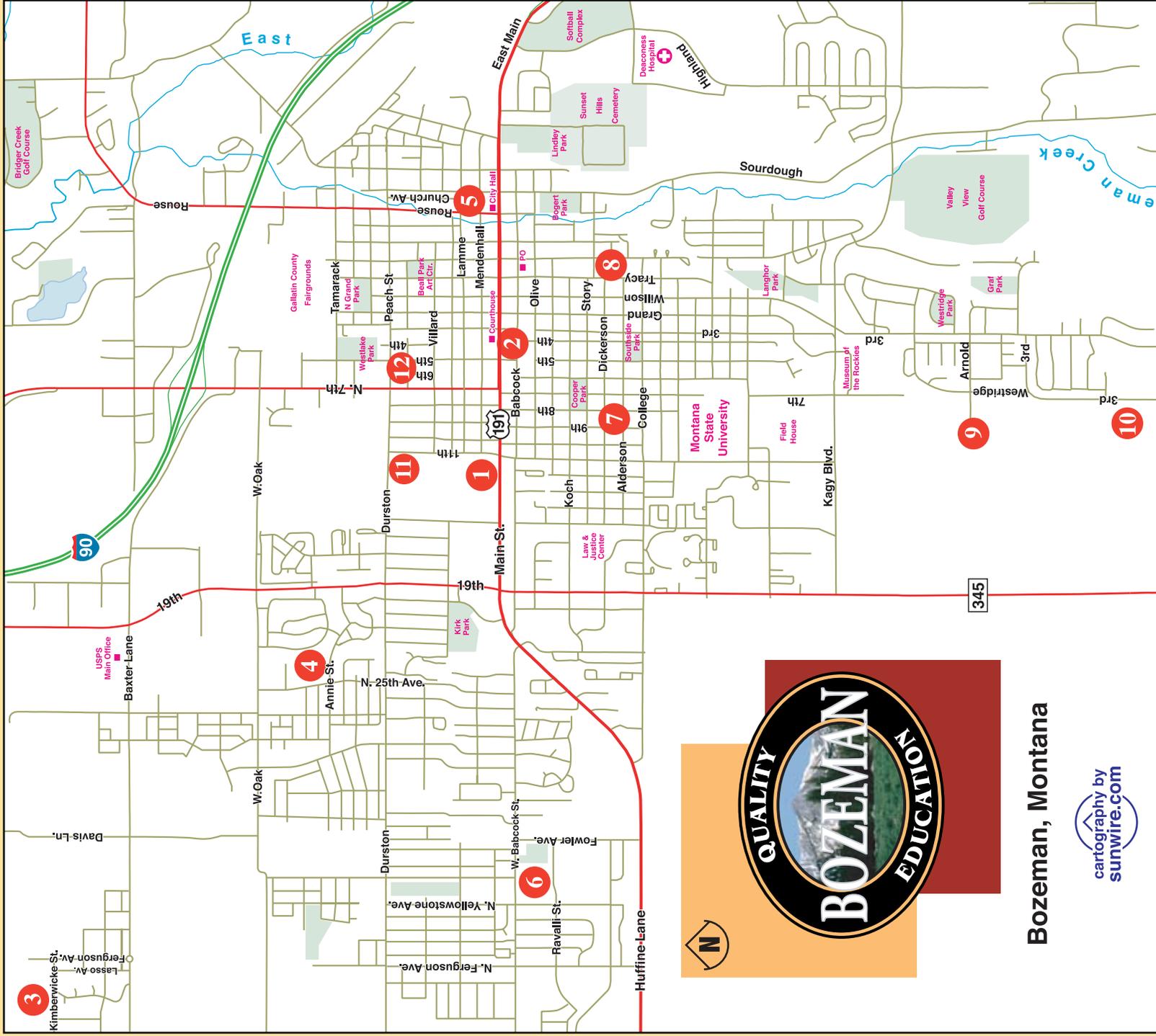
	<u>Term Expires April</u>
Bruce GrubbsChair	2013
Wendy TageVice Chair	2015
Heide ArnesonTrustee	2014
Ed ChurchillTrustee	2015
Denise HaymanTrustee	2015
Gary LusinTrustee	2014
Sue MacGrathTrustee	2013
Dan SwansonTrustee	2014

Appointed

Kirk J. Miller, Ed. D.	Superintendent of Schools
Marilyn King, Ed. D.	Assistant Superintendent of Instruction
Steven Johnson, C.P.A.	Assistant Superintendent of Business and Operations
Pat Strauss.	Director of Human Resources

Board Meetings Held During Fiscal Year 2011-12

Regular	12
Special	38



Bozeman, Montana



- | | | | | | |
|----------|--|-----------|---|-----------|--|
| 1 | Bozeman High School
205 North 11th
522-6200 | 8 | Longfellow Elementary
516 South Tracy
522-6150 | 12 | Whittier Elementary
511 North 5th
522-6750 |
| 2 | Bridger Alternative High School
404 W. Main Street
522-6100 | 9 | Morning Star Elementary
830 Arnold Street
522-6500 | 10 | Sacajawea Middle School
3525 South 3rd
522-6400 |
| 2 | Central Administration Offices
404 W. Main Street
522-6000 | 9 | Hawthorne Elementary
114 North Rouse
522-6700 | 11 | Support Services
501 North 11th
522-6380 |
| 3 | Chief Joseph Middle School
4255 Kimberwicke
522-6300 | 10 | Hyalite Elementary School
3600 West Babcock
582-6800 | | |
| 4 | Emily Dickinson Elementary
2435 Annie Street
522-6650 | 11 | Irving Elementary
611 South 8th
522-6600 | | |
| 5 | Hawthorne Elementary
114 North Rouse
522-6700 | | | | |
| 6 | Hyalite Elementary School
3600 West Babcock
582-6800 | | | | |
| 7 | Irving Elementary
611 South 8th
522-6600 | | | | |



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Bozeman School District No. 7

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bozeman School District No. 7 (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bozeman School District No. 7, as of June 30, 2012, and the respective changes in financial position, and cash flows where applicable, and the respective budgetary comparison for the General Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

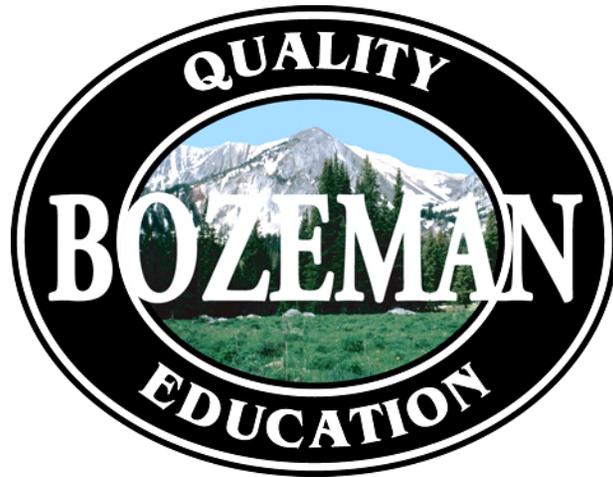
In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2012 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory, supplemental information, supplemental information mandated by Montana Office of Public Instruction, and statistical sections (as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The supplemental information, supplemental information mandated by Montana Office Of Public Instruction, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United states of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Anderson Ziemke + Co, P.C.

Bozeman, Montana
December 27, 2012



Management's Discussion and Analysis

**BOZEMAN SCHOOL DISTRICT NO. 7
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

This discussion and analysis of the Bozeman School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the transmittal letter on page 1 and the District's financial statements, which begin on page 25.

USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Bozeman School District No. 7 as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements show how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds (General, Elementary Building, Elementary Building Reserve, and the High School Building Reserve Funds) with all other nonmajor funds presented in total in one column.

Overview of the financial statements

Statement of Net Assets (page 28) and the Statement of Activities (page 29)

The Statement of Net Assets and the Statement of Activities answer the question "How did we do financially during 2011". These government-wide statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District's *governmental activities* are presented. These *activities* include most of the District's programs and services including instruction, support services, administration, operations and maintenance, pupil transportation, food services and certain extracurricular activities.

Fund Financial Statements

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds - *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of its funds and the balances left at year-end available for spending in future periods. 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 District's general government operations and the basic services it provides.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains twenty-two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Elementary Building, Elementary Building Reserve, and High School Building Reserve Funds, which are considered to be major funds. Data from the other eighteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* and *schedules* elsewhere in this report.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

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 School 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 two internal service funds to account for services provided to all the other funds of the District: purchasing and self-insurance. 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 two internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* on pages 103-106 of this report. The *basic* proprietary fund financial statements can be found on pages 37-39 of this report.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The *basic* fiduciary fund financial statements can be found on pages 40-41 of this report and the *combining* fiduciary fund statements can be found on pages 107-109. The District uses the fiduciary funds to account for extracurricular student activities, Worthy Student Scholarships, Medicaid Billing Consortium and High School Interlocal Agreement activities.

Notes to the financial statements - The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 43.

THE SCHOOL DISTRICT AS A WHOLE

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$51,361,412 as of June 30, 2012. *Table 1* presents a comparative summary of the District's net assets for the fiscal years ended June 30, 2012 and 2011.

By far the largest portion of the District's net assets (75.5 percent) reflects its investment in capital assets (e.g., land, land improvements, buildings and improvements, machinery and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 18.7% of the District's net assets were subject to external restrictions on how they may be used. *Unrestricted* net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements total \$3,022,777 at the end of this year.

Table 1
BOZEMAN SCHOOL DISTRICT NO. 7
Net Assets

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 18,993,445	\$ 21,990,861
Capital assets	<u>103,605,631</u>	<u>103,209,780</u>
Total assets	<u>122,599,076</u>	<u>125,200,641</u>
Current liabilities	7,150,089	7,604,169
Long-term debt outstanding	<u>64,087,575</u>	<u>68,588,948</u>
Total liabilities	<u>71,237,664</u>	<u>76,193,117</u>
Net assets:		
Invested in capital assets, net of related debt	38,752,077	35,512,140
Restricted	9,586,558	8,779,717
Unrestricted	<u>3,022,777</u>	<u>4,715,667</u>
Total net assets	<u><u>\$ 51,361,412</u></u>	<u><u>\$ 49,007,524</u></u>

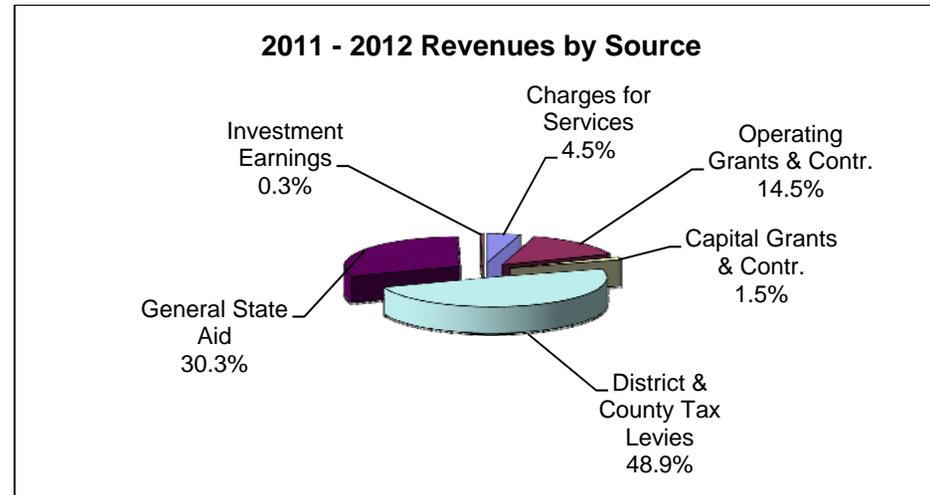
The District's net assets increased by \$2,353,888 during the current fiscal year. This increase resulted largely from the retirement of debt and partly due to raising general fund reserves.

Changes in net assets - As can be seen on *Table 2*, the Bozeman School District's governmental activities increased net assets by \$2,353,888, thereby accounting for 100 percent of the total growth in the net assets.

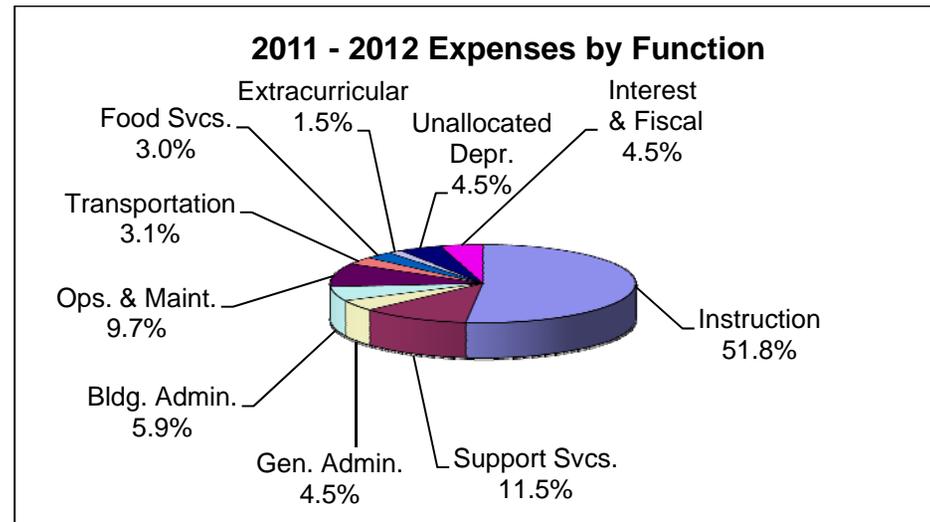
Table 2
BOZEMAN SCHOOL DISTRICT NO. 7
Changes in Net Assets

	Governmental Activities	
	2012	2011
Revenues		
Program revenues:		
Charges for Services	\$ 2,829,479	\$ 2,622,917
Operating grants and contributions	9,053,281	10,701,409
Capital grants and contributions	934,990	537,755
General revenues:		
District property taxes	25,901,455	26,005,786
Investment earnings	196,015	212,450
Unrestricted county distribution - retirement	4,677,674	4,628,599
Unrestricted state equalization	14,168,581	11,651,621
Unrestricted state guaranteed tax base subsidy	1,730,896	1,619,235
Unrestricted state motor vehicle fee reimbursement	1,628,465	1,628,465
Unrestricted quality educator	1,257,904	1,264,058
Unrestricted other state revenue	183,766	86,488
Total revenues	<u>62,562,506</u>	<u>60,958,783</u>
Program Expenses		
Instruction	31,164,999	30,254,885
Support services	6,903,108	6,506,964
General administration	2,728,377	2,427,344
Building administration	3,568,685	3,506,951
Operations and maintenance	5,852,700	5,887,349
Student transportation	1,844,503	1,751,558
Food services	1,808,610	1,686,356
Extracurricular activities	897,486	928,880
Unallocated depreciation	2,734,240	2,277,029
Interest and fiscal charges	2,705,910	2,849,464
Total expenses	<u>60,208,618</u>	<u>58,076,780</u>
Increase (decrease) in net assets	2,353,888	2,882,003
Net assets, beginning of year	49,007,524	46,125,521
Net assets, end of year	<u><u>\$ 51,361,412</u></u>	<u><u>\$ 49,007,524</u></u>

Revenues for fiscal year 2012 on Table 2 experienced an increase of \$1,603,723. This increase is largely attributable to an overall increase in state funding and partially due to receiving \$500,000 in hail damage insurance proceeds. The following chart illustrates the breakout of revenues by source.



Total expenses on Table 2 increased by \$2,131,838 (3.7%) and was largely attributable to the expected increase in depreciation expense and the remainder mostly due to the result of increase in cost of salary, benefit and staffing incurred to keep up with the demand for services. The following chart illustrates the breakout of expenses by function.



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 32) reported a *combined* fund balance of \$14,076,812, a decrease of \$1,456,943 due primarily to the large construction projects taking place in the elementary and high school districts.

The nonmajor high school building fund made up almost 100% of the overall governmental fund balance decrease due to spending down the remaining high school bond monies on high school repairs and maintenance. The major elementary building fund had a \$371,317 decrease in fund balance primarily for incurring hail damaged roof repairs before anticipated (but not fully calculable) insurance proceeds were collected. The major elementary building reserve's fund balance dipped by 16.7% as the cost of Hawthorne Elementary School Phase 1 and 2 construction and other projects slightly outpace the current levies in this fund. The high school major building reserve fund equity appreciated an 86% increase due to tax levies accruing for future anticipated projects. The general fund (the fourth major fund) is the main operating fund of the Bozeman School District. Its fund balance increased by 3.6% and was largely attributable to tax collections exceeding current costs.

General fund budgetary highlights

The general fund's original and final budget were identical for the year ended June 30, 2012 (see statement on page 36). Actual revenues surpassed expected budgeted general fund revenues by \$288,726 (0.79%), which is partially the result of more protested taxes being released to the district (including any penalties and interest).

General fund expenditures utilized 100.0% of the general fund budget. There were several significant functional variances in the expenditure section. The negative capital outlay variance is common as the District budgets very little (if any) for capital outlay in the general fund choosing to rely largely on the building and building reserve funds for large capital outlays. The operations and maintenance function benefitted from a 10% favorable variance mostly due to the decrease in utilities cost resulting from a historically warm winter. Extracurricular activities' function enjoyed an 8.3% favorable variance primarily due to the student extracurricular trust fund incurring a portion of annual athletic stipends.

Ending budgeted general fund balance reserves rose to 6.6% of the 2012-2013 expenditure budget. This percentage is 66% of the state allowed 10% maximum and is adequate to meet cash flow needs.

Student enrollment is critical in the calculation of general fund budget limits. The overall District K-12 enrollment has increased every year since 2004 (see Table 24). The October 2011 increase of 131 students once again followed the current trend of enrollment projections. This enrollment gain will continue to increase the demand for resources but will also have a positive impact on the maximum budget allowed to service the educational needs of the students.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2012, the District had invested \$127.9 million in capital assets, including school land, buildings, construction in progress, and machinery and equipment. This amount represents an increase prior to depreciation of \$3,374,878 over 2011. Total depreciation expense for the year was \$2,993,081. The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2012.

	<u>Amount</u>
Land	\$ 7,527,053
Land improvements	5,161,888
Buildings and improvements	84,471,751
Machinery and equipment	1,736,450
Construction in progress	<u>4,793,833</u>
Total	<u>\$103,690,975</u>

The total assets (net of depreciation) noted above includes \$85,344 of fiduciary net capital assets. Additional information on the District's capital assets can be found in Note III C on pages 57-59 of this report.

Debt Administration

At year-end, the District had \$68,874,491 in general and limited obligation bonds and other long-term debt outstanding, of which \$4,786,916 is due within one year. A summary of the District's outstanding long-term debt for the year ended June 30, 2012, is presented below:

	<u>Amount</u>
General obligation bonds	\$ 63,984,103
Limited obligation bonds	869,451
Compensated absences	3,751,977
Voluntary termination benefits	39,170
Other postemployment benefits	<u>229,790</u>
Total	<u>\$ 68,874,491</u>

The Elementary District has maintained an **Aa3** Moody's rating and the High School District has maintained **Aa2** Moody's rating for general obligation debt. State statutes currently limit the amount of the general obligation debt a District may issue. As of June 30, 2012, the current elementary legal debt margin is \$2,768,713 and the high school is \$39,164,791 (as shown on Table 14).

Additional information on the District's long-term debt can be found in Note III E on pages 59-62 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

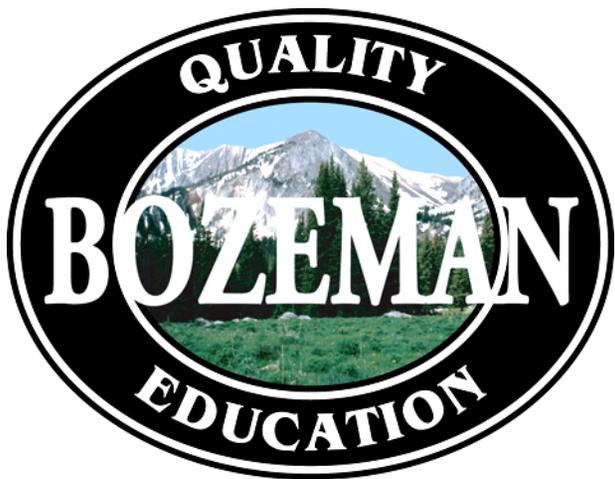
Many factors were considered by the District's administration and board of trustees during the process of developing the fiscal year 2012-2013 budget. The primary factors were the District's student population, collective bargaining agreements, inflation rates, and the local economy. Budgeted expenditures in the General Fund increased by 3.8% to \$38,142,978 in fiscal year 2012-2013. Increased payroll and employee benefit costs are the primary reason for the increase.

Although inflation has increased in the post-recession economy, it trended downwards in fiscal year 2012. Inflation for fiscal year 2011 (June to June) was 3.6% with it decreasing to 1.7% in fiscal year 2012. The

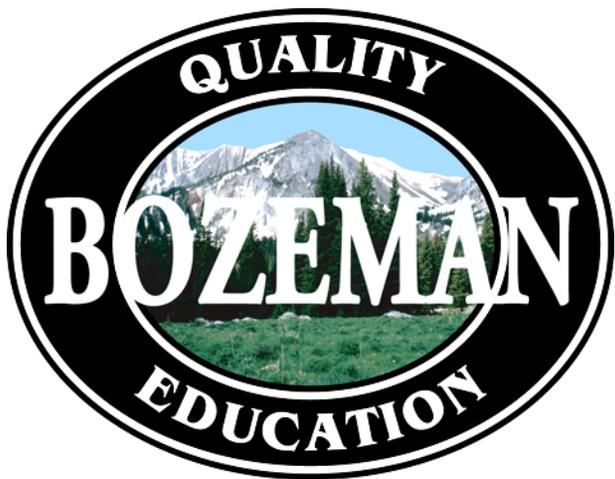
Consumer Price Index increased 1.0% from July 2012 through November 2012. The local cost of living within the Bozeman School District has kept pace with that of the national economy. This fact was considered when evaluating the cost of living during collective bargaining negotiations.

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 the Deputy Superintendent Operations, at the Bozeman School District, 404 West Main Street, Bozeman, Montana 59715 (or by phone at 406-522-6042).



Basic Financial Statements



Government-Wide Financial Statements

BOZEMAN SCHOOL DISTRICT NO. 7
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities		Governmental Activities
<u>ASSETS</u>		<u>LIABILITIES</u>	
Current assets:		Current liabilities:	
Cash and cash equivalents	\$ 15,887,138	Accounts payable	\$ 1,151,019
Property taxes receivable(net of allowances for uncollectibles)	1,857,442	Accrued interest payable	208,307
Due from other governments	764,868	Retainages payable	106,502
Accounts receivable	92,568	Unearned revenue	896,591
Inventory, at cost	166,198	Due to other governments	754
Prepaid items	12,988	Bonds payable - due within one year	4,457,660
Total current assets	18,781,202	Compensated absences - due within one year	325,056
Noncurrent assets:		Voluntary termination benefits - due within one year	4,200
Deferred bond issuance costs	212,243	Total current liabilities	7,150,089
Land	7,527,053	Noncurrent liabilities:	
Land improvements	6,965,585	Bonds payable	60,395,894
Buildings and improvements	103,241,138	Compensated absences	3,426,921
Machinery and equipment	5,285,120	Voluntary termination benefits	34,970
Construction in progress	4,793,833	Other postemployment health benefits	229,790
Less accumulated depreciation	(24,207,098)	Total noncurrent liabilities	64,087,575
Total noncurrent assets	103,817,874	Total liabilities	71,237,664
Total assets	\$ 122,599,076	<u>NET ASSETS</u>	
		Invested in capital assets, net of related debt	38,752,077
		Restricted for:	
		Building reserve	5,038,646
		Bus depreciation	264,315
		Retirement	2,245,553
		Technology acquisition	718,723
		Transportation	640,342
		Grant purposes	547,015
		Adult education	131,964
		Unrestricted	3,022,777
		Total net assets	\$ 51,361,412

The notes to the financial statements are an integral part of this statement.



Fund Financial Statements

BOZEMAN SCHOOL DISTRICT NO. 7
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Elementary Building	Elementary Building Reserve	High School Building Reserve	Nonmajor Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash and cash equivalents	\$ 2,877,623	\$ 37,850	\$ 2,164,669	\$ 3,054,748	\$ 5,823,293	\$ 13,958,183
Property taxes receivable	1,106,866	-	92,576	100,505	566,203	1,866,150
Due from other governments	58,097	322,885	-	-	383,886	764,868
Accounts receivable	4,817	36,881	-	-	49,502	91,200
Inventory, at cost	-	-	-	-	29,277	29,277
Prepaid items	4,623	-	-	-	8,365	12,988
Total assets	\$ 4,052,026	\$ 397,616	\$ 2,257,245	\$ 3,155,253	\$ 6,860,526	\$ 16,722,666
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 70,712	\$ 491,972	\$ 28,909	\$ -	\$ 26,251	\$ 617,844
Bank overdraft	-	-	-	-	158	158
Deferred revenue	1,106,866	-	92,576	100,505	566,203	1,866,150
Unearned revenue	-	-	-	-	54,446	54,446
Due to other governments	-	-	-	-	754	754
Retainages payable	-	35,793	70,709	-	-	106,502
Total liabilities	1,177,578	527,765	192,194	100,505	647,812	2,645,854
Fund balances:						
Nonspendable	4,623	-	-	-	37,592	42,215
Restricted	-	-	2,065,051	3,054,748	4,711,687	9,831,486
Committed	-	-	-	-	1,463,593	1,463,593
Assigned	365,306	-	-	-	-	365,306
Unassigned	2,504,519	(130,149)	-	-	(158)	2,374,212
Total fund balances	2,874,448	(130,149)	2,065,051	3,054,748	6,212,714	14,076,812
Total liabilities and fund balances	\$ 4,052,026	\$ 397,616	\$ 2,257,245	\$ 3,155,253	\$ 6,860,526	\$ 16,722,666

The notes to the financial statements are an integral part of this statement.

BOZEMAN SCHOOL DISTRICT NO. 7
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Amounts reported for governmental activities in the statement of net assets (page 28) are different because:

Total fund balances - governmental funds (page 32)	\$ 14,076,812
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$127,812,729 and the accumulated depreciation is \$24,207,098.	103,605,631
Property tax revenue is recognized when earned (and the claim to resources is established) rather than when "available." All of the deferred property tax revenue reported in the governmental funds is not available.	1,866,150
Property taxes receivable is reported "net of the allowances for uncollectibles" on the statement of net assets.	(8,708)
Long-term liabilities, including bonds payable and compensated absences, and voluntary termination benefits are not due and payable in the current period and therefore are not reported in the funds. The effects of these prior items are as follows:	
Bonds payable	\$ 64,849,618
Compensated absences	3,751,977
Voluntary termination benefits	39,170
	(68,640,765)
Internal service funds are used by the District to charge the costs of health insurance, printing, warehouse, postage and other services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	462,292
Total net assets - governmental activities (page 28)	<u><u>\$ 51,361,412</u></u>

The notes to the financial statements are an integral part of this statement.

BOZEMAN SCHOOL DISTRICT NO. 7
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General	Elementary Building	Elementary Building Reserve	High School Building Reserve	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
District property taxes	\$ 16,058,899	\$ -	\$ 1,275,202	\$ 1,482,873	\$ 7,934,344	\$ 26,751,318
Tuition and fees	82,078	-	-	-	1,325,821	1,407,899
Interest	34,721	-	15,084	11,381	54,491	115,677
Other district revenue	9,597	680,355	-	-	929,702	1,619,654
Gallatin County	-	-	-	-	5,026,254	5,026,254
State of Montana	20,722,014	-	-	-	2,279,169	23,001,183
Federal	16,617	-	-	-	3,404,471	3,421,088
Total revenues	<u>36,923,926</u>	<u>680,355</u>	<u>1,290,286</u>	<u>1,494,254</u>	<u>20,954,252</u>	<u>61,343,073</u>
Expenditures:						
Current -						
Instruction	23,574,924	23,165	203,915	-	6,171,729	29,973,733
Support services	3,795,308	-	-	-	3,023,518	6,818,826
General administration	1,981,648	-	-	-	643,688	2,625,336
Building administration	2,699,372	-	-	-	637,736	3,337,108
Operations and maintenance	3,799,044	595,863	172,959	30,203	822,310	5,420,379
Student transportation	-	-	-	-	1,841,957	1,841,957
Food services	1,204	-	-	-	1,784,042	1,785,246
Extracurricular activities	816,231	-	-	-	72,951	889,182
Capital outlay	157,004	932,644	1,033,726	49,314	1,496,299	3,668,987
Debt service -						
Principal retirement	-	-	292,059	-	3,955,000	4,247,059
Interest and fiscal charges	-	-	500	-	2,691,703	2,692,203
Total expenditures	<u>36,824,735</u>	<u>1,551,672</u>	<u>1,703,159</u>	<u>79,517</u>	<u>23,140,933</u>	<u>63,300,016</u>
Excess (deficiency) of revenues over expenditures	<u>99,191</u>	<u>(871,317)</u>	<u>(412,873)</u>	<u>1,414,737</u>	<u>(2,186,681)</u>	<u>(1,956,943)</u>
Other financing sources (uses):						
Hail damage insurance proceeds	-	500,000	-	-	-	500,000
Total other financing sources (uses)	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
Net changes in fund balances	99,191	(371,317)	(412,873)	1,414,737	(2,186,681)	(1,456,943)
Fund balances, beginning of year	<u>2,775,257</u>	<u>241,168</u>	<u>2,477,924</u>	<u>1,640,011</u>	<u>8,399,395</u>	<u>15,533,755</u>
Fund balances, end of year	<u>\$ 2,874,448</u>	<u>\$ (130,149)</u>	<u>\$ 2,065,051</u>	<u>\$ 3,054,748</u>	<u>\$ 6,212,714</u>	<u>\$ 14,076,812</u>

The notes to the financial statements are an integral part of this statement.

**BOZEMAN SCHOOL DISTRICT NO. 7
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, 2012**

Amounts reported for governmental activities in the statement of activities (page 29) are different because:

Net change in fund balances - total governmental funds (page 34) \$ (1,456,943)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$3,668,987) exceeded depreciation (\$2,927,900) in the current period in addition to the value of contributed capital assets of \$12,380 for this fiscal year. Governmental funds do not report capital contributions as revenue. 753,467

Governmental funds report total proceeds from the disposal of capital assets as income. In the statement of activities, only the gain (or loss) on disposal of capital assets is reported. This amount represents the basis of the capital assets disposed. (325,515)

Deferred revenue in the governmental funds are reported on the full accrual method in the government-wide financial statements. (849,863)

The issuance of long-term debt provides current financial resources to governmental funds, while the payment 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 and bond premiums when debt is first issued, whereas these amounts are deferred and amortized as a component of interest and fiscal charges in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt. 4,305,048

The current period net decrease in compensated absences and voluntary termination benefits payable did not require the use of current financial resources and, therefore, generated no expenditure to be reported in the governmental funds. 171,592

Internal service funds are used by the District to charge the costs of health insurance, printing, warehouse, postage and other services to individual funds. The net income of the internal service funds is reported with governmental activities. (243,898)

Change in net assets of governmental activities (page 29) \$ 2,353,888

The notes to the financial statements are an integral part of this statement.

BOZEMAN SCHOOL DISTRICT NO. 7
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
District property taxes	\$ 15,787,676	\$ 16,058,899	\$ 271,223
Tuition and fees	40,000	82,078	42,078
Interest	58,963	32,913	(26,050)
Other district revenue	8,122	9,597	1,475
State of Montana	20,722,014	20,722,014	-
Federal	16,617	16,617	-
Total revenues	<u>36,633,392</u>	<u>36,922,118</u>	<u>288,726</u>
Expenditures:			
Current -			
Instruction	23,107,293	23,483,777	(376,484)
Support services	3,905,194	3,768,264	136,930
General administration	1,937,785	1,909,353	28,432
Building administration	2,714,106	2,647,095	67,011
Operations and maintenance	4,203,509	3,784,961	418,548
Student transportation	475	-	475
Extracurricular activities	890,292	816,199	74,093
Capital outlay	-	157,004	(157,004)
Total expenditures	<u>36,758,654</u>	<u>36,566,653</u>	<u>192,001</u>
Excess (deficiency) of revenues over expenditures	<u>(125,262)</u>	<u>355,465</u>	<u>480,727</u>
Other financing sources (uses):			
Transfers out	-	(192,000)	(192,000)
Total other financing sources (uses)	<u>-</u>	<u>(192,000)</u>	<u>(192,000)</u>
Net change in fund balances	(125,262)	163,465	288,727
Fund balances, beginning of year	<u>2,345,677</u>	<u>2,345,677</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2,220,415</u>	<u>\$ 2,509,142</u>	<u>\$ 288,727</u>

The notes to the financial statements are an integral part of this statement.

BOZEMAN SCHOOL DISTRICT NO. 7
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Governmental Activities: Internal Service Funds
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 1,929,113
Accounts receivable	1,368
Inventory, at cost	136,921
Total current assets	2,067,402
Noncurrent assets:	
Capital assets:	
Machinery and equipment	545,089
Less accumulated depreciation	(243,661)
Net capital assets	301,428
Total assets	2,368,830
 <u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	533,175
Unearned revenue	842,145
Total current liabilities	1,375,320
Noncurrent liabilities:	
Other postemployment health benefits	229,790
Total noncurrent liabilities	229,790
Total liabilities	1,605,110
 <u>NET ASSETS</u>	
Invested in capital assets	301,428
Unrestricted	462,292
Total net assets	\$ 763,720

The notes to the financial statements are an integral part of this statement.

BOZEMAN SCHOOL DISTRICT NO. 7
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Governmental Activities: Internal Service Funds
	Funds
Operating revenues:	
Charges for services	\$ 6,682,689
Charges for Wellness services	93,008
Total operating revenues	6,775,697
Operating expenses:	
Administrative expenses	280,162
Communications	38,820
Contracted bus services	148,548
Depreciation	61,858
Excess risk insurance	480,577
Health, dental and vision claims	5,047,171
Materials and supplies	364,920
Other postemployment health benefits	68,041
Repairs and maintenance	15,579
Salaries and benefits	215,382
Wellness	306,404
Other	774
Total operating expenses	7,028,236
Operating income (loss)	(252,539)
Nonoperating revenues (expenses):	
Interest	8,642
Total nonoperating revenues (expenses)	8,642
Change in net assets	(243,897)
Total net assets, beginning of year	1,007,617
Total net assets, end of year	\$ 763,720

The notes to the financial statements are an integral part of this statement.

**BOZEMAN SCHOOL DISTRICT NO. 7
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	Governmental Activities: Internal Service Funds
Cash flows from operating activities:	
Receipts from users	\$ 6,721,863
Payments for insurance claims	(5,141,321)
Payments to employees	(215,382)
Payments to suppliers	(1,632,827)
	(267,667)
Net cash provided (used) by operating activities	(267,667)
Cash flows from capital and related financing activities:	
Purchases of capital assets	(29,757)
	(29,757)
Net cash provided (used) by capital and related financing activities	(29,757)
Cash flows from investing activities:	
Interest received	8,642
	8,642
Net cash provided (used) by investing activities	8,642
Net increase (decrease) in cash and cash equivalents	(288,782)
Cash and cash equivalents - 7/01/11	2,217,895
Cash and cash equivalents - 6/30/12	\$ 1,929,113
	\$ 1,929,113
Reconciliation of operating income(loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (252,539)
Adjustments to reconcile operating income(loss) to net cash provided (used) by operating activities:	
Depreciation	61,858
(Increase) decrease in accounts receivable	(335)
(Increase) decrease in inventories	(637)
Increase (decrease) in accounts payable	(90,556)
Increase (decrease) in other postemployment benefits	68,041
Increase (decrease) in unearned insurance premiums	(53,499)
	(15,128)
Total adjustments	(15,128)
Net cash provided (used) by operating activities	\$ (267,667)
	\$ (267,667)

The notes to the financial statements are an integral part of this statement.

BOZEMAN SCHOOL DISTRICT NO. 7
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

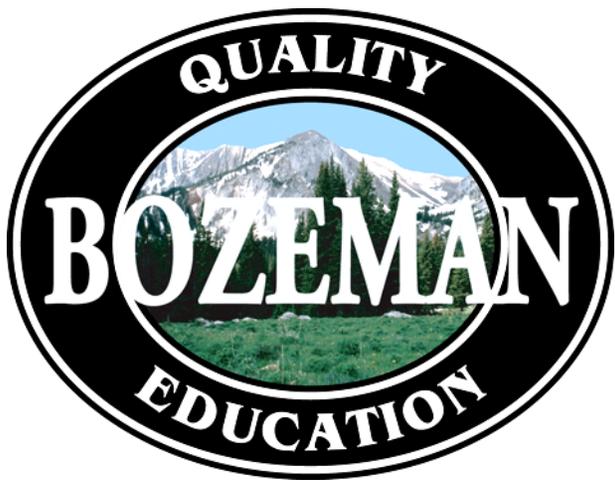
	Private-Purpose Trust
<u>ASSETS</u>	
Cash and cash equivalents	\$ 783,450
Investments	475,269
Land improvements	83,852
Machinery and equipment	12,552
Less accumulated depreciation	(11,060)
Total assets	1,344,063
 <u>LIABILITIES</u>	
Accounts payable	196
Total liabilities	196
 <u>NET ASSETS</u>	
Held in trust	\$ 1,343,867

The notes to the financial statements are an integral part of this statement.

BOZEMAN SCHOOL DISTRICT NO. 7
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Private-Purpose Trust Funds
Additions:	
Auctions	\$ 37,509
Contributions	41,928
Extracurricular receipts and fees	1,259,727
Medicaid direct billing receipts	658,920
Membership services	321,458
State of Montana	10,788
Total noninvestment trust additions	2,330,330
 Investment earnings:	
Interest	16,809
Total additions	2,347,139
 Deductions:	
Administrative expenses	85,842
Depreciation	3,323
Salaries and benefits	10,788
Extracurricular activities	1,343,130
Materials and supplies	1,979
Payments to consortium members	573,981
Scholarships	4,250
Total deductions	2,023,293
Changes in net assets	323,846
Net assets, beginning of year	1,020,021
Net assets, end of year	\$ 1,343,867

The notes to the financial statements are an integral part of this statement.



Notes to Financial Statements

BOZEMAN SCHOOL DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Bozeman School District No. 7 have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

School District No. 7 was established under Montana law to provide educational services below the College and University level to residents of the District. Generally accepted accounting principles require that these financial statements present School District No. 7 (the primary government) and all component units, if any. Component units, as established by the GASB Statement 14, are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations for which the District is financially accountable have been considered for inclusion in the basic financial statements. School District No. 7 has no component units.

The District actually consists of two separate legal entities - Elementary and High School districts. Accounting records of both districts must be maintained separately per State law because of differences in funding and tax base. However, both are managed by one central Board of Trustees, elected in a district-wide election, and by a central administration appointed by and responsible to the Board. Although School District No. 7 legally consists of two separate statutory entities, it is managed and operated as a single system. These financial statements present, as a single reporting entity, all activities over which the Board of Trustees exercise responsibility.

B. Government-wide and fund financial statements

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

Government-Wide Financial Statements - The statement of net assets and statement of activities report information on all of the nonfiduciary activities of the primary government. The activities of the internal service funds are eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipient of the goods or services provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Fund financial statements are designed to present financial information of the School District at a more detailed level (and to demonstrate legal compliance). The focus of governmental fund financial statements is on major funds. In School District No. 7's case, the general, elementary building, elementary building reserve and high school building reserve funds are considered major and are presented in separate columns. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. The fiduciary funds are reported by type.

C. 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 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 grantor or provider have been met.

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

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

The District reports the following major governmental funds:

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

The *elementary building fund* accounts for the construction of elementary schools and for the remodeling of existing elementary facilities.

The *elementary building reserve fund* accounts for the acquisition, construction or repair of major capital facilities in the elementary district.

The *high school building reserve fund* accounts for the acquisition, construction or repair of major capital facilities in the high school district.

Additionally, the government also reports the following fund types:

Internal service funds account for the financing of goods or services provided by one department to other departments of the District, or to other governments, on a cost reimbursement basis. In the District's case, the internal service funds are used to charge the costs of health insurance, printing, warehouse, postage and other services to other individual funds.

The *private-purpose trust funds* are used to account for resources legally held in trust for use for the Worthy Student Scholarship on behalf of the Bozeman Schools Foundation, extracurricular activities departments, Medicaid Direct Billing Consortium, and the High School Interlocal Agreements. All resources in these funds (except for the Nonexpendable High School Endowment Fund), including any earnings on invested resources, may be used to support the funds' activities. The Montana Office of Public Instruction has currently instructed schools to account for certain extracurricular activities in the private-purpose trust funds. This decision has been made in part because although not all extracurricular funds are held in a "purely" custodial nature, the school board does have limited power to deny expenditures (and also deny the creation of the fund as a school district account in the first place).

It is the District's practice to eliminate the net income (loss) generated by interfund activity. This was implemented to comply with the GAAP requirement to consolidate internal activities in the government-wide statement of activities. Direct expenses of departments paying for the interfund activity (i.e. health insurance, warehouse goods, printing, etc) are not eliminated, but are presented as expenses in the appropriate functional category. Indirect expenses of the interfund activity, which are usually the ultimate reason of departments being indirectly over or undercharged, are eliminated through the reduction or increase of statement of activities expenses. If an Internal Service Fund receives revenue from a nongovernmental entity, it is recognized as a charges for services program revenue amongst the functions that generated it.

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 operations. The principal operating revenues of the District's *Purchasing* and *Self-Insurance* internal service funds are charges to customers for sales or services. Operating expenses for the internal service funds include the costs 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, followed by unrestricted resources as they are needed.

D. Deposits and investments

Except petty cash and a portion of the Private-Purpose Trust and Internal Service Funds, all District cash is held by the County Treasurer and pooled in the Gallatin County external investment pool or invested outside of that pool in direct obligations of United States Agencies. \$82,714 of the Middle and High School Student Extracurricular Funds (which are Private-Purpose Trust Funds) and \$44,812 of the Self-Insurance Fund are in various interest bearing checking accounts. \$52,276 of the nonexpendable high school endowment fund (private-purpose trust) is in interest bearing bank insured deposit accounts.

The County Treasurer, at the direction of the District, invests the pooled cash in nonfiduciary funds pursuant to State Law (MCA 20-9-213 [4]). Allowable investments include direct obligations of the United States Government and some United States Agencies (not to exceed five years), savings or time deposits in a state or national bank, building and loan association, savings and loan association, or credit union insured by the FDIC or NCUA located in the State, or in a repurchase agreement. It is also allowable to invest monies under the State Unified Investment Program (STIP) established in Title 17, Chapter 6, MCA. STIP has invested in derivatives, but the nature of those transactions, the reason for entering into them and the School District's exposure to credit is not available to the School District for disclosure. As of June 30, 2012, the District had a significant portion of its funds invested in STIP through the Gallatin County external investment pool.

The District invests fiduciary funds pursuant to State Law, Title 22 Chapter 30. Generally, that law requires the District to consider the intent of the donor and the charitable purpose of the gift. In addition, the funds shall be managed and invested in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.

The School District considers all highly liquid investments with a maturity of three months or less from date of purchase to be cash equivalents. With this in mind, the entire amount of the Gallatin County investment pool is considered cash equivalents. All cash equivalents held in the Gallatin County investment pool are reported at fair value. The direct obligations of the United States Agencies (when present) are also held at fair value.

E. Receivables and payables

Trade receivables are primarily comprised of outstanding receivables for user charges and reimbursements anticipated from the internal service fund's excess risk insurance provider. Periodically, less than a hundred dollars has been written off for some fiscal years and therefore no allowance for uncollectibles is created for these receivables.

Property is assessed by the County division of the State Department of Revenue. Valuations are determined under State law and submitted to the County Treasurer for the preparation of tax notices. Property taxes are assessed against the owner of record as of January 1st with the taxes generally being levied in August and billed as of November 1st. Property taxes receivable are recorded as of the date levied. Uncollected taxes receivable at year-end are deferred only in the fund financial statements.

Property taxes are due in two payments, generally November 30th and May 31st. Unpaid taxes become delinquent on December 1st and June 1st. After three years of delinquency, the County may proceed to take title to the property. Delinquent taxes may be collected up to ten years. The County Treasurer may issue a writ of execution to the County Sheriff to seize the property and sell it to pay the taxes. Unpaid taxes at the end of ten years may be written off by the County Commissioners. Using the County's 10-year delinquency rate of 0.03% on real estate property taxes levied and 0.2% on personal property taxes levied, a \$8,708 allowance for uncollectibles has been calculated and the property taxes receivable are presented net of this amount.

All payables are reported in the government-wide financial statements with the proprietary funds payables also being presented on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and other voluntary termination benefits are reported as a liability in the fund financial statements only to the extent that there are unpaid reimbursable balances for terminated employees at year end.

F. Inventories

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventoriable items purchased through the governmental funds and internal service funds are recorded as expenditures when consumed rather than when purchased (known as the consumption method).

G. Prepaid items

Payments made to vendors for services that will benefit future periods are recorded as prepaid items in both the government-wide and fund financial statements. This current asset is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed (consumption method).

H. Capital assets

Capital assets, which include land, land improvements, buildings and improvements, machinery and equipment, and construction in progress, are reported in the government-wide financial statements. All lands purchased or received through a donation are capitalized, regardless of price. Machinery and equipment capital assets are defined by District policy as assets with an initial, individual cost of \$5,000 or more with a useful life of more than one year. District policy also dictates that buildings, improvement on buildings, land improvements, and construction in progress are deemed to be capital assets when the

individual project has a cost of \$25,000 or more (or anticipated cost for construction in progress). Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Land improvements	20 years
Building and improvements	20-50 years
Machinery and equipment	5-20 years

I. Compensated absences

Accumulated Vacation and Sick Leave - Nonteaching District employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Vacation leave may be accumulated to a total not to exceed two times the maximum number of days earned annually. Sick leave is earned at a rate of 11 to 12 days per year. Upon retirement or termination all employees are paid for 100% of unused vacation leave and 25% of unused sick leave (certified staff are limited to a maximum 150 days of sick leave payout). Upon termination, all payments are made at the employee's current salary.

The current and long-term liabilities for accumulated vacation and sick leave are reported on the government-wide financial statements. In governmental funds, sick leave and vacation leave are recorded as expenditures in the year paid, as it is the District's policy to satisfy any unpaid amounts at year-end from future resources, not expendable available resources. The District, in accordance with State law (MCA 20-9-512), transfers money, within the adopted budget, from the general fund to maintain the compensated absence liability fund. The purpose of this fund is to pay any accumulated sick and vacation leave that a nonteaching or administrative employee is entitled to upon termination of employment. The sick and vacation leave termination pay for teachers is paid out of the general fund. Generally Accepted Accounting Principles (GAAP) dictate that a fund solely funded from another fund cannot be a standalone special revenue fund. All of its activity must be reported in the fund that is truly paying for the expenditures. Therefore, on the modified accrual basis, the compensated absence liability fund activities have been consolidated into the general fund (its full funding source).

J. Voluntary termination benefits

Voluntary Career Option Plan - The Voluntary Career Option Plan is intended to provide mid-career and late career teachers some flexibility in developing new career options through capitalizing on financial incentives of value to both the teacher and the District. Teachers are covered by this plan through the Collective Bargaining Agreement (CBA) between School District No. 7 and the Bozeman Education Association July 1, 2007 - June 30, 2010. This plan was eliminated from the CBA effective June 30, 2010. The remaining plan obligations and plan description follow:

Teachers who elect to retire with between 13 and 24 credited years with the District are entitled to the benefit payable in: (1) a lump sum payment (13-19 credited years) based on a percentage of the highest average salary (HAS) for their three highest paid years that may be split over two years at the teachers request or (2) a lump sum payment plus a set monthly stipend for a period not exceeding 5 years (20-24 credited years service). In addition, teachers with 20-24 credited years service receive \$100 per month towards their medical insurance premium for 10 years as long as they remain a participant in the District's insurance program and are not eligible for participation in any other employer sponsored medical program or Medicare. The District contributions are financed on a pay-as-you-go basis.

The VCOP Plan cost the District \$114,382 for the fiscal year ended June 30, 2012 (the VCOP Plan is entirely employer funded). The District had 9 remaining past employees participating in these plans on June 30, 2012.

K. Other postemployment benefits

The District allows retirees that have just finished employment with the District to remain on the District health insurance plan (with several Medicare and non-Medicare eligible options available). Another postemployment benefit arises from the difference in the District health insurance cost the retirees are incurring and what they would otherwise be paying on the open market for a similar plan. This benefit is reflected in the financials as a long term liability following the guidance of GASB Statement No. 45. See Note IV C for more details of this liability.

L. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond issuance costs, premiums and discounts are deferred over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized as a component of interest and fiscal charges over the life of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period (when present). The face amount of the debts (when issued) are reported as other financing sources. Premiums (if present) received on the debt issuances would be reported as other financing sources while discounts (if present) on debt issuances would be reported as other financing uses. Issuance costs were reported as debt service expenditures.

M. Fund balance

In the fiscal year ended June 30, 2011, the District implemented the provisions of GASB Statement 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of Statement 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is found to observe constraints imposed upon the use of resources reported in governmental funds. The clarifications of the governmental fund type definitions should reduce uncertainty about which resources can or should be reported in the respective fund types. As a result, the classifications of fund balance now used for governmental funds are reported in two general classifications, nonspendable and spendable.

The nonspendable category represents the portion of fund balance that is not in spendable form such as inventories and prepaid items. Spendable fund balance is further categorized as *restricted*, *committed*, *assigned*, and *unassigned*.

The *restricted* fund balance category contains balances that can only be spent for the specific purposes stipulated by external parties or through enabling legislation. External parties include grantors, debt covenants, votes, and laws and regulations of other governments.

The *committed* fund balance category includes amounts that can be used only for the specific purpose determined by a formal action of the government's highest level of decision-making authority, the School Board. This same formal board action is needed not only to establish the commitment, but also to modify or rescind it at a future date.

Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The District has adopted policy 7515 which dictates how fund balances may be assigned and by whom. Assignments of fund balance may be enacted by the School Board in addition to the officials they have delegated the power to assign fund balances (the Superintendent and the Deputy Superintendent of Operations). In governmental funds other than the general fund, assigned fund balance also represents the remaining amount that is not restricted or committed. Currently included in assigned fund balance for the general fund are assignments for the reserve for encumbrances and the consolidated fund balances of the elementary and high school compensated absences liability (which had to be absorbed into the general fund due to sole funding by the general fund to those compensated absence funds).

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification may only be used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

As of June 30, 2012, fund balances are comprised of the following:

	General	Elementary Building	Elementary Building Reserve	High School Building Reserve	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Inventories	\$ -	\$ -	\$ -	\$ -	\$ 29,277	\$ 29,277
Prepaid items	4,623	-	-	-	8,315	8,315
Restricted:						
Federal, State, & Local Grants	-	-	-	-	547,015	547,015
Building repair & Renovations	-	-	2,065,051	3,054,748	-	5,119,799
Debt Service	-	-	-	-	103,170	103,170
Student Transportation	-	-	-	-	679,929	679,929
Replacing School Buses	-	-	-	-	263,679	263,679

	General	Elementary Building	Elementary Building Reserve	High School Building Reserve	Nonmajor Governmental Funds	Total Governmental Funds
Student Tuition	-	-	-	-	586	586
Retirement payroll taxes	-	-	-	-	2,245,553	2,245,553
Technology acquisition	-	-	-	-	732,758	732,758
Adult Education	-	-	-	-	138,997	138,997
Committed:						
Food services	-	-	-	-	362,995	362,995
Special services	-	-	-	-	383,402	383,402
Business services	-	-	-	-	476,843	476,843
Drivers education	-	-	-	-	188,730	188,730
Misc. district operations	-	-	-	-	51,623	51,623
Assigned:						
Encumbrances	31,850	-	-	-	-	31,850
Compensated absences	333,456	-	-	-	-	333,456
Unassigned	2,504,519	(130,149)	-	-	(158)	2,374,212
Total fund balances	\$2,874,448	\$(130,149)	\$2,065,051	\$ 3,054,748	\$ 6,212,714	\$ 14,076,812

When both restricted and unrestricted (spendable) resources are available, District policy dictates that spending will occur in the following order for the identified types:

General Fund: Restricted, Committed, Assigned, Unassigned
 Special Revenue Funds: Restricted, Committed, Assigned
 Debt Service Funds: Restricted, Committed, Assigned
 Capital Projects Funds: Restricted, Committed, Assigned

N. Minimum General Fund - Fund Balance

The Bozeman School District policy dictates that the District will strive to maintain a minimum unassigned fund balance in the general fund as of June 30th equal to 5% of the subsequent fiscal year's expenditure budget.

O. Net Assets

In funds other than governmental, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation and also reduced by the outstanding balances of any borrowing used in the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

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

General

Special Revenue:

Transportation

Bus Depreciation

Tuition

Retirement

Technology Acquisition

Adult Education

Debt Service

Capital Projects:

Building Reserve

The General Fund budget is based on the State Funding Program, which is designed to equalize taxing effort throughout the State and bases the budget on enrollment. Budgets for other funds are based primarily on expected revenues and expenditures.

Budgetary policy follows:

- 1) By the first Monday in August, the Department of Revenue transmits a statement of assessed valuation and taxable valuation of all property to the County Superintendent of Schools.
- 2) On or before August 15th, the Board of Trustees must meet to legally adopt the final budget.
- 3) Upon adoption of the final budget, expenditures and operating transfers are limited to the total fund budget. (There is one exception, see Note IIC.) Unexpended and unencumbered appropriations lapse at year end. Under State law and District Policy, management may amend the budget without seeking Board approval as long as the total individual fund budget is not exceeded.
- 4) Individual fund budgets may only be increased with Board approval, in a manner prescribed by State Law (MCA 20-9-161 through 20-9-166.) There were no supplemental appropriations approved during fiscal year 2012.

While the Bozeman School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law allows accounting for certain year end appropriations as encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual presented for the District's major governmental fund(General) is presented on the budgetary basis to provide a meaningful comparison of actual

results with the budget. There are two major difference between the budget basis and GAAP basis in presenting the general fund. One is that under GAAP, encumbrances outstanding at year end are reported as assigned fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. The second major difference is that on a budget basis, compensated absence liability funds are tracked separately but for GAAP purposes, their activity is consolidated back into the general fund which originally supplied it with its full source of revenue.

B. Budgetary/GAAP reconciliation

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the major General fund.

Net Change in Fund Balance Major General Fund	
	<u>General</u>
GAAP Basis	\$ 99,191
Consolidating compensated absence liability fund activity	(16,911)
Adjustment for Encumbrances	<u>81,185</u>
Budget Basis	<u><u>\$163,465</u></u>

C. Excess of expenditures over appropriations

State law permits expenditures to exceed appropriations only for debt incurred after the final Debt Service budget has been adopted and if money is available (MCA 20-9-134). The District's expenditures did not exceed appropriations in any of the budgeted funds.

D. Deficit fund equity

The Elementary Building fund had a deficit fund balance of \$130,149 as of June 30, 2012. This is because necessary repairs preceded revenue collection. The High School Tuition fund had a \$158 deficit fund balance as of June 30, 2012. This deficit largely resulted from revenue collections trailing levied amounts. Additional mills are allowed to be levied in the future to make up for this deficit.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

The District directs the investment of money pursuant to the provisions of the Montana Code.

Cash and cash equivalents consist of:

Petty cash	\$ 5,683
County Treasurer's Investment Pool	16,485,103
Cash in checking	127,526
Cash in D.A. Davidson bank insured deposits	<u>52,276</u>
Total	<u>\$ 16,670,588</u>

Investments consist of:

	<u>Investment Mkt Value</u>	<u>Credit Risk Standard & Poor's Corporate Bond Rating</u>	<u>Interest Rate Risk Weighted Average Maturity (Years)</u>
Mutual Funds	<u>\$475,269</u>	AAA	0.00
Portfolio weighted average maturity			0.00

A small amount of petty cash is separately held by some of the District's funds and is all reported as cash and cash equivalents.

The Middle and High School Extracurricular Funds have cash in several checking accounts totaling \$82,714 which is fully insured by the FDIC. \$44,812 of the Self-Insurance Fund cash is in checking and is fully insured by the FDIC.

The District participates in a cooperative investment program with Gallatin County and the other school districts in the County. Under this system the District's cash is pooled with all other County funds and the interest earned is prorated to the various funds based on equity in the pool. Each fund type's portion of this pool is reported on the statement of net assets as cash and cash equivalents.

Short-term investments consisting of a daily repurchase agreement with a local bank, U.S. agencies and Certificates of Deposit account for the management of cash temporarily idle during the year in the vast majority of the District's funds. The fiduciary Nonexpendable High School Endowment fund had cash spread amongst four nonlocal banks through its D.A. Davidson investment account. The mutual funds listed above

were also purchased with this same Endowment fund and is an allowable investment option for fiduciary funds.

The Gallatin County Investment Pool cash and cash equivalents are valued at cost, which approximates fair value. There is no material difference between the value of the pool shares and the fair value. The pool is not SEC registered. Montana law designates allowable investment options. Montana law also allows the local governing body to require security for the portion of deposits not guaranteed or insured. Deposit insurance is administered by the FDIC. Since the District invests in a cooperative pool, pledged securities for the various individual deposits and repurchase agreements are managed by the County Treasurer. Montana code allows the County Treasurer to take collateral up to 50% of deposits if the institution in which the deposit is made has a net worth to total assets ratio of 6% or more; and 100% if the ratio is less than 6%.

Risk in the event of loss is unclear in state law, but appears to be the liability of the County government. Because of the custodial involvement of the County government, and the commingling of cash in County deposits in the name of the County Treasurer, full risk classifications according to GASB 40 are available in the Gallatin County's annual report. There is no known maturity and credit rating of the Gallatin County Investment Pool. In regards to the Federal Home Loan Mortgage Corporation and mutual funds - credit and interest rate risks are detailed earlier in this note. The District investment policy is written to follow Montana School Investment law (MCA 7-7-202). This law states that Districts may invest in direct obligations of the U.S. Government or accounts collateralized by the direct obligation of the U.S. Government. If savings or time deposits are used, they must be insured by FDIC or NCUA. The District is complying with this law and accepts the inherent credit and interest rate risks. The District investment policy does not explicitly refer to credit rate risks, however, all of its investments have a AAA rating.

B. Receivables

Receivables as of June 30, 2012, for the District's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Elementary Building</u>	<u>Elementary Building Reserve</u>	<u>High School Building Reserve</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:						
Accounts	\$ 4,817	\$ 36,881	\$ -	\$ -	\$ 50,870	\$ 92,568
Property taxes receivable	<u>1,106,866</u>	<u>-</u>	<u>92,576</u>	<u>100,505</u>	<u>566,203</u>	<u>1,866,150</u>
Gross receivables	1,111,683	36,881	92,576	100,505	617,073	1,958,718
Less: allowance for Uncollectibles	<u>(5,165)</u>	<u>-</u>	<u>(432)</u>	<u>(469)</u>	<u>(2,642)</u>	<u>(8,708)</u>
Net total receivables	<u>\$ 1,106,518</u>	<u>\$ 36,881</u>	<u>\$ 92,144</u>	<u>\$ 100,036</u>	<u>\$ 614,431</u>	<u>\$1,950,010</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of \$1,866,150 deferred revenue and \$54,446 unearned revenue reported in governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (General Fund)	\$1,106,866	\$ -
Delinquent property taxes receivable (Elem. Building Reserve)	92,576	-
Delinquent property taxes receivable (High School Bldg. Reserve)	100,505	-
Delinquent property taxes receivable (Nonmajor governmental funds)	566,203	-
Food Service and High School grants (Nonmajor governmental funds)	-	54,446
	<u> </u>	<u> </u>
Total deferred revenue for governmental funds	<u>\$1,866,150</u>	<u>\$ 54,446</u>

The Self-Insurance internal service fund had unearned revenue of \$842,145 as of June 30, 2012, that is almost entirely comprised of health insurance premiums deducted from June payroll checks to cover premiums due in the months of July and August.

C. Capital assets

A summary of capital asset activity for the year ended June 30, 2012 follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 7,534,468	\$ -	\$ (7,415)	\$ 7,527,053
Construction in progress	1,739,500	3,079,586	(25,253)	4,793,833
	<u>9,273,968</u>	<u>3,079,586</u>	<u>(32,668)</u>	<u>12,320,886</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Land improvements	6,764,245	201,340	-	6,965,585
Buildings and improvements	103,366,418	249,159	(374,439)	103,241,138
Machinery and equipment	5,085,993	206,292	(7,165)	5,285,120
	<u>115,216,656</u>	<u>656,791</u>	<u>(381,604)</u>	<u>115,491,843</u>
Total capital assets being depreciated				
Less accumulated depreciation for:				
Land improvements	(1,539,376)	(343,246)	-	(1,882,622)
Buildings and improvements	(16,434,732)	(2,390,994)	56,339	(18,769,387)
Machinery and equipment	(3,306,736)	(255,518)	7,165	(3,555,089)
	<u>(21,280,844)</u>	<u>(2,989,758)</u>	<u>63,504</u>	<u>(24,207,098)</u>
Total accumulated depreciation				

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Total capital assets, being depreciated, net	93,935,812	(2,332,967)	(318,100)	91,284,745
Governmental activities capital assets, net	<u>\$103,209,780</u>	<u>\$ 746,619</u>	<u>\$ (350,768)</u>	<u>\$103,605,631</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
Instruction	\$ 78,938
Support services	3,885
General administration	22,288
Operations and maintenance	66,081
Student transportation	2,549
Food services	14,517
Extracurricular activities	5,402
Unallocated depreciation (buildings and land improvements)	2,734,240
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>61,858</u>
Total depreciation expense - governmental activities	<u>\$2,989,758</u>

Fiduciary Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	\$ 12,209	\$ -	\$ (12,209)	\$ -
Capital assets, being depreciated:				
Land improvements	\$ 18,870	\$ 64,982	\$ -	\$ 83,852
Machinery and equipment	12,552	-	-	12,552
Less accumulated depreciation	(7,737)	(3,323)	-	(11,060)
Total Fiduciary capital assets, being depreciated, net	<u>23,685</u>	<u>61,659</u>	<u>-</u>	<u>85,344</u>
Fiduciary capital assets, net	<u>\$ 35,894</u>	<u>\$ 61,659</u>	<u>\$ (12,209)</u>	<u>\$ 85,344</u>

Depreciation expense in the fiduciary funds amounted to \$3,323 in the 2011-2012 fiscal year.

Construction commitments - The District has active construction projects as of June 30, 2012. At year-end the District's commitments with contractors were as follows:

<u>Projects</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Architecture contract for High School hail damaged roof repair	\$ 10,469	\$ 6,981
Construction contracts for High School hail damaged roof repair	369,884	616,214
Architecture contract for Elementary hail damaged roof repair	3,924	2,236
Construction contracts for Elementary hail damaged roof repair	210,279	205,616
Architecture contract for Hawthorne Phase 2	266,487	6,833
Construction contract for Hawthorne Phase 2	1,840,341	74,475
Architecture contract for eighth elementary building	448,720	391,280
Architecture contract for Support Services Building Phase 1	-	49,335
	<hr/>	<hr/>
Total	<u>\$ 3,150,104</u>	<u>\$ 1,352,970</u>

The high school building fund is responsible for the hail damaged roof repair at the high school. The elementary building fund is responsible for the hail damaged roof repair at the various elementary schools. State capital grants and the elementary building reserve fund are funding the Hawthorne electrical/mechanical phase two project. The eighth elementary building project is being financed from the elementary building fund. The Support Services Building Phase 1 is being financed by the elementary building and high school building reserve funds.

D. Interfund activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the statement of activities. Interfund transfers in the fund financial statements are reported as transfers within other financing sources/uses category. There were no transfers between governmental funds in the current fiscal year.

E. Long-term debt

General obligation bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital projects. General obligation bonds have only been issued for governmental activities. The original amount of general obligation bonds issued in prior years was \$80,100,000. There were no general obligation bonds issued or refunded in the current fiscal year.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with varying amounts of increasingly larger

amounts of principal maturing each year (the 2007 and 2008 high school g.o. bonds were actually issued for 19 and 18 years, respectively, to have the same maturity as the 2006 high school g.o. bond issue). General obligation bonds currently outstanding are comprised of the following individual issues:

	Issue Amount	Term	Interest Rate	Outstanding Principal June 30, 2011	Due Within One Year
2006 Elementary	\$14,100,000	20	4.00 - 5.25%	\$ 11,145,000	\$ 605,000
2007 Elementary	5,750,000	19	3.75 - 4.20%	4,625,000	250,000
2008 Elementary	17,500,000	20	3.00 - 4.25%	15,305,000	680,000
2009 Elementary	3,275,000	4	3.00 - 3.00%	845,000	845,000
Subtotal				<u>31,920,000</u>	<u>2,380,000</u>
2006 High School	14,500,000	20	4.00 - 5.25%	11,460,000	620,000
2007 High School	14,975,000	19	4.10 - 4.50%	12,070,000	650,000
2008 High School	10,000,000	18	3.00 - 4.00%	8,480,000	460,000
Subtotal				<u>32,010,000</u>	<u>1,730,000</u>
Total				<u>\$ 63,930,000</u>	<u>\$ 4,110,000</u>

Annual debt service requirements to maturity on general obligation bonds at June 30, 2012, are summarized as follows:

Year ending June 30:	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 4,110,000	\$ 2,541,339	\$ 6,651,339
2014	3,400,000	2,392,652	5,792,652
2015	3,545,000	2,264,177	5,809,177
2016	3,690,000	2,127,332	5,817,332
2017	3,845,000	1,986,294	5,831,294
2018-2022	21,815,000	7,521,572	29,336,572
2023-2027	22,230,000	2,728,741	24,958,741
2028	1,295,000	53,419	1,348,419
Total	<u>\$ 63,930,000</u>	<u>\$ 21,615,526</u>	<u>\$ 85,545,526</u>

Limited obligation bonds

On November 25, 2003, the District issued limited obligation school building bonds in the amount of \$1,586,000. These specific bonds were used to renovate and remodel facilities at the District's Whittier and Irving Elementary Schools. \$1,459,250 of limited obligation bonds were issued by the District on December 19, 2006. These limited obligation bonds were used for additional major renovations at Whittier Elementary School. Both of these bonds bear interest at 0% per annum will be paid back through sinking fund deposits made over the next nine years from date of issuance. The sinking fund deposits, along with

earnings on those deposits, will be used to retire the bonds on November 12, 2012 (2003 issue) and December 19, 2015 (2006 issue). The District will recognize a reduction in bonds payable each year in the amount of principal payments and the scheduled investments earnings on the sinking fund. The elementary building reserve fund will be servicing 100% of the 2003 and 2006 limited obligation debt payments. The limited obligation bonds are comprised of the following issues:

	Issue Amount	Term	Interest Rate	Outstanding Principal June 30, 2012	Due Within One Year
2003 Elementary	\$ 1,586,000	9	0%	\$ 177,560	\$ 177,560
2006 Elementary	1,459,250	9	0%	691,891	170,100
				<u>\$ 869,451</u>	<u>\$ 347,660</u>

Annual debt service requirements to maturity of limited obligation bonds at June 30, 2012, are summarized as follows:

Year ending June 30:	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Investment Earnings</u>	<u>Total</u>
2013	\$ 292,059	\$ 55,601	\$ 347,660
2014	140,553	35,551	176,104
2015	140,553	41,767	182,320
2016	140,553	22,814	163,367
Total	<u>\$ 713,718</u>	<u>\$ 155,733</u>	<u>\$ 869,451</u>

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2012, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligations bonds	\$67,885,000	\$ -	\$(3,955,000)	\$63,930,000	\$4,110,000
Limited obligations bonds	1,233,206	-	(363,755)	869,451	347,660
Deferred amounts:					
Bond premiums	99,796	-	(32,791)	67,005	-
Excess reacquisition costs	(26,978)	-	14,076	(12,902)	-

Total bonds payable	69,191,024	-	(4,337,470)	64,853,554	4,457,660
Compensated absences	3,839,187	301,546	(388,756)	3,751,977	325,056
Voluntary termination benefits	123,552	30,000	(114,382)	39,170	4,200
Other postemployment benefits	161,749	68,041	-	229,790	-
Total governmental activity					
Long-term liabilities	<u>\$73,315,512</u>	<u>\$ 399,587</u>	<u>\$(4,840,608)</u>	<u>\$68,874,491</u>	<u>\$4,786,916</u>

The compensated absences liability has been paid this year (and in past years) from all governmental funds except for the elementary and high school bus depreciation, tuition, and debt service funds. The voluntary termination benefits liability has been paid from the general and retirement funds. The District has not funded the other postemployment benefits liability.

The legal debt limits may not exceed the greater of 1) 50% of the latest available value of property which is subject to taxation within the district or 2) the statewide average taxable valuation per student multiplied by the number of students enrolled in a particular district multiplied by 50% (MCA 20-9-406). In the current fiscal year, the Elementary District used the second formula above for its legal debt service limitation and the High School District used formula 1 for its legal debt service limit. For the year ending June 30, 2012, legal debt limitations were as follows:

TAXING DISTRICT

	<u>Elementary</u>	<u>High School</u>
Legal Debt Service Limitation	\$61,855,448	\$72,809,337

The 2003 Limited Obligation School Bonds were used in renovations of the Whittier and Irving Elementary Schools. The 2006 Limited Obligation School Bonds were exclusively used in the renovations of Whittier Elementary School. The 2006 and 2007 Elementary G.O. Bond proceeds were used to purchase the new Chief Joseph Middle School site and for the construction of the middle school at this site. The 2006, 2007, and 2008 High School G.O. Bonds were used to purchase additional high school land and to renovate the existing Bozeman High School. The 2008 Elementary General Obligation Bonds were used for the construction of the District's seventh elementary school named Hyalite Elementary School. The 2009 Elementary General Obligation Bonds current refunded a previous 2002 issue which in turn had advanced refunded bonds originally issued and used to build the Sacajawea Middle School.

F. Restricted net assets

The State of Montana has enabling legislation which mandates the creation of certain funds and establishes the criteria for property taxes levied to meet the specific purposes of these funds. The District classifies the net assets of these funds as well and some federal, state and local grants as restricted net assets. These individual funds and their net assets at June 30, 2012 are as follows:

Fund Name	Fund Type	Amount
Elementary building reserve	Capital projects	\$ 1,988,909
High school building reserve	Capital projects	3,049,737
Elementary bus depreciation	Special revenue	131,148
High school bus depreciation	Special revenue	133,167
Elementary retirement	Special revenue	1,209,661
High school retirement	Special revenue	1,035,892
Elementary technology acquisition	Special revenue	106,205
High school technology acquisition	Special revenue	612,518
Elementary transportation	Special revenue	429,637
High school transportation	Special revenue	210,705
Elementary grants	Special revenue	73,737
High school grants	Special revenue	473,278
Adult education	Special revenue	131,964
Total restricted net assets		<u>\$ 9,586,558</u>

G. Leases

In May, 2011, the District approved a four year noncancelable operating photocopier lease arrangement which began on July 1, 2012. The arrangement involves 33 photocopiers with guaranteed minimums of 8,500,000 copies per year. The total cost of this lease for the fiscal year ended June 30, 2012, was \$91,548. The future minimum lease payments are as follows:

Year Ending June 30	Amount
2013	\$ 85,173
2014	85,173
2015	85,173
Total	<u>\$ 255,519</u>

IV. OTHER INFORMATION

A. Risk management

The District faces a considerable number of risks of loss, including a) damage to and loss of property and contents, b) employee torts, c) professional liability, i.e. errors and omissions, d) environmental damage, e) workers' compensation, i.e. employee injuries and f) medical insurance costs of employees. A variety of methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss except for relatively small deductible amounts, are purchased for property and content damage, employee torts and professional liabilities. The District participates in a state-wide public risk pool, *Montana Schools Group's Workers' Compensation Risk Retention Program*, for workers' compensation coverage. Employee

medical insurance is provided through a privately-administered, self-funded plan. Given the lack of insurance available, the District has no coverage for potential losses from environmental damages.

Coverage limits on the commercial policies have stayed relatively constant for the last several years, except for property and content coverage where the guaranteed values have been increased to approximate replacement costs of the assets. The maximum deductible amount on the various commercial policies is \$5,000 to \$20,000 depending on the part of the policy.

In 1989, the District joined together with other Montana school districts to form the *Montana Schools Group's Workers' Compensation Risk Retention Program*, a public entity risk pool currently operating as a common risk management and insurance program for the member school districts. The District pays a quarterly premium for its employee injury insurance coverage which is allocated to the funds based on total paid salaries and wages. 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.

Since July 1, 1990, the District has provided medical insurance coverage for its employees via a contributory self-funded plan. This plan is currently administered by Blue Cross Blue Shield of Montana. It provides both medical, dental, and vision benefits and is operated as an Internal Service Fund. Rates for the employees and employer's funds are determined in consultation with a third party consultant and are set at 125% of estimated claims for the coming year. The District also buys commercial 'stop-loss' policies through Blue Cross Blue Shield for claims in excess of the 125% amount and for claims in excess of \$175,000 per claimant covered charges during a year. An estimated medical, dental, and vision claims liability at year end was determined by averaging the last three years' final claims paid in the following year. An analysis of claims activities is presented below:

<u>Fiscal Year</u>	<u>Beginning Liability</u>	<u>Current Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2010	\$ 557,387	\$ 4,887,654	\$ 4,966,836	\$ 478,205
2011	478,205	4,811,811	4,779,293	510,723
2012	510,723	4,980,180	5,047,171	443,732

B. Retirement plans

The District participates in two state-wide, 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 certified teaching employees, including principals and other administrators. The Public Employee Retirement System (PERS) covers non-teaching employees. The plans are established under state law and are administered by the Montana Public Employees Retirement Administration. The plans provide retirement, disability, and death benefits to plan members and beneficiaries. The authority to establish, amend and provide cost of living adjustments for the plan is assigned to the state legislature.

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

Teachers Retirement System
P.O. Box 200139
Helena, MT 59620-0139
(406) 444-3134

Public Employees Retirement System
P.O. Box 200131
Helena, MT 59620-0131
(406) 444-3154

Contribution rates for both plans are required and established by the state legislature. The contribution rates for 2012, expressed as a percentage of covered payroll, were as follows:

	<u>Employer</u>	<u>Employee</u>	<u>State</u>	<u>Total</u>
TRS	7.47%	7.15%	2.49%	17.11%
PERS	6.80%	6.90%	0.37%	14.07%
Total	<u>14.27%</u>	<u>14.05%</u>	<u>2.86%</u>	<u>31.18%</u>

The employee contribution rate for new PERS eligible employees hired after July 1, 2011, is 7.9%. PERS employees hired before this date are grandfathered in at 6.9% rate. The vast majority of District PERS eligible employees are grandfathered in under the older rate. PERS contributions listed below include all contributions (regardless of the individual employee rate). The amounts contributed to the plans during the year ended June 30, 2010, 2011 and 2012 were equal to the required contribution for each year. The amounts contributed by both the District and its employees (including additional voluntary contributions by employees as permitted by state law) were as follows:

	<u>2010</u>	<u>2011</u>	<u>2012</u>
TRS	\$ 4,087,265	\$ 4,060,723	\$ 4,419,144
PERS	704,929	768,888	796,702
Total	<u>\$ 4,792,194</u>	<u>\$ 4,829,611</u>	<u>\$ 5,215,846</u>

The State's contribution to the plans in 2012 was approximately \$670,116 for TRS and \$21,392 for PERS. These on-behalf contributions have been included in the Statement of Activities as an operating grant program revenue and expensed functionally by participation percentage.

C. Other Postemployment Benefits (OPEB)

Other Postemployment Benefits (OPEB)

As required by Governmental Accounting Standards Board (GASB) Statement No. 45 Other Postemployment Benefits, the District has calculated and included a post employment benefit liability for the fiscal year ended June 30, 2012.

Plan Description

Bozeman School District maintains a single-employer self-insured medical plan. The plan currently provides defined healthcare insurance benefits for eligible employees, retirees, spouses and dependents, included are medical, dental, and vision benefits. Participation is elected by the retiree at the time of retirement. The plan has options for pre Medicare insurance benefits and for Medicare supplemental insurance benefits. There is no separate, audited GAAP-basis postemployment benefit plan report available for the self-insured medical defined benefit plan.

Funding Policy

The required contribution for the District is based on a pay-as-you-go financing requirement using a level percentage of pay amortization method over 30 years. Although the net OPEB obligation continues to increase, the General Fund is the governmental fund making payments that are actuarially construed as contributions toward the annual required contribution (hence, making the net OPEB obligation to climb more slowly).

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 233,521
Interest on net OPEB obligation	6,874
Adjustment to annual required contribution	<u>(7,059)</u>
Annual OPEB cost (expense)	233,336
Contributions made	<u>(165,295)</u>
Increase in net OPEB obligation	68,041
Net OPEB obligation - beginning of year	<u>161,749</u>
Net OPEB obligation - end of year	<u>\$ 229,790</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ended June 30, 2012, and the two preceding fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 201,839	76.1%	\$ 94,354
June 30, 2011	\$ 222,312	69.7%	\$ 161,749
June 30, 2012	\$ 233,336	70.8%	\$ 229,790

Funded Status and Funding Progress

The projection of future benefit payments for an ongoing plan involves 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. As of June 30, 2012, the Plan was 0% funded. The actuarial accrued liability (AAL) for benefits was \$2,135,480, and the actual value of assets is \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$2,135,480. The District is currently (and for the foreseeable future) not planning on funding the AAL. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

As of June 30, 2012, the District's actuarially accrued liability (AAL) for benefits was \$2,135,480. This was calculated using a closed amortization period. The AAL by status breakdown is shown below:

Actives	\$ 1,488,729
Retirees	<u>646,751</u>
Total AAL	<u>\$ 2,135,480</u>
Normal Cost	<u>\$ 136,218</u>
Participant information	
Actives	714
Retirees	<u>118</u>
Total	<u>832</u>

The following key assumptions were chosen by the District:

1. Funding method used was Entry Age Normal Cost, level percent of pay
2. Discount Rate (which is also used for the investment rate of return): 4.25%
3. Salary increase of 4.00% for PERS employees; 4.5% per year for TRS employees
4. Inflation rate: 3.25%
5. Healthcare Trend Rate (2013 - 8%, 2014 - 7%, then reduced to 6% by 2015, and remaining at that level thereafter)
6. Participation Rate: 40% of current Active medical plan participants; 10% of actives not participating
7. Marital Assumption: 70% of currently active participants are assumed to be married; of these 80% are assumed to elect coverage for their spouse in retirement, with husbands assumed to be 3 years older than their wives

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 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.

D. Subsequent events

On May 8, 2012, the District taxpayers approved a ballot measure requesting permission to issue \$26,375,000 in Elementary District general obligation bonds. These bonds will be used to construct an eighth elementary school building (and purchase the site it will be constructed on) as well as perform renovations on the support services building and the Longfellow Elementary School. On July 30, 2012, the first \$10,000,000 of these bonds were issued. On December 17, 2012, the remaining \$16,375,000 of these authorized Elementary District general obligation bonds were sold with final closing anticipated to be on January 17, 2013.

E. Contingencies

As of June 30, 2012, the District was not involved in any lawsuits.

**Required Supplementary Information
Other Than Management Discussion and Analysis**

BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS
FOR THE YEAR ENDED JUNE 30, 2012

The annual OPEB costs, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2012, and the two prior fiscal years for the Retiree Health Plan are as follows:

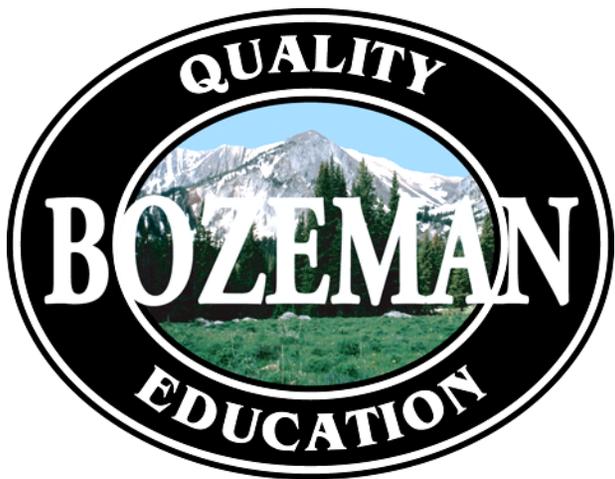
ANNUAL OPEB COST				
	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
Retiree Health Plan	6/30/2010	\$201,839	76.1%	\$94,354
	6/30/2011	\$222,312	69.7%	\$161,749
	6/30/2012	\$233,336	70.8%	\$229,790

The funded status of the plan was as follows:

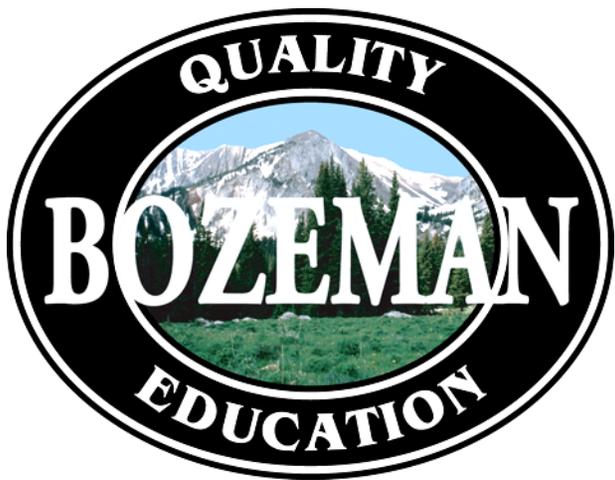
FUNDED STATUS	
(a) Actuarial accrued liability (AAL)	\$ 2,135,480
(b) Actuarial value of plan assets (UAAL)	-
Unfunded actuarial accrued liability (funding excess) [(a) - (b)]	<u>\$ 2,135,480</u>
Funded ratio (b) / (a)	0.0%
(c) Covered payroll	\$ 30,597,778
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (((a) - (b)) / (c))	7.0%

SCHEDULE OF FUNDING PROGRESS							
	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
Retiree Medical Plan	6/30/2010	\$ -	\$ 2,114,554	\$ 2,114,554	0%	\$ 27,924,023	7.6%
	6/30/2011	\$ -	\$ 2,066,044	\$ 2,066,044	0%	\$ 29,350,387	7.0%
	6/30/2012	\$ -	\$ 2,135,480	\$ 2,135,480	0%	\$ 30,597,778	7.0%

Supplemental Information



Combining Financial Statements



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 Bozeman School District is comprised of two legal entities (Elementary and High School Districts), the General Fund (in addition to almost every other budgeted fund) has an elementary and high school portion. As one of four District *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.

**BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING BALANCE SHEET
ALL GENERAL SUBFUNDS
JUNE 30, 2012**

	Elementary General Subfund	High School General Subfund	Totals
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,574,164	\$ 1,303,459	\$ 2,877,623
Property taxes receivable	659,825	447,041	1,106,866
Due from other governments	30,463	27,634	58,097
Accounts receivable	1,299	3,518	4,817
Prepaid items	1,444	3,179	4,623
	<u>1,444</u>	<u>3,179</u>	<u>4,623</u>
Total assets	<u>\$ 2,267,195</u>	<u>\$ 1,784,831</u>	<u>\$ 4,052,026</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 40,678	\$ 30,034	\$ 70,712
Deferred revenue	659,825	447,041	1,106,866
Total liabilities	<u>700,503</u>	<u>477,075</u>	<u>1,177,578</u>
Fund balances:			
Nonspendable	1,444	3,179	4,623
Assigned	221,645	143,661	365,306
Unassigned	1,343,603	1,160,916	2,504,519
Total fund balances	<u>1,566,692</u>	<u>1,307,756</u>	<u>2,874,448</u>
Total liabilities and fund balances	<u>\$ 2,267,195</u>	<u>\$ 1,784,831</u>	<u>\$ 4,052,026</u>

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GENERAL SUBFUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Elementary General Subfund	High School General Subfund	Totals
Revenues:			
District property taxes	\$ 9,980,812	\$ 6,078,087	\$ 16,058,899
Tuition and fees	39,840	42,238	82,078
Interest	21,811	12,910	34,721
Other district revenue	6,376	3,221	9,597
State of Montana	13,632,301	7,089,713	20,722,014
Federal	10,573	6,044	16,617
Total revenues	<u>23,691,713</u>	<u>13,232,213</u>	<u>36,923,926</u>
Expenditures:			
Current -			
Instruction	15,793,570	7,781,354	23,574,924
Support services	2,598,601	1,196,707	3,795,308
General administration	1,041,388	940,260	1,981,648
Building administration	1,975,099	724,273	2,699,372
Operations and maintenance	2,027,512	1,771,532	3,799,044
Food services	-	1,204	1,204
Extracurricular activities	149,274	666,957	816,231
Capital outlay	-	157,004	157,004
Total expenditures	<u>23,585,444</u>	<u>13,239,291</u>	<u>36,824,735</u>
Net change in fund balances	106,269	(7,078)	99,191
Fund balances, beginning of year	<u>1,460,423</u>	<u>1,314,834</u>	<u>2,775,257</u>
Fund balances, end of year	<u>\$ 1,566,692</u>	<u>\$ 1,307,756</u>	<u>\$ 2,874,448</u>

BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ALL GENERAL SUBFUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Elementary General Subfund			High School General Subfund		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:						
District property taxes	\$ 9,828,671	\$ 9,980,812	\$ 152,141	\$ 5,959,005	\$ 6,078,087	\$ 119,082
Tuition and fees	15,000	39,840	24,840	25,000	42,238	17,238
Interest	49,594	20,763	(28,831)	9,369	12,150	2,781
Other district revenue	4,895	6,376	1,481	3,227	3,221	(6)
State of Montana	13,632,301	13,632,301	-	7,089,713	7,089,713	-
Federal	10,573	10,573	-	6,044	6,044	-
Total revenues	<u>23,541,034</u>	<u>23,690,665</u>	<u>149,631</u>	<u>13,092,358</u>	<u>13,231,453</u>	<u>139,095</u>
Expenditures:						
Current -						
Instruction	15,502,170	15,725,273	(223,103)	7,605,123	7,758,504	(153,381)
Support services	2,620,287	2,593,420	26,867	1,284,907	1,174,844	110,063
General administration	988,618	994,889	(6,271)	949,167	914,464	34,703
Building administration	1,963,442	1,932,065	31,377	750,664	715,030	35,634
Operations and maintenance	2,299,082	2,019,128	279,954	1,904,427	1,765,833	138,594
Student transportation	-	-	-	475	-	475
Extracurricular activities	167,435	149,258	18,177	722,857	666,941	55,916
Capital outlay	-	-	-	-	157,004	(157,004)
Total expenditures	<u>23,541,034</u>	<u>23,414,033</u>	<u>127,001</u>	<u>13,217,620</u>	<u>13,152,620</u>	<u>65,000</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>276,632</u>	<u>276,632</u>	<u>(125,262)</u>	<u>78,833</u>	<u>204,095</u>
Other financing sources (uses):						
Transfers out	-	(127,000)	(127,000)	-	(65,000)	(65,000)
Total other financing sources (uses)	<u>-</u>	<u>(127,000)</u>	<u>(127,000)</u>	<u>-</u>	<u>(65,000)</u>	<u>(65,000)</u>
Net change in fund balances	<u>-</u>	<u>149,632</u>	<u>149,632</u>	<u>(125,262)</u>	<u>13,833</u>	<u>139,095</u>
Fund balances, beginning of year	<u>1,195,415</u>	<u>1,195,415</u>	<u>-</u>	<u>1,150,262</u>	<u>1,150,262</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,195,415</u>	<u>\$ 1,345,047</u>	<u>\$ 149,632</u>	<u>\$ 1,025,000</u>	<u>\$ 1,164,095</u>	<u>\$ 139,095</u>

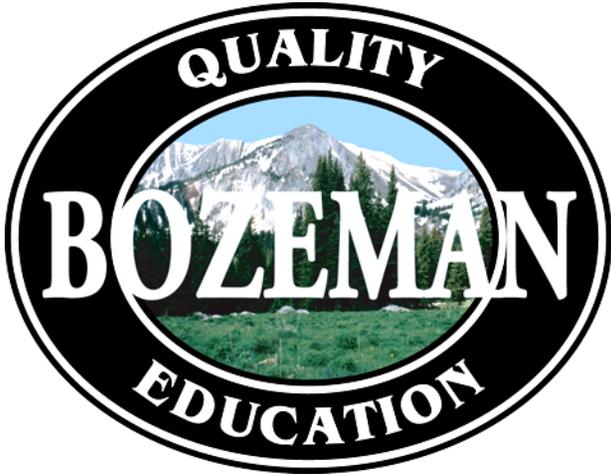
Nonmajor Governmental Funds – By Fund Type

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
JUNE 30, 2012

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 5,720,123	\$ 103,170	\$ 5,823,293
Property taxes receivable	131,642	434,561	566,203
Due from other governments	383,886	-	383,886
Accounts receivable	49,502	-	49,502
Inventory, at cost	29,277	-	29,277
Prepaid items	8,365	-	8,365
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u><u>\$ 6,322,795</u></u>	<u><u>\$ 537,731</u></u>	<u><u>\$ 6,860,526</u></u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 26,251	\$ -	\$ 26,251
Bank overdraft	158	-	158
Deferred revenue	131,642	434,561	566,203
Unearned revenue	54,446	-	54,446
Due to other governments	754	-	754
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u><u>213,251</u></u>	<u><u>434,561</u></u>	<u><u>647,812</u></u>
 Fund balances:			
Nonspendable	37,592	-	37,592
Restricted	4,608,517	103,170	4,711,687
Committed	1,463,593	-	1,463,593
Unassigned	(158)	-	(158)
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u><u>6,109,544</u></u>	<u><u>103,170</u></u>	<u><u>6,212,714</u></u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u><u>\$ 6,322,795</u></u>	<u><u>\$ 537,731</u></u>	<u><u>\$ 6,860,526</u></u>

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
Revenues:				
District property taxes	\$ 1,910,598	\$ 6,023,746	\$ -	\$ 7,934,344
Tuition and fees	1,325,821	-	-	1,325,821
Interest	33,957	16,552	3,982	54,491
Other district revenue	929,702	-	-	929,702
Gallatin County	5,026,254	-	-	5,026,254
State of Montana	2,279,169	-	-	2,279,169
Federal	3,404,471	-	-	3,404,471
Total revenues	<u>14,909,972</u>	<u>6,040,298</u>	<u>3,982</u>	<u>20,954,252</u>
Expenditures:				
Current -				
Instruction	6,159,490	-	12,239	6,171,729
Support services	3,023,518	-	-	3,023,518
General administration	643,688	-	-	643,688
Building administration	637,736	-	-	637,736
Operations and maintenance	314,833	-	507,477	822,310
Student transportation	1,841,957	-	-	1,841,957
Food services	1,784,042	-	-	1,784,042
Extracurricular activities	72,951	-	-	72,951
Capital outlay	544,297	-	952,002	1,496,299
Debt service -				
Principal retirement	-	3,955,000	-	3,955,000
Interest and fiscal charges	-	2,691,703	-	2,691,703
Total expenditures	<u>15,022,512</u>	<u>6,646,703</u>	<u>1,471,718</u>	<u>23,140,933</u>
Net change in fund balances	(112,540)	(606,405)	(1,467,736)	(2,186,681)
Fund balances, beginning of year	<u>6,222,084</u>	<u>709,575</u>	<u>1,467,736</u>	<u>8,399,395</u>
Fund balances, end of year	<u>\$ 6,109,544</u>	<u>\$ 103,170</u>	<u>\$ -</u>	<u>\$ 6,212,714</u>



Nonmajor Special Revenue Funds

Budgeted:

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

Bus Depreciation Fund (Elementary and High School) To account for the replacement of District owned-buses.

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

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

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

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

Non-Budgeted:

Food Service Fund - To account for the District’s food service program.

Miscellaneous Local, State & Federal Grant Funds – (Elementary and High School) To account for Federal, State and Local grants and indirect cost monies received by the district.

Drivers Education Fund – To account for expenditures related to Drivers Education and the related tuition charged.

**BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012**

	Elementary Transportation	Elementary Bus Depreciation	Elementary Tuition	Elementary Retirement	Elementary Grants	Elementary Technology Acquisition	High School Transportation	High School Bus Depreciation
<u>ASSETS</u>								
Cash and cash equivalents	\$ 450,241	\$ 130,891	\$ 586	\$ 1,168,433	\$ 580,925	\$ 113,358	\$ 230,442	\$ 132,788
Property taxes receivable	63,344	2,364	6	-	-	13,640	22,201	2,609
Due from other governments	-	-	-	40,962	218,323	-	-	-
Accounts receivable	-	-	-	266	37,478	-	-	-
Inventory, at cost	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	6,670	-	-	-
Total assets	\$ 513,585	\$ 133,255	\$ 592	\$ 1,209,661	\$ 843,396	\$ 126,998	\$ 252,643	\$ 135,397
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 6,542	\$ -	\$ -	\$ -
Bank overdraft	-	-	-	-	-	-	-	-
Deferred revenue	63,344	2,364	6	-	-	13,640	22,201	2,609
Unearned revenue	-	-	-	-	-	-	-	-
Due to other governments	754	-	-	-	-	-	-	-
Total liabilities	64,098	2,364	6	-	6,542	13,640	22,201	2,609
Fund balances:								
Nonspendable	-	-	-	-	6,620	-	-	-
Restricted	449,487	130,891	586	1,209,661	73,737	113,358	230,442	132,788
Committed	-	-	-	-	756,497	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	449,487	130,891	586	1,209,661	836,854	113,358	230,442	132,788
Total liabilities and fund balances	\$ 513,585	\$ 133,255	\$ 592	\$ 1,209,661	\$ 843,396	\$ 126,998	\$ 252,643	\$ 135,397

(Continued)

**BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012**

	High School Food	High School Tuition	High School Retirement	High School Grants	High School Adult Education	High School Drivers Education	High School Technology Acquisition	Totals
ASSETS								
Cash and cash equivalents	\$ 407,856	\$ -	\$ 1,008,113	\$ 581,364	\$ 139,496	\$ 156,230	\$ 619,400	\$ 5,720,123
Property taxes receivable	-	382	-	-	12,090	-	15,006	131,642
Due from other governments	-	-	27,779	64,322	-	32,500	-	383,886
Accounts receivable	4,743	-	-	6,594	421	-	-	49,502
Inventory, at cost	29,277	-	-	-	-	-	-	29,277
Prepaid items	-	-	-	1,265	-	430	-	8,365
Total assets	\$ 441,876	\$ 382	\$ 1,035,892	\$ 653,545	\$ 152,007	\$ 189,160	\$ 634,406	\$ 6,322,795
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 158	\$ -	\$ -	\$ 18,631	\$ 920	\$ -	\$ -	\$ 26,251
Bank overdraft	-	158	-	-	-	-	-	158
Deferred revenue	-	382	-	-	12,090	-	15,006	131,642
Unearned revenue	49,446	-	-	5,000	-	-	-	54,446
Due to other governments	-	-	-	-	-	-	-	754
Total liabilities	49,604	540	-	23,631	13,010	-	15,006	213,251
Fund balances:								
Nonspendable	29,277	-	-	1,265	-	430	-	37,592
Restricted	-	-	1,035,892	473,278	138,997	-	619,400	4,608,517
Committed	362,995	-	-	155,371	-	188,730	-	1,463,593
Unassigned	-	(158)	-	-	-	-	-	(158)
Total fund balances	392,272	(158)	1,035,892	629,914	138,997	189,160	619,400	6,109,544
Total liabilities and fund balances	\$ 441,876	\$ 382	\$ 1,035,892	\$ 653,545	\$ 152,007	\$ 189,160	\$ 634,406	\$ 6,322,795

(Concluded)

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Elementary Transportation	Elementary Bus Depreciation	Elementary Tuition	Elementary Retirement	Elementary Grants	Elementary Technology Acquisition	High School Transportation	High School Bus Depreciation
Revenues:								
District property taxes	\$ 983,122	\$ 39,763	\$ 46	\$ -	\$ -	\$ 204,070	\$ 275,914	\$ 39,955
Tuition and fees	4,045	-	-	-	-	-	45,328	-
Interest	1,740	404	6	10,197	1,393	1,129	1,652	421
Other district revenue	-	-	-	-	465,745	-	-	-
Gallatin County	248,391	-	-	3,042,431	-	-	100,189	-
State of Montana	272,214	-	-	-	1,506,555	62,639	113,705	-
Federal	-	-	-	-	2,521,118	-	-	-
Total revenues	<u>1,509,512</u>	<u>40,167</u>	<u>52</u>	<u>3,052,628</u>	<u>4,494,811</u>	<u>267,838</u>	<u>536,788</u>	<u>40,376</u>
Expenditures:								
Current -								
Instruction	-	-	-	2,122,932	1,969,429	343,686	-	-
Support services	82,197	-	-	381,740	2,031,316	11,359	-	-
General administration	86,711	-	-	205,435	152,144	15,509	43,832	-
Building administration	-	-	-	319,382	17,175	-	-	-
Operations and maintenance	-	-	-	182,013	23,021	-	-	-
Student transportation	1,273,236	-	-	3,816	6,570	-	554,519	-
Food services	-	-	-	-	-	-	-	-
Extracurricular activities	-	-	-	20,218	3,150	-	-	-
Capital outlay	-	-	-	-	443,747	3,500	-	-
Total expenditures	<u>1,442,144</u>	<u>-</u>	<u>-</u>	<u>3,235,536</u>	<u>4,646,552</u>	<u>374,054</u>	<u>598,351</u>	<u>-</u>
Net change in fund balances	67,368	40,167	52	(182,908)	(151,741)	(106,216)	(61,563)	40,376
Fund balances, beginning of year	<u>382,119</u>	<u>90,724</u>	<u>534</u>	<u>1,392,569</u>	<u>988,595</u>	<u>219,574</u>	<u>292,005</u>	<u>92,412</u>
Fund balances, end of year	<u>\$ 449,487</u>	<u>\$ 130,891</u>	<u>\$ 586</u>	<u>\$ 1,209,661</u>	<u>\$ 836,854</u>	<u>\$ 113,358</u>	<u>\$ 230,442</u>	<u>\$ 132,788</u>

(Continued)

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	High School Food	High School Tuition	High School Retirement	High School Grants	High School Adult Education	High School Drivers Education	High School Technology Acquisition	Totals
Revenues:								
District property taxes	\$ -	\$ 4,704	\$ -	\$ -	\$ 159,285	\$ -	\$ 203,739	\$ 1,910,598
Tuition and fees	1,164,569	-	-	-	19,188	92,691	-	1,325,821
Interest	2,568	-	7,906	2,162	1,148	795	2,436	33,957
Other district revenue	4,053	-	-	444,478	15,426	-	-	929,702
Gallatin County	-	-	1,635,243	-	-	-	-	5,026,254
State of Montana	-	-	-	231,407	-	31,948	60,701	2,279,169
Federal	643,256	-	-	240,097	-	-	-	3,404,471
Total revenues	<u>1,814,446</u>	<u>4,704</u>	<u>1,643,149</u>	<u>918,144</u>	<u>195,047</u>	<u>125,434</u>	<u>266,876</u>	<u>14,909,972</u>
Expenditures:								
Current -								
Instruction	-	4,363	995,720	416,908	45,685	86,002	174,765	6,159,490
Support services	-	-	163,770	334,450	15,235	-	3,451	3,023,518
General administration	-	-	124,957	1,000	-	-	14,100	643,688
Building administration	-	-	118,250	7,797	147,857	27,275	-	637,736
Operations and maintenance	-	-	104,630	5,169	-	-	-	314,833
Student transportation	-	-	3,816	-	-	-	-	1,841,957
Food services	1,684,314	-	99,728	-	-	-	-	1,784,042
Extracurricular activities	-	-	48,143	1,440	-	-	-	72,951
Capital outlay	41,995	-	-	51,555	-	-	3,500	544,297
Total expenditures	<u>1,726,309</u>	<u>4,363</u>	<u>1,659,014</u>	<u>818,319</u>	<u>208,777</u>	<u>113,277</u>	<u>195,816</u>	<u>15,022,512</u>
Net change in fund balances	88,137	341	(15,865)	99,825	(13,730)	12,157	71,060	(112,540)
Fund balances, beginning of year	<u>304,135</u>	<u>(499)</u>	<u>1,051,757</u>	<u>530,089</u>	<u>152,727</u>	<u>177,003</u>	<u>548,340</u>	<u>6,222,084</u>
Fund balances, end of year	<u>\$ 392,272</u>	<u>\$ (158)</u>	<u>\$ 1,035,892</u>	<u>\$ 629,914</u>	<u>\$ 138,997</u>	<u>\$ 189,160</u>	<u>\$ 619,400</u>	<u>\$ 6,109,544</u>

(Concluded)

BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
ELEMENTARY TRANSPORTATION AND ELEMENTARY BUS DEPRECIATION FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Elementary Transportation			Elementary Bus Depreciation		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:						
District property taxes	\$ 976,068	\$ 983,122	\$ 7,054	\$ 40,543	\$ 39,763	\$ (780)
Tuition and fees	3,000	4,045	1,045	-	-	-
Interest	1,500	1,740	240	500	404	(96)
Gallatin County	253,360	248,391	(4,969)	-	-	-
State of Montana	277,183	272,214	(4,969)	-	-	-
Total revenues	<u>1,511,111</u>	<u>1,509,512</u>	<u>(1,599)</u>	<u>41,043</u>	<u>40,167</u>	<u>(876)</u>
Expenditures:						
Current -						
Support services	73,260	82,197	(8,937)	-	-	-
General administration	86,218	86,711	(493)	-	-	-
Student transportation	1,418,214	1,273,236	144,978	-	-	-
Capital outlay	-	-	-	131,766	-	131,766
Total expenditures	<u>1,577,692</u>	<u>1,442,144</u>	<u>135,548</u>	<u>131,766</u>	<u>-</u>	<u>131,766</u>
Net change in fund balances	(66,581)	67,368	133,949	(90,723)	40,167	130,890
Fund balances, beginning of year	<u>382,119</u>	<u>382,119</u>	<u>-</u>	<u>90,724</u>	<u>90,724</u>	<u>-</u>
Fund balances, end of year	<u>\$ 315,538</u>	<u>\$ 449,487</u>	<u>\$ 133,949</u>	<u>\$ 1</u>	<u>\$ 130,891</u>	<u>\$ 130,890</u>

BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
ELEMENTARY TUITION AND ELEMENTARY RETIREMENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Elementary Tuition			Elementary Retirement		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:						
District property taxes	\$ -	\$ 46	\$ 46	\$ -	\$ -	\$ -
Interest	-	6	6	20,000	10,197	(9,803)
Gallatin County	-	-	-	3,042,431	3,042,431	-
Total revenues	<u>-</u>	<u>52</u>	<u>52</u>	<u>3,062,431</u>	<u>3,052,628</u>	<u>(9,803)</u>
Expenditures:						
Current -						
Instruction	533	-	533	2,244,430	2,122,932	121,498
Support services	-	-	-	355,622	381,740	(26,118)
General administration	-	-	-	181,394	205,435	(24,041)
Building administration	-	-	-	309,766	319,382	(9,616)
Operations and maintenance	-	-	-	183,523	182,013	1,510
Student transportation	-	-	-	5,699	3,816	1,883
Extracurricular activities	-	-	-	19,566	20,218	(652)
Total expenditures	<u>533</u>	<u>-</u>	<u>533</u>	<u>3,300,000</u>	<u>3,235,536</u>	<u>64,464</u>
Net change in fund balances	(533)	52	585	(237,569)	(182,908)	54,661
Fund balances, beginning of year	<u>534</u>	<u>534</u>	<u>-</u>	<u>1,392,569</u>	<u>1,392,569</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1</u>	<u>\$ 586</u>	<u>\$ 585</u>	<u>\$ 1,155,000</u>	<u>\$ 1,209,661</u>	<u>\$ 54,661</u>

BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
ELEMENTARY TECHNOLOGY ACQUISITION AND HIGH SCHOOL TRANSPORTATION FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Elementary Technology Acquisition			High School Transportation		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:						
District property taxes	\$ 200,000	\$ 204,070	\$ 4,070	\$ 261,166	\$ 275,914	\$ 14,748
Tuition and fees	-	-	-	1,500	45,328	43,828
Interest	-	1,129	1,129	800	1,652	852
Gallatin County	-	-	-	125,665	100,189	(25,476)
State of Montana	62,639	62,639	-	139,181	113,705	(25,476)
Total revenues	<u>262,639</u>	<u>267,838</u>	<u>5,199</u>	<u>528,312</u>	<u>536,788</u>	<u>8,476</u>
Expenditures:						
Current -						
Instruction	482,211	343,686	138,525	-	-	-
Support services	-	11,359	(11,359)	-	-	-
General administration	-	15,509	(15,509)	42,465	43,832	(1,367)
Student transportation	-	-	-	641,133	554,519	86,614
Capital outlay	-	3,500	(3,500)	-	-	-
Total expenditures	<u>482,211</u>	<u>374,054</u>	<u>108,157</u>	<u>683,598</u>	<u>598,351</u>	<u>85,247</u>
Net change in fund balances	(219,572)	(106,216)	113,356	(155,286)	(61,563)	93,723
Fund balances, beginning of year	<u>219,574</u>	<u>219,574</u>	<u>-</u>	<u>292,005</u>	<u>292,005</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2</u>	<u>\$ 113,358</u>	<u>\$ 113,356</u>	<u>\$ 136,719</u>	<u>\$ 230,442</u>	<u>\$ 93,723</u>

BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
HIGH SCHOOL BUS DEPRECIATION AND HIGH SCHOOL TUITION FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

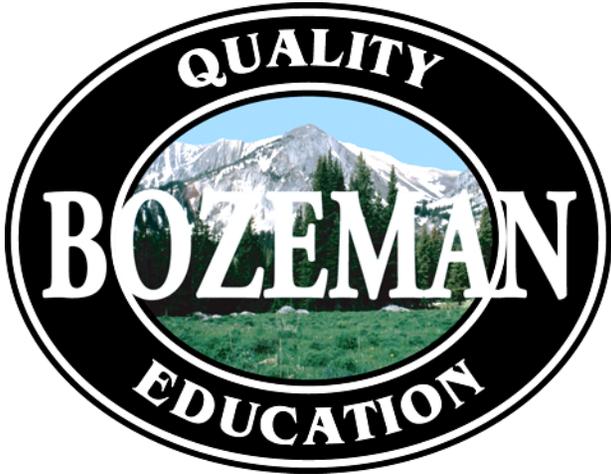
	High School Bus Depreciation			High School Tuition		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:						
District property taxes	\$ 40,543	\$ 39,955	\$ (588)	\$ 5,000	\$ 4,704	\$ (296)
Interest	500	421	(79)	-	-	-
Total revenues	<u>41,043</u>	<u>40,376</u>	<u>(667)</u>	<u>5,000</u>	<u>4,704</u>	<u>(296)</u>
Expenditures:						
Current -						
Instruction	-	-	-	5,000	4,363	637
Capital outlay	133,454	-	133,454	-	-	-
Total expenditures	<u>133,454</u>	<u>-</u>	<u>133,454</u>	<u>5,000</u>	<u>4,363</u>	<u>637</u>
Net change in fund balances	(92,411)	40,376	132,787	-	341	341
Fund balances, beginning of year	<u>92,412</u>	<u>92,412</u>	<u>-</u>	<u>(499)</u>	<u>(499)</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1</u>	<u>\$ 132,788</u>	<u>\$ 132,787</u>	<u>\$ (499)</u>	<u>\$ (158)</u>	<u>\$ 341</u>

BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
HIGH SCHOOL RETIREMENT AND HIGH SCHOOL ADULT EDUCATION FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	High School Retirement			High School Adult Education		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:						
District property taxes	\$ -	\$ -	\$ -	\$ 154,053	\$ 159,285	\$ 5,232
Tuition and fees	-	-	-	20,000	19,188	(812)
Interest	13,000	7,906	(5,094)	1,000	1,148	148
Other district revenue	-	-	-	-	15,426	15,426
Gallatin County	1,635,243	1,635,243	-	-	-	-
Total revenues	<u>1,648,243</u>	<u>1,643,149</u>	<u>(5,094)</u>	<u>175,053</u>	<u>195,047</u>	<u>19,994</u>
Expenditures:						
Current -						
Instruction	1,241,694	995,720	245,974	57,952	45,685	12,267
Support services	201,993	163,770	38,223	18,150	15,235	2,915
General administration	104,735	124,957	(20,222)	-	-	-
Building administration	164,637	118,250	46,387	166,698	147,857	18,841
Operations and maintenance	119,643	104,630	15,013	-	-	-
Student transportation	4,773	3,816	957	-	-	-
Food services	105,966	99,728	6,238	-	-	-
Extracurricular activities	56,559	48,143	8,416	-	-	-
Total expenditures	<u>2,000,000</u>	<u>1,659,014</u>	<u>340,986</u>	<u>242,800</u>	<u>208,777</u>	<u>34,023</u>
Net change in fund balances	(351,757)	(15,865)	335,892	(67,747)	(13,730)	54,017
Fund balances, beginning of year	<u>1,051,757</u>	<u>1,051,757</u>	<u>-</u>	<u>152,727</u>	<u>152,727</u>	<u>-</u>
Fund balances, end of year	<u>\$ 700,000</u>	<u>\$ 1,035,892</u>	<u>\$ 335,892</u>	<u>\$ 84,980</u>	<u>\$ 138,997</u>	<u>\$ 54,017</u>

BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
HIGH SCHOOL TECHNOLOGY ACQUISITION FUND
FOR THE YEAR ENDED JUNE 30, 2012

	High School Technology Acquisition		
	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:			
District property taxes	\$ 200,000	\$ 203,739	\$ 3,739
Interest	59	2,436	2,377
State of Montana	60,701	60,701	-
Total revenues	<u>260,760</u>	<u>266,876</u>	<u>6,116</u>
Expenditures:			
Current -			
Instruction	809,100	174,765	634,335
Support services	-	3,451	(3,451)
General administration	-	14,100	(14,100)
Capital outlay	-	3,500	(3,500)
Total expenditures	<u>809,100</u>	<u>195,816</u>	<u>613,284</u>
Net change in fund balances	(548,340)	71,060	619,400
Fund balances, beginning of year	<u>548,340</u>	<u>548,340</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 619,400</u>	<u>\$ 619,400</u>



Nonmajor Debt Service Funds

Budgeted:

Nonmajor -

Elementary School Debt Service Fund - 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 may also be used to pay special improvement district assessment charges against District-owned property.

High School Debt Service Fund - 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 may also be used to pay special improvement district assessment charges against District-owned property.

BOZEMAN SCHOOL DISTRICT NO. 7
BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2012

	<u>Elementary Debt Service</u>	<u>High School Debt Service</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 77,716	\$ 25,454	\$ 103,170
Property taxes receivable	<u>195,105</u>	<u>239,456</u>	<u>434,561</u>
Total assets	<u><u>\$ 272,821</u></u>	<u><u>\$ 264,910</u></u>	<u><u>\$ 537,731</u></u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Deferred revenue	<u>\$ 195,105</u>	<u>\$ 239,456</u>	<u>\$ 434,561</u>
Total liabilities	<u>195,105</u>	<u>239,456</u>	<u>434,561</u>
Fund balance:			
Restricted	<u>77,716</u>	<u>25,454</u>	<u>103,170</u>
Total fund balances	<u>77,716</u>	<u>25,454</u>	<u>103,170</u>
Total liabilities and fund balances	<u><u>\$ 272,821</u></u>	<u><u>\$ 264,910</u></u>	<u><u>\$ 537,731</u></u>

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Elementary Debt Service	High School Debt Service	Totals
Revenues:			
District property taxes	\$ 2,938,657	\$ 3,085,089	\$ 6,023,746
Interest	12,026	4,526	16,552
Total revenues	<u>2,950,683</u>	<u>3,089,615</u>	<u>6,040,298</u>
Expenditures:			
Debt service -			
Principal retirement	2,295,000	1,660,000	3,955,000
Interest and fiscal charges	1,344,494	1,347,209	2,691,703
Total expenditures	<u>3,639,494</u>	<u>3,007,209</u>	<u>6,646,703</u>
Net changes in fund balances	(688,811)	82,406	(606,405)
Fund balances, beginning of year	<u>766,527</u>	<u>(56,952)</u>	<u>709,575</u>
Fund balances, end of year	<u>\$ 77,716</u>	<u>\$ 25,454</u>	<u>\$ 103,170</u>

BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Elementary Debt Service			High School Debt Service		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:						
District property taxes	\$ 2,871,444	\$ 2,938,657	\$ 67,213	\$ 3,010,310	\$ 3,085,089	\$ 74,779
Interest	5,000	12,026	7,026	-	4,526	4,526
Total revenues	<u>2,876,444</u>	<u>2,950,683</u>	<u>74,239</u>	<u>3,010,310</u>	<u>3,089,615</u>	<u>79,305</u>
Expenditures:						
Debt service -						
Principal retirement	2,295,000	2,295,000	-	1,660,000	1,660,000	-
Interest and fiscal charges	1,347,971	1,344,494	3,477	1,350,310	1,347,209	3,101
Total expenditures	<u>3,642,971</u>	<u>3,639,494</u>	<u>3,477</u>	<u>3,010,310</u>	<u>3,007,209</u>	<u>3,101</u>
Net change in fund balances	(766,527)	(688,811)	77,716	-	82,406	82,406
Fund balances, beginning of year	<u>766,527</u>	<u>766,527</u>	<u>-</u>	<u>(56,952)</u>	<u>(56,952)</u>	<u>-</u>
Fund balances, end of year	<u>-</u>	<u>\$ 77,716</u>	<u>\$ 77,716</u>	<u>(56,952)</u>	<u>\$ 25,454</u>	<u>\$ 82,406</u>

Nonmajor and Major Capital Projects Funds

Budgeted:

Major -

Elementary School Building Reserve Fund - To account for financial resources segregated for the acquisition, construction or repair of major capital facilities. (**note:** Only Budget to Actual schedule presented in this section)

High School Building Reserve Fund - To account for financial resources segregated for the acquisition, construction or repair of major capital facilities. (**note:** Only Budget to Actual schedule presented in this section)

Nonbudgeted:

Nonmajor -

High School Building - To account for construction of new high schools and for the remodeling of existing facilities.

**BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2012**

	<u>High School Building</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ -
Property taxes receivable	-
Accounts receivable	-
	<hr/>
Total assets	\$ -
	<hr/> <hr/>
<u>LIABILITIES AND FUND BALANCES</u>	
Liabilities:	
Accounts payable	\$ -
Deferred revenue	-
	<hr/>
Total liabilities	-
	<hr/>
Fund balances:	
Restricted	-
Assigned	-
	<hr/>
Total fund balances	-
	<hr/>
Total liabilities and fund balances	\$ -
	<hr/> <hr/>

**BOZEMAN SCHOOL DISTRICT NO. 7
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012**

	High School Building
Revenues:	
Interest	\$ 3,982
Total revenues	3,982
 Expenditures:	
Current -	
Instruction	12,239
Operations and maintenance	507,477
Capital outlay	952,002
Total expenditures	1,471,718
Net change in fund balance	(1,467,736)
Fund balance, beginning of year	1,467,736
Fund balance, end of year	\$ -

BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MAJOR CAPITAL PROJECTS FUNDS
ELEMENTARY AND HIGH SCHOOL BUILDING RESERVE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	MAJOR Elementary Building Reserve			MAJOR High School Building Reserve		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:						
District property taxes	\$ 1,220,000	\$ 1,275,202	\$ 55,202	\$ 1,500,000	\$ 1,482,873	\$ (17,127)
Interest	5,000	15,084	10,084	-	11,381	11,381
Total revenues	<u>1,225,000</u>	<u>1,290,286</u>	<u>65,286</u>	<u>1,500,000</u>	<u>1,494,254</u>	<u>(5,746)</u>
Expenditures:						
Current -						
Instruction	1,000,000	203,915	796,085	-	-	-
Operations and maintenance	1,760,364	172,959	1,587,405	3,140,011	30,203	3,109,808
Capital outlay	650,000	1,033,726	(383,726)	-	49,314	(49,314)
Debt service -						
Principal retirement	292,060	292,059	1	-	-	-
Interest and fiscal charges	500	500	-	-	-	-
Total expenditures	<u>3,702,924</u>	<u>1,703,159</u>	<u>1,999,765</u>	<u>3,140,011</u>	<u>79,517</u>	<u>3,060,494</u>
Net change in fund balances	(2,477,924)	(412,873)	2,065,051	(1,640,011)	1,414,737	3,054,748
Fund balances, beginning of year	<u>2,477,924</u>	<u>2,477,924</u>	<u>-</u>	<u>1,640,011</u>	<u>1,640,011</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 2,065,051</u>	<u>\$ 2,065,051</u>	<u>\$ -</u>	<u>\$ 3,054,748</u>	<u>\$ 3,054,748</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.

Purchasing – This fund is used to account for supplies and equipment, printing, mail posting, and certain bussing provided by several departments to other departments of the District.

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

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING STATEMENT OF NET ASSETS - ALL INTERNAL SERVICE FUNDS
JUNE 30, 2012

	<u>Purchasing</u>	<u>Self-Insurance</u>	<u>Totals</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 21,487	\$ 1,907,626	\$ 1,929,113
Accounts receivable	1,368	-	1,368
Inventory, at cost	136,921	-	136,921
Total current assets	<u>159,776</u>	<u>1,907,626</u>	<u>2,067,402</u>
Noncurrent assets:			
Capital assets:			
Machinery and equipment	545,089	-	545,089
Less accumulated depreciation	<u>(243,661)</u>	<u>-</u>	<u>(243,661)</u>
Net capital assets	<u>301,428</u>	<u>-</u>	<u>301,428</u>
Total assets	<u>\$ 461,204</u>	<u>\$ 1,907,626</u>	<u>\$ 2,368,830</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 3,602	\$ 529,573	\$ 533,175
Unearned revenue	<u>-</u>	<u>842,145</u>	<u>842,145</u>
Total current liabilities	<u>3,602</u>	<u>1,371,718</u>	<u>1,375,320</u>
Noncurrent liabilities:			
Other postemployment health benefits	<u>-</u>	<u>229,790</u>	<u>229,790</u>
Total noncurrent liabilities	<u>-</u>	<u>229,790</u>	<u>229,790</u>
Total liabilities	<u>3,602</u>	<u>1,601,508</u>	<u>1,605,110</u>
<u>NET ASSETS</u>			
Invested in capital assets	301,428	-	301,428
Unrestricted	<u>156,174</u>	<u>306,118</u>	<u>462,292</u>
Total net assets	<u>\$ 457,602</u>	<u>\$ 306,118</u>	<u>\$ 763,720</u>

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Purchasing</u>	<u>Self-Insurance</u>	<u>Totals</u>
Operating revenues:			
Charges for services	\$ 762,590	\$ 5,920,099	\$ 6,682,689
Charges for Wellness services	-	93,008	93,008
Total operating revenues	<u>762,590</u>	<u>6,013,107</u>	<u>6,775,697</u>
Operating expenses:			
Administrative expenses	-	280,162	280,162
Communications	37,715	1,105	38,820
Contracted bus services	148,548	-	148,548
Depreciation	61,858	-	61,858
Excess risk insurance	-	480,577	480,577
Health, dental and vision claims	-	5,047,171	5,047,171
Materials and supplies	364,920	-	364,920
Other postemployment health benefits	-	68,041	68,041
Repairs and maintenance	15,579	-	15,579
Salaries and benefits	170,907	44,475	215,382
Wellness	-	306,404	306,404
Other	774	-	774
Total operating expenses	<u>800,301</u>	<u>6,227,935</u>	<u>7,028,236</u>
Operating income (loss)	<u>(37,711)</u>	<u>(214,828)</u>	<u>(252,539)</u>
Nonoperating revenues (expenses):			
Interest	376	8,266	8,642
Total nonoperating revenues (expenses)	<u>376</u>	<u>8,266</u>	<u>8,642</u>
Change in net assets	(37,335)	(206,562)	(243,897)
Total net assets, beginning of year	<u>494,937</u>	<u>512,680</u>	<u>1,007,617</u>
Total net assets, end of year	<u>\$ 457,602</u>	<u>\$ 306,118</u>	<u>\$ 763,720</u>

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING STATEMENT OF CASH FLOWS - ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Purchasing	Self-Insurance	Totals
Cash flows from operating activities:			
Receipts from users	\$ 762,255	\$ 5,959,608	\$ 6,721,863
Payments for insurance claims	-	(5,141,321)	(5,141,321)
Payments to employees	(170,907)	(44,475)	(215,382)
Payments to suppliers	(564,579)	(1,068,248)	(1,632,827)
Net cash provided (used) by operating activities	26,769	(294,436)	(267,667)
Cash flows from capital and related financing activities:			
Purchases of capital assets	(29,757)	-	(29,757)
Net cash provided (used) by capital and related financing activities	(29,757)	-	(29,757)
Cash flows from investing activities:			
Interest received	376	8,266	8,642
Net cash provided (used) by investing activities	376	8,266	8,642
Net increase (decrease) in cash and cash equivalents	(2,612)	(286,170)	(288,782)
Cash and cash equivalents - 7/01/11	24,099	2,193,796	2,217,895
Cash and cash equivalents - 6/30/12	\$ 21,487	\$ 1,907,626	\$ 1,929,113
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (37,711)	\$ (214,828)	\$ (252,539)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	61,858	-	61,858
(Increase) decrease in accounts receivable	(335)	-	(335)
(Increase) decrease in inventories	(637)	-	(637)
Increase (decrease) in accounts payable	3,594	(94,150)	(90,556)
Increase (decrease) in other postemployment benefits	-	68,041	68,041
Increase (decrease) in unearned insurance premiums	-	(53,499)	(53,499)
Total adjustments	64,480	(79,608)	(15,128)
Net cash provided (used) by operating activities	\$ 26,769	\$ (294,436)	\$ (267,667)

Fiduciary Funds

Private-Purpose Trust Funds:

Medicaid Billing Consortium – To account for direct billing of Medicaid services on behalf of five school districts and one special education cooperative.

Reward – To account for donations and interest revenues which are used to pay rewards for information received about crimes against students.

Elementary Student Extracurricular - To account for revenue and expenditures involved with elementary extracurricular activities.

Middle School Student Extracurricular – To account for revenue and expenditures involved with middle school extracurricular activities.

High School Student Extracurricular – To account for revenue and expenditures involved with high school extracurricular activities.

High School Endowment – To account for interest and fundraising revenues which are used to pay student scholarships.

Nonexpendable High School Endowment – To account for interest earned on invested cash. This is reinvested until a corpus level is attained where scholarships will be given from the interest on the corpus.

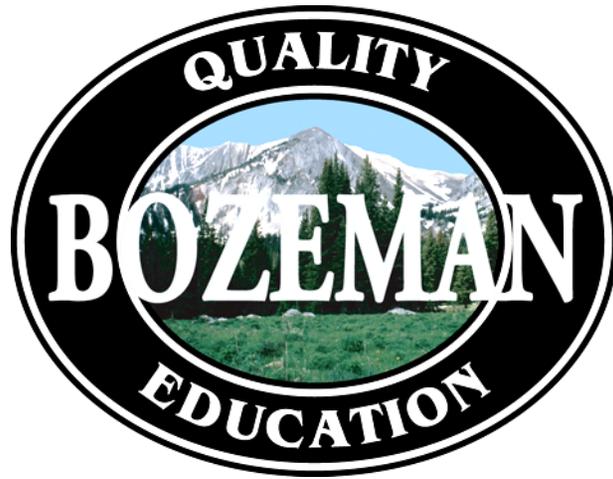
High School Interlocal Agreements - To account for revenue and expenditures involved with entities that have an interlocal agreement with the High School District. Currently, this fund accounts for the online educating of students enrolled in the Montana Digital Academy and a majority of the cooperative multi-district activity encompassed by the RESA4U (Regional Education Service Agency).

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING STATEMENT OF FIDUCIARY NET ASSETS -
ALL PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2012

	Medicaid Billing Consortium	Reward	Elementary Student Extracurricular	Middle School Student Extracurricular	High School Student Extracurricular	High School Endowment	Nonexpendable High School Endowment	High School Interlocal Agreements	Totals
<u>ASSETS</u>									
Cash and cash equivalents	\$ 96,019	\$ 8,555	\$ 112,118	\$ 56,722	\$ 85,826	\$ 49,823	\$ 52,276	\$ 322,111	\$ 783,450
Investments	-	-	-	-	-	-	475,269	-	475,269
Land improvements	-	-	-	-	83,852	-	-	-	83,852
Machinery and equipment	-	-	7,552	-	5,000	-	-	-	12,552
Less accumulated depreciation	-	-	(1,133)	-	(9,927)	-	-	-	(11,060)
Total assets	<u>96,019</u>	<u>8,555</u>	<u>118,537</u>	<u>56,722</u>	<u>164,751</u>	<u>49,823</u>	<u>527,545</u>	<u>322,111</u>	<u>1,344,063</u>
<u>LIABILITIES</u>									
Accounts payable	-	-	-	-	196	-	-	-	196
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>196</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>196</u>
<u>NET ASSETS</u>									
Held in trust	<u>\$ 96,019</u>	<u>\$ 8,555</u>	<u>\$ 118,537</u>	<u>\$ 56,722</u>	<u>\$ 164,555</u>	<u>\$ 49,823</u>	<u>\$ 527,545</u>	<u>\$ 322,111</u>	<u>\$ 1,343,867</u>

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS-
ALL PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Medicaid Billing Consortium	Reward	Elementary Student Extracurricular	Middle School Student Extracurricular	High School Student Extracurricular	High School Endowment	Nonexpendable High School Endowment	High School Interlocal Agreements	Totals
Additions:									
Auctions	\$ -	\$ -	\$ 37,509	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,509
Contributions	-	-	-	-	38,953	2,975	-	-	41,928
Extracurricular receipts and fees	-	-	124,041	190,220	945,466	-	-	-	1,259,727
Medicaid direct billing receipts	658,920	-	-	-	-	-	-	-	658,920
Membership services	-	-	-	-	-	-	-	321,458	321,458
State of Montana	-	-	-	-	-	-	-	10,788	10,788
Total noninvestment trust additions	658,920	-	161,550	190,220	984,419	2,975	-	332,246	2,330,330
Investment earnings:									
Interest	969	27	699	-	507	195	13,759	653	16,809
Total additions	659,889	27	162,249	190,220	984,926	3,170	13,759	332,899	2,347,139
Deductions:									
Administrative expenses	85,842	-	-	-	-	-	-	-	85,842
Depreciation	-	-	755	-	2,568	-	-	-	3,323
Salaries and benefits	-	-	-	-	-	-	-	10,788	10,788
Extracurricular activities	-	-	167,205	191,062	984,863	-	-	-	1,343,130
Materials and supplies	-	-	-	-	-	1,979	-	-	1,979
Payments to consortium members	573,981	-	-	-	-	-	-	-	573,981
Scholarships	-	-	-	-	-	4,250	-	-	4,250
Total deductions	659,823	-	167,960	191,062	987,431	6,229	-	10,788	2,023,293
Changes in net assets	66	27	(5,711)	(842)	(2,505)	(3,059)	13,759	322,111	323,846
Net assets, beginning of year	95,953	8,528	124,248	57,564	167,060	52,882	513,786	-	1,020,021
Net assets, end of year	\$ 96,019	\$ 8,555	\$ 118,537	\$ 56,722	\$ 164,555	\$ 49,823	\$ 527,545	\$ 322,111	\$ 1,343,867



CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

BOZEMAN SCHOOL DISTRICT NO. 7
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE¹
JUNE 30, 2012

	2012	2011
<u>Governmental funds capital assets:</u>		
Land and improvements	\$ 14,492,638	\$ 14,298,713
Buildings and improvements	103,241,138	103,366,418
Machinery and equipment	4,740,031	4,570,661
Construction in progress	4,793,833	17397,500
 Total governmental funds capital assets	 \$ 127,267,640	 \$ 123,975,292
<u>Investments in governmental funds assets by source:</u>		
General fund	\$ 14,537,994	\$ 14,748,001
Special revenue funds	6,774,666	6,230,370
Capital projects funds	105,468,365	102,522,686
Donations	486,615	474,235
 Total governmental funds capital assets	 \$ 127,267,640	 \$ 123,975,292

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service and fiduciary funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

BOZEMAN SCHOOL DISTRICT NO. 7
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY¹
AS OF JUNE 30, 2012

<u>Function and Activity</u>	<u>Land and Improvements</u>	<u>Buildings and Improvements</u>	<u>Machinery and Equipment</u>	<u>Construction In Progress</u>	<u>Total</u>
Instruction	\$ -	\$ -	\$ 1,891,696	\$ -	\$ 1,891,696
Support services	-	-	118,730	-	118,730
General administration	-	-	459,571	-	459,571
Operations and maintenance	-	-	1,273,406	-	1,273,406
Student transportation	-	-	12,745	-	12,745
Food service	-	-	839,782	-	839,782
Extracurricular activities	-	-	144,101	-	144,101
Facilities – capital outlay	<u>14,492,638</u>	<u>103,241,138</u>	<u>-</u>	<u>4,793,833</u>	<u>122,527,609</u>
Total governmental funds capital assets	<u>\$ 14,492,638</u>	<u>\$ 103,241,138</u>	<u>\$ 4,740,031</u>	<u>\$ 4,793,833</u>	<u>\$ 127,267,640</u>

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service and fiduciary funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

BOZEMAN SCHOOL DISTRICT NO. 7
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGE BY FUNCTION AND ACTIVITY¹
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Governmental Funds Capital Assets June 30, 2012</u>
Instruction	\$ 1,876,265	\$ 22,596	\$ (7,165)	\$ 1,891,696
Support services	118,730	-	-	118,730
General administration	396,095	63,476	-	459,571
Operations and maintenance	1,224,939	48,467	-	1,273,406
Student transportation	12,745	-	-	12,745
Food service	797,786	41,996	-	839,782
Extracurricular activities	144,101	-	-	144,101
Facilities – capital outlay	<u>119,404,631</u>	<u>3,530,085</u>	<u>(407,107)</u>	<u>122,527,609</u>
Total governmental funds capital assets	<u>\$ 123,975,292</u>	<u>\$ 3,706,620</u>	<u>\$ (414,272)</u>	<u>\$ 127,627,640</u>

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service and fiduciary funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

Supplemental Information Mandated by Montana Office of Public Instruction

Montana's Office of Public Instruction mandates that certain information be included in a school district's annual financial statements. These items include: detail of student extracurricular funds by activity and a schedule of enrollment.

BOZEMAN SCHOOL DISTRICT NO. 7
ELEMENTARY STUDENT EXTRACURRICULAR FUND
ACTIVITY DETAIL
YEAR ENDED JUNE 30, 2012

Activity	Net Assets at 7/01/11	Additions	Deductions	Net Assets at 6/30/12
Longfellow Fundraiser	\$ 872.55	1,390.00	(363.85)	\$ 2,626.40
Longfellow Library	3,184.84	1,100.00	986.37	3,298.47
Longfellow Arts	45,229.37	37,508.78	31,537.17	51,200.98
Irving School Theatre Arts	-	-	-	-
Irving School Store	0.10	-	-	0.10
Irving Photography Club	1,767.09	66.00	294.56	1,538.53
Irving Fly Fishing Club	-	-	-	-
Irving 5th Grade Fundraiser	(8.92)	-	-	(8.92)
Irving Library Fundraiser	855.93	2,944.47	3,372.15	428.25
Irving Climbing Club	138.10	-	-	138.10
Irving Scholarships	3,357.49	1,000.00	113.26	4,244.23
Whittier Field Trips	-	-	-	-
Morning Star School Store	256.53	-	-	256.53
Emily Library Fundraiser	1,950.35	4,373.40	4,644.94	1,678.81
Hyalite Library Fundraiser	116.06	3,899.91	541.51	3,474.46
Music	8,984.24	31,536.72	19,930.07	20,590.89
Enrichment	6,873.63	-	-	6,873.63
School Sponsored Extracurricular	1,083.59	491.51	-	1,575.10
Elementary Athletic Participation	4,043.67	14,231.25	13,113.34	5,161.58
CJMS and SMS Athletics	45,543.56	63,707.14	93,790.47	15,460.23
Total	\$ 124,248.18	162,249.18	167,959.99	\$ 118,537.37

BOZEMAN SCHOOL DISTRICT NO. 7
CHIEF JOSEPH MIDDLE SCHOOL STUDENT EXTRACURRICULAR FUND
ACTIVITY DETAIL
YEAR ENDED JUNE 30, 2012

Activity	Net Assets at 7/01/11	Additions	Deductions	Net Assets at 6/30/12
Computer Club	\$ 33.00	23,000.00	23,000.00	\$ 33.00
Pennies for Past	559.24	-	-	559.24
Lego Robotics	74.31	68.68	-	142.99
Art Club	600.26	138.08	51.84	686.50
Foreign Language Club	717.22	3,205.00	3,351.98	570.24
Foreign Language Scholarships	-	-	-	-
Yearbook	2,249.48	4,394.00	3,881.89	2,761.59
Drama Club	320.69	429.00	162.60	587.09
One Million Ways	720.32	4,340.71	4,667.57	393.46
Music	627.76	2,480.55	2,430.72	677.59
CJ Rocks	23.71	-	-	23.71
Breakfast Club	209.56	327.48	127.00	410.04
Horizons	301.00	503.00	195.26	608.74
MBI	362.70	-	-	362.70
Leo	1,669.88	1,680.32	2,322.83	1,027.37
Library	3,227.41	1,594.25	2,706.78	2,114.88
Peer Helpers	502.20	348.85	204.62	646.43
Student Aid	4,859.29	3,832.00	2,827.90	5,863.39
Student Council - 6th Grade	1,522.67	3,340.66	3,319.25	1,544.08
Student Council - 7th Grade	1,824.61	1,874.18	2,358.12	1,340.67
Student Council - 8th Grade	1,165.77	2,134.16	2,214.82	1,085.11
Student Projects	-	6,675.38	2,075.33	4,600.05
Team 6A	-	7,039.00	7,039.00	-
Team 6B	-	5,595.96	5,595.96	-
Team 7A	(0.05)	5,497.50	5,497.45	-
Team 7B	-	3,653.17	3,653.17	-
Team 8A	-	10,043.50	10,043.50	-
Team 8B	-	6,208.89	6,208.89	-
Science Club - Pierce	5,811.62	-	5,599.31	212.31
Science Club - Johanson	133.58	356.00	618.00	(128.42)
Science Club - Ham Radio	120.00	30.00	-	150.00
Science Club - Hannula	-	250.00	100.00	150.00
Science Club - VanDyk	201.00	-	-	201.00
Tech. Ed Club - Mathews	506.79	170.00	-	676.79
Bird/Science	564.36	5,314.42	4,083.28	1,795.50
Total	\$ 28,908.38	104,524.74	104,337.07	\$ 29,096.05

BOZEMAN SCHOOL DISTRICT NO. 7
SACAJAWEA MIDDLE SCHOOL STUDENT EXTRACURRICULAR FUND
ACTIVITY DETAIL
YEAR ENDED JUNE 30, 2012

Activity	Net Assets at 7/01/11	Additions	Deductions	Net Assets at 6/30/12
Music	\$ 3,620.34	2,769.50	2,254.46	\$ 4,135.38
Northwest Band	-	-	-	-
Drama Club	522.61	-	-	522.61
Newspaper	-	42.00	-	42.00
Computer Club	80.75	-	-	80.75
Knitting Club	192.26	-	-	192.26
Photo Lab Club	469.32	-	-	469.32
Foreign Language	500.00	535.50	1,016.00	19.50
Humanitarian Club	462.25	102.50	102.50	462.25
Peer Mediation	634.96	920.25	436.19	1,119.02
Art Club	1,035.12	-	-	1,035.12
Student Aid	2,984.99	7,802.21	365.00	10,422.20
Yearbook	11,084.50	7,818.00	17,630.50	1,272.00
Student Council	6,012.43	3,156.33	2,441.69	6,727.07
6A Team	-	5,652.22	5,652.22	-
6B Team	-	12,093.00	12,093.00	-
7A Team	-	11,259.89	11,259.89	-
7B Team	-	7,327.75	7,327.75	-
8A Team	-	11,250.07	11,250.07	-
8B Team	-	12,448.00	12,448.00	-
Outdoor Club	629.62	300.00	449.96	479.66
Science Olympiad Club	424.24	1,379.15	1,803.39	-
Science Club	-	803.13	159.40	643.73
Team Nutrition	-	-	-	-
Interest Account	1.93	35.83	35.06	2.70
Total	\$ 28,655.32	85,695.33	86,725.08	\$ 27,625.57

BOZEMAN SCHOOL DISTRICT NO. 7
HIGH SCHOOL STUDENT EXTRACURRICULAR FUND
ACTIVITY DETAIL
YEAR ENDED JUNE 30, 2012

Activity	Net Assets at 7/01/11	Additions	Deductions	Net Assets at 6/30/12
Athletics	\$ (13,100.48)	249,011.76	212,347.47	\$ 23,563.81
Backboard BB-Ball	1,163.67	46,649.43	41,121.55	6,691.55
Cheerleading	2,820.88	17,584.81	13,283.89	7,121.80
Concessions	2,470.45	5,739.41	8,209.86	-
Fastpitch	3,279.49	17,492.88	20,767.13	5.24
Football Club	3,211.97	42,652.66	41,321.07	4,543.56
Golf Club	833.61	7,768.75	4,059.05	4,543.31
Hawk Stat Crew	661.22	960.00	1,181.00	440.22
Hawk Power Plant	5,732.00	60.00	5,792.00	-
Lady Hawk B-Ball	14,833.22	28,177.19	33,910.66	9,099.75
Soccer - Boys	1,957.17	6,447.50	3,247.15	5,157.52
Soccer - Girls	-	6,172.00	4,286.00	1,886.00
Speech Club	57.63	17,658.01	17,691.94	23.70
Spikers VB	3,092.04	9,350.30	10,805.97	1,636.37
Swimming	-	2,675.75	2,237.11	438.64
Tennis	1,395.68	5,925.19	7,255.85	65.02
Track Club	7,245.64	10,239.00	16,711.09	773.55
Wendy's Activity Fund	133.82	240.00	373.82	-
Wrestling Club	1,113.76	14,959.10	15,932.54	140.32
X-Country Club	3,992.85	15,342.71	18,828.51	507.05
Business Professionals	300.00	78,292.44	69,157.34	9,435.10
Cad Club	743.55	503.00	516.27	730.28
Construction Club	1,015.71	-	-	1,015.71
Deca	242.51	464.08	506.59	200.00
Metals - Labor	946.07	-	306.00	640.07
Metals - Materials	563.74	-	563.74	-
Robotics Club	9,697.40	9,235.00	7,024.42	11,907.98
Shop Fund	-	202.67	202.67	-
Skills USA	2,499.13	5,541.13	4,647.22	3,393.04
Art Club	2,814.59	15,038.00	14,985.14	2,867.45
Drama Club	4,664.98	23,017.25	25,411.64	2,270.59
Ecuador/Montana	44.95	-	-	44.95
French Club	207.32	114.50	22.95	298.87
Total	\$ 64,634.57	637,514.52	602,707.64	\$ 99,441.45

(Continued)

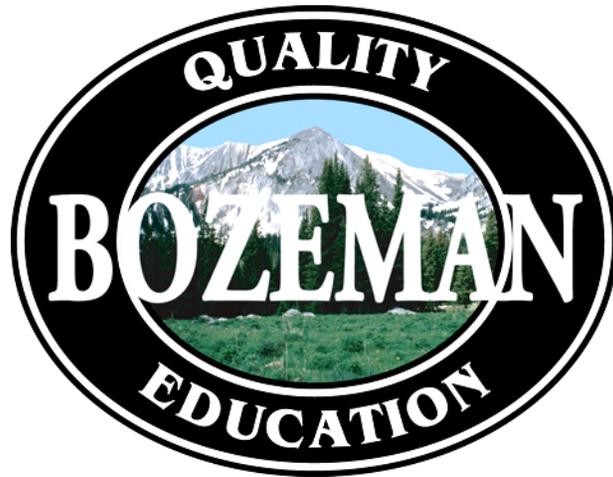
BOZEMAN SCHOOL DISTRICT NO. 7
HIGH SCHOOL STUDENT EXTRACURRICULAR FUND
ACTIVITY DETAIL
YEAR ENDED JUNE 30, 2012

Activity	Net Assets at 7/01/11	Additions	Deductions	Net Assets at 6/30/12
German Club	\$ 1,736.40	27,395.80	24,236.54	\$ 4,895.66
Latin Club	15.00	961.72	924.63	52.09
MUN Club	490.00	1,612.98	1,802.62	300.36
Destination Imagination	833.73	1,187.63	2,021.36	-
Project Excel	355.24	4,672.02	443.00	4,584.26
Science Olympiad	503.20	-	300.00	203.20
Ski P.E.	-	1,441.48	1,441.48	-
Spanish Club	361.99	333.58	357.69	337.88
Youth Leg. Club	-	5,322.00	5,097.47	224.53
Wildlife Biology Club	919.03	735.00	672.39	981.64
Cap & Gowns	328.27	-	-	328.27
Class of 2012	5,815.06	14,468.50	20,283.56	-
Girls & Boys State	-	829.95	479.95	350.00
Prom	1,000.00	9,117.55	4,789.16	5,328.39
Student Council	21,233.28	20,051.25	19,199.74	22,084.79
Bridger Alternative	91.11	101.97	-	193.08
MTI	1,396.43	-	-	1,396.43
Amnesty International	674.28	-	-	674.28
The B Club	-	500.00	-	500.00
Key Club	2,134.20	212.27	595.67	1,750.80
Leo Club	128.35	3,996.05	4,060.42	63.98
National Honor Society	816.45	1,469.00	1,667.04	618.41
Recycle	180.00	772.00	506.41	445.59
Special Ed Concessions	3,600.97	3,588.07	4,601.46	2,587.58
Gay-Straight Alliance	336.95	-	-	336.95
Interact Club	3,599.70	2,589.45	2,563.01	3,626.14
Band	3,561.28	72,432.73	73,628.96	2,365.05
Choir	1,626.08	21,588.32	22,746.81	467.59
Orchestra	5,698.76	57,263.24	61,566.60	1,395.40
Aerie	8,655.19	71,940.00	76,137.43	4,457.76
Hawk Tawk	3,048.50	7,735.09	9,919.41	864.18
Hawk TV Club	2,858.32	2,540.65	3,888.33	1,510.64
Scribblings	57.95	729.75	787.70	-
General	1,338.28	7,084.58	6,233.86	2,189.00
SSS	29,031.47	4,739.50	33,770.97	-
Total	<u>\$ 167,060.04</u>	<u>984,926.65</u>	<u>987,431.31</u>	<u>\$ 164,555.38</u>

(Concluded)

**BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF ENROLLMENT
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Enrollment</u>	<u>As Reported</u>	<u>Audit Per District Records</u>	<u>Difference</u>
Fall Enrollment - October 3, 2011			
Elementary School District			
Pre K-6:			
(a.) Pre-Kindergarten	34	34	0
(b.) Kindergarten	501	501	0
(c.) Grades 1 - 6	2624	2624	0
(d.) Part-Time (number of part-time students included on line b and c above)	11	11	0
7-8:			
(e.) Grade 7-8	807	807	0
(f.) Part-Time (number of part-time students included on line e above)	5	5	0
(g.) Total (add lines a, b, c and e)	<u>3966</u>	<u>3966</u>	<u>0</u>
High School District			
9-12:			
(h.) Grades 9-12	<u>1844</u>	<u>1844</u>	<u>0</u>
(i.) Part-Time (number of part-time students included on line h above)	29	29	0
(j.) 19 year-olds included on line h	<u>1</u>	<u>1</u>	<u>0</u>
Spring Enrollment - February 1, 2012			
Elementary School District			
Pre K-6:			
(k.) Pre-Kindergarten	38	38	0
(l.) Kindergarten	505	505	0
(m.) Grades 1 - 6	2639	2639	0
(n.) Part-Time (number of part-time students included on line l and m above)	6	6	0
7-8:			
(o.) Grade 7-8	809	809	0
(p.) Part-Time (number of part-time students included on line o above)	4	4	0
(q.) Total (add lines k, l, m and o)	<u>3991</u>	<u>3991</u>	<u>0</u>
High School District			
9-12:			
(r.) Grades 9-12	<u>1800</u>	<u>1800</u>	<u>0</u>
(s.) Part-Time (number of part-time students included on line r above)	29	29	0
(t.) 19 year-olds included on line r	<u>1</u>	<u>1</u>	<u>0</u>
(u.) Early Graduates	<u>24</u>	<u>24</u>	<u>0</u>



STATISTICAL SECTION

(Unaudited)

This section of the Bozeman School District's comprehensive annual financial report presents statistical information as an added tool to better understand what the information in the financial statements, note disclosures, and required supplementary information is saying about the District's overall financial health.

Contents	Page
Financial Trends	124
These schedules contain trend information to help the reader understand how the District's financial performance and position have changed over time.	
Revenue Capacity	129
These schedules contain information to help the reader assess the District's most significant local revenue source – the property tax.	
Debt Capacity	136
These debt capacity schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
Demographic and Economic Information	140
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activity takes place.	
Operating Information	142
These schedules contain service and infrastructure data to better help the reader interpret how the information in the District's financial report correspond to the services the District provides and the activities it performs.	

Table 1

BOZEMAN SCHOOL DISTRICT NO. 7
Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
Invested in capital assets, net of related debt	\$ 17,896,966	\$ 17,769,993	\$ 19,845,904	\$ 22,676,015	\$ 25,142,399	\$ 29,295,503	\$ 32,116,906	\$ 33,258,003	\$ 35,512,140	\$ 38,752,077
Restricted	3,698,751	4,480,655	4,266,241	3,418,622	3,987,403	4,279,556	6,904,765	9,741,156	8,779,717	9,586,558
Unrestricted	<u>2,990,458</u>	<u>2,949,316</u>	<u>2,411,025</u>	<u>1,716,125</u>	<u>2,741,647</u>	<u>3,392,696</u>	<u>3,254,771</u>	<u>3,126,362</u>	<u>4,715,667</u>	<u>3,022,777</u>
Total governmental activities net assets	<u>\$ 24,586,175</u>	<u>\$ 25,199,964</u>	<u>\$ 26,523,170</u>	<u>\$ 27,810,762</u>	<u>\$ 31,871,449</u>	<u>\$ 36,967,755</u>	<u>\$ 42,276,442</u>	<u>\$ 46,125,521</u>	<u>\$ 49,007,524</u>	<u>\$ 51,361,412</u>

Table 2

BOZEMAN SCHOOL DISTRICT NO. 7
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

Expenses	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
Instruction	\$ 18,888,292	\$ 20,437,715	\$ 21,931,633	\$ 23,407,889	\$ 25,568,496	\$ 27,118,400	\$ 28,152,194	\$ 30,604,653	\$ 30,254,885	\$ 31,164,999
Support services	3,630,049	3,951,836	4,418,767	4,642,961	4,975,685	5,457,545	5,592,822	6,705,443	6,506,964	6,903,108
General administration	1,752,069	1,793,788	1,788,838	1,873,647	2,116,552	2,331,788	2,334,476	2,408,966	2,427,344	2,728,377
Building administration	2,470,692	2,485,343	2,718,624	2,876,614	3,163,125	3,267,924	3,508,649	3,379,725	3,506,951	3,568,685
Operations and maintenance	3,309,869	3,386,525	3,609,292	3,766,666	3,663,019	4,038,663	4,624,960	4,785,116	5,887,349	5,852,700
Student transportation	1,045,895	1,218,576	1,312,826	1,400,420	1,433,032	1,531,760	1,663,428	1,578,194	1,751,558	1,844,503
Food services	1,133,804	1,379,981	1,580,563	1,743,790	1,835,040	1,843,131	1,705,634	1,627,069	1,686,356	1,808,610
Extracurricular activities	777,879	844,071	788,795	836,613	885,231	941,072	915,870	911,863	928,880	897,486
Unallocated depreciation	777,729	826,070	863,206	912,711	960,431	985,952	1,217,973	1,670,495	2,277,029	2,734,240
Interest and fiscal charges	604,690	481,425	347,186	682,825	1,574,466	2,428,542	3,510,039	3,005,401	2,849,464	2,705,910
Total governmental activities expenses	<u>\$ 34,390,968</u>	<u>\$ 36,805,330</u>	<u>\$ 39,359,730</u>	<u>\$ 42,144,136</u>	<u>\$ 46,175,077</u>	<u>\$ 49,944,777</u>	<u>\$ 53,226,045</u>	<u>\$ 56,676,925</u>	<u>\$ 58,076,780</u>	<u>\$ 60,208,618</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction	\$ 516,022	\$ 428,886	\$ 474,171	\$ 505,592	\$ 586,576	\$ 618,855	\$ 620,755	\$ 753,021	\$ 749,691	\$ 707,919
Food services	805,124	915,084	1,089,157	1,230,667	1,379,861	1,250,448	1,176,105	1,114,078	1,090,682	1,172,420
Other functional activities	461,811	433,179	472,220	510,592	516,807	531,477	543,383	704,901	782,544	949,140
Operating grants and contributions	4,651,015	5,214,598	6,382,579	6,192,636	6,580,610	7,365,898	8,463,278	9,639,736	10,701,409	9,053,281
Capital grants and contributions	39,920	-	200,907	54,400	810,146	1,112,116	307,076	1,001,944	537,755	934,990
Total governmental activities program revenues	<u>\$ 6,473,892</u>	<u>\$ 6,991,747</u>	<u>\$ 8,619,034</u>	<u>\$ 8,493,887</u>	<u>\$ 9,874,000</u>	<u>\$ 10,878,794</u>	<u>\$ 11,110,597</u>	<u>\$ 13,213,680</u>	<u>\$ 13,862,081</u>	<u>\$ 12,817,750</u>
Total governmental activities net expense	<u>\$(27,917,076)</u>	<u>\$(29,813,583)</u>	<u>\$(30,740,696)</u>	<u>\$(33,650,249)</u>	<u>\$(36,301,077)</u>	<u>\$(39,065,983)</u>	<u>\$(42,115,448)</u>	<u>\$(43,463,245)</u>	<u>\$(44,214,699)</u>	<u>\$(47,390,868)</u>
General Revenues										
Governmental activities:										
District property taxes	\$ 13,027,975	\$ 14,155,373	\$ 15,180,803	\$ 16,788,764	\$ 19,928,795	\$ 21,716,571	\$ 24,919,224	\$ 25,517,907	\$ 26,005,786	\$ 25,901,455
Investment earnings	134,527	132,702	260,950	755,196	1,839,432	2,023,195	1,437,886	404,319	212,450	196,015
Unrestricted county distribution - retirement	3,165,298	3,246,825	3,749,000	3,768,848	3,872,500	4,115,000	4,685,689	4,319,087	4,628,599	4,677,674
Unrestricted state equalization	10,126,609	10,234,849	10,452,630	11,283,156	11,695,502	12,329,569	13,069,595	12,631,646	11,651,621	14,168,581
Unrestricted state guaranteed tax base subsidy	1,183,932	924,866	630,845	612,409	443,964	965,909	1,334,192	1,489,387	1,619,235	1,730,896
Unrestricted state motor vehicle fee reimbursement	1,886,909	1,544,407	1,556,143	1,567,969	1,579,896	1,591,893	1,603,991	1,616,183	1,628,465	1,628,465
Unrestricted state quality educator	-	-	-	-	778,808	1,216,152	1,231,076	1,247,959	1,264,058	1,257,904
Unrestricted other state revenue	252,068	188,350	169,026	147,070	222,322	202,718	184,689	85,836	86,488	183,766
Gain(loss) on sale of capital assets	-	-	64,505	14,429	545	1,282	(1,042,207)	-	-	-
Total governmental activities general revenues	<u>\$ 29,777,318</u>	<u>\$ 30,427,372</u>	<u>\$ 32,063,902</u>	<u>\$ 34,937,841</u>	<u>\$ 40,361,764</u>	<u>\$ 44,162,289</u>	<u>\$ 47,424,135</u>	<u>\$ 47,312,324</u>	<u>\$ 47,096,702</u>	<u>\$ 49,744,756</u>
Change in Net Assets										
Governmental activities	<u>\$ 1,860,242</u>	<u>\$ 613,789</u>	<u>\$ 1,323,206</u>	<u>\$ 1,287,592</u>	<u>\$ 4,060,687</u>	<u>\$ 5,096,306</u>	<u>\$ 5,308,687</u>	<u>\$ 3,849,079</u>	<u>\$ 2,882,003</u>	<u>\$ 2,353,888</u>

Table 3

BOZEMAN SCHOOL DISTRICT NO. 7
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General fund										
Reserved	\$ 239,001	\$ 130,615	\$ 128,085	\$ 348,877	\$ 156,283	\$ 68,169	\$ 101,278	\$ 339,845		
Unreserved	1,728,770	2,103,208	2,268,037	2,129,161	2,210,022	1,617,590	2,269,075	1,621,285		
Nonspendable									\$ 4,388	\$ 4,623
Restricted									-	-
Committed									-	-
Assigned									429,580	365,306
Unassigned									2,341,289	2,504,519
Total general fund	<u>\$ 1,967,771</u>	<u>\$ 2,233,823</u>	<u>\$ 2,396,122</u>	<u>\$ 2,478,038</u>	<u>\$ 2,366,305</u>	<u>\$ 1,685,759</u>	<u>\$ 2,370,353</u>	<u>\$ 1,961,130</u>	<u>\$ 2,775,257</u>	<u>\$ 2,874,448</u>
All other governmental funds										
Reserved	\$ 91,796	\$ 165,748	\$ 102,504	\$ 62,589	\$ (96,886)	\$ (236,463)	\$ (80,945)	\$ 1,007,568		
Unreserved, reported in:										
Special revenue funds	3,205,073	3,331,539	3,675,171	3,950,436	5,285,646	6,409,696	6,549,846	6,884,962		
Capital projects funds	1,311,305	2,083,890	1,723,245	26,399,086	42,644,504	50,993,882	22,218,476	8,820,311		
Nonspendable									\$ 28,589	\$ 37,592
Restricted									12,546,192	9,831,486
Committed									-	1,463,593
Assigned									241,168	-
Unassigned									(57,451)	(130,307)
Total all other governmental funds	<u>\$ 4,608,174</u>	<u>\$ 5,581,177</u>	<u>\$ 5,500,920</u>	<u>\$ 30,412,111</u>	<u>\$ 47,833,264</u>	<u>\$ 57,167,115</u>	<u>\$ 28,687,377</u>	<u>\$ 16,712,841</u>	<u>\$ 12,758,498</u>	<u>\$ 11,202,364</u>

Note: The Bozeman School District implemented the new standards for reporting fund balance GASB Statement 54 in fiscal year 2011.

Table 4

BOZEMAN SCHOOL DISTRICT NO. 7
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
District property taxes	\$ 12,683,554	\$ 14,323,095	\$ 15,414,842	\$ 16,713,548	\$ 19,391,531	\$ 20,428,699	\$ 25,038,979	\$ 24,883,053	\$ 26,545,666	\$ 26,751,318
Tuition and fees	992,390	1,116,119	1,255,980	1,420,239	1,568,319	1,433,802	1,312,340	1,309,338	1,269,001	1,407,899
Interest	110,296	109,973	221,062	699,210	1,795,207	1,958,196	1,388,484	340,176	146,501	115,677
Other district revenue	301,959	305,221	581,288	377,377	482,394	820,270	1,337,136	1,013,307	966,899	1,619,654
Gallatin County	3,471,862	3,588,446	4,084,517	4,127,197	4,213,172	4,442,764	5,033,862	4,643,079	4,962,871	5,026,254
State of Montana	15,028,713	14,709,131	14,961,033	16,012,832	18,419,447	19,835,311	20,515,634	20,989,422	19,909,687	23,001,183
Federal	2,646,346	2,937,235	3,709,766	3,280,384	3,116,050	3,429,823	3,575,590	5,104,214	5,984,544	3,421,088
Total revenues	<u>35,235,120</u>	<u>37,089,220</u>	<u>40,228,488</u>	<u>42,630,787</u>	<u>48,986,120</u>	<u>52,348,865</u>	<u>58,202,025</u>	<u>58,282,589</u>	<u>59,785,169</u>	<u>61,343,073</u>
Expenditures										
Instruction	18,331,641	19,932,684	20,960,778	22,585,585	24,569,060	25,840,900	27,198,581	29,183,083	29,186,027	29,973,733
Support services	3,613,293	3,916,194	4,375,683	4,574,701	4,909,200	5,331,933	5,535,648	6,574,898	6,414,239	6,818,826
General administration	1,694,716	1,731,414	1,683,859	1,759,136	1,996,421	2,200,858	2,228,618	2,266,440	2,315,573	2,625,336
Building administration	2,367,575	2,377,911	2,555,223	2,755,991	3,014,613	3,078,574	3,335,098	3,163,077	3,260,330	3,337,108
Operations and maintenance	3,225,126	3,300,903	3,502,159	3,656,580	3,567,525	3,929,421	4,570,270	4,700,440	5,240,989	5,420,379
Student transportation	1,046,280	1,218,967	1,312,970	1,399,786	1,432,484	1,531,216	1,661,872	1,575,172	1,748,225	1,841,957
Food services	1,084,861	1,334,261	1,525,827	1,679,095	1,769,280	1,777,468	1,672,348	1,603,425	1,671,841	1,785,246
Extracurricular activities	766,478	832,620	776,863	817,127	871,909	925,698	908,091	901,574	917,404	889,182
Capital outlay	726,644	981,146	1,822,412	5,122,160	7,623,511	20,737,577	31,158,167	13,768,914	5,342,833	3,668,987
Debt service										
Principal	750,000	1,415,000	1,586,506	1,606,506	2,216,506	3,577,059	3,634,728	3,982,059	4,092,059	4,247,059
Interest and fiscal charges	444,149	315,765	296,801	249,532	1,748,732	2,212,528	4,094,281	2,954,436	2,835,865	2,692,203
Bond issuance costs	179,330	79,300	-	79,578	142,254	79,175	-	56,742	-	-
Bond defeasance costs	520,491	-	-	-	-	-	-	-	-	-
Total expenditures	<u>34,750,584</u>	<u>37,436,165</u>	<u>40,399,081</u>	<u>46,285,777</u>	<u>53,861,495</u>	<u>71,222,407</u>	<u>85,997,702</u>	<u>70,730,260</u>	<u>63,025,385</u>	<u>63,300,016</u>
Excess of revenues over (under) expenditures	<u>484,536</u>	<u>(346,945)</u>	<u>(170,593)</u>	<u>(3,654,990)</u>	<u>(4,875,375)</u>	<u>(18,873,542)</u>	<u>(27,795,677)</u>	<u>(12,447,671)</u>	<u>(3,240,216)</u>	<u>(1,956,943)</u>
Other financing sources (uses)										
Sale of capital assets	-	-	252,635	19,376	545	1,282	533	-	-	-
Transfers in	102,796	121,176	33,673	32,698	23,344	145,429	3,366,639	1,281,921	631,395	-
Transfers out	(102,796)	(121,176)	(33,673)	(32,698)	(23,344)	(145,429)	(3,366,639)	(1,281,921)	(631,395)	-
Hail damage insurance proceeds	-	-	-	-	-	-	-	-	100,000	500,000
General obligation bonds issued	-	-	-	28,600,000	20,725,000	27,500,000	-	-	-	-
Limited obligation bonds issued	-	1,586,000	-	-	1,459,250	-	-	-	-	-
Refunding bonds issued	12,890,000	-	-	-	-	-	-	3,275,000	-	-
Premium on bonds issued	-	-	-	28,721	-	25,565	-	110,840	-	-
Payments to refunded bond escrow agent	(12,689,148)	-	-	-	-	-	-	(3,321,928)	-	-
Total other financing sources (uses)	<u>200,852</u>	<u>1,586,000</u>	<u>252,635</u>	<u>28,648,097</u>	<u>22,184,795</u>	<u>27,526,847</u>	<u>533</u>	<u>63,912</u>	<u>100,000</u>	<u>500,000</u>
Net change in fund balances	<u>\$ 685,388</u>	<u>\$ 1,239,055</u>	<u>\$ 82,042</u>	<u>\$ 24,993,107</u>	<u>\$ 17,309,420</u>	<u>\$ 8,653,305</u>	<u>\$ (27,795,144)</u>	<u>\$ (12,383,759)</u>	<u>\$ (3,140,216)</u>	<u>\$ (1,456,943)</u>
Debt service as a percentage of noncapital expenditures	3.5%	4.7%	4.9%	4.5%	8.6%	11.5%	14.1%	12.3%	12.0%	11.6%

Table 5

**BOZEMAN SCHOOL DISTRICT NO. 7
General Fund Expenditures by Function
Last Ten Fiscal Years
(budget basis of accounting)**

Year	Instruction	Support Services	General Administration	Building Administration	Operations & Maintenance	Student Transportation	Extracurricular Activities	Capital Outlay	Total
2003	\$ 14,488,029	\$ 2,497,303	\$ 1,277,378	\$ 1,874,145	\$ 2,791,133	\$ 14,230	\$ 716,668	\$ 436,275	\$ 24,095,161
2004	15,408,192	2,691,148	1,075,528	1,951,030	2,696,795	2,627	729,352	7,064	24,561,736
2005	16,204,121	2,833,398	1,117,522	2,036,854	2,805,342	6,327	723,202	1,608	25,728,374
2006	17,592,880	2,902,930	1,168,491	2,201,235	2,832,853	3,092	760,510	493,246	27,955,237
2007	18,995,915	3,220,986	1,596,212	2,413,652	2,981,420	9,616	805,206	6,933	30,029,940
2008	19,834,850	3,448,882	1,712,186	2,471,987	3,172,844	7,598	839,706	182,514	31,670,567
2009	21,033,525	3,417,621	1,720,166	2,552,984	3,429,669	1,780	844,247	-	32,999,992
2010	22,171,589	3,922,743	1,707,113	2,573,178	3,469,799	5,763	835,084	-	34,685,269
2011	22,303,333	3,949,570	1,794,818	2,609,518	3,965,340	-	844,781	25,412	35,492,772
2012	\$ 23,483,777	\$ 3,768,264	\$ 1,909,353	\$ 2,647,095	\$ 3,784,961	\$ -	\$ 816,199	\$ 157,004	\$ 36,566,653

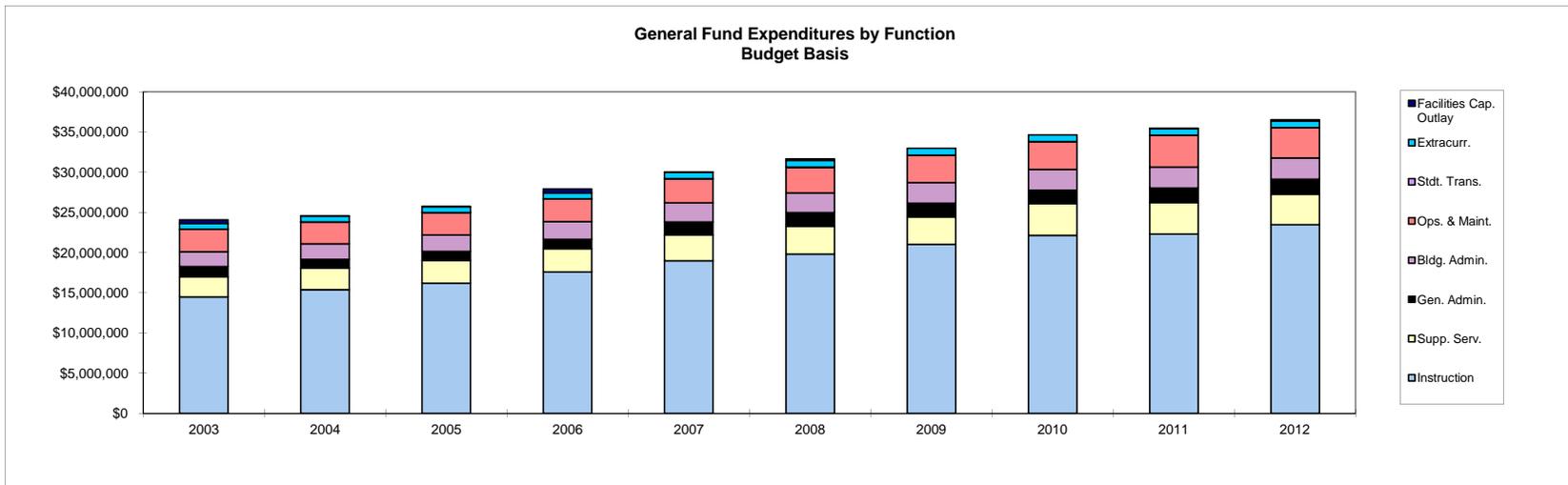


Table 6

BOZEMAN SCHOOL DISTRICT NO. 7
Property Tax Assessments and Collections
Last Ten Fiscal Years
 (modified accrual basis of accounting)

Fiscal Year	Assessed Valuation ¹	Estimated Actual Value	Percent of Assessed Value to Est. Actual Value	Mill Levy	Direct Rate to be Applied against Assessed Value (Mill Levy / 1,000)	Taxes Levied ⁴	Tax Levy Collections in Levy Year	Tax Levy Collections after Levy Year	Percent of Total Tax Collections To Taxes Levied
Elementary District:									
2003	\$ 71,248,110	\$ 2,004,352,468	3.6%	115.64	0.11564	\$ 8,239,131	\$ 8,023,190	\$ -	97.38%
2004	76,622,721	2,193,338,586	3.5%	111.70	0.11170	8,558,758	8,558,758	-	100.00%
2005	81,999,997	2,409,812,203	3.4%	112.16	0.11216	9,197,120	9,197,120	-	100.00%
2006	89,208,819	2,649,536,773	3.4%	111.60	0.11160	9,955,704	9,922,609	-	99.67%
2007	97,593,808	2,922,699,201	3.3%	120.32	0.12032	11,742,487	11,383,815 ²	326,686	99.73%
2008	104,361,792	3,223,076,430	3.2%	118.51	0.11851	12,553,495	11,695,683	857,812	100.00%
2009	111,162,065	3,542,469,947	3.1%	141.13	0.14113	15,794,516	14,558,640	1,235,876	100.00% ³
2010	117,329,369	3,888,212,136	3.0%	130.49	0.13049	15,432,743	14,194,814	1,237,929	100.00% ³
2011	121,072,738	4,135,670,271	2.9%	121.55	0.12155	14,619,619	13,975,603	616,717	99.81%
2012	\$ 122,688,282	\$ 4,375,445,618	2.8%	123.38	0.12338	\$ 15,000,166	\$ 14,498,624	\$ -	96.66%
High School District:									
2003	\$ 93,657,419	\$ 2,651,823,923	3.5%	51.43	0.05143	\$ 4,816,801	\$ 4,660,364	\$ -	96.75%
2004	101,740,692	2,927,915,465	3.5%	53.35	0.05335	5,427,866	5,427,866	-	100.00%
2005	109,245,300	3,224,918,891	3.4%	55.16	0.05516	6,025,971	6,025,971	-	100.00%
2006	119,033,013	3,554,146,064	3.3%	57.46	0.05746	6,839,637	6,790,939	-	99.29%
2007	130,732,377	3,946,654,848	3.3%	62.42	0.06242	8,160,315	7,879,151 ²	263,950	99.79%
2008	140,147,897	4,381,850,279	3.2%	65.34	0.06534	9,346,202	8,673,645	672,557	100.00%
2009	130,543,804	4,170,386,822	3.1%	71.40	0.07140	9,384,507	8,573,226	811,281	100.00% ³
2010	138,744,445	4,593,821,578	3.0%	69.05	0.06905	10,460,314	9,463,193	997,121	100.00% ³
2011	143,508,070	4,898,411,705	2.9%	75.34	0.07534	11,148,142	10,579,367	502,966	99.41%
2012	\$ 145,618,673	\$ 5,189,061,038	2.8%	73.48	0.07348	\$ 11,027,493	\$ 10,591,951	\$ -	96.05%

¹ Assessed valuation is per the Montana Department of Revenue and calculated as of January (i.e. assess value used for 2002-03 fiscal year is calculated as of January 2002)

² Beginning in fiscal year 2007, the District is now presenting taxes collected for a given levy year and collections specifically for that year in future years on the same line. In prior fiscal years, delinquent taxes were reported in the year collected.

³ Fiscal year 2009 and 2010 first year collections were substantially lower due to the bills for personal property taxes (a portion of total taxes levied) being sent out late.

⁴ Taxes actually levied will differ from the mathematical calculation of assessed value multiplied times the direct rate (presented above) due to personal property taxes(a component of total taxes) being calculated using an assessed value one year later than the real property taxes.

Table 7

BOZEMAN SCHOOL DISTRICT NO. 7
Property Tax Rates and Tax Levies
Direct and Overlapping Governments
Last Ten Fiscal Years

Tax Rates (per \$1,000 of taxable value)						
Fiscal Year	These columns denote the Direct Rate of the District		City of Bozeman	Gallatin County	State of Montana	Total
	Bozeman Elementary District	Bozeman High School District				
2003	115.64	51.43	154.21	189.94	46.00	557.22
2004	111.70	53.35	163.31	200.59	46.00	574.95
2005	112.16	55.16	171.99	194.15	46.00	579.46
2006	111.60	57.46	168.26	196.74	46.00	580.06
2007	120.32	62.42	163.42	197.36	46.00	589.52
2008	118.51	65.34	154.18	205.40	46.00	589.43
2009	141.13	71.40	171.16	210.14	46.00	639.83
2010	130.49	69.05	170.19	210.25	46.00	625.98
2011	121.55	75.34	168.75	217.21	46.00	628.85
2012	123.38	73.48	166.75	215.77	46.00	625.38

Tax Levies						
Fiscal Year	Bozeman Elementary District	Bozeman High School District	City of Bozeman	Gallatin County	State of Montana	Total
2003	\$ 8,239,131	\$ 4,816,801	\$ 7,166,685	\$ 25,447,891	\$ 6,163,014	\$ 51,833,522
2004	8,558,758	5,427,866	8,158,125	29,057,410	6,663,547	57,865,706
2005	9,197,120	6,025,971	9,226,199	30,160,991	7,146,050	61,756,331
2006	9,955,704	6,839,637	9,911,843	32,959,146	7,706,215	67,372,545
2007	11,742,487	8,160,315	10,475,697	35,948,481	8,378,750	74,705,730
2008	12,553,495	9,346,202	10,804,728	40,697,643	9,114,370	82,516,438
2009	15,794,516	9,384,507	12,891,848	44,279,401	9,692,835	92,043,107
2010	15,432,743	10,460,314	13,749,595	47,389,128	10,368,133	97,399,913
2011	14,619,619	11,148,142	14,130,990	50,835,661	10,765,805	101,500,217
2012	\$ 15,000,166	\$ 11,027,493	\$ 14,183,870	\$ 51,333,428	\$ 10,943,772	\$ 102,488,729

Source: Montana Tax Foundation
Montana Property Tax Mill Levies 2011-12

Table 8

BOZEMAN SCHOOL DISTRICT NO. 7
Principal Property Tax Payers in the Bozeman Elementary District
Current Year and Nine Years Ago

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total Elementary District Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Elementary District Taxable Assessed Value
Northwestern Corp Transmission and Distribution	\$ 7,426,373	1	6.05%	\$ 4,017,946	1	5.64%
Bresnan	1,332,506	2	1.09%	-		-
Qwest Corporation	1,264,150	3	1.03%	1,581,136	2	2.22%
Verizon Wireless	746,375	4	0.61%	-		-
Harry Daum (Gallatin Mall)	508,230	5	0.41%	633,689	3	0.89%
Stone Ridge Partners LLC	440,095	6	0.36%	-		-
Bridger Bowl Inc.	361,075	7	0.29%	-		-
First Security Bank of Bozeman	342,184	8	-	218,822	8	0.31%
Bridger Peaks LLC	339,009	9	0.28%	303,380	4	0.43%
Highgate Bozeman LLC	321,938	10	0.26%	-		-
Bozeman Deaconess Foundation	-		-	280,424	5	0.39%
Costco Wholesale Corporation	-		-	270,589	6	0.38%
Dayton Hudson Corporation (Target)	-		-	224,177	7	0.31%
Bozeman Investors of Deluth, LP	-		-	214,026	9	0.30%
Arcadia Gardens Apartments, LLC	-		-	205,239	10	0.29%
Total	\$ 13,081,935		10.38%	\$ 7,949,428		11.16%

Source: Gallatin County Treasurer

Table 9

BOZEMAN SCHOOL DISTRICT NO. 7
Principal Property Tax Payers in the Bozeman High School District
Current Year and Nine Years Ago

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total High School District Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total High School District Taxable Assessed Value
Northwestern Corp Transmission and Distribution	\$ 8,631,639	1	5.93%	\$ 5,426,080	1	5.79%
Bresnan	1,332,506	2	0.92%	-		-
Qwest Corporation	1,321,448	3	0.91%	1,760,802	2	1.88%
Verizon Wireless	787,070	4	0.54%	-		-
Black Bull Run Development LLC	770,958	5	0.53%			
Zoot Properties LLC	581,340	6	0.40%	-		-
Harry Daum (Gallatin Mall)	508,230	7	0.35%	633,689	3	0.68%
Stone Ridge Partners LLC	440,095	8	0.30%	-		-
Bridger Bowl Inc.	361,075	9	0.25%	-		-
First Security Bank of Bozeman	342,184	10	0.23%	218,950	9	0.23%
Bridger Peaks LLC	-		-	303,380	4	0.32%
Montana Rail Link	-		-	294,078	5	0.31%
Bozeman Deaconess Foundation	-		-	280,424	6	0.30%
Costco Wholesale Corporation	-		-	270,589	7	0.29%
Dayton Hudson Corporation (Target)	-		-	224,177	8	0.24%
Bozeman Investors of Deluth, LP	-		-	214,026	10	0.23%
Total	\$ 15,076,545		10.36%	\$ 9,626,195		10.27%

Source: Gallatin County Treasurer

Table 10

BOZEMAN SCHOOL DISTRICT NO. 7
Revenue by Source - All Governmental Fund Types
For the Fiscal Year Ended June 30, 2012
(modified accrual basis of accounting)

Source	Actual Revenue	Percent of Total Revenue
Revenue from local and intermediate source:		
District taxes	\$26,751,318	43.61%
Tuition and fees	1,407,899	2.30%
Interest	115,677	0.19%
Other district revenue	1,619,654	2.64%
County retirement	4,677,674	7.63%
County transportation	348,580	0.57%
Total revenue from local and intermediate sources	34,920,802	56.93%
Revenue from State sources:		
State equalization	14,168,581	23.10%
State special education allowable costs	1,727,113	2.82%
State guarantee tax base subsidy	1,730,896	2.82%
State transportation	348,580	0.57%
State motor vehicle fee reimbursement	1,628,465	2.65%
State quality educator	1,257,904	2.05%
State medicaid, medicaid admin, CSCT	1,147,392	1.87%
Other State revenue	992,252	1.62%
Total revenue from State sources	23,001,183	37.50%
Revenue from Federal sources:		
Other Federal Grants	722,988	1.18%
Federal Title I and Title I Schoolwide	1,019,479	1.66%
Federal IDEA Part B and Preschool	1,018,748	1.66%
Federal Ed Jobs ARRA	16,617	0.03%
Federal food service	643,256	1.05%
Total revenue from Federal sources	3,421,088	5.58%
Total revenue	\$61,343,073	100.00%

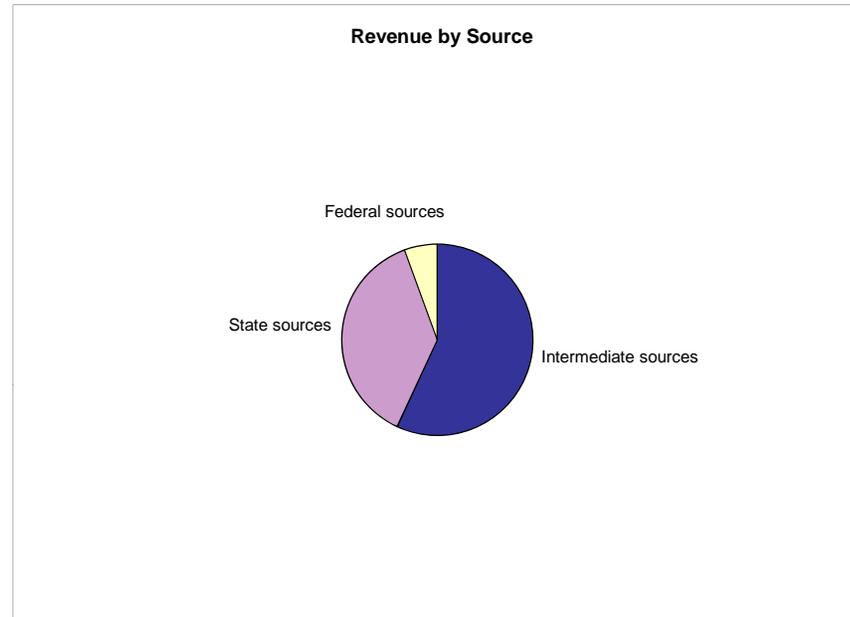


Table 11

**BOZEMAN SCHOOL DISTRICT NO. 7
General Fund Revenue by Source
Last Ten Fiscal Years
(budget basis of accounting)**

Year	District Tax Levies	Tuition & Fees	Interest	Other District Revenue	State of Montana	Federal	Total
2003	\$ 9,821,034	\$ 68,258	\$ 60,806	\$ 1,845	\$ 14,013,175	\$ -	\$ 23,965,118
2004	10,997,343	71,168	45,038	8,314	13,802,002	-	24,923,865
2005	11,905,743	20,313	94,061	10,451	13,889,045	-	25,919,613
2006	12,954,456	41,541	141,486	2,658	14,833,593	-	27,973,734
2007	13,581,764	34,941	158,402	1,388	16,158,742	-	29,935,237
2008	13,195,792	39,209	208,293	4,766	17,749,057	-	31,197,117
2009	14,325,294	28,934	95,804	504,029	19,022,682	-	33,976,743
2010	14,520,782	42,773	85,100	5,276	18,735,240	890,503	34,279,674
2011	15,827,796	32,933	33,708	8,123	17,819,627	2,413,699	36,135,886
2012	\$ 16,058,899	\$ 82,078	\$ 32,913	\$ 9,597	\$ 20,722,014	\$ 16,617	\$ 36,922,118

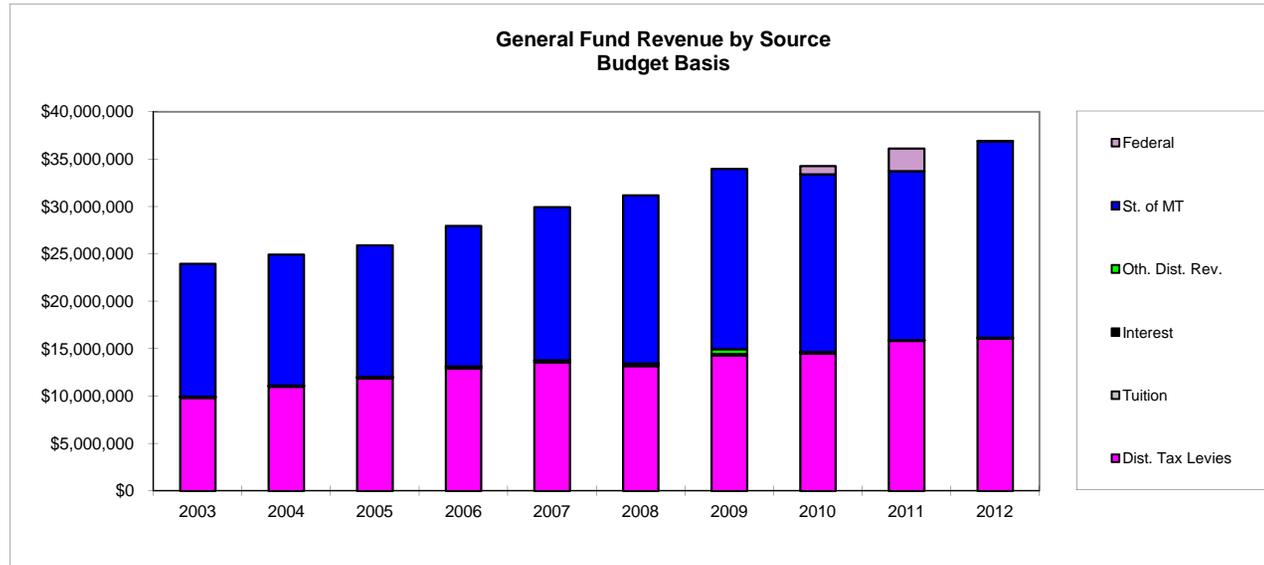


Table 12

**BOZEMAN SCHOOL DISTRICT NO. 7
General Fund Revenue Per Student
Last Ten Fiscal Years
(budget basis of accounting)**

Year	District Revenue	State Revenue	Federal Revenue	Total Revenue	October Enrollment	Revenue Per Student			
						District	State	Federal	Total
2003	\$ 9,951,943	\$ 14,013,175	\$ -	\$ 23,965,118	5,101	\$ 1,951	\$ 2,747	\$ -	\$ 4,698
2004	11,121,863	13,802,002	-	24,923,865	5,086	2,187	2,714	-	4,900
2005	12,030,568	13,889,045	-	25,919,613	5,198	2,314	2,672	-	4,986
2006	13,140,141	14,833,593	-	27,973,734	5,332	2,464	2,782	-	5,246
2007	13,776,495	16,158,742	-	29,935,237	5,356	2,572	3,017	-	5,589
2008	13,448,060	17,749,057	-	31,197,117	5,413	2,484	3,279	-	5,763
2009	14,954,061	19,022,682	-	33,976,743	5,463	2,737	3,482	-	6,219
2010	14,653,931	18,735,240	890,503	34,279,674	5,509	2,660	3,401	162	6,222
2011	15,902,560	17,819,627	2,413,699	36,135,886	5,679	2,800	3,138	425	6,363
2012	\$ 16,183,487	\$ 20,722,014	\$ 16,617	\$ 36,922,118	5,810	\$ 2,785	\$ 3,567	\$ 3	\$ 6,355

Source: District Records

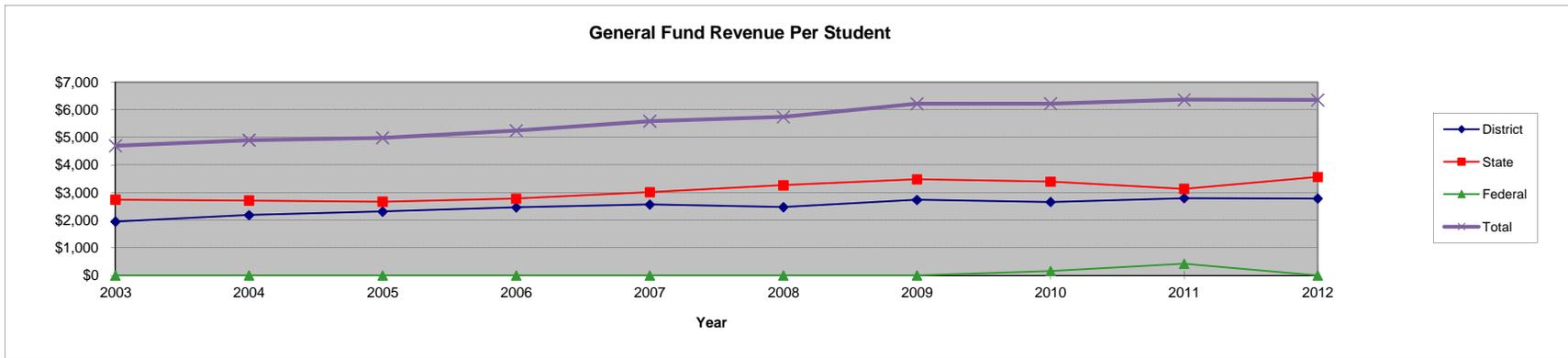


Table 13

BOZEMAN SCHOOL DISTRICT NO. 7
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt per Capita
Last Ten Fiscal Years

Fiscal Year	Population ⁽¹⁾	Assessed Value ⁽²⁾	Net General Obligation Bonded Debt	Percentage of Net G.O. Bonded Debt to Assessed Value	Net G.O. Bonded Debt Per Capita	Net G.O. Bonded Debt as a % of Per Capita Income
Elementary District:						
2003	41,216	\$ 71,248,110	\$ 10,998,345	15.44%	\$ 267	0.90%
2004	42,246	76,622,721	9,713,055	12.68%	230	0.70%
2005	43,303	81,999,997	8,532,420	10.41%	197	0.60%
2006	44,385	89,208,819	21,381,452	23.97%	482	1.40%
2007	45,495	97,593,808	25,550,000	26.18%	562	1.50%
2008	46,632	104,361,792	41,005,000	39.29%	879	2.40%
2009	47,798	111,162,065	38,580,000	34.71%	807	2.30%
2010	48,993	117,329,369	36,425,000	31.05%	743	2.07%
2011	50,217	121,072,738	34,215,000	28.26%	681	Not Available
2012	51,472	\$ 122,688,282	\$ 31,920,000	26.02%	\$ 620	Not Available
High School District:						
2003	50,466	\$ 93,657,419	\$ 1,058,523	1.13%	\$ 21	0.07%
2004	52,298	101,740,692	881,823	0.87%	17	0.06%
2005	53,898	109,245,300	712,504	0.65%	13	0.04%
2006	55,191	119,033,013	15,042,895	12.64%	273	0.80%
2007	56,350	130,732,377	29,545,000	22.60%	524	1.40%
2008	56,913	141,147,897	38,305,000	27.14%	673	1.90%
2009	57,198	130,543,804	36,790,000	28.18%	643	1.80%
2010	59,097	138,744,445	35,260,000	25.41%	597	1.66%
2011	60,574	143,508,070	33,670,000	23.46%	556	Not Available
2012	62,088	\$ 145,618,673	\$ 32,010,000	21.98%	\$ 516	Not Available

⁽¹⁾ **2003-2012** The 2003 and future year population data were calculated using a relationship between the Bozeman School District as compared to the City of Bozeman and Gallatin County using United States Bureau of Census information.

⁽²⁾ **2009** In 2009, the voters of Ophir Elementary, an outlying K-8 school district that feeds into Bozeman High School District, approved a referendum to form a K-12 district effective July 1, 2009. The tax base of Ophir Elementary represented approximately 13% of the Bozeman High School. The large High School District assessed value drop in 2009 resulted from this event.

Note: The above table properly presents each district's (Elementary and High School) debt statistics in a manner that reflects their difference in populations. Elementary taxpayer's total debt per capita is derived by adding the elementary and high school amounts. A sizeable portion of taxpayers live in the Bozeman High School District but not in the Bozeman Elementary District - their debt per capita is simply the high school data amounts listed above.

Source: District Records
Gallatin County Assessor's Office
U.S. Census Bureau
Montana Tax Foundation

Table 14

**BOZEMAN SCHOOL DISTRICT NO. 7
Computation of Legal Debt Margin
For the Year Ended June 30, 2012**

Elementary District:										
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt limit	\$ 32,061,650	\$ 34,480,224	\$ 36,899,999	\$ 40,143,969	\$ 43,442,825	\$ 52,180,896	\$ 55,581,033	\$ 58,664,685	\$ 60,536,369	\$ 61,855,448
Total net debt applicable to limit	<u>12,678,345</u>	<u>11,153,055</u>	<u>11,712,420</u>	<u>25,381,638</u>	<u>30,172,341</u>	<u>50,054,561</u>	<u>45,432,874</u>	<u>36,792,190</u>	<u>34,681,679</u>	<u>59,086,735</u>
Legal debt margin	<u>\$ 19,383,305</u>	<u>\$ 23,327,169</u>	<u>\$ 25,187,579</u>	<u>\$ 14,762,331</u>	<u>\$ 13,270,484</u>	<u>\$ 2,126,335</u>	<u>\$ 10,148,159</u>	<u>\$ 21,872,495</u>	<u>\$ 25,854,690</u>	<u>\$ 2,768,713</u>
Total net debt applicable to the limit as a percentage of debt limit	39.54%	32.35%	31.74%	63.23%	69.45%	95.93%	81.74%	62.72%	57.29%	95.52%
High School District:										
Debt limit	\$ 42,145,839	\$ 45,783,311	\$ 49,160,385	\$ 53,564,856	\$ 58,279,834	\$ 70,573,949	\$ 65,271,902	\$ 69,372,223	\$ 71,754,035	\$ 72,809,337
Total net debt applicable to limit	<u>2,318,523</u>	<u>1,961,823</u>	<u>1,612,504</u>	<u>42,662,895</u>	<u>42,010,000</u>	<u>38,665,000</u>	<u>36,970,000</u>	<u>35,260,000</u>	<u>33,670,000</u>	<u>33,644,546</u>
Legal debt margin	<u>\$ 39,827,316</u>	<u>\$ 43,821,488</u>	<u>\$ 47,547,881</u>	<u>\$ 10,901,961</u>	<u>\$ 16,269,834</u>	<u>\$ 31,908,949</u>	<u>\$ 28,301,902</u>	<u>\$ 34,112,223</u>	<u>\$ 38,084,035</u>	<u>\$ 39,164,791</u>
Total net debt applicable to the limit as a percentage of debt limit	5.50%	4.29%	3.28%	79.65%	72.08%	54.79%	56.64%	50.83%	46.92%	46.21%

	<u>Elementary District</u>	<u>High School District</u>
Legal Debt Margin Calculation for Fiscal Year 2012		
District taxable valuation	\$ 122,688,282	\$ 145,618,673
Times: 50%	<u>0.50</u>	<u>0.50</u>
District taxable valuation legal debt service limit	<u>61,344,141</u>	<u>72,809,337</u>
Statewide average taxable valuation per student	\$ 31,185	\$ 68,085
Times: Student ANB	3,967	1,872
Times: 50%	<u>0.50</u>	<u>0.50</u>
Statewide average taxable valuation debt service limit	<u>61,855,448</u>	<u>63,727,560</u>
Legal Debt Service Limit *	<u>61,855,448</u>	<u>72,809,337</u>
General Obligation Bonds Payable	31,920,000	33,670,000
Limited Obligation Bonds Payable	869,451	-
Less: Cash Available for Retirement of Bonds	<u>77,716</u>	<u>25,454</u>
Net Amount of Bonds Payable Applicable to Limit	<u>32,711,735</u>	<u>33,644,546</u>
Margin Above Bonds Payable	29,143,713	39,164,791
Less: General Obligation Bonds Authorized but Unused	<u>26,375,000</u>	<u>-</u>
Legal Debt Margin	<u>\$ 2,768,713</u>	<u>\$ 39,164,791</u>

* Montana Codes Annotated Section 20-9-406 provides for the issuance of bonds to an amount not to exceed the greater of 1) 50% of the latest available taxable valuation of property which is subject to taxation within the District or 2) the statewide average taxable valuation per student multiplied by the average number of students belonging in a particular district multiplied by 50%. The state legislature changed the percentage used in item 1 and 2 above to 50% from 45% effective for fiscal years 2008 and beyond. The District taxable valuations for August 2011 are used above and was ultimately used for the high school legal debt service limit. It was more beneficial for the elementary district to use the statewide average taxable valuation method. Effective as of October 1, 2009 (for fiscal years 2010 and beyond), outstanding building reserve levies will no longer be included in the Legal Debt Margin calculation.

Table 15

BOZEMAN SCHOOL DISTRICT NO. 7
Computation of Direct and Overlapping Governmental Activities Total Bonded Debt
For the Fiscal Year Ended June 30, 2012

Governmental Unit	Debt	Applicable to Elementary District		Applicable to Portion of High School District Lying Outside Elementary District	
		Percent	Amount	Percent	Amount
Bozeman Elementary District:					
G.O. Issue 2006 (originally \$14,100,000)	\$ 11,145,000	100.0%	\$ 11,145,000	0.0%	\$ -
G.O. Issue 2007 (originally \$5,750,000)	4,625,000	100.0%	4,625,000	0.0%	-
G.O. Issue 2008 (originally \$17,500,000)	15,305,000	100.0%	15,305,000	0.0%	-
G.O. Issue 2009 (originally \$3,275,000)	845,000	100.0%	845,000	0.0%	-
L.O. Issue 2003 (originally \$1,586,000)	177,560	100.0%	177,560	0.0%	-
L.O. Issue 2006 (originally \$1,459,250)	691,891	100.0%	691,891	0.0%	-
Bozeman High School District:					
G.O. Issue 2006 (originally \$14,500,000)	11,460,000	84.3%	9,660,780	15.7%	1,799,220
G.O. Issue 2007 (originally \$14,975,000)	12,070,000	84.3%	10,175,010	15.7%	1,894,990
G.O. Issue 2008 (originally \$10,000,000)	<u>8,480,000</u>	84.3%	<u>7,148,640</u>	15.7%	<u>1,331,360</u>
Totals	\$ 64,799,451		\$ 59,773,881		\$ 5,025,570
OVERLAPPING BONDED INDEBTEDNESS					
Gallatin County:					
Various Issues	\$ 43,560,000	51.6%	\$ 22,476,960	9.6%	\$ 4,181,760
City of Bozeman:					
Various Issues	<u>11,026,227</u>	100%	<u>11,026,227</u>	0.0%	-
Totals	\$ 54,586,227		\$ 33,503,187		\$ 4,181,760

Note: Overlapping debt percentages are calculated using a pro rata share of taxable values of all entities involved. This enables a presentation of debt responsibility for Bozeman School District taxpayers living in the Bozeman Elementary District and the taxpayers that live in the portion of the High School District that lies outside of the Elementary District boundaries.

Source: City, County and District Records

Table 16

BOZEMAN SCHOOL DISTRICT NO. 7
 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:					
2003	\$ 680,000	\$ 409,899	\$ 1,089,899	\$ 14,577,810	7.48%
2004	1,245,000	295,833	1,540,833	14,687,040	10.49%
2005	1,260,000	278,738	1,538,738	15,331,727	10.04%
2006	1,280,000	259,663	1,539,663	16,272,850	9.46%
2007	1,590,000	968,686	2,558,686	17,665,666	14.48%
2008	2,045,000	998,465	3,043,465	19,171,295	15.88%
2009	2,425,000	1,829,219	4,254,219	20,376,276	20.88%
2010	2,160,000	1,476,414	3,636,414	21,588,382	16.84%
2011	2,210,000	1,425,756	3,635,756	22,602,120	16.09%
2012	\$ 2,295,000	\$ 1,344,494	\$ 3,639,494	\$ 23,414,033	15.54%
High School:					
2003	\$ 160,635	\$ 34,250	\$ 194,885	\$ 9,517,351	2.05%
2004	170,000	19,932	189,932	9,874,696	1.92%
2005	175,000	18,063	193,063	10,396,647	1.86%
2006	175,000	16,525	191,525	11,682,387	1.64%
2007	475,000	779,433	1,254,433	12,364,274	10.15%
2008	1,240,000	1,206,761	2,446,761	12,499,272	19.58%
2009	1,515,000	1,660,615	3,175,615	12,623,716	25.16%
2010	1,530,000	1,477,522	3,007,522	13,096,887	22.96%
2011	1,590,000	1,409,609	2,999,609	12,890,652	23.27%
2012	\$ 1,660,000	\$ 1,347,209	\$ 3,007,209	\$ 13,152,620	22.86%

Source: District Records

*Includes only expenditures for bonded indebtedness; does not include expenditures for special assessments. Bond issuance and defeasance costs are also not included in these annual debt service expenditures.

Table 17

BOZEMAN SCHOOL DISTRICT NO. 7
Demographic Statistics
Last Ten Fiscal Years

Year	Elementary District Population (1)	High School District Population (1)	Per Capita Personal Income (2)	Total Elementary District Personal Income (3)	Total High School District Personal Income (3)	Unemployment Rate (4)
2003	41,216	50,466	\$ 28,929	\$ 1,192,337,664	\$ 1,459,930,914	3.3%
2004	42,246	52,298	30,907	1,305,697,122	1,616,374,286	3.2%
2005	43,303	53,898	32,434	1,404,489,502	1,748,127,732	2.8%
2006	44,385	55,191	34,437	1,528,486,245	1,900,612,467	2.2%
2007	45,495	56,350	36,578	1,664,116,110	2,061,170,300	2.3%
2008	46,632	56,913	36,094	1,683,135,408	2,054,217,822	3.2%
2009	47,798	57,198	34,769	1,661,888,662	1,988,717,262	6.3%
2010	48,993	59,097	\$ 35,953	\$ 1,761,445,329	\$ 2,124,714,441	7.5%
2011	50,217	60,574	Not available	Not available	Not available	7.3%
2012	51,472	62,088	Not available	Not available	Not available	6.3%

Sources and other information:

- (1) 2003 - 2012 : The 2003-2012 population numbers were calculated using a relationship between the Bozeman School District as compared to the City of Bozeman and Gallatin County using United States Bureau of Census information.
- (2) Gallatin County Per Capita information. Montana Tax Foundation.
- (3) Calculated using the Gallatin County Per Capita Personal Income applied to the estimated District population.
- (4) Department of Labor (Bureau of Labor Statistics) - Information only available for entire Gallatin County.

Table 18

**BOZEMAN SCHOOL DISTRICT NO. 7
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago**

2012		2003	
Private Employers By Class, Alphabetically	Employer Class Size	Private Employers By Class, Alphabetically	Employer Class Size
Bozeman Deaconess Hospital	9	Bozeman Deaconess Hospital	8
Oracle American Inc.	8	Capital Opportunities (Home Care Services)	8
Wal-Mart	7	Murdoch's Ranch & Home Supply	7
Albertson's	6	Wal-Mart	7
Community Food Co-Op	6	Albertson's	6
Costco	6	Bozeman Daily Chronicle	6
Croakies	6	Costco	6
First Security Bank	6	First Security Bank	6
Gibson Guitar	6	Home Depot	6
Kenyon Noble Lumber & Hardware	6	JC Billion	6
Lowe's	6	JTL Group	6
Luzenac America	6	Kenyon Noble Lumber & Hardware	6
Martel Construction	6	Louisiana Pacific	6
McDonald's	6	Martel Construction	6
Murdoch's Ranch & Home Supply	6	McDonald's	6
Ressler Chevrolet, Cadillac & Toyota	6	Montana Conservation Corps	6
Rosauers Supermarket	6	Right Now Technologies	6
Town & Country Foods	6	Simkin Hallin Lumber	6
Town Pump	6	Video Lottery Consultants	6
Zoot Enterprises	6	Williams Plumbing & Heating	6
Public Employers By Class, Alphabetically	Employer Class Size	Public Employers By Class, Alphabetically	Employer Class Size
Montana State University	9	Montana State University	9
Bozeman School District #7	8	Bozeman School District #7	8
City of Bozeman	7	City of Bozeman	7
Gallatin County	7	Gallatin County	7

<i>Class 6 - 100 to 249 Employees</i> <i>Class 7 - 250 to 499 Employees</i> <i>Class 8 - 500 to 999 Employees</i> <i>Class 9 - 1,000+ Employees</i>
--

Source: Montana Department of Labor & Industry (Research and Analysis Bureau)
Above numbers are for the Gallatin County

Table 19

BOZEMAN SCHOOL DISTRICT NO. 7
Operating Statistics
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Expenses ⁽¹⁾	Enrollment	Cost per Pupil	Percentage Change	Certified Staff (FTE) ⁽²⁾	Pupil/Certified Staff Ratio
2003	\$ 34,390,968	5,101	\$ 6,742	4.61%	337.4	15.1
2004	36,805,330	5,086	7,237	7.34%	346.8	14.7
2005	39,359,730	5,198	7,572	4.63%	348.3	14.9
2006	42,144,136	5,332	7,904	4.38%	364.2	14.6
2007	46,175,077	5,356	8,621	9.07%	369.4	14.5
2008	49,944,777	5,413	9,227	7.03%	365.8	14.8
2009	53,226,045	5,463	9,743	5.59%	385.0	14.2
2010	56,676,925	5,509	10,288	5.59%	393.6	14.0
2011	57,513,286	5,679	10,127	-1.57%	390.6	14.5
2012	\$ 60,208,618	5,810	\$ 10,363	2.33%	398.6	14.6

⁽¹⁾ Expenses are from Statement of Activities.

⁽²⁾ Certified Staff is comprised of Teachers, Librarians, Counselors, Psychologists, Speech Pathologists and District Nurse.

Source: District records

Table 20

**BOZEMAN SCHOOL DISTRICT NO. 7
Employee Full Time Equivalency (FTE) by Function
Last Ten Fiscal Years**

	Fiscal Year															
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012						
Instruction																
Certified Staff	309.2	319.2	317.5	327.9	333.0	330.4	345.8	343.5	343.0	357.9						
Classified Employees	44.0	46.5	55.9	57.9	61.4	64.3	84.7	90.3	114.5	123.8						
Support Services																
Certified Staff	27.2	26.6	30.8	36.3	36.4	37.8	39.2	50.1	47.1	40.7						
Classified Employees	31.1	34.7	36.6	35.2	41.1	36.9	34.1	37.5	32.2	20.5						
General Administration																
Administrators	4.0	4.0	5.0	5.0	5.0	5.0	5.0	5.0	4.5	4.0						
Certified Staff	1.0	1.0	-	-	-	-	-	-	0.5	-						
Classified Employees	22.2	23.0	24.8	26.5	24.1	29.3	31.4	31.2	29.1	30.2	Fiscal 2012 Summary	Admin.	Certified Staff	Classified Employees	Total FTE	
Building Administration											Instruction	-	357.9	123.8	481.7	
Administrators	17.3	16.5	17.3	18.0	18.0	18.0	18.0	17.0	17.0	17.0	Support Services	-	40.7	20.5	61.2	
Classified Employees	24.6	22.0	22.4	24.5	26.5	25.9	24.3	29.9	30.1	29.8	General Administration	4.0	-	30.2	34.2	
Operations and Maintenance											Building Administration	17.0	-	29.8	46.8	
Administrators	1.0	1.0	1.0	1.0	2.0	2.0	1.0	1.0	1.0	1.0	Operations and Maintenance	1.0	-	54.9	55.9	
Classified Employees	39.4	40.5	40.4	41.2	41.5	44.1	43.6	53.1	54.6	54.9	Student Transportation	-	-	3.9	3.9	
Student Transportation											Food Services	-	-	31.0	31.0	
Classified Employees	2.0	1.9	2.6	2.5	3.1	3.6	3.6	4.2	3.8	3.9	Extracurricular Activities	1.0	-	4.0	5.0	
Food Services											Total	<u>23.0</u>	<u>398.6</u>	<u>298.1</u>	<u>719.7</u>	
Classified Employees	26.5	28.7	33.6	31.0	32.0	30.7	32.0	30.5	31.3	31.0						
Extracurricular Activities																
Administrators	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0						
Classified Employees	2.0	3.0	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0						
Total	<u>552.5</u>	<u>569.6</u>	<u>591.9</u>	<u>612.0</u>	<u>629.1</u>	<u>633.0</u>	<u>667.7</u>	<u>698.3</u>	<u>713.7</u>	<u>719.7</u>						

Source: District Records

Table 21

**BOZEMAN SCHOOL DISTRICT NO. 7
Certified Staff Education and Experience
November 15, 2011**

Educational Attainment	Full Time Equivalent	Percent of Total	
Bachelor's Degree	40.2	10.1%	31.6%
Bachelor's Degree + 15 Credits	16.0	4.0%	
Bachelor's Degree + 30 Credits	12.5	3.1%	
Bachelor's Degree + 45 Credits	26.2	6.6%	
Bachelor's Degree + 60 Credits	16.0	4.0%	
Bachelor's Degree + 75 Credits	4.0	1.0%	
Bachelor's Degree + 90 Credits	9.1	2.3%	
5th Year Degree + 45 Credits	2.0	0.5%	68.4%
Master's Degree BA + 45 Credits	14.9	3.7%	
Master's Degree BA + 60 Credits	48.0	12.0%	
Master's Degree BA + 75 Credits	29.5	7.4%	
Master's Degree BA + 90 Credits	36.5	9.2%	
Master's Degree BA + 105 Credits	143.7	36.1%	
Total	398.6	100.0%	

Years of Experience	Full Time Equivalent	Percent of Total
0 - 5	91.5	23.0%
6 - 10	92.7	23.3%
11 - 15	80.3	20.1%
16 - 20	47.2	11.8%
21 - 25	46.3	11.6%
26 and Over	40.6	10.2%
Total	398.6	100.0%

Source: District Records

Table 22

BOZEMAN SCHOOL DISTRICT NO. 7
Educational Building Data
For the Fiscal Year Ended June 30, 2012

	<u>Year Built</u>	<u>Square Footage</u>	<u>Functional Capacity</u>	<u>Enrollment</u>	<u>Percentage of Capacity Used</u>
Elementary Schools:					
<u>K-5 Schools</u>					
Longfellow	1939	37,547	332	320	96.4%
Irving	1939	33,893	312	288	92.3%
Whittier	1958	32,955	286	268	93.7%
Hawthorne	1939	38,094	332	324	97.6%
Morning Star	1992	56,010	546	547	100.2%
Emily Dickinson	1992	56,012	498	521	104.6%
Hyalite	2009	66,186	534	483	90.4%
<u>6-8 Schools</u>					
Chief Joseph	2008	129,500	780	595	76.3%
Sacajawea	1996	97,456	690	620	89.9%
High School:					
Bozeman High School	1957	392,442 ⁽¹⁾	2,400 ⁽¹⁾	1,844	76.8%

⁽¹⁾ In the fiscal year ended June 30, 2011, the school district completed a very large expansion and renovation of the Bozeman High School. 2,400 students is the current self-imposed maximum capacity, the functional capacity would be higher.

BOZEMAN SCHOOL DISTRICT NO. 7
Percentage of Students who qualified for Free and Reduced Lunch
Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Elementary Schools:										
<u>K-5 Schools</u>										
Longfellow	17%	18%	20%	16%	14%	14%	16%	15%	17%	20%
Irving	37%	40%	43%	43%	35%	37%	36%	42%	43%	47%
Whittier	43%	53%	53%	53%	46%	47%	45%	56%	52%	53%
Hawthorne	9%	11%	14%	17%	16%	15%	16%	24%	26%	22%
Morning Star	7%	8%	6%	7%	9%	8%	9%	11%	10%	10%
Emily Dickinson	19%	22%	18%	20%	22%	24%	24%	27%	29%	25%
Hyalite	N/A	39%	44%	46%						
<u>6-8 Schools</u>										
Chief Joseph	22%	25%	20%	22%	21%	31%	23%	28%	31%	33%
Sacajawea	13%	14%	11%	13%	11%	13%	13%	19%	20%	24%
High School	9%	9%	9%	12%	15%	12%	18%	24%	15%	19%

Source: Title I portion of ESEA consolidated applications

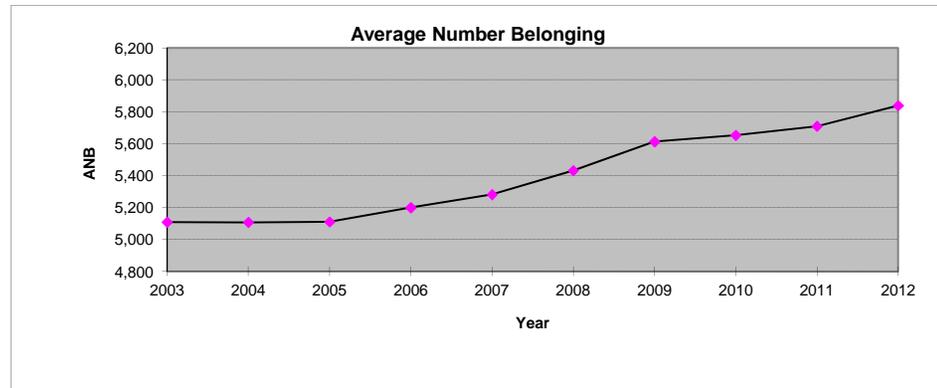
Table 24

**BOZEMAN SCHOOL DISTRICT NO. 7
Attendance Data
Last Ten Fiscal Years**

Year Ended June 30	October Enrollment	Percent Increase (Decrease)	Average Number Belonging (ANB)		
			Amount	Percent Increase (Decrease)	Percent of Prior Year's Enrollment
2003	5,101	(0.4)	5,109	(1.0)	99.7
2004	5,086	(0.2)	5,108	(0.02)	100.1
2005	5,198	2.2	5,111	0.06	100.5
2006	5,332	2.6	5,200	1.7	100.0
2007	5,356	0.5	5,282	1.6	99.1
2008	5,413	1.1	5,432	2.8	101.4
2009	5,463	0.9	5,613	3.3	103.7
2010	5,509	0.8	5,653	0.7	103.5
2011	5,679	3.1	5,710	1.0	103.6
2012	5,810	2.3	5,839	2.3	102.8

Source: District Records

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



BOZEMAN SCHOOL DISTRICT NO. 7
Schedule of Insurance in Force

I. Commercial Property, General Liability, Automobile Liability & Physical Damage, Educators Legal Liability

- A. Policy #: ALA-64-A3-EX-0000007-05
- B. Carrier: Princeton Excess & Surplus Lines Insurance Company
- C. Policy Period: 7/1/11 - 7/1/12
- D. Coverages: Building and Contents, Property Floaters, General Liability and Crime
- E. Limits: \$1,000,000 per occurrence; \$2,000,000 aggregate

II. Workers' Compensation Policy

- A. Policy #: 01-0005255
- B. Carrier: Workers' Compensation Risk Retention Program
- C. Policy Period: 12/1/11 - 11/30/12

III. Boiler and Machinery Policy

- A. Policy #: BAJ-BME 18156L884TIL11
- B. Carrier: Travelers Boiler
- C. Policy Period: 7/1/11 - 7/1/12
- D. Limits: \$100,000,000 per occurrence

IV. Excess Liability

- A. Policy #: 64-A3-FF-0000008-04
- B. Carrier: Princeton Excess & Surplus Lines Insurance Company
- C. Policy Period: 7/1/11 - 7/1/12
- D. Limits: \$9,000,000

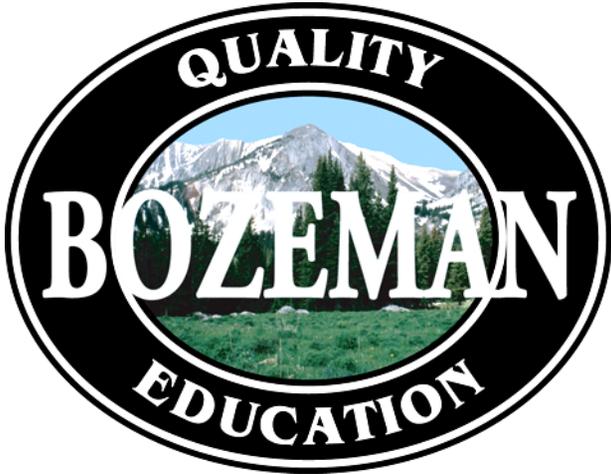
V. Commercial Employee Blanket Bond

- A. Policy #: ALA-64-A3-EX-0000007-05
- B. Carrier: Princeton Excess & Surplus Lines Insurance Company
- C. Policy Period: 7/1/11 - 7/1/12
- D. Limits: \$500,000 All Employees

VI. Excess Property

- A. Policy #: KTK-CMB-545D4969-11
- B. Carrier: Travelers Insurance
- C. Policy Period: 7/1/11 - 7/1/12
- D. Limits: \$100,000,000 per occurrence

SINGLE AUDIT SECTION



SCHOOL DISTRICT NO. 7
SCHEDULE OF FEDERAL AWARD EXPENDITURES
For the Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantors Number	Program or Award Amount	Revenues	Expenditures
U.S. Department of Education					
Pass-through Montana Office of Public Instruction:					
Title I, Part A	84.010A	16-0350-31-12	\$ 852,849	\$ 844,479	\$ 844,479
Title I, Part A - Schoolwide	84.010A	16-0350-32-12	175,000	175,000	175,000
Subtotal Title I	84.010A		<u>1,027,849</u>	<u>1,019,479</u>	<u>1,019,479</u>
Adult Basic Education and Literacy					
EL/Civics	84.002	16-0351-56-12-BG	81,849	81,849	81,849
	84.002	16-0351-56-12-EL	14,345	14,345	14,345
Subtotal ABEL and EL/Civics	84.002		<u>96,194</u>	<u>96,194</u>	<u>96,194</u>
Title II, Part A					
Title II, Part A	84.367	16-0350-14-12	359,857	328,016	328,016
Title III, Part A	84.365A	16-0350-41-12I	16,566	-	-
IDEA-B	84.027A	16-0350-77-12	1,690,574	990,494	990,494
IDEA-B Preschool	84.173A	16-0350-79-12	28,254	28,254	28,254
Carl Perkins - Basic	84.048A	16-0351-81-12	98,820	98,820	98,820
Title X	84.196	16-0350-57-12	2,800	2,800	2,800
Pass-through State of Montana as Direct State Aid: Education Jobs Fund - ARRA					
	84.410	N/A	16,617	16,617	16,617
Pass-through Montana Commissioner of Higher Ed: Carl Perkins - Special Populations					
	84.048A	N/A	14,700	14,700	14,700
Total U.S. Department of Education Pass-Through			<u>\$ 3,352,231</u>	<u>\$ 2,595,374</u>	<u>\$ 2,595,374</u>
U.S. Department of Education Direct Programs:					
Title VII Indian Education	84.060A	S060A100430	\$ 21,892	\$ 21,892	\$ 21,892
Total U.S. Department of Education Direct			<u>\$ 21,892</u>	<u>\$ 21,892</u>	<u>\$ 21,892</u>
U.S. Federal Highway Administration:					
Pass-through Montana Department of Transportation:					
Safe Routes to School - Noninfrastructure	20.205	105742	\$ 19,500	\$ 14,595	\$ 14,595
Safe Routes to School - Infrastructure	20.205	BSD7-2009-Hawthorne	121,000	109,088	109,088
Total U.S. Federal Highway Administration			<u>\$ 140,500</u>	<u>\$ 123,683</u>	<u>\$ 123,683</u>
U.S. Department of Agriculture:					
Pass-through Montana Office of Public Instruction:					
National School Lunch Program	10.555	N/A	\$ 643,256	\$ 643,256	\$ 643,256
School Wellness	10.555	N/A	1,000	1,000	1,000
Fair Value USDA Commodities	10.555	N/A	-	88,994	88,994
Total U.S. Department of Agriculture			<u>\$ 644,256</u>	<u>\$ 733,250</u>	<u>\$ 733,250</u>
U.S. Environmental Protection Agency:					
Pass-through Soil & Water Conservation Districts of MT, Inc.					
Nonpoint Source Implementation Grants	66.460	N/A	\$ 1,500	\$ 1,500	\$ 1,500
Total U.S. Environmental Protection Agency			<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 1,500</u>
U.S. Department of Justice:					
Pass-through Montana Board of Crime Control:					
Juvenile Accountability Block Grant	16.523	09-A13-91098	\$ 9,383	\$ 9,383	\$ 9,383
Total U.S. Department of Justice			<u>\$ 9,383</u>	<u>\$ 9,383</u>	<u>\$ 9,383</u>
U.S. Department of Health & Human Services:					
Pass-through Dept. of Health & Human Services - MT:					
TANF (Education Support)	93.558	12-02261003-0	\$ 40,000	\$ 20,000	\$ 20,000
TANF (MOST Grant)	93.558	1202MOST0207	5,000	5,000	5,000
Total U.S. Department of Health & Human Services			<u>\$ 45,000</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 4,214,762</u>	<u>\$ 3,510,082</u>	<u>\$ 3,510,082</u>

Notes to Schedule of Federal Awards:

I. Summary of Significant Accounting Policies:

Basis of Accounting

This schedule was prepared on the modified accrual basis of accounting as described in Note I C. on page 45. Commodities are not reported as federal revenue in the fund financial statements or the government-wide statement of activities.

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

To the Board of Trustees
Bozeman School District No. 7

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bozeman School District No.7 (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 management of Bozeman School District No.7 and Board of Trustees, the Montana Department of Administration, the Montana Office of Public Instruction, 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.

Anderson Ziemmichler + Co, P.C.

Bozeman, Montana
December 27, 2012

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

To the Board of Trustees
Bozeman School District No. 7

Compliance

We have audited Bozeman School District No. 7 (the District)'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the District's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the District's compliance but not to provide an opinion on the effectiveness of the District's internal control over compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

Anderson Ziemer + Co, P.C.

Bozeman, Montana
December 27, 2012

BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	No
Significant Deficiency identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal Control over major programs:	
Material weakness identified	No
Significant Deficiency identified not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major programs:	Unqualified

Any audit findings disclosed that are required to be reported in accordance With Circular A-133, Section .510(a)?	No
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Identification of major programs

84.027A	IDEA-B
84.173A	IDEA-B Preschool

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	Yes
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BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

Financial Statement Findings

None Reported

Federal Award Findings and Questioned Costs:

None Reported

Prior Year Audit Findings

None Reported