

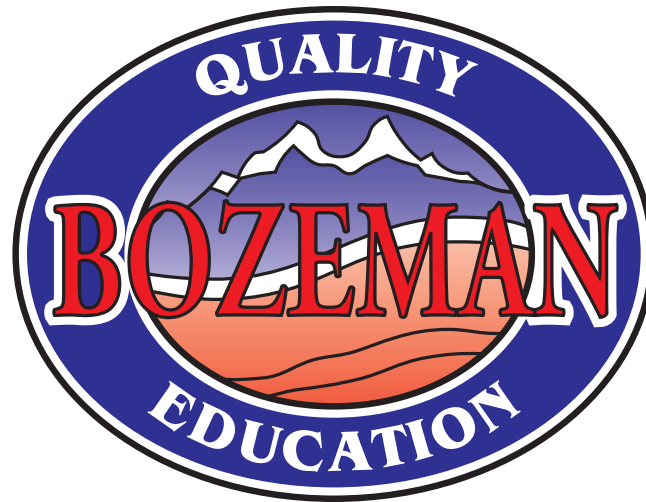
COMPREHENSIVE ANNUAL FINANCIAL REPORT



BOZEMAN SCHOOL DISTRICT NUMBER 7

For the year ended June 30, 2007

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, 2007

Prepared by the Business Office

Steven D. Johnson, CPA, Assistant Superintendent for Business & Operations

Richard J. Tvedt, CPA, Accounting Supervisor

404 West Main, P.O. Box 520

Bozeman, Montana 59711-0520

Phone: (406) 522-6042



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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. Kirk J. Miller
Superintendent

Dr. Marilyn King
Assistant Superintendent
Instruction

Steven D. Johnson, CPA
Assistant Superintendent
Business and Operations

December 21, 2007

Letter of Transmittal

Carson Taylor, 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 six months of the close of each fiscal year. This Comprehensive Annual Financial Report exceeds that requirement for the fiscal year ended June 30, 2007.

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, 2007, 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 300 square miles and has an estimated population of 49,961. The high school district covers approximately 1,100 square miles, and encompasses nine elementary districts - Bozeman, Anderson, Cottonwood, Gallatin Gateway, LaMotte,

Malmborg, Monforton, Sedan and Ophir. The estimated population of the high school district is 56,350. 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. Two Trustees-at-large are 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 5,356 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 handicapped youngsters and occupational education. These basic programs are supplemented by a wide variety of offerings in fine arts and athletics. The activities of the Bozeman Education Foundation, Bozeman Hawk Booster Club, Bozeman Schools Friends of Music and the various parent organizations are separate legal entities. The impact 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, Flexibility, 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

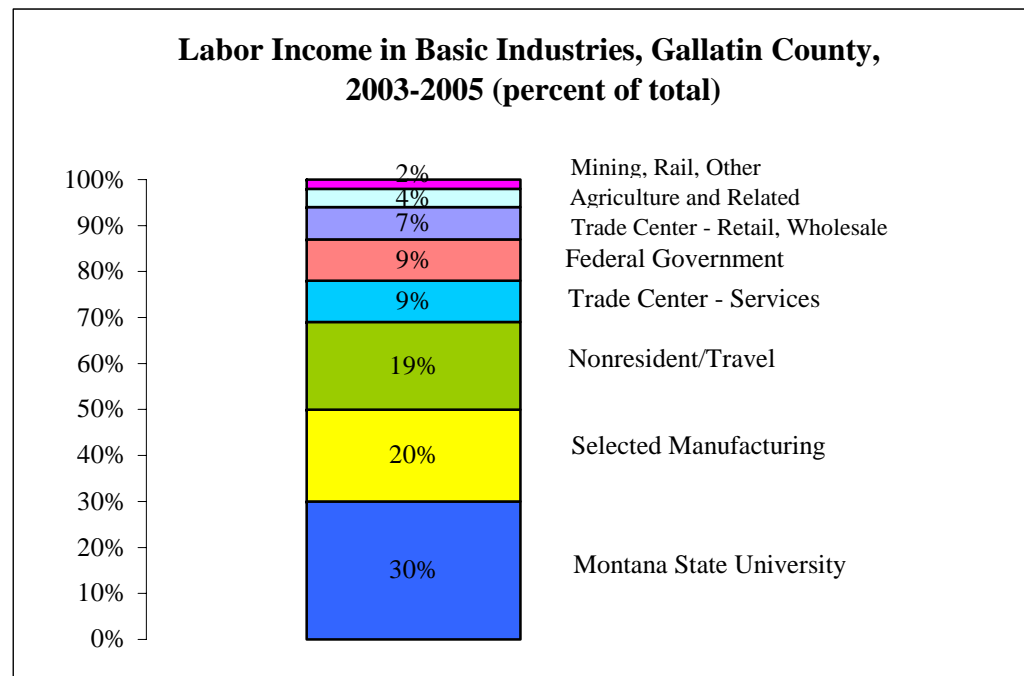
The District is located on the eastern slope of the Rocky Mountains in Southwestern Montana. The major city within the District is Bozeman, which also serves as the county seat of Gallatin County.

Montana State University - Bozeman (M.S.U.) represents a major economic activity in the District. M.S.U., with a fiscal year 2006-2007 annual budget of approximately \$312,932,000, employs approximately 3,011 employees (2,410 full time, 601 part time). With a student enrollment of 12,338 (Fall 2006), 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 2007 issue of the Montana Business Quarterly related to Bozeman and Gallatin County, are restated in the following paragraphs.

Gallatin County has been one of the fastest-growing counties in Montana. Bozeman has developed into a trade and service center. Growth in state government (mostly research at Montana State University), federal government, and nonresident travel have also been major contributors to the trends since 2001. The Bozeman area is home to much of the state's high-tech industry, and this sector grew rapidly prior to the 2001 recession. Following national trends, this industry suffered significantly during the recession but has now regained its 2001 level. Gallatin County has consistently exceeded the Bureau of Business' labor income projections. Currently, the Bureau of BBER projects acceleration in Gallatin County labor growth in 2007 and then continued growth in the 5.6 to 6.0% per year range to 2010. The figure below shows the composition of labor income in basic industries for the Gallatin County during the 2003-2005 time period.



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

In 2005 a consortium of school districts and associations supporting schools successfully brought suit against the State of Montana for not adequately funding schools. The state legislature met in Special Session in December, 2005, and again in the 2007 Regular Session, and provided increased state funding. The Bozeman School District used a majority of the increased funding to enhance the teachers pay schedule. Because of the high cost of living in the Bozeman area, the Board has substantially improved the salary schedule for teachers over the last six years.

Relevant Financial Policies

One-time only funds were appropriated to the District as part of the increased funds received during the 2005 Special and 2007 Regular Legislative Session. These one-time funds have been received since 2005-2006 and additional funds will be received in 2006-2007. The use of these funds were restricted by the legislature for facility maintenance and Indian Education for All. Care has been taken not to build these one-time-only sources of revenue into the ongoing expenditure obligations of the District.

Long-Term Financial Planning

The Bozeman School District is currently in the midst of an ambitious endeavor of building a new Chief Joseph Middle School, conducting major renovations at the existing high school, acquiring a second high school site for future generations, and planning for the construction of a new elementary school. The administration and board of trustees felt that these projects were vital to position the District to handle future growth in student enrollment and provide better facilities for the existing student population. The public gave its approval by passing significant bond issues (\$19,850,000 Elementary Middle School, \$41,400,000 High School, and in September 2007, a \$17,500,000 Elementary K-5 School).

These building projects will impact the operating budgets of both the Elementary and High School Districts. As these projects are completed, 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, 2006. 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 eighteenth 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
Assistant Superintendent for
Business and Operations



Kirk J. Miller, Ed.D.
Superintendent of Schools

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, 2006

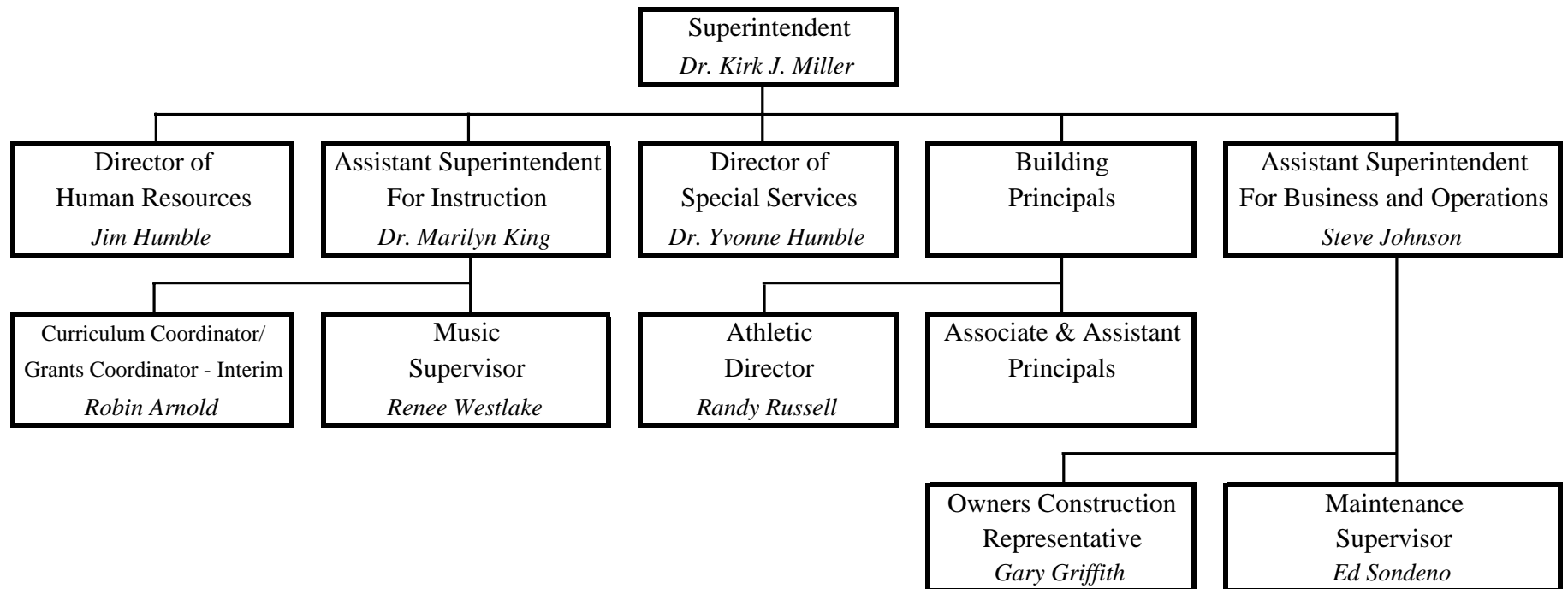
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

Bozeman Public Schools
Administrative Organization Chart



BOZEMAN SCHOOL DISTRICT NO. 7

Elected Officials
Board of Trustees

	Term Expires <u>April</u>
Carson TaylorChair	2010
Gary LusinVice Chair	2008
Martha CollinsTrustee	2008
Louise ForrestTrustee	2008
Sara GarciaTrustee	2008
Sarah GloverTrustee	2009
Bruce Grubbs.Trustee	2010
Heather Hart.Trustee	2009
Denise HaymanTrustee	2009

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
Jim Humble	Director of Human Resources

Board Meetings Held During Fiscal Year 2006-07

Regular	12
Special	27

Bozeman High School
205 North 11th
522-6200

Bridger Alternative School
(Willson Building)
404 W. Main St.
522-6100

Chief Joseph Middle School
309 North 11th
522-6300

Emily Dickinson Elementary
2435 Annie St.
522-6650

Hawthorne Elementary
114 North Rouse
522-6700

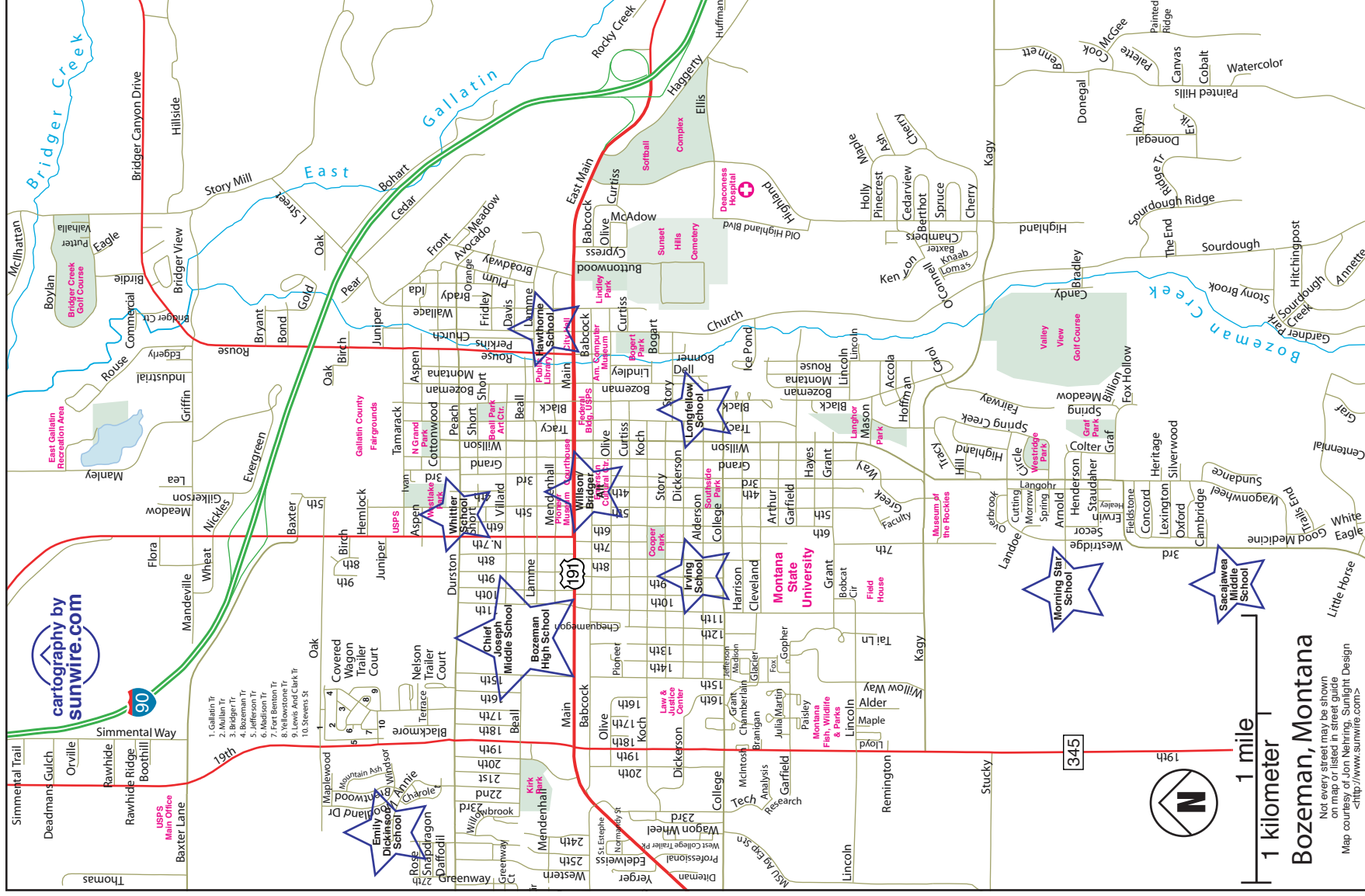
Irving Elementary
611 South 8th
522-6600

Longfellow Elementary
516 South Tracy
522-6150

Morning Star Elementary
830 Arnold St.
522-6500

Sacajawea Middle School
3525 South 3rd
522-6400

Whittier Elementary
511 North 5th
522-6750





FINANCIAL SECTION





INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Bozeman School District No. 7

We have audited the accompanying basic financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of Bozeman School District No. 7 (the District), as of and for the year ended June 30, 2007, 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 basic 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 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major funds, and the aggregate remaining fund information of Bozeman School District No. 7 as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

ANDERSON ZURMUEHLEN & CO., P.C. • CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

MEMBER: American Institute of Certified Public Accountants

WEBSITE: www.azworld.com

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and other required supplementary information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's 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 not a required part of the basic financial statements of the District. The introductory section, combining and individual nonmajor fund financial statements and statistical tables listed in the table of contents are also presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, the combining and individual nonmajor fund financial statements and the supplementary schedules required by state law and the Office of Public Instruction have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Anderson Ziemuehlen & Co., P.C.

Bozeman, Montana
December 21, 2007

Management's Discussion and Analysis

**BOZEMAN SCHOOL DISTRICT NO. 7
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

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, 2007. 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 Debt Service, Elementary Building, and High School Building 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 2007" 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-six 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 Debt Service, Elementary Building, and High School Building Funds, which are considered to be major funds. Data from the other twenty-two 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 99-102 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 103-105. The District uses the fiduciary funds to account for extracurricular student activities and Worthy Student Scholarships.

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 \$31,871,449 as of June 30, 2007. *Table 1* presents a comparative summary of the District's net assets for the fiscal years ended June 30, 2007 and 2006.

By far the largest portion of the District's net assets (78.9 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 12.5% 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 \$2,741,647 at the end of this year.

Table 1
BOZEMAN SCHOOL DISTRICT NO. 7
Net Assets

	Governmental Activities	
	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 53,929,992	\$ 36,348,556
Capital assets	<u>40,613,764</u>	<u>34,252,021</u>
Total assets	<u>94,543,756</u>	<u>70,600,577</u>
Current liabilities	5,542,962	4,569,474
Long-term debt outstanding	<u>57,129,345</u>	<u>38,220,341</u>
Total liabilities	<u>62,672,307</u>	<u>42,789,815</u>
Net assets:		
Invested in capital assets, net of related debt	25,142,399	22,676,015
Restricted	3,987,403	3,418,622
Unrestricted	<u>2,741,647</u>	<u>1,716,125</u>
Total net assets	<u><u>\$ 31,871,449</u></u>	<u><u>\$ 27,810,762</u></u>

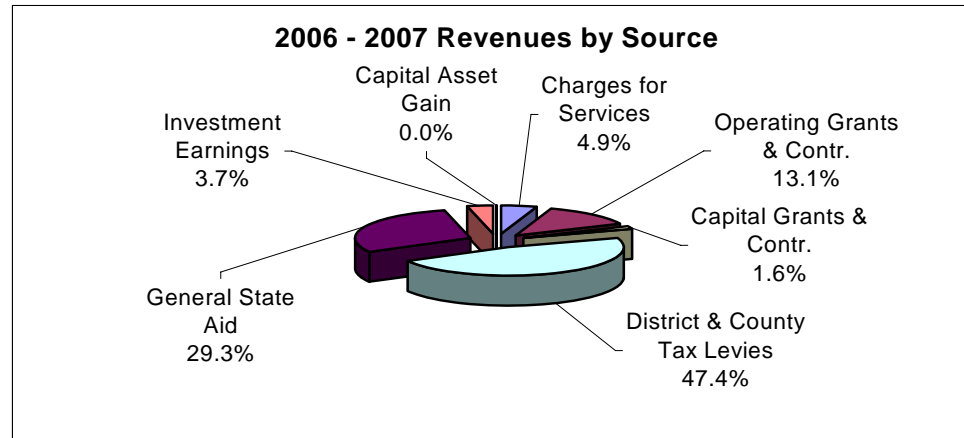
The District's net assets increased by \$4,060,687 during the current fiscal year. This increase resulted largely from the retirement of debt, dramatic investment earnings due to bond issuances, and a large increase in special revenues that were not spent by year-end.

Changes in net assets - As can be seen on *Table 2*, the Bozeman School District's governmental activities increased net assets by \$4,060,687, thereby accounting for 100 percent of the total growth in the net assets.

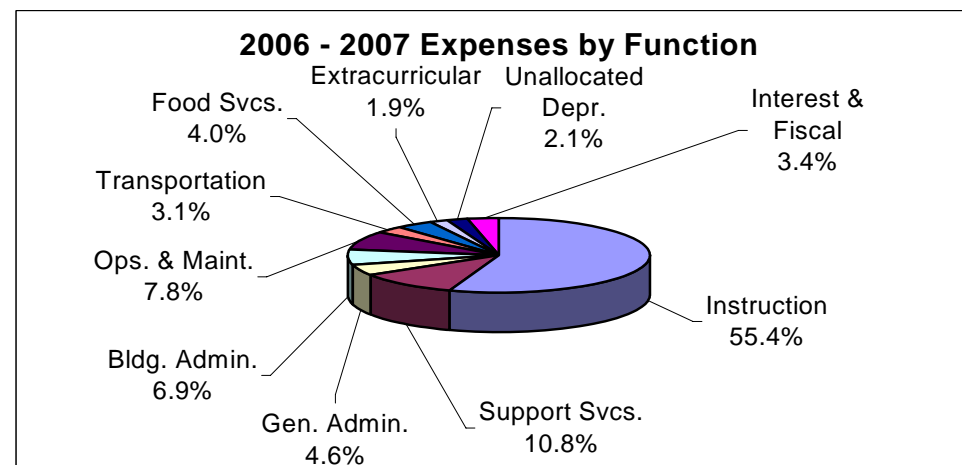
Table 2
BOZEMAN SCHOOL DISTRICT NO. 7
Changes in Net Assets

	Governmental Activities	
	2007	2006
Revenues		
Program revenues:		
Charges for Services	\$ 2,483,244	\$ 2,246,851
Operating grants and contributions	6,580,610	6,192,636
Capital grants and contributions	810,146	54,400
General revenues:		
District property taxes	19,928,795	16,788,764
Investment earnings	1,839,432	755,196
Restricted county distribution - retirement	3,872,500	3,768,848
Restricted state motor vehicle fee reimbursement	36,236	35,952
Restricted other state revenue	96,801	97,698
Unrestricted state equalization	11,695,502	11,283,156
Unrestricted state guaranteed tax base subsidy	443,964	612,409
Unrestricted state motore vehicle fee reimbursement	1,543,660	1,532,017
Unrestricted quality educator	778,808	-
Unrestricted other state revenue	125,521	49,372
Gain on sale of capital assets	545	14,429
Total revenues	<u>50,235,764</u>	<u>43,431,728</u>
Program Expenses		
Instruction	25,568,496	23,407,889
Support services	4,975,685	4,642,961
General administration	2,116,552	1,873,647
Building administration	3,163,125	2,876,614
Operations and maintenance	3,663,019	3,766,666
Student transportation	1,433,032	1,400,420
Food services	1,835,040	1,743,790
Extracurricular activities	885,231	836,613
Unallocated depreciation	960,431	912,711
Interest and fiscal charges	1,574,466	682,825
Total expenses	<u>46,175,077</u>	<u>42,144,136</u>
Increase (decrease) in net assets	4,060,687	1,287,592
Net assets, beginning of year	<u>27,810,762</u>	<u>26,523,170</u>
Net assets, end of year	<u>\$ 31,871,449</u>	<u>\$ 27,810,762</u>

Approximately 48.0% of the increase in total revenues on *Table 2* was generated by local taxpayers through general district property taxes. This increase of local support enabled the District to maintain current services. Approximately 16.0% of the increase was due to a large influx of state sourced operating and capital grants. Another 16.0% of the increase was largely attributable to the expected increase in investment earnings. The investment earnings increase was the result of unspent bond proceeds on hand and will be spent on the capital projects for which the bonds were issued. The remaining increase resulted from an increase in state general revenues (most notably the quality educator payment). The following chart illustrates the breakout of revenues by source.



Total expenses on *Table 2* increased by \$4,030,941 (9.6%) and was largely attributable to cost of living salary, benefit and staffing increases incurred to keep up with the demand for services combined with the expected increase in debt service interest expenses. 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 \$50,199,569, an increase of \$17,309,420 due primarily to the issuance of elementary and high school general obligation bonds.

The four major funds combined to make up almost 92% of the fund balance increase. The general fund is the main operating fund of the Bozeman School District. Its fund balance decreased by a modest 4.5%. This decrease was largely attributable to local tax collections falling short of budgeted amounts.

The major elementary and high school building funds received the proceeds of a \$5,750,000 and \$14,975,000 bonds issued, respectively. At year end, unspent bond proceeds in these two funds comprised the vast majority of the governmental funds combined fund balance. The bond proceeds are recognized as an other financing source on these governmental fund statements.

General fund budgetary highlights

The general fund's original and final budget were identical for the year ended June 30, 2007 (see statement on page 36). Actual revenues fell short of expected budgeted general fund revenues by \$94,703 (0.32%), which is an acceptable shortfall.

General fund expenditures utilized 100% of the general fund budget. The significant variances were negative in the area of Instruction, General Administration and Building Administration and positive in the Operations and Maintenance area. The variance in the Instruction area was \$145,342, which was .7% over budget primarily as a result of higher than budgeted expenditures in special education staff. The General Administration variance was \$98,936, or 6.8% over as a result of unanticipated mail ballot election and ongoing maintenance fees for technology software. The Building Administration area was \$111,111 (4.8%) over budget as a result of hiring additional administrative staff after the year started. The positive variance of \$287,546 in the Operations and Maintenance area was primarily the result of lower than budgeted utility costs.

Budgeted general fund balance reserves dropped slightly to 7.0% of the expenditure budget. This percentage is 70% of the state mandated 10% maximum allowed and is adequate to meet cash flow needs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2007, the District had invested \$56.2 million in capital assets, including school land, buildings, construction in progress, and machinery and equipment. This amount represents an increase prior to depreciation of \$7,629,108. Total depreciation expense for the year was \$1,268,079. The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2007.

	Amount
Land	\$ 7,443,747
Land improvements	1,777,195

Buildings and improvements	25,666,507
Machinery and equipment	1,065,324
Construction in progress	<u>4,663,492</u>
Total	<u>\$40,616,265</u>

The total assets (net of depreciation) noted above includes \$2,501 of fiduciary net machinery and equipment. Additional information on the District's capital assets can be found in Note III C on pages 55-56 of this report.

Debt Administration

At year-end, the District had \$61,193,629 in general and limited obligation bonds and other long-term debt outstanding, of which \$4,091,150 is due within one year. The District also has \$11,925,000 of general obligation bonds that have been authorized but are unissued. A summary of the District's outstanding long-term debt for the year ended June 30, 2007, is presented below:

	<u>Amount</u>
General obligation bonds	\$ 55,051,654
Limited obligation bonds	2,564,823
Compensated absences	3,137,294
Voluntary termination benefits	<u>439,858</u>
Total	<u>\$ 61,193,629</u>

The Elementary School District maintains a Moody's **A2** rating while the High School District maintains a Moody's **A1** rating for general obligation debt. State statutes currently limit the amount of the general obligation debt a District may issue. As of June 30, 2007, the current elementary legal debt margin is \$13,270,484 and the high school is \$16,269,834 (as shown on Table 15).

Additional information on the District's long-term debt can be found in Note III E on pages 57-59 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Many factors were considered by the District's administration during the process of developing the fiscal year 2007-2008 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 5.8% to \$31,785,567 in fiscal year 2007-2008. Increased payroll and employee benefit costs are the primary reason for the increase.

Inflation rates continue to remain at relatively low levels. Inflation in calendar year 2006 was 3.2% with estimates predicting that it will probably lower to 2.8% in 2007. The local cost of living within the Bozeman School District exceeds 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 Assistant Superintendent of Business and Operations, at the Bozeman School District, 404 West Main Street, Bozeman, Montana 59715.



Basic Financial Statements



Government-Wide Financial Statements

BOZEMAN SCHOOL DISTRICT NO. 7
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities		Governmental Activities
<u>ASSETS</u>		<u>LIABILITIES</u>	
Current assets:		Current liabilities:	
Cash and cash equivalents	\$ 49,305,249	Accounts payable	\$ 676,174
Investments	2,105,000	Accrued interest payable	180,030
Property taxes receivable(net of allowances for uncollectibles)	1,444,214	Unearned revenue	595,608
Due from other governments	390,832	Bonds payable - due within one year	3,600,262
Accounts receivable	102,379	Compensated absences - due within one year	200,048
Interest receivable	26,633	Voluntary termination benefits - due within one year	290,840
Inventory, at cost	211,335	Total current liabilities	<u>5,542,962</u>
Prepaid items	4,511		
Total current assets	<u>53,590,153</u>	Noncurrent liabilities:	
Noncurrent assets:		Deferred bond premiums	26,866
Deferred bond issuance costs	339,839	Bonds payable	54,016,215
Land	7,443,747	Compensated absences	2,937,246
Land improvements	2,538,493	Voluntary termination benefits	149,018
Buildings and improvements	37,903,728	Total non-current liabilities	<u>57,129,345</u>
Machinery and equipment	3,662,159	Total liabilities	<u>62,672,307</u>
Construction in progress	4,663,492		
Less accumulated depreciation	<u>(15,597,855)</u>	<u>NET ASSETS</u>	
Total noncurrent assets	<u>40,953,603</u>	Invested in capital assets, net of related debt	25,142,399
Total assets	<u>\$ 94,543,756</u>	Restricted for:	
		Building reserve	442,184
		Bus depreciation	303,267
		Debt service	143,665
		Flexibility	231,787
		Retirement	1,775,963
		Technology acquisition	483,837
		Transportation	481,549
		Other purposes	125,151
		Unrestricted	2,741,647
		Total net assets	<u>\$ 31,871,449</u>

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

BOZEMAN SCHOOL DISTRICT NO. 7
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 25,568,496	\$ 586,576	\$ 3,475,256	\$ -	\$ (21,506,664)
Support services	4,975,685	108,858	1,880,984	-	(2,985,843)
General administration	2,116,552	57,349	58,959	-	(2,000,244)
Building administration	3,163,125	175,819	144,475	-	(2,842,831)
Operations and maintenance	3,663,019	163,732	13,352	810,146	(2,675,789)
Student transportation	1,433,032	9,612	611,463	-	(811,957)
Food services	1,835,040	1,379,861	377,231	-	(77,948)
Extracurricular activities	885,231	1,437	18,890	-	(864,904)
Unallocated depreciation *	960,431	-	-	-	(960,431)
Interest and fiscal charges	1,574,466	-	-	-	(1,574,466)
Total governmental activities	\$ 46,175,077	\$ 2,483,244	\$ 6,580,610	\$ 810,146	\$ (36,301,077)
General revenues:					
					19,928,795
District property taxes					1,839,432
Investment earnings					
Intergovernmental revenue					
Restricted:					
County distribution - retirement					3,872,500
State motor vehicle fee reimbursement					36,236
Other state revenue					96,801
Unrestricted:					
State equalization					11,695,502
State guaranteed tax base subsidy					443,964
State motor vehicle fee reimbursement					1,543,660
State quality educator					778,808
Other state revenue					125,521
Gain on sale of capital assets					545
Total general revenues					40,361,764
Changes in net assets					4,060,687
Net assets, beginning of year					27,810,762
Net assets, end of year					\$ 31,871,449

* This amount excludes the depreciation that is included in the direct expenses of the various functions.

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, 2007

	General	Elementary Debt Service	Elementary Building	High School Building	Nonmajor Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash and cash equivalents	\$ 1,479,362	\$ -	\$ 16,166,199	\$ 26,090,190	\$ 4,438,896	\$ 48,174,647
Investments	902,955	-	-	-	850,000	1,752,955
Property taxes receivable	1,040,028	169,842	-	-	241,397	1,451,267
Due from other funds	-	7,982	-	-	21,496	29,478
Due from other governments	2,053	-	-	-	388,779	390,832
Accounts receivable	1,613	-	28,128	-	59,732	89,473
Interest receivable	15,249	-	-	-	8,021	23,270
Inventory, at cost	-	-	-	-	32,321	32,321
Prepaid items	835	-	-	-	3,676	4,511
Total assets	\$ 3,442,095	\$ 177,824	\$ 16,194,327	\$ 26,090,190	\$ 6,044,318	\$ 51,948,754
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 35,762	\$ -	\$ 4,344	\$ -	\$ 15,709	\$ 55,815
Accrued interest payable	-	7,982	-	-	21,496	29,478
Bank overdraft	-	51,034	-	-	53,896	104,930
Deferred revenue	1,040,028	169,842	-	-	241,397	1,451,267
Unearned revenue	-	-	-	-	78,217	78,217
Due to other funds	-	-	7,982	21,496	-	29,478
Total liabilities	1,075,790	228,858	12,326	21,496	410,715	1,749,185
Fund balances (deficits) :						
Reserved:						
Encumbrances	155,448	-	-	-	3,227	158,675
Prepaid items	835	-	-	-	3,676	4,511
Debt service	-	(51,034)	-	-	(52,755)	(103,789)
Unreserved:						
Undesignated:						
General fund	2,210,022	-	-	-	-	2,210,022
Special revenue funds	-	-	-	-	5,285,646	5,285,646
Designated:						
Capital projects funds	-	-	16,182,001	26,068,694	393,809	42,644,504
Total fund balances (deficits)	2,366,305	(51,034)	16,182,001	26,068,694	5,633,603	50,199,569
Total liabilities and fund balances	\$ 3,442,095	\$ 177,824	\$ 16,194,327	\$ 26,090,190	\$ 6,044,318	\$ 51,948,754

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, 2007

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

Total fund balances - governmental funds (page 32)	\$ 50,199,569
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$56,211,619 and the accumulated depreciation is \$15,597,855.	40,613,764
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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.	1,451,267
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Property taxes receivable is reported "net of the allowances for uncollectibles" on the statement of net assets.	(7,053)
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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	\$ 57,454,056	
Compensated absences	3,137,294	
Voluntary termination benefits	439,858	(61,031,208)

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.	<u>645,110</u>
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Total net assets - governmental activities (page 28)	<u><u>\$ 31,871,449</u></u>
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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, 2007

	General	Elementary Debt Service	Elementary Building	High School Building	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
District property taxes	\$ 13,581,764	\$ 2,478,053	\$ -	\$ -	\$ 3,331,714	\$ 19,391,531
Tuition and fees	34,941	-	-	-	1,533,378	1,568,319
Interest	158,402	16,043	647,760	778,051	194,951	1,795,207
Other district revenue	1,388	-	136,129	-	344,877	482,394
Gallatin County	-	-	-	-	4,213,172	4,213,172
State of Montana	16,158,742	5,621	-	-	2,255,084	18,419,447
Federal	-	-	-	-	3,116,050	3,116,050
Total revenues	<u>29,935,237</u>	<u>2,499,717</u>	<u>783,889</u>	<u>778,051</u>	<u>14,989,226</u>	<u>48,986,120</u>
Expenditures:						
Current -						
Instruction	19,011,296	-	-	-	5,557,764	24,569,060
Support services	3,224,598	-	-	-	1,684,602	4,909,200
General administration	1,585,840	-	-	-	410,581	1,996,421
Building administration	2,412,061	-	780	-	601,772	3,014,613
Operations and maintenance	2,981,420	-	188,642	66,268	331,195	3,567,525
Student transportation	9,616	-	-	-	1,422,868	1,432,484
Food services	-	-	-	-	1,769,280	1,769,280
Extracurricular activities	805,206	-	-	-	66,703	871,909
Capital outlay	16,933	-	3,131,340	4,138,911	336,327	7,623,511
Debt service -						
Principal retirement	-	1,590,000	-	-	626,506	2,216,506
Interest and fiscal charges	-	969,299	-	-	779,433	1,748,732
Bond issuance costs	-	-	107,246	35,008	-	142,254
Total expenditures	<u>30,046,970</u>	<u>2,559,299</u>	<u>3,428,008</u>	<u>4,240,187</u>	<u>13,587,031</u>	<u>53,861,495</u>
Excess (deficiency) of revenues over expenditures	<u>(111,733)</u>	<u>(59,582)</u>	<u>(2,644,119)</u>	<u>(3,462,136)</u>	<u>1,402,195</u>	<u>(4,875,375)</u>
Other financing sources (uses):						
Sale of capital assets	-	-	545	-	-	545
Transfers in	-	-	-	-	23,344	23,344
Limited obligations bonds issued	-	-	1,459,250	-	-	1,459,250
General obligations bonds issued	-	-	5,750,000	14,975,000	-	20,725,000
Transfers out	-	-	-	-	(23,344)	(23,344)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>7,209,795</u>	<u>14,975,000</u>	<u>-</u>	<u>22,184,795</u>
Net changes in fund balances	<u>(111,733)</u>	<u>(59,582)</u>	<u>4,565,676</u>	<u>11,512,864</u>	<u>1,402,195</u>	<u>17,309,420</u>
Fund balances, beginning of year	<u>2,478,038</u>	<u>8,548</u>	<u>11,616,325</u>	<u>14,555,830</u>	<u>4,231,408</u>	<u>32,890,149</u>
Fund balances, end of year	<u>\$ 2,366,305</u>	<u>\$ (51,034)</u>	<u>\$ 16,182,001</u>	<u>\$ 26,068,694</u>	<u>\$ 5,633,603</u>	<u>\$ 50,199,569</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, 2007**

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)	\$ 17,309,420
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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 (\$7,623,511) exceeded depreciation (\$1,237,294) in the current period.	6,386,217
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This amount represents the portion of District property tax revenues in the statement of activities that did not provide current financial resources and therefore is not reported as revenues in the funds.	537,264
--	---------

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.	(19,636,682)
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The current period net increase in compensated absences and decrease in 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.	(267,753)
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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 loss of the internal service funds is reported with governmental activities.	<u>(267,779)</u>
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Change in net assets of governmental activities (page 29)	<u><u>\$ 4,060,687</u></u>
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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, 2007

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
District property taxes	\$ 13,740,390	\$ 13,581,764	\$ (158,626)
Tuition and fees	25,000	34,941	9,941
Interest	141,486	158,402	16,916
Other district revenue	2,658	1,388	(1,270)
State of Montana	16,120,406	16,158,742	38,336
Total revenues	<u>30,029,940</u>	<u>29,935,237</u>	<u>(94,703)</u>
Expenditures:			
Current -			
Instruction	18,850,573	18,995,915	(145,342)
Support services	3,278,838	3,220,986	57,852
General administration	1,497,276	1,596,212	(98,936)
Building administration	2,302,541	2,413,652	(111,111)
Operations and maintenance	3,268,966	2,981,420	287,546
Student transportation	7,789	9,616	(1,827)
Extracurricular activities	823,957	805,206	18,751
Capital outlay	-	6,933	(6,933)
Total expenditures	<u>30,029,940</u>	<u>30,029,940</u>	<u>-</u>
Net change in fund balances	-	(94,703)	(94,703)
Fund balances, beginning of year	<u>2,305,560</u>	<u>2,305,560</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2,305,560</u>	<u>\$ 2,210,857</u>	<u>\$ (94,703)</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, 2007

	Governmental Activities: Internal Service Funds
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 1,235,532
Investments	352,045
Accounts receivable	12,906
Interest receivable	3,363
Inventory, at cost	179,014
Total current assets	<u>1,782,860</u>
Noncurrent assets:	
Capital assets:	
Machinery and equipment	416,271
Less accumulated depreciation	<u>(279,366)</u>
Net capital assets	<u>136,905</u>
Total assets	<u><u>1,919,765</u></u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	620,359
Unearned revenue	<u>517,391</u>
Total liabilities	<u><u>1,137,750</u></u>
<u>NET ASSETS</u>	
Invested in capital assets	136,905
Unrestricted	<u>645,110</u>
Total net assets	<u><u>\$ 782,015</u></u>

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, 2007

	Governmental Activities: Internal Service Funds
Operating revenues:	
Charges for services	\$ 4,997,446
Total operating revenues	<u>4,997,446</u>
Operating expenses:	
Administrative expenses	202,493
Communications	42,670
Contracted bus services	75,294
Depreciation	30,071
Excess risk insurance	278,206
Health, dental and vision claims	3,920,444
Materials and supplies	381,435
Other expenses	555
Repairs and maintenance	32,839
Salaries and benefits	211,918
Wellness	118,983
Total operating expenses	<u>5,294,908</u>
Operating income (loss)	<u>(297,462)</u>
Nonoperating revenues (expenses):	
Interest	29,683
Total nonoperating revenues (expenses)	<u>29,683</u>
Changes in net assets	(267,779)
Total net assets, beginning of year	<u>1,049,794</u>
Total net assets, end of year	<u><u>\$ 782,015</u></u>

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, 2007

	Governmental Activities: Internal Service Funds
Cash flows from operating activities:	
Receipts from users	\$ 5,075,170
Payments for insurance claims	(3,829,979)
Payments to employees	(211,918)
Payments to suppliers	(1,141,591)
Net cash provided(used) by operating activities	<u>(108,318)</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	(5,597)
Net cash provided(used) by capital and related financing activities	<u>(5,597)</u>
Cash flows from investing activities:	
Sale of investments	1,265,805
Interest received	42,584
Net cash provided(used) by investing activities	<u>1,308,389</u>
Net increase(decrease) in cash and cash equivalents	1,194,474
Cash and cash equivalents - 7/01/06	<u>41,058</u>
Cash and cash equivalents - 6/30/07	<u><u>\$ 1,235,532</u></u>
Reconciliation of operating income(loss) to net cash provided(used) by operating activities:	
Operating income(loss)	\$ (297,462)
Adjustments to reconcile operating income(loss) to net cash provided(used) by operating activities:	
Depreciation	30,071
(Increase) decrease in accounts receivable	(10,928)
(Increase) decrease in inventories	(13,178)
Increase (decrease) in accounts payable	94,527
Increase (decrease) in deposits payable	(8,693)
Increase (decrease) in unearned insurance premiums	97,345
Total adjustments	<u>189,144</u>
Net cash provided(used) by operating activities	<u><u>\$ (108,318)</u></u>

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, 2007

	Private-Purpose Trust
<u>ASSETS</u>	
Cash and cash equivalents	\$ 500,255
Investments	355,000
Interest receivable	3,396
Machinery and equipment	5,000
Less accumulated depreciation	<u>(2,499)</u>
Total assets	<u>861,152</u>
<u>LIABILITIES</u>	
Accounts payable	<u>497</u>
Total liabilities	<u>497</u>
<u>NET ASSETS</u>	
Held in trust	<u><u>\$ 860,655</u></u>

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, 2007

	Private-Purpose Trust Funds
Additions:	
Auctions	\$ 39,768
Contributions	67,628
Extracurricular receipts and fees	1,104,309
Total noninvestment trust additions	<u>1,211,705</u>
Investment earnings:	
Interest	<u>30,924</u>
Total additions	<u>1,242,629</u>
Deductions:	
Depreciation	714
Extracurricular activities	1,158,113
Fundraising	3,246
Professional services	883
Scholarships	32,350
Total deductions	<u>1,195,306</u>
Changes in net assets	47,323
Net assets, beginning of year	<u>813,332</u>
Net assets, end of year	<u><u>\$ 860,655</u></u>

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, 2007

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.

In fiscal year 2002, the District adopted GASB Statement No. 34, "Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments." GASB Statement No. 34 requires new basic financial statements for reporting on the District's financial activities. The effect of this change was to include management's discussion and analysis and include the government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information on major funds, rather than by fund type.

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, high school building, and elementary debt service 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 construction of elementary schools and for the remodeling of existing elementary facilities.

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

The *elementary debt service fund* is used to account for the annual payment of principal, interest and expenditures on long-term obligation debt. Under the State of Montana statutes, this fund is also used to pay special improvement district assessment charges against District-owned property.

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 by the Worthy Student Scholarship committee, and the extracurricular activities departments. 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 the extracurricular funds are not held in a "purely" custodial nature, the school board does retain the power to deny expenditures (and also deny the creation of the fund as a school district account).

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 Districts 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. \$94,035 of the Middle and High School Student Extracurricular Funds (which are Private-Purpose Trust Funds) and \$11,007 of the Self-Insurance Fund are in interest bearing checking accounts.

The County Treasurer, at the direction of the District, invests the pooled cash 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.

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. The investments listed in the financial statements are entirely comprised of Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association bonds with remaining maturities varying from 1 to 14 months. All cash equivalents held in the Gallatin County investment pool are reported at fair value except for the portion in STIP, which is valued at cost. The direct obligations of the United States Agencies are also held at cost, the cost of these and the cost of the STIP investments, approximate fair value. There is no material difference between the value of the STIP pool shares and government bonds and the 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 \$7,053 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. 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. 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.

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 between School District No. 7 and the Bozeman Education Association July 1, 2004 - June 30, 2007. The plan follows:

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 \$301,074 for the fiscal year ended June 30, 2007(the VCOP Plan is entirely employer funded). The District had 18 past employees participating in these plans on June 30, 2007.

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 will be reflected in the financials when GASB Statement No. 45 becomes effective for the Bozeman School District during the fiscal year ended June 30, 2009.

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 issued during the fiscal year just ended were 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 equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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
Flexibility

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 2007.

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 is 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 sole major governmental fund(General) is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major difference between the budget basis and GAAP basis is that under GAAP encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

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	\$ (111,733)
Adjustment for Encumbrances	<u>17,030</u>
Budget Basis	<u><u>\$ (94,703)</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 and High School Debt Service funds had deficit fund balances of \$51,034 and \$52,755, respectively, as of June 30, 2007. These deficits were the result of revenues collected falling below the levied amount. This is not uncommon in the first year following large debt issuances (District issued \$28,600,000 in General Obligation debt last fiscal year). The High School Tuition fund had a \$1,141 deficit fund balance as of June 30, 2007. This deficit also resulted in revenue collections trailing levied amounts. Additional mills are allowed to be levied in the future to make up for these deficits.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

As noted previously, District cash, except petty cash and a portion of the Middle and High School Extracurricular funds and Self-Insurance funds, is held by the County Treasurer. The District directs the investment of money pursuant to the provisions of the Montana Code.

Cash and cash equivalents consist of:

Petty cash	\$ 4,302
County Treasurer's Investment Pool	49,683,564
Cash in Government Obligations money market	12,596
Cash in checking	<u>105,042</u>
Total	<u><u>\$ 49,805,504</u></u>

Investments consist of:

		<u>Credit Risk</u>	<u>Interest Rate Risk</u>
	Investment Cost	Standard & Poor's Corporate Bond Rating	Weighted Average Maturity (Years)
Federal Home Loan Bank	\$ 1,135,000	AAA	0.50
Federal Home Loan Mortgage Corporation	325,000	AAA	0.04
Federal National Mortgage Association	1,000,000	AAA	1.15
Total investment cost	<u>\$ 2,460,000</u>		
Portfolio weighted average maturity			0.70

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 Fund cash in several checking accounts totaling \$94,035 which is fully insured by the FDIC. \$11,007 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 the State of Montana Unified Investment Program, 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.

The investments 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, risk classifications according to GASB 40 are available in the Gallatin County's annual report. The carrying amount and fair value of the investments in the County Treasurer's investment pool were \$49,683,564. In regards to the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association long-term investments, 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.

B. Receivables

Receivables as of June 30, 2007, 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:

	General	Elementary Building	Elementary Debt Service	Nonmajor and Other Funds	Total
Receivables:					
Accounts	\$ 1,613	\$ 28,128	\$ -	\$ 72,638	\$ 102,379
Interest	15,249	-	-	11,384	26,633
Property taxes receivable	1,040,028	-	169,842	241,397	1,451,267
Gross receivables	1,056,890	28,128	169,842	325,419	1,580,279
Less: allowance for Uncollectibles	(5,054)	-	(825)	(1,174)	(7,053)
Net total receivables	<u>\$ 1,051,836</u>	<u>\$ 28,128</u>	<u>\$ 169,017</u>	<u>\$ 324,245</u>	<u>\$ 1,573,226</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 \$1,451,267 deferred revenue and \$78,217 unearned revenue reported in governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$1,040,028	\$ -
Delinquent property taxes receivable (Elementary Debt Service)	169,842	-
Delinquent property taxes receivable (Nonmajor governmental funds)	241,397	-
Food Service and elementary grants (Nonmajor governmental funds)	-	78,217
Total deferred revenue for governmental funds	<u>\$1,451,267</u>	<u>\$ 78,217</u>

The Self-Insurance internal service fund had unearned revenue of \$517,391 as of June 30, 2007, 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, 2007 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	\$ 4,424,051	\$ 3,019,696	\$ -	\$ 7,443,747
Construction in progress	1,198,856	4,202,453	(737,817)	4,663,492
Total capital assets, not being depreciated	5,622,907	7,222,149	(737,817)	12,107,239
Capital assets, being depreciated:				
Land improvements	2,484,995	53,498	-	2,538,493
Buildings and improvements	36,904,924	998,804	-	37,903,728
Machinery and equipment	3,569,685	92,474	-	3,662,159
Total capital assets being depreciated	42,959,604	1,144,776	-	44,104,380
Less accumulated depreciation for:				
Land improvements	(635,710)	(125,588)	-	(761,298)
Buildings and improvements	(11,402,378)	(834,843)	-	(12,237,221)
Machinery and equipment	(2,292,402)	(306,934)	-	(2,599,336)
Total accumulated depreciation	(14,330,490)	(1,267,365)	-	(15,597,855)
Total capital assets, being depreciated, net	28,629,114	(122,589)	-	28,506,525
Governmental activities capital assets, net	<u>\$ 34,252,021</u>	<u>\$ 7,099,560</u>	<u>\$ (737,817)</u>	<u>\$ 40,613,764</u>

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

Governmental activities:	
Instruction	\$ 155,259
Support services	4,217
General administration	32,278
Operations and maintenance	39,908
Food service	41,326

Extracurricular activities	3,875
Unallocated depreciation (buildings and land improvements)	960,431
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>30,071</u>
Total depreciation expense - governmental activities	<u><u>\$1,267,365</u></u>

<u>Fiduciary Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Machinery and equipment	\$ 5,000	\$ -	\$ -	\$ 5,000
Less accumulated depreciation	(1,785)	(714)	-	(2,499)
Fiduciary activities capital assets, net	<u>\$ 3,215</u>	<u>\$ (714)</u>	<u>\$ -</u>	<u>\$ 2,501</u>

Depreciation expense in the fiduciary funds amounted to \$714 in the 2006-2007 fiscal year.

Construction commitments - The District has active construction projects as of June 30, 2007. 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 New Chief Joseph Middle School	\$ 1,066,699	\$ 166,801
Construction contract for New Chief Joseph Middle School	1,857,446	15,342,554
Architecture contract for Whittier Mechanical project	7,068	29,597
Hawthorne boiler project	6,917	76,163
Architecture contract for seventh Elementary School	65,625	696,375
Architecture contract for High School renovation	<u>1,193,676</u>	<u>2,244,124</u>
Total	<u>\$ 4,197,431</u>	<u>\$ 18,555,614</u>

The elementary building fund is responsible for the new Chief Joseph Middle School, 7th Elementary School, and most of the Whittier mechanical project. The Hawthorne boiler project and part of the Whittier mechanical project are being funded from the elementary building reserve fund. The high school building fund is funding the architecture contract for the high school renovation project.

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. Transfers in the governmental funds were as follows:

	<u>Transfer In:</u>
	Nonmajor
	Governmental
	<u>Funds</u>
Transfer Out:	
Nonmajor governmental fund	<u>\$ 23,344</u>

The above transfer was the result of transferring indirect costs between the Elementary and High School Miscellaneous Grant Funds.

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 \$41,490,000. During the 2003 fiscal year, general obligation bonds totaling \$12,890,000 were issued to refund all outstanding general obligation bonds. In the fiscal year just ended, general obligation bonds in the amount of \$5,750,000 were issued to supplement the ongoing construction of the new middle school. Also in this past year, \$14,975,000 of general obligation bonds were issued for the renovation of the existing high school. An additional \$11,925,000 of g.o. bonds were authorized in the year ended June 30, 2006, but have not been issued yet. \$10,000,000 of these bonds will further finance the high school renovation. The remaining \$1,925,000 is authorized for high school land acquisition.

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 g.o. bonds were actually issued for 19 years). General obligation bonds currently outstanding are comprised of the following individual issues:

	Issue Amount	Term	Interest Rate	Outstanding Principal June 30, 2007	Due Within One Year
2002 Elementary	\$ 6,915,000	12	1.40 - 4.10%	\$ 4,435,000	\$ 575,000
2003 Elementary	4,840,000	7	1.00 - 2.70%	1,550,000	765,000
2006 Elementary	14,100,000	20	4.00 - 5.25%	13,815,000	490,000
2007 Elementary	5,750,000	19	3.75 - 4.20%	5,750,000	215,000
Subtotal				25,550,000	2,045,000
2003 High School	1,135,000	7	1.00 - 2.70%	365,000	180,000
2006 High School	14,500,000	20	4.00 - 5.25%	14,205,000	505,000
2007 High School	14,975,000	19	4.10 - 4.50%	14,975,000	555,000
Subtotal				29,545,000	1,240,000
Total				\$ 55,095,000	\$ 3,285,000

Annual debt service requirements to maturity on general obligation bonds at June 30, 2007, are summarized as follows:

Year ending June 30:	Governmental Activities		
	Principal	Interest	Total
2008	\$ 3,285,000	\$ 2,230,556	\$ 5,515,556
2009	3,360,000	2,145,868	5,505,868
2010	2,490,000	2,019,430	4,509,430
2011	2,585,000	1,905,812	4,490,812
2012	2,695,000	1,793,734	4,488,734
2013-2017	12,930,000	7,306,885	20,236,885
2018-2022	14,165,000	4,644,690	18,809,690
2023-2026	13,585,000	1,469,545	15,054,545
Total	\$ 55,095,000	\$ 23,516,520	\$ 78,611,520

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 this fiscal year on December 19, 2006. These new l.o. bonds will be 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 limited obligation debt payments and

the majority of the 2006 issue. The general fund will service the remainder of the 2006 limited obligation debt. The limited obligation bonds are comprised of the following issues:

	Issue Amount	Term	Interest Rate	Outstanding Principal June 30, 2007	Due Within One Year
2003 Elementary	\$ 1,586,000	9	0%	\$ 1,105,573	\$ 172,249
2006 Elementary	1,459,250	9	0%	1,459,250	143,013
				<u>\$ 2,564,823</u>	<u>\$ 315,262</u>

Annual debt service requirements to maturity of limited obligation bonds at June 30, 2007, are summarized as follows:

Year ending June 30:	Governmental Activities		
	Principal	Investment Earnings	Total
2008	\$ 292,060	\$ 23,202	\$ 315,262
2009	292,060	34,682	326,742
2010	292,060	46,581	338,641
2011	292,060	58,914	350,974
2012	292,060	71,695	363,755
2013-2016	713,722	155,727	869,449
Total	<u>\$ 2,174,022</u>	<u>\$ 390,801</u>	<u>\$ 2,564,823</u>

Long-term liability activity for the year ended June 30, 2007, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligations bonds	\$ 36,435,000	\$20,725,000	\$ (2,065,000)	\$55,095,000	\$3,285,000
Limited obligations bond	1,271,621	1,459,250	(166,048)	2,564,823	315,262
Less deferred amounts:					
Excess reacquisition costs	(65,018)	-	21,672	(43,346)	-
Total bonds payable	37,641,603	22,184,250	(2,209,376)	57,616,477	3,600,262
Compensated absences	2,844,067	486,881	(193,654)	3,137,294	200,048
Voluntary termination benefits	465,332	275,600	(301,074)	439,858	290,840
Total governmental activity					
Long-term liabilities	<u>\$40,951,002</u>	<u>\$22,946,731</u>	<u>\$ (2,704,104)</u>	<u>\$61,193,629</u>	<u>\$4,091,150</u>

The legal debt limits may not exceed the greater of 1) 45% 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 45% (MCA 20-9-406). The Elementary and High School Districts' debt limitations were calculated using the first formula. For the year ending June 30, 2007, legal debt limitations were as follows:

<u>TAXING DISTRICT</u>		
	<u>Elementary</u>	<u>High School</u>
Legal Debt Service Limitation	\$43,442,825	\$58,279,834

The 2002 Elementary General Obligation Bonds mentioned previously advance refunded bonds originally issued and used to build the Sacajawea Middle School. The 2003 Elementary General Obligation Bonds currently refunded bonds that had previously refunded the original bonds issued and used to build the Morning Star and Emily Dickinson Elementary Schools. The 2003 High School General Obligation Bonds currently refunded bonds that had previously refunded the original bonds issued and used for high school renovation projects. The 2003 Limited Obligation School Bonds were used in renovations of the Whittier and Irving Elementary Schools. The 2006 Elementary G.O. Bond proceeds were used to purchase the new Chief Joseph Middle School site and is still being used for the construction of this new middle school. The 2006 High School G.O. Bonds were used to purchase additional high school land and is currently being used in the planning and renovation of the existing Bozeman High 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 restricted net assets. These individual funds and their net assets at June 30, 2007 are as follows:

<u>Fund Name</u>	<u>Fund Type</u>	<u>Amount</u>
Elementary building reserve	Capital projects	\$ 238,844
High school building reserve	Capital projects	203,340
Elementary bus depreciation	Special revenue	151,356
High school bus depreciation	Special revenue	151,911
Elementary debt service	Debt service	118,808
High school debt service	Debt service	24,857
Elementary flexibility	Special revenue	54,915
High school flexibility	Special revenue	176,872
Elementary retirement	Special revenue	1,242,206
High school retirement	Special revenue	533,757
Elementary technology acquisition	Special revenue	233,099
High school technology acquisition	Special revenue	250,738
Elementary transportation	Special revenue	305,577
High school transportation	Special revenue	175,972
Other purposes:		

Elementary tuition	Special revenue	427
High school tuition	Special revenue	(263)
Adult education	Special revenue	<u>124,987</u>
Total restricted net assets		<u>\$ 3,987,403</u>

G. Leases

The District leases 31 photocopiers under a noncancelable operating lease which began on July 1, 2006. The total cost for the fiscal year ended June 30, 2007, was \$101,221. The District has guaranteed 7,000,000 copies per year for the current four year lease. The future minimum lease payments for this lease are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2008	\$ 73,650
2009	73,650
2010	<u>73,650</u>
Total	<u>\$ 220,950</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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. 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 Employee Benefits Management Services (EBMS). 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 buys commercial 'stop-loss' policies through Reliastar Insurance Company for claims in excess of the 125% amount and for claims in excess of \$150,000 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>
2005	\$ 653,515	\$ 3,028,646	\$ 3,200,486	\$ 481,675
2006	481,675	3,575,826	3,599,536	457,965
2007	457,965	4,016,028	3,920,444	553,549

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 State of Montana. The plans provide retirement, disability, and death benefits to plan members and beneficiaries.

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	Public Employees Retirement System
P.O. Box 200139	P.O. Box 200131
Helena, MT 59620-0139	Helena, MT 59620-0131
(406) 444-3134	(406) 444-3154

Contribution rates for both plans are required and determined by state law. The contribution rates for 2007, 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%	0.11%	14.73%
PERS	6.80%	6.90%	0.10%	13.80%
Total	<u>14.27%</u>	<u>14.05%</u>	<u>0.21%</u>	<u>28.53%</u>

The amounts contributed to the plans during the year ended June 30, 2005, 2006 and 2007 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>2005</u>	<u>2006</u>	<u>2007</u>
TRS	\$ 3,034,233	\$ 3,143,849	\$ 3,423,244
PERS	538,745	552,685	633,037
Total	<u>\$ 3,572,978</u>	<u>\$ 3,696,534</u>	<u>\$ 4,056,281</u>

The State's contribution to the plans in 2007 were approximately \$23,737 for TRS and \$4,240 for PERS.

C. Subsequent events

On September 11, 2007, District voters approved a \$17.5 million bond issue to construct a seventh elementary school on existing District land. The District plans to sell the bonds for this project in February 2008. The voters of Ophir Elementary, an outlying K-8 school district that feeds into the Bozeman High School District, approved a referendum to form a K-12 school district effective July 1, 2008. The tax base of Ophir Elementary represents approximately 13% of the Bozeman High School District.

D. Contingencies

As of June 30, 2007, the District was involved in two lawsuits which arose out of the normal course of operations. One of these settled for a minor amount in November 2007 and was funded by the District's insurance. Management of the District intends to vigorously defend the remaining claim and believes no material loss will be incurred.



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, 2007

	Elementary General Subfund	High School General Subfund	Totals
<u>ASSETS</u>			
Cash and cash equivalents	\$ 809,300	\$ 670,062	\$ 1,479,362
Investments	622,955	280,000	902,955
Property taxes receivable	568,720	471,308	1,040,028
Due from other governments	2,053	-	2,053
Accounts receivable	1,503	110	1,613
Interest receivable	12,579	2,670	15,249
Prepaid items	735	100	835
Total assets	\$ 2,017,845	\$ 1,424,250	\$ 3,442,095
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 33,765	\$ 1,997	\$ 35,762
Deferred revenue	568,720	471,308	1,040,028
Total liabilities	602,485	473,305	1,075,790
Fund balances:			
Reserved:			
Encumbrances	39,011	116,437	155,448
Prepaid items	735	100	835
Unreserved:			
Undesignated	1,375,614	834,408	2,210,022
Total fund balances	1,415,360	950,945	2,366,305
Total liabilities and fund balances	\$ 2,017,845	\$ 1,424,250	\$ 3,442,095

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GENERAL SUBFUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Elementary General Subfund	High School General Subfund	Totals
Revenues:			
District property taxes	\$ 7,697,467	\$ 5,884,297	\$ 13,581,764
Tuition and fees	18,816	16,125	34,941
Interest	97,870	60,532	158,402
Other district revenue	954	434	1,388
State of Montana	9,789,089	6,369,653	16,158,742
Total revenues	<u>17,604,196</u>	<u>12,331,041</u>	<u>29,935,237</u>
Expenditures:			
Current -			
Instruction	11,502,684	7,508,612	19,011,296
Support services	1,969,175	1,255,423	3,224,598
General administration	822,848	762,992	1,585,840
Building administration	1,551,780	860,281	2,412,061
Operations and maintenance	1,755,169	1,226,251	2,981,420
Student transportation	7,425	2,191	9,616
Extracurricular activities	154,390	650,816	805,206
Capital outlay	6,398	10,535	16,933
Total expenditures	<u>17,769,869</u>	<u>12,277,101</u>	<u>30,046,970</u>
Net change in fund balances	(165,673)	53,940	(111,733)
Fund balances, beginning of year	<u>1,581,033</u>	<u>897,005</u>	<u>2,478,038</u>
Fund balances, end of year	<u><u>\$ 1,415,360</u></u>	<u><u>\$ 950,945</u></u>	<u><u>\$ 2,366,305</u></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, 2007

	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	\$ 7,796,764	\$ 7,697,467	\$ (99,297)	\$ 5,943,626	\$ 5,884,297	\$ (59,329)
Tuition and fees	10,000	18,816	8,816	15,000	16,125	1,125
Interest	87,179	97,870	10,691	54,307	60,532	6,225
Other district revenue	1,546	954	(592)	1,112	434	(678)
State of Montana	9,770,177	9,789,089	18,912	6,350,229	6,369,653	19,424
Total revenues	<u>17,665,666</u>	<u>17,604,196</u>	<u>(61,470)</u>	<u>12,364,274</u>	<u>12,331,041</u>	<u>(33,233)</u>
Expenditures:						
Current -						
Instruction	11,351,272	11,393,335	(42,063)	7,499,301	7,602,580	(103,279)
Support services	1,969,506	1,967,544	1,962	1,309,332	1,253,442	55,890
General administration	762,181	828,034	(65,853)	735,095	768,178	(33,083)
Building administration	1,482,223	1,553,371	(71,148)	820,318	860,281	(39,963)
Operations and maintenance	1,951,421	1,755,169	196,252	1,317,545	1,226,251	91,294
Student transportation	5,667	7,425	(1,758)	2,122	2,191	(69)
Extracurricular activities	143,396	154,390	(10,994)	680,561	650,816	29,745
Capital outlay	-	6,398	(6,398)	-	535	(535)
Total expenditures	<u>17,665,666</u>	<u>17,665,666</u>	<u>-</u>	<u>12,364,274</u>	<u>12,364,274</u>	<u>-</u>
Net change in fund balances	-	(61,470)	(61,470)	-	(33,233)	(33,233)
Fund balances, beginning of year	<u>1,437,819</u>	<u>1,437,819</u>	<u>-</u>	<u>867,741</u>	<u>867,741</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,437,819</u>	<u>\$ 1,376,349</u>	<u>\$ (61,470)</u>	<u>\$ 867,741</u>	<u>\$ 834,508</u>	<u>\$ (33,233)</u>

Nonmajor Governmental Funds – By Fund Type

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
JUNE 30, 2007

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 4,045,087	\$ -	\$ 393,809	\$ 4,438,896
Investments	850,000	-	-	850,000
Property taxes receivable	115,410	77,612	48,375	241,397
Due from other funds	-	21,496	-	21,496
Due from other governments	388,779	-	-	388,779
Accounts receivable	59,732	-	-	59,732
Interest receivable	8,021	-	-	8,021
Inventory, at cost	32,321	-	-	32,321
Prepaid items	3,676	-	-	3,676
Total assets	\$ 5,503,026	\$ 99,108	\$ 442,184	\$ 6,044,318
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 15,709	\$ -	\$ -	\$ 15,709
Accrued interest payable	-	21,496	-	21,496
Bank overdraft	1,141	52,755	-	53,896
Deferred revenue	115,410	77,612	48,375	241,397
Unearned revenue	78,217	-	-	78,217
Total liabilities	210,477	151,863	48,375	410,715
Fund balances (deficits):				
Reserved:				
Encumbrances	3,227	-	-	3,227
Prepaid items	3,676	-	-	3,676
Debt service	-	(52,755)	-	(52,755)
Unreserved:				
Undesignated	5,285,646	-	-	5,285,646
Designated for capital outlay	-	-	393,809	393,809
Total fund balances	5,292,549	(52,755)	393,809	5,633,603
Total liabilities and fund balances	\$ 5,503,026	\$ 99,108	\$ 442,184	\$ 6,044,318

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, 2007

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
Revenues:				
District property taxes	\$ 1,505,744	\$ 1,193,637	\$ 632,333	\$ 3,331,714
Tuition and fees	1,533,378	-	-	1,533,378
Interest	185,015	3,102	6,834	194,951
Other district revenue	344,561	221	95	344,877
Gallatin County	4,213,172	-	-	4,213,172
State of Montana	2,251,080	2,613	1,391	2,255,084
Federal	3,116,050	-	-	3,116,050
Total revenues	<u>13,149,000</u>	<u>1,199,573</u>	<u>640,653</u>	<u>14,989,226</u>
Expenditures:				
Current -				
Instruction	5,557,764	-	-	5,557,764
Support services	1,684,602	-	-	1,684,602
General administration	410,581	-	-	410,581
Building administration	601,772	-	-	601,772
Operations and maintenance	212,458	-	118,737	331,195
Student transportation	1,422,868	-	-	1,422,868
Food services	1,769,280	-	-	1,769,280
Extracurricular activities	66,703	-	-	66,703
Capital outlay	122,795	-	213,532	336,327
Debt service -				
Principal retirement	-	475,000	151,506	626,506
Interest and fiscal charges	-	779,433	-	779,433
Total expenditures	<u>11,848,823</u>	<u>1,254,433</u>	<u>483,775</u>	<u>13,587,031</u>
Excess (deficiency) of revenues over expenditures	<u>1,300,177</u>	<u>(54,860)</u>	<u>156,878</u>	<u>1,402,195</u>
Other financing sources (uses):				
Transfers in	23,344	-	-	23,344
Transfers out	(23,344)	-	-	(23,344)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>1,300,177</u>	<u>(54,860)</u>	<u>156,878</u>	<u>1,402,195</u>
Fund balances (deficits), beginning of year	<u>3,992,372</u>	<u>2,105</u>	<u>236,931</u>	<u>4,231,408</u>
Fund balances (deficits), end of year	<u>\$ 5,292,549</u>	<u>\$ (52,755)</u>	<u>\$ 393,809</u>	<u>\$ 5,633,603</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.

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

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

Non-Budgeted:

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

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, 2007**

	Elementary Transportation	Elementary Bus Depreciation	Elementary Tuition	Elementary Retirement	Elementary Grants	Elementary Compensated Absence Liability	Elementary Technology Acquisition
<u>ASSETS</u>							
Cash and cash equivalents	\$ 262,034	\$ 150,486	\$ 426	\$ 608,881	\$ 855,111	\$ 56,834	\$ 218,290
Investments	-	-	-	550,000	-	-	-
Property taxes receivable	43,543	870	1	-	-	-	14,809
Due from other governments	-	-	-	78,133	186,310	-	-
Accounts receivable	-	-	-	-	9,012	-	-
Interest receivable	-	-	-	5,192	-	-	-
Inventory, at cost	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	3,250	-	-
Total assets	\$ 305,577	\$ 151,356	\$ 427	\$ 1,242,206	\$ 1,053,683	\$ 56,834	\$ 233,099
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 12,811	\$ -	\$ -
Bank overdraft	-	-	-	-	-	-	-
Deferred revenue	43,543	870	1	-	-	-	14,809
Unearned revenue	-	-	-	-	43,698	-	-
Due to other governments	-	-	-	-	-	-	-
Total liabilities	43,543	870	1	-	56,509	-	14,809
Fund balances (deficits):							
Reserved:							
Encumbrances	-	-	-	-	2,829	-	-
Prepaid items	-	-	-	-	3,250	-	-
Unreserved:							
Undesignated	262,034	150,486	426	1,242,206	991,095	56,834	218,290
Total fund balances	262,034	150,486	426	1,242,206	997,174	56,834	218,290
Total liabilities and fund balances	\$ 305,577	\$ 151,356	\$ 427	\$ 1,242,206	\$ 1,053,683	\$ 56,834	\$ 233,099

(Continued)

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2007

	Elementary Flexibility	High School Transportation	High School Bus Depreciation	High School Food	High School Tuition	High School Retirement	High School Grants
<u>ASSETS</u>							
Cash and cash equivalents	\$ 54,915	\$ 146,037	\$ 150,960	\$ 90,269	\$	\$ 189,194	\$ 580,098
Investments	-	-	-	-	-	300,000	-
Property taxes receivable	-	29,935	951	-	878	-	-
Due from other governments	-	-	-	-	-	41,734	49,392
Accounts receivable	-	-	-	50,412	-	-	308
Interest receivable	-	-	-	-	-	2,829	-
Inventory, at cost	-	-	-	32,321	-	-	-
Prepaid items	-	-	-	-	-	-	426
Total assets	\$ 54,915	\$ 175,972	\$ 151,911	\$ 173,002	\$ 878	\$ 533,757	\$ 630,224
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ 862	\$ -	\$ -	\$ 559
Bank overdraft	-	-	-	-	1,141	-	-
Deferred revenue	-	29,935	951	-	878	-	-
Unearned revenue	-	-	-	34,519	-	-	-
Due to other governments	-	-	-	-	-	-	-
Total liabilities	-	29,935	951	35,381	2,019	-	559
Fund balances (deficits):							
Reserved:							
Encumbrances	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	426
Unreserved:							
Undesignated	54,915	146,037	150,960	137,621	(1,141)	533,757	629,239
Total fund balances	54,915	146,037	150,960	137,621	(1,141)	533,757	629,665
Total liabilities and fund balances	\$ 54,915	\$ 175,972	\$ 151,911	\$ 173,002	\$ 878	\$ 533,757	\$ 630,224

(Continued)

**BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2007**

	High School Adult Education	High School Drivers Education	High School Compensated Absence Liability	High School Technology Acquisition	High School Flexibility	Totals
<u>ASSETS</u>						
Cash and cash equivalents	\$ 116,575	\$ 67,976	\$ 85,402	\$ 234,727	\$ 176,872	\$ 4,045,087
Investments	-	-	-	-	-	850,000
Property taxes receivable	8,412	-	-	16,011	-	115,410
Due from other governments	-	33,210	-	-	-	388,779
Accounts receivable	-	-	-	-	-	59,732
Interest receivable	-	-	-	-	-	8,021
Inventory, at cost	-	-	-	-	-	32,321
Prepaid items	-	-	-	-	-	3,676
Total assets	\$ 124,987	\$ 101,186	\$ 85,402	\$ 250,738	\$ 176,872	\$ 5,503,026
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ -	\$ 1,477	\$ -	\$ -	\$ -	\$ 15,709
Bank overdraft	-	-	-	-	-	1,141
Deferred revenue	8,412	-	-	16,011	-	115,410
Unearned revenue	-	-	-	-	-	78,217
Due to other governments	-	-	-	-	-	-
Total liabilities	8,412	1,477	-	16,011	-	210,477
Fund balances (deficits):						
Reserved:						
Encumbrances	398	-	-	-	-	3,227
Prepaid items	-	-	-	-	-	3,676
Unreserved:						
Undesignated	116,177	99,709	85,402	234,727	176,872	5,285,646
Total fund balances	116,575	99,709	85,402	234,727	176,872	5,292,549
Total liabilities and fund balances	\$ 124,987	\$ 101,186	\$ 85,402	\$ 250,738	\$ 176,872	\$ 5,503,026

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, 2007

	Elementary Transportation	Elementary Bus Depreciation	Elementary Tuition	Elementary Retirement	Elementary Grants	Elementary Compensated Absence Liability	Elementary Technology Acquisition
Revenues:							
District property taxes	\$ 594,530	\$ 11,518	\$ 1	\$ -	\$ -	\$ -	\$ 198,146
Tuition and fees	9,667	-	-	-	-	-	-
Interest	4,761	5,129	25	41,324	45,407	3,431	7,107
Other district revenue	-	-	-	-	263,464	-	-
Gallatin County	208,868	-	-	2,291,500	-	-	-
State of Montana	233,314	26	-	-	1,076,273	-	91,952
Federal	-	-	-	-	2,205,002	-	-
Total revenues	<u>1,051,140</u>	<u>16,673</u>	<u>26</u>	<u>2,332,824</u>	<u>3,590,146</u>	<u>3,431</u>	<u>297,205</u>
Expenditures:							
Current -							
Instruction	-	-	600	1,460,469	2,259,971	6,100	227,968
Support services	55,724	-	-	258,620	668,041	1,276	-
General administration	73,590	-	-	108,081	87,880	5,374	6,400
Building administration	-	-	-	224,706	24,320	-	-
Operations and maintenance	-	-	-	127,262	-	3,690	864
Student transportation	861,630	-	-	3,259	1,208	-	-
Food services	-	-	-	-	-	-	-
Extracurricular activities	-	-	-	14,612	14,418	45	-
Capital outlay	6,436	-	-	-	27,200	-	13,250
Total expenditures	<u>997,380</u>	<u>-</u>	<u>600</u>	<u>2,197,009</u>	<u>3,083,038</u>	<u>16,485</u>	<u>248,482</u>
Excess (deficiency) of revenues over expenditures	<u>53,760</u>	<u>16,673</u>	<u>(574)</u>	<u>135,815</u>	<u>507,108</u>	<u>(13,054)</u>	<u>48,723</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	23,344	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,344</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>53,760</u>	<u>16,673</u>	<u>(574)</u>	<u>135,815</u>	<u>530,452</u>	<u>(13,054)</u>	<u>48,723</u>
Fund balances (deficits), beginning of year	<u>208,274</u>	<u>133,813</u>	<u>1,000</u>	<u>1,106,391</u>	<u>466,722</u>	<u>69,888</u>	<u>169,567</u>
Fund balances (deficits), end of year	<u>\$ 262,034</u>	<u>\$ 150,486</u>	<u>\$ 426</u>	<u>\$ 1,242,206</u>	<u>\$ 997,174</u>	<u>\$ 56,834</u>	<u>\$ 218,290</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, 2007

	Elementary Flexibility	High School Transportation	High School Bus Depreciation	High School Food	High School Tuition	High School Retirement	High School Grants
Revenues:							
District property taxes	\$ -	\$ 381,852	\$ 11,611	\$ -	\$ 13,353	\$ -	\$ -
Tuition and fees	-	1,283	-	1,367,844	-	-	-
Interest	1,982	1,304	5,151	6,501	-	17,361	20,794
Other district revenue	-	-	-	3,175	-	-	73,799
Gallatin County	-	131,804	-	-	-	1,581,000	-
State of Montana	37,830	145,725	24	1,500	30	-	520,167
Federal	-	-	-	372,556	-	-	538,492
Total revenues	<u>39,812</u>	<u>661,968</u>	<u>16,786</u>	<u>1,751,576</u>	<u>13,383</u>	<u>1,598,361</u>	<u>1,153,252</u>
Expenditures:							
Current -							
Instruction	29,840	-	-	-	15,029	1,018,550	143,859
Support services	-	-	-	-	-	162,245	528,163
General administration	-	37,195	-	-	-	74,587	5,600
Building administration	-	-	-	-	-	166,371	4,828
Operations and maintenance	-	-	-	-	-	77,190	-
Student transportation	-	555,136	-	-	-	1,635	-
Food services	-	-	-	1,689,283	-	76,903	-
Extracurricular activities	-	-	-	-	-	37,583	-
Capital outlay	-	6,436	-	12,443	-	-	43,780
Total expenditures	<u>29,840</u>	<u>598,767</u>	<u>-</u>	<u>1,701,726</u>	<u>15,029</u>	<u>1,615,064</u>	<u>726,230</u>
Excess (deficiency) of revenues over expenditures	<u>9,972</u>	<u>63,201</u>	<u>16,786</u>	<u>49,850</u>	<u>(1,646)</u>	<u>(16,703)</u>	<u>427,022</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(23,344)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,344)</u>
Net change in fund balances	9,972	63,201	16,786	49,850	(1,646)	(16,703)	403,678
Fund balances (deficits), beginning of year	<u>44,943</u>	<u>82,836</u>	<u>134,174</u>	<u>87,771</u>	<u>505</u>	<u>550,460</u>	<u>225,987</u>
Fund balances (deficits), end of year	<u>\$ 54,915</u>	<u>\$ 146,037</u>	<u>\$ 150,960</u>	<u>\$ 137,621</u>	<u>\$ (1,141)</u>	<u>\$ 533,757</u>	<u>\$ 629,665</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, 2007

	High School Adult Education	High School Drivers Education	High School Compensated Absence Liability	High School Technology Acquisition	High School Flexibility	Totals
Revenues:						
District property taxes	\$ 96,556	\$ -	\$ -	\$ 198,177	\$ -	\$ 1,505,744
Tuition and fees	67,050	87,534	-	-	-	1,533,378
Interest	6,095	2,658	3,687	6,182	6,116	185,015
Other district revenue	4,123	-	-	-	-	344,561
Gallatin County	-	-	-	-	-	4,213,172
State of Montana	200	33,290	-	64,672	46,077	2,251,080
Federal	-	-	-	-	-	3,116,050
Total revenues	<u>174,024</u>	<u>123,482</u>	<u>3,687</u>	<u>269,031</u>	<u>52,193</u>	<u>13,149,000</u>
Expenditures:						
Current -						
Instruction	27,924	70,445	857	296,152	-	5,557,764
Support services	9,725	-	808	-	-	1,684,602
General administration	-	-	5,634	6,240	-	410,581
Building administration	149,813	31,734	-	-	-	601,772
Operations and maintenance	-	-	2,588	864	-	212,458
Student transportation	-	-	-	-	-	1,422,868
Food services	-	-	3,094	-	-	1,769,280
Extracurricular activities	-	-	45	-	-	66,703
Capital outlay	-	-	-	13,250	-	122,795
Total expenditures	<u>187,462</u>	<u>102,179</u>	<u>13,026</u>	<u>316,506</u>	<u>-</u>	<u>11,848,823</u>
Excess (deficiency) of revenues over expenditures	<u>(13,438)</u>	<u>21,303</u>	<u>(9,339)</u>	<u>(47,475)</u>	<u>52,193</u>	<u>1,300,177</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	23,344
Transfers out	-	-	-	-	-	(23,344)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(13,438)</u>	<u>21,303</u>	<u>(9,339)</u>	<u>(47,475)</u>	<u>52,193</u>	<u>1,300,177</u>
Fund balances (deficits), beginning of year	<u>130,013</u>	<u>78,406</u>	<u>94,741</u>	<u>282,202</u>	<u>124,679</u>	<u>3,992,372</u>
Fund balances (deficits), end of year	<u>\$ 116,575</u>	<u>\$ 99,709</u>	<u>\$ 85,402</u>	<u>\$ 234,727</u>	<u>\$ 176,872</u>	<u>\$ 5,292,549</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, 2007

	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	\$ 603,349	\$ 594,530	\$ (8,819)	\$ 12,000	\$ 11,518	\$ (482)
Tuition and fees	9,000	9,667	667	-	-	-
Interest	2,200	4,761	2,561	1,000	5,129	4,129
Gallatin County	227,374	208,868	(18,506)	-	-	-
State of Montana	251,267	233,314	(17,953)	-	26	26
Total revenues	<u>1,093,190</u>	<u>1,051,140</u>	<u>(42,050)</u>	<u>13,000</u>	<u>16,673</u>	<u>3,673</u>
Expenditures:						
Current -						
Support services	48,703	55,724	(7,021)	-	-	-
General administration	73,616	73,590	26	-	-	-
Student transportation	970,871	861,630	109,241	-	-	-
Capital outlay	-	6,436	(6,436)	146,813	-	146,813
Total expenditures	<u>1,093,190</u>	<u>997,380</u>	<u>95,810</u>	<u>146,813</u>	<u>-</u>	<u>146,813</u>
Net change in fund balances	-	53,760	53,760	(133,813)	16,673	150,486
Fund balances, beginning of year	<u>208,274</u>	<u>208,274</u>	<u>-</u>	<u>133,813</u>	<u>133,813</u>	<u>-</u>
Fund balances, end of year	<u>\$ 208,274</u>	<u>\$ 262,034</u>	<u>\$ 53,760</u>	<u>\$ -</u>	<u>\$ 150,486</u>	<u>\$ 150,486</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, 2007

	Elementary Tuition			Elementary Retirement		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:						
District property taxes	\$ -	\$ 1	\$ 1	\$ -	\$ -	\$ -
Interest	-	25	25	12,000	41,324	29,324
Gallatin County	-	-	-	2,291,500	2,291,500	-
Total revenues	<u>-</u>	<u>26</u>	<u>26</u>	<u>2,303,500</u>	<u>2,332,824</u>	<u>29,324</u>
Expenditures:						
Current -						
Instruction	999	600	399	1,812,823	1,460,469	352,354
Support services	-	-	-	337,168	258,620	78,548
General administration	-	-	-	110,921	108,081	2,840
Building administration	-	-	-	201,610	224,706	(23,096)
Operations and maintenance	-	-	-	142,867	127,262	15,605
Student transportation	-	-	-	3,115	3,259	(144)
Extracurricular activities	-	-	-	14,996	14,612	384
Total expenditures	<u>999</u>	<u>600</u>	<u>399</u>	<u>2,623,500</u>	<u>2,197,009</u>	<u>426,491</u>
Net change in fund balances	(999)	(574)	425	(320,000)	135,815	455,815
Fund balances, beginning of year	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,106,391</u>	<u>1,106,391</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1</u>	<u>\$ 426</u>	<u>\$ 425</u>	<u>\$ 786,391</u>	<u>\$ 1,242,206</u>	<u>\$ 455,815</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 FLEXIBILITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Elementary Technology Acquisition			Elementary Flexibility		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:						
District property taxes	\$ 200,000	\$ 198,146	\$ (1,854)	\$ -	\$ -	\$ -
Interest	-	7,107	7,107	-	1,982	1,982
State of Montana	91,497	91,952	455	37,830	37,830	-
Total revenues	<u>291,497</u>	<u>297,205</u>	<u>5,708</u>	<u>37,830</u>	<u>39,812</u>	<u>1,982</u>
Expenditures:						
Current -						
Instruction	461,063	227,968	233,095	52,932	-	52,932
General administration	-	6,400	(6,400)	-	-	-
Operations and maintenance	-	864	(864)	-	-	-
Capital outlay	-	13,250	(13,250)	-	-	-
Total expenditures	<u>461,063</u>	<u>248,482</u>	<u>212,581</u>	<u>52,932</u>	<u>-</u>	<u>52,932</u>
Net change in fund balances	(169,566)	48,723	218,289	(15,102)	39,812	54,914
Fund balances, beginning of year	<u>169,567</u>	<u>169,567</u>	<u>-</u>	<u>15,103</u>	<u>15,103</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1</u>	<u>\$ 218,290</u>	<u>\$ 218,289</u>	<u>\$ 1</u>	<u>\$ 54,915</u>	<u>\$ 54,914</u>

BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
HIGH SCHOOL TRANSPORTATION AND HIGH SCHOOL BUS DEPRECIATION FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	High School Transportation			High School Bus Depreciation		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:						
District property taxes	\$ 387,021	\$ 381,852	\$ (5,169)	\$ 12,000	\$ 11,611	\$ (389)
Tuition and fees	1,200	1,283	83	-	-	-
Interest	300	1,304	1,004	1,000	5,151	4,151
Gallatin County	146,650	131,804	(14,846)	-	-	-
State of Montana	160,263	145,725	(14,538)	-	24	24
Total revenues	<u>695,434</u>	<u>661,968</u>	<u>(33,466)</u>	<u>13,000</u>	<u>16,786</u>	<u>3,786</u>
Expenditures:						
Current -						
General administration	36,258	37,195	(937)	-	-	-
Student transportation	659,176	555,136	104,040	-	-	-
Capital outlay	-	6,436	(6,436)	147,174	-	147,174
Total expenditures	<u>695,434</u>	<u>598,767</u>	<u>96,667</u>	<u>147,174</u>	<u>-</u>	<u>147,174</u>
Net change in fund balances	-	63,201	63,201	(134,174)	16,786	150,960
Fund balances, beginning of year	<u>82,836</u>	<u>82,836</u>	<u>-</u>	<u>134,174</u>	<u>134,174</u>	<u>-</u>
Fund balances, end of year	<u>\$ 82,836</u>	<u>\$ 146,037</u>	<u>\$ 63,201</u>	<u>\$ -</u>	<u>\$ 150,960</u>	<u>\$ 150,960</u>

BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
HIGH SCHOOL TUITION AND HIGH SCHOOL RETIREMENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	High School Tuition			High School Retirement		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:						
District property taxes	\$ 14,590	\$ 13,353	\$ (1,237)	\$ -	\$ -	\$ -
Interest	-	-	-	4,000	17,361	13,361
Gallatin County	-	-	-	1,581,000	1,581,000	-
State of Montana	-	30	30	-	-	-
Total revenues	<u>14,590</u>	<u>13,383</u>	<u>(1,207)</u>	<u>1,585,000</u>	<u>1,598,361</u>	<u>13,361</u>
Expenditures:						
Current -						
Instruction	15,095	15,029	66	1,003,697	1,018,550	(14,853)
Support services	-	-	-	226,173	162,245	63,928
General administration	-	-	-	76,950	74,587	2,363
Building administration	-	-	-	136,370	166,371	(30,001)
Operations and maintenance	-	-	-	81,313	77,190	4,123
Student transportation	-	-	-	1,940	1,635	305
Food services	-	-	-	78,984	76,903	2,081
Extracurricular activities	-	-	-	37,573	37,583	(10)
Total expenditures	<u>15,095</u>	<u>15,029</u>	<u>66</u>	<u>1,643,000</u>	<u>1,615,064</u>	<u>27,936</u>
Net change in fund balances	(505)	(1,646)	(1,141)	(58,000)	(16,703)	41,297
Fund balances (deficits), beginning of year	505	505	-	550,460	550,460	-
Fund balances (deficits), end of year	<u>\$ -</u>	<u>\$ (1,141)</u>	<u>\$ (1,141)</u>	<u>\$ 492,460</u>	<u>\$ 533,757</u>	<u>\$ 41,297</u>

BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
HIGH SCHOOL ADULT EDUCATION AND HIGH SCHOOL TECHNOLOGY ACQUISITION FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	High School Adult Education			High School Technology Acquisition		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:						
District property taxes	\$ 96,125	\$ 96,556	\$ 431	\$ 200,000	\$ 198,177	\$ (1,823)
Tuition and fees	65,000	67,050	2,050	-	-	-
Interest	3,000	6,095	3,095	-	6,182	6,182
Other district revenue	-	4,123	4,123	-	-	-
State of Montana	-	200	200	64,245	64,672	427
Total revenues	<u>164,125</u>	<u>174,024</u>	<u>9,899</u>	<u>264,245</u>	<u>269,031</u>	<u>4,786</u>
Expenditures:						
Current -						
Instruction	42,675	27,924	14,751	546,447	296,152	250,295
Support services	10,500	9,725	775	-	-	-
General administration	-	-	-	-	6,240	(6,240)
Building administration	164,950	150,211	14,739	-	-	-
Operations and maintenance	-	-	-	-	864	(864)
Capital outlay	-	-	-	-	13,250	(13,250)
Total expenditures	<u>218,125</u>	<u>187,860</u>	<u>30,265</u>	<u>546,447</u>	<u>316,506</u>	<u>229,941</u>
Net change in fund balances	(54,000)	(13,836)	40,164	(282,202)	(47,475)	234,727
Fund balances, beginning of year	<u>130,013</u>	<u>130,013</u>	<u>-</u>	<u>282,202</u>	<u>282,202</u>	<u>-</u>
Fund balances, end of year	<u>\$ 76,013</u>	<u>\$ 116,177</u>	<u>\$ 40,164</u>	<u>\$ -</u>	<u>\$ 234,727</u>	<u>\$ 234,727</u>

BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
HIGH SCHOOL FLEXIBILITY FUND
FOR THE YEAR ENDED JUNE 30, 2007

	High School Flexibility		
	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:			
Interest	\$ -	\$ 6,116	\$ 6,116
State of Montana	46,077	46,077	-
Total revenues	<u>46,077</u>	<u>52,193</u>	<u>6,116</u>
Expenditures:			
Current -			
Instruction	170,755	-	170,755
Total expenditures	<u>170,755</u>	<u>-</u>	<u>170,755</u>
Net change in fund balances	(124,678)	52,193	176,871
Fund balances, beginning of year	<u>124,679</u>	<u>124,679</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 1</u></u>	<u><u>\$ 176,872</u></u>	<u><u>\$ 176,871</u></u>

Major and Nonmajor Debt Service Funds

Budgeted:

Major -

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 is also used to pay special improvement district assessment charges against District-owned property. (**note:** Only Budget to Actual schedule presented in this section)

Nonmajor -

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 is also used to pay special improvement district assessment charges against District-owned property.

BOZEMAN SCHOOL DISTRICT NO. 7
BALANCE SHEET
NONMAJOR DEBT SERVICE FUND
JUNE 30, 2007

	High School Debt Service
<u>ASSETS</u>	
Property taxes receivable	\$ 77,612
Due from other funds	21,496
Total assets	\$ 99,108
 <u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Accrued interest payable	\$ 21,496
Bank overdraft	52,755
Deferred revenue	77,612
Total liabilities	151,863
Fund balance:	
Reserved:	
Debt service	(52,755)
Total fund balance	(52,755)
Total liabilities and fund balance	\$ 99,108

BOZEMAN SCHOOL DISTRICT NO. 7
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
NONMAJOR DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>High School Debt Service</u>
Revenues:	
District property taxes	\$ 1,193,637
Interest	3,102
Other district revenue	221
State of Montana	2,613
Total revenues	<u>1,199,573</u>
Expenditures:	
Debt service -	
Principal retirement	475,000
Interest and fiscal charges	779,433
Total expenditures	<u>1,254,433</u>
Net change in fund balance	(54,860)
Fund balance, beginning of year	<u>2,105</u>
Fund balance, end of year	<u><u>\$ (52,755)</u></u>

BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MAJOR AND NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	MAJOR Elementary Debt Service			NONMAJOR High School Debt Service		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:						
District property taxes	\$ 2,545,258	\$ 2,478,053	\$ (67,205)	\$ 1,252,029	\$ 1,193,637	\$ (58,392)
Interest	5,001	16,043	11,042	2,000	3,102	1,102
Other district revenue	-	-	-	-	221	221
State of Montana	2,001	5,621	3,620	-	2,613	2,613
Total revenues	<u>2,552,260</u>	<u>2,499,717</u>	<u>(52,543)</u>	<u>1,254,029</u>	<u>1,199,573</u>	<u>(54,456)</u>
Expenditures:						
Debt service -						
Principal retirement	1,590,000	1,590,000	-	475,000	475,000	-
Interest and fiscal charges	970,808	969,299	1,509	781,134	779,433	1,701
Total expenditures	<u>2,560,808</u>	<u>2,559,299</u>	<u>1,509</u>	<u>1,256,134</u>	<u>1,254,433</u>	<u>1,701</u>
Net change in fund balances	(8,548)	(59,582)	(51,034)	(2,105)	(54,860)	(52,755)
Fund balances, beginning of year	<u>8,548</u>	<u>8,548</u>	<u>-</u>	<u>2,105</u>	<u>2,105</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ (51,034)</u>	<u>\$ (51,034)</u>	<u>\$ -</u>	<u>\$ (52,755)</u>	<u>\$ (52,755)</u>

Nonmajor Capital Projects Funds

Budgeted:

Elementary and High School Building Reserve Funds – To account for financial resources segregated for the acquisition, construction or repair of major capital facilities.

**BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2007**

	Elementary Building Reserve	High School Building Reserve	Totals
<u>ASSETS</u>			
Cash and cash equivalents	\$ 205,058	\$ 188,751	\$ 393,809
Property taxes receivable	33,786	14,589	48,375
Total assets	\$ 238,844	\$ 203,340	\$ 442,184
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Deferred revenue	\$ 33,786	\$ 14,589	\$ 48,375
Total liabilities	33,786	14,589	48,375
Fund balances:			
Unreserved:			
Designated for capital outlay	205,058	188,751	393,809
Total fund balances	205,058	188,751	393,809
Total liabilities and fund balances	\$ 238,844	\$ 203,340	\$ 442,184

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, 2007

	Elementary Building Reserve	High School Building Reserve	Totals
Revenues:			
District property taxes	\$ 453,488	\$ 178,845	\$ 632,333
Interest	1,381	5,453	6,834
Other district revenue	95	-	95
State of Montana	1,015	376	1,391
Total revenues	<u>455,979</u>	<u>184,674</u>	<u>640,653</u>
Expenditures:			
Current -			
Operations and maintenance	31,386	87,351	118,737
Capital outlay	150,689	62,843	213,532
Debt service -			
Principal retirement	151,506	-	151,506
Total expenditures	<u>333,581</u>	<u>150,194</u>	<u>483,775</u>
Net change in fund balances	122,398	34,480	156,878
Fund balances, beginning of year	<u>82,660</u>	<u>154,271</u>	<u>236,931</u>
Fund balances, end of year	<u><u>\$ 205,058</u></u>	<u><u>\$ 188,751</u></u>	<u><u>\$ 393,809</u></u>

BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR CAPITAL PROJECTS FUNDS
ELEMENTARY AND HIGH SCHOOL BUILDING RESERVE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Elementary Building Reserve			High School Building Reserve		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:						
District property taxes	\$ 460,000	\$ 453,488	\$ (6,512)	\$ 180,000	\$ 178,845	\$ (1,155)
Interest	3,000	1,381	(1,619)	800	5,453	4,653
Other district revenue	-	95	95	-	-	-
State of Montana	650	1,015	365	250	376	126
Total revenues	<u>463,650</u>	<u>455,979</u>	<u>(7,671)</u>	<u>181,050</u>	<u>184,674</u>	<u>3,624</u>
Expenditures:						
Current -						
Operations and maintenance	189,322	31,386	157,936	335,320	87,351	247,969
Capital outlay	-	150,689	(150,689)	-	62,843	(62,843)
Debt service -						
Principal retirement	356,988	151,506	205,482	-	-	-
Total expenditures	<u>546,310</u>	<u>333,581</u>	<u>212,729</u>	<u>335,320</u>	<u>150,194</u>	<u>185,126</u>
Net change in fund balances	(82,660)	122,398	205,058	(154,270)	34,480	188,750
Fund balances, beginning of year	<u>82,660</u>	<u>82,660</u>	<u>-</u>	<u>154,271</u>	<u>154,271</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 205,058</u>	<u>\$ 205,058</u>	<u>\$ 1</u>	<u>\$ 188,751</u>	<u>\$ 188,750</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, 2007

	<u>Purchasing</u>	<u>Self-Insurance</u>	<u>Totals</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 90,537	\$ 1,144,995	\$ 1,235,532
Investments	-	352,045	352,045
Accounts receivable	4,205	8,701	12,906
Interest receivable	-	3,363	3,363
Inventory, at cost	179,014	-	179,014
Total current assets	<u>273,756</u>	<u>1,509,104</u>	<u>1,782,860</u>
Noncurrent assets:			
Capital assets:			
Machinery and equipment	416,271	-	416,271
Less accumulated depreciation	<u>(279,366)</u>	<u>-</u>	<u>(279,366)</u>
Net capital assets	<u>136,905</u>	<u>-</u>	<u>136,905</u>
Total assets	<u>\$ 410,661</u>	<u>\$ 1,509,104</u>	<u>\$ 1,919,765</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 4,096	\$ 616,263	\$ 620,359
Unearned revenue	<u>-</u>	<u>517,391</u>	<u>517,391</u>
Total liabilities	<u>4,096</u>	<u>1,133,654</u>	<u>1,137,750</u>
<u>NET ASSETS</u>			
Invested in capital assets	136,905	-	136,905
Unrestricted	<u>269,660</u>	<u>375,450</u>	<u>645,110</u>
Total net assets	<u>\$ 406,565</u>	<u>\$ 375,450</u>	<u>\$ 782,015</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, 2007

	Purchasing	Self-Insurance	Totals
Operating revenues:			
Charges for services	\$ 700,437	\$ 4,297,009	\$ 4,997,446
Total operating revenues	<u>700,437</u>	<u>4,297,009</u>	<u>4,997,446</u>
Operating expenses:			
Administrative expenses	-	202,493	202,493
Communications	40,592	2,078	42,670
Contracted bus services	75,294	-	75,294
Depreciation	30,071	-	30,071
Excess risk insurance	-	278,206	278,206
Health, dental and vision claims	-	3,920,444	3,920,444
Materials and supplies	381,435	-	381,435
Other expenses	542	13	555
Repairs and maintenance	32,839	-	32,839
Salaries and benefits	181,598	30,320	211,918
Wellness	-	118,983	118,983
Total operating expenses	<u>742,371</u>	<u>4,552,537</u>	<u>5,294,908</u>
Operating income (loss)	<u>(41,934)</u>	<u>(255,528)</u>	<u>(297,462)</u>
Nonoperating revenues (expenses):			
Interest	3,577	26,106	29,683
Total nonoperating revenues (expenses)	<u>3,577</u>	<u>26,106</u>	<u>29,683</u>
Change in net assets	(38,357)	(229,422)	(267,779)
Total net assets, beginning of year	<u>444,922</u>	<u>604,872</u>	<u>1,049,794</u>
Total net assets, end of year	<u><u>\$ 406,565</u></u>	<u><u>\$ 375,450</u></u>	<u><u>\$ 782,015</u></u>

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING STATEMENT OF CASH FLOWS - ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Purchasing</u>	<u>Self-Insurance</u>	<u>Totals</u>
Cash flows from operating activities:			
Receipts from users	\$ 689,517	\$ 4,385,653	\$ 5,075,170
Payments for insurance claims	-	(3,829,979)	(3,829,979)
Payments to employees	(181,598)	(30,320)	(211,918)
Payments to suppliers	(539,818)	(601,773)	(1,141,591)
Net cash provided(used) by operating activities	<u>(31,899)</u>	<u>(76,419)</u>	<u>(108,318)</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	(5,597)	-	(5,597)
Net cash provided(used) by capital and related financing activities	<u>(5,597)</u>	<u>-</u>	<u>(5,597)</u>
Cash flows from investing activities:			
Sale of investments	116,501	1,149,304	1,265,805
Interest received	5,011	37,573	42,584
Net cash provided(used) by investing activities	<u>121,512</u>	<u>1,186,877</u>	<u>1,308,389</u>
Net increase(decrease) in cash and cash equivalents	84,016	1,110,458	1,194,474
Cash and cash equivalents - 7/01/06	<u>6,521</u>	<u>34,537</u>	<u>41,058</u>
Cash and cash equivalents - 6/30/07	<u><u>\$ 90,537</u></u>	<u><u>\$ 1,144,995</u></u>	<u><u>\$ 1,235,532</u></u>
Reconciliation of operating income(loss) to net cash provided(used) by operating activities:			
Operating income(loss)	\$ (41,934)	\$ (255,528)	\$ (297,462)
Adjustments to reconcile operating income(loss) to net cash provided(used) by operating activities:			
Depreciation	30,071	-	30,071
(Increase) decrease in accounts receivable	(2,227)	(8,701)	(10,928)
(Increase) decrease in inventories	(13,178)	-	(13,178)
Increase (decrease) in accounts payable	4,062	90,465	94,527
Increase (decrease) in deposits payable	(8,693)	-	(8,693)
Increase (decrease) in unearned insurance premiums	-	97,345	97,345
Total adjustments	<u>10,035</u>	<u>179,109</u>	<u>189,144</u>
Net cash provided(used) by operating activities	<u><u>\$ (31,899)</u></u>	<u><u>\$ (76,419)</u></u>	<u><u>\$ (108,318)</u></u>

Fiduciary Funds

Private-Purpose Trust Funds:

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 Worthy 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.

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING STATEMENT OF FIDUCIARY NET ASSETS -
ALL PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2007

	Reward	Elementary Student Extracurricular	Middle School Student Extracurricular	High School Student Extracurricular	High School Endowment	Nonexpendable High School Endowment	Totals
<u>ASSETS</u>							
Cash and cash equivalents	\$ 8,004	\$ 91,630	\$ 54,602	\$ 174,749	\$ 96,484	\$ 74,786	\$ 500,255
Investments	-	-	-	-	-	355,000	355,000
Interest receivable	-	-	-	-	-	3,396	3,396
Machinery and equipment	-	-	-	5,000	-	-	5,000
Less accumulated depreciation	-	-	-	(2,499)	-	-	(2,499)
Total assets	<u>8,004</u>	<u>91,630</u>	<u>54,602</u>	<u>177,250</u>	<u>96,484</u>	<u>433,182</u>	<u>861,152</u>
<u>LIABILITIES</u>							
Accounts payable	-	84	-	413	-	-	497
Total liabilities	<u>-</u>	<u>84</u>	<u>-</u>	<u>413</u>	<u>-</u>	<u>-</u>	<u>497</u>
<u>NET ASSETS</u>							
Held in trust	<u>\$ 8,004</u>	<u>\$ 91,546</u>	<u>\$ 54,602</u>	<u>\$ 176,837</u>	<u>\$ 96,484</u>	<u>\$ 433,182</u>	<u>\$ 860,655</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, 2007

	Reward	Elementary Student Extracurricular	Middle School Student Extracurricular	High School Student Extracurricular	High School Endowment	Nonexpendable High School Endowment	Totals
Additions:							
Auctions	\$ -	\$ 21,343	\$ -	\$ -	\$ 18,425	\$ -	\$ 39,768
Contributions	-	-	-	6,600	50,728	10,300	67,628
Extracurricular receipts and fees	-	85,541	155,451	863,317	-	-	1,104,309
Total noninvestment trust additions	-	106,884	155,451	869,917	69,153	10,300	1,211,705
Investment earnings:							
Interest	379	4,578	145	5,901	4,910	15,011	30,924
Total additions	379	111,462	155,596	875,818	74,063	25,311	1,242,629
Deductions:							
Depreciation	-	-	-	714	-	-	714
Extracurricular activities	-	103,916	146,129	908,068	-	-	1,158,113
Fundraising	-	-	-	-	3,246	-	3,246
Professional services	-	-	-	-	883	-	883
Scholarships	-	-	-	-	32,350	-	32,350
Total deductions	-	103,916	146,129	908,782	36,479	-	1,195,306
Changes in net assets	379	7,546	9,467	(32,964)	37,584	25,311	47,323
Net assets, beginning of year	7,625	84,000	45,135	209,801	58,900	407,871	813,332
Net assets, end of year	<u>\$ 8,004</u>	<u>\$ 91,546</u>	<u>\$ 54,602</u>	<u>\$ 176,837</u>	<u>\$ 96,484</u>	<u>\$ 433,182</u>	<u>\$ 860,655</u>



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, 2007

	<u>2007</u>	<u>2006</u>
<u>Governmental funds capital assets:</u>		
Land and improvements	\$ 9,982,240	\$ 6,909,046
Buildings and improvements	37,903,728	36,904,924
Machinery and equipment	3,245,888	3,159,011
Construction in progress	<u>4,663,492</u>	<u>1,198,856</u>
 Total governmental funds capital assets	 <u>\$ 55,795,348</u>	 <u>\$ 48,171,837</u>
 <u>Investments in governmental funds assets by source:</u>		
General fund	\$ 15,507,964	\$ 15,491,030
Special revenue funds	1,960,169	1,837,373
Capital projects funds	38,232,895	30,749,114
Donations	<u>94,320</u>	<u>94,320</u>
 Total governmental funds capital assets	 <u><u>\$ 55,795,348</u></u>	 <u><u>\$ 48,171,837</u></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 BY FUNCTION AND ACTIVITY¹
AS OF JUNE 30, 2007

<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	\$ -	\$ -	\$ 1,244,982	\$ -	\$ 1,244,982
Support services	-	-	103,307	-	103,307
General administration	-	-	271,095	-	271,095
Operations and maintenance	-	-	738,687	-	738,687
Extracurricular activities	-	-	117,811	-	117,811
Food service	-	-	770,006	-	770,006
Facilities – capital outlay	<u>9,982,240</u>	<u>37,903,728</u>	<u>-</u>	<u>4,663,492</u>	<u>52,549,460</u>
Total governmental funds capital assets	<u>\$ 9,982,240</u>	<u>\$ 37,903,728</u>	<u>\$ 3,245,888</u>	<u>\$ 4,663,492</u>	<u>\$ 55,795,348</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, 2007

Function and Activity	Governmental Funds Capital Assets July 1, 2006	Additions	Deletions	Governmental Funds Capital Assets June 30, 2007
Instruction	\$ 1,191,297	\$ 53,685	\$ -	\$ 1,244,982
Support services	103,307	-	-	103,307
General administration	263,895	7,200	-	271,095
Building administration	-	-	-	-
Operations and maintenance	723,787	14,900	-	738,687
Extracurricular activities	117,811	-	-	117,811
Food service	758,914	11,092	-	770,006
Facilities – capital outlay	<u>45,012,826</u>	<u>7,536,634</u>	<u>-</u>	<u>52,549,460</u>
Total governmental funds capital assets	<u>\$ 48,171,837</u>	<u>\$ 7,623,511</u>	<u>\$ -</u>	<u>\$ 55,795,348</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, 2007

Activity	Net Assets at 7/01/06	Additions	Deductions	Net Assets at 6/30/07
Longfellow Fundraiser	\$ 5,204.13	1,973.38	3,338.26	\$ 3,839.25
Longfellow Library	3,683.12	(330.09)	603.62	2,749.41
Longfellow Arts	28,302.99	21,343.15	20,809.49	28,836.65
Irving School Theatre Arts	552.65	-	100.00	452.65
Irving School Store	27.10	-	-	27.10
Irving Playground	1,300.00	-	1,155.10	144.90
Parents of Irving Children	388.75	5.00	432.87	(39.12)
Irving 5th Grade Fundraiser	628.66	6,201.54	3,028.43	3,801.77
Irving Fundraiser	-	4,382.36	6,028.75	(1,646.39)
Irving Climbing Club	138.10	-	-	138.10
Irving Scholarships	5,026.11	-	350.00	4,676.11
Whittier Field Trips	431.33	2,269.29	2,327.67	372.95
Morning Star School Store	344.51	-	-	344.51
Emily Library Fundraiser	2,446.33	6,542.59	6,244.40	2,744.52
Music	14,617.32	13,035.36	11,259.04	16,393.64
Enrichment	6,873.63	-	-	6,873.63
School Sponsored Extracurricular	1,448.41	3,495.11	-	4,943.52
Elementary Athletic Participation	1,304.26	11,254.00	10,342.50	2,215.76
CJMS and SMS Athletics	11,282.20	41,290.44	37,895.65	14,676.99
Total	<u>\$ 83,999.60</u>	<u>111,462.13</u>	<u>103,915.78</u>	<u>\$ 91,545.95</u>

BOZEMAN SCHOOL DISTRICT NO. 7
CHIEF JOSEPH MIDDLE SCHOOL STUDENT EXTRACURRICULAR FUND
ACTIVITY DETAIL
YEAR ENDED JUNE 30, 2007

Activity	Net Assets at 7/01/06	Additions	Deductions	Net Assets at 6/30/07
Book Fines	\$ 2,040.62	1,144.65	2,017.00	\$ 1,168.27
Pennies for Past	179.00	681.00	-	860.00
Art Club	463.80	210.00	721.43	(47.63)
Foreign Language Club	368.16	4,074.00	3,367.36	1,074.80
Foreign Language Scholarships	975.22	1,157.11	1,870.00	262.33
Yearbook	797.53	4,972.50	4,295.81	1,474.22
Drama Club	96.91	2,318.00	2,236.72	178.19
Newspaper Fund	-	515.00	500.00	15.00
CJ Rocks	73.25	52.00	78.87	46.38
Breakfast Club	4.16	208.00	138.00	74.16
Horizons	190.06	-	161.91	28.15
MBI	48.68	588.79	331.11	306.36
Enrichment Program	3.90	1,051.00	900.45	154.45
Speech	20.97	240.00	66.97	194.00
Hearing	176.50	100.00	137.53	138.97
Library	642.99	5,868.43	5,753.15	758.27
Outdoor School	-	4,317.75	4,192.35	125.40
Peer Helpers	20.00	-	-	20.00
General	(278.02)	1,761.20	1,153.00	330.18
School Improvement	-	1,002.00	1,002.00	-
Student Aid	5,640.31	4,091.00	2,999.65	6,731.66
Student Council - 6th Grade	2,225.48	1,030.65	787.63	2,468.50
Student Council - 7th Grade	1,065.93	4,082.96	3,124.22	2,024.67
Student Council - 8th Grade	1,871.50	1,775.82	1,291.23	2,356.09
Student Projects	129.33	3,522.65	3,605.63	46.35
Health Enhancement	628.72	-	600.00	28.72
Calculator Fund	70.00	-	-	70.00
Master Lock Account	94.50	10.00	-	104.50
Team 6A	492.82	3,105.00	3,709.67	(111.85)
Team 6B	184.12	5,432.74	4,035.29	1,581.57
Team 7A	1,104.58	5,250.50	4,226.58	2,128.50
Team 7B	192.92	1,735.00	1,395.28	532.64
Team 8A	216.06	9,875.17	9,762.34	328.89
Team 8B	635.74	3,469.50	3,484.10	621.14
Band/Music	242.89	574.52	797.90	19.51
Agendas	2,032.90	93.77	-	2,126.67
Student T-Shirts	-	1,021.00	1,021.00	-
Pencil Fund	0.10	50.00	15.59	34.51
Science Club - Guyer	1,152.15	50.00	1,100.40	101.75
Science Club - Bradshaw	153.58	-	-	153.58
Tech. Ed Club	451.03	-	57.98	393.05
Bird/Science	(53.22)	3,103.00	1,696.28	1,353.50
Science - Boujoukos	-	280.00	52.05	227.95
Science - Albers	(28.00)	28.00	-	-
Interest Account	64.32	27.32	-	91.64
Total	\$ 24,391.49	78,870.03	72,686.48	\$ 30,575.04

BOZEMAN SCHOOL DISTRICT NO. 7
SACAJAWEA MIDDLE SCHOOL STUDENT EXTRACURRICULAR FUND
ACTIVITY DETAIL
YEAR ENDED JUNE 30, 2007

Activity	Net Assets at 7/01/06	Additions	Deductions	Net Assets at 6/30/07
Music	\$ 595.00	-	-	\$ 595.00
Book Fines	618.50	-	756.75	(138.25)
Drama Club	954.64	-	108.40	846.24
Newspaper Fund	2,161.96	-	2,188.21	(26.25)
Breakfast Club	14.00	-	-	14.00
Photo Lab Club	529.60	-	-	529.60
Foreign Language	-	6,919.46	6,849.46	70.00
Peer Mediation	1,290.06	992.90	421.53	1,861.43
Art Club	830.34	-	-	830.34
Library	6,573.86	9,532.71	6,741.99	9,364.58
Student Aid	3,608.75	8,449.11	5,047.15	7,010.71
Yearbook	48.30	7,394.15	6,267.20	1,175.25
Student Council	1,233.12	5,562.70	6,498.29	297.53
Calculator Fund	320.37	94.00	31.56	382.81
6A Team	-	5,640.40	5,640.40	-
6B Team	-	9,241.20	9,241.20	-
7A Team	-	5,603.32	5,603.32	-
7B Team	-	6,819.50	6,819.50	-
8A Team	-	9,797.55	9,797.55	-
8B Team	-	561.50	561.50	-
Science Club	1,845.83	-	793.50	1,052.33
Team Nutrition	50.00	-	-	50.00
Interest Account	69.03	117.39	74.99	111.43
Total	<u>\$ 20,743.36</u>	<u>76,725.89</u>	<u>73,442.50</u>	<u>\$ 24,026.75</u>

BOZEMAN SCHOOL DISTRICT NO. 7
HIGH SCHOOL STUDENT EXTRACURRICULAR FUND
ACTIVITY DETAIL
YEAR ENDED JUNE 30, 2007

Activity	Net Assets at 7/01/06	Additions	Deductions	Net Assets at 6/30/07
Athletic Fines	\$ 520.25	173.00	138.00	\$ 555.25
Athletics	23,368.74	147,712.04	168,676.50	2,404.28
Backboard BB-Ball	4,936.13	1,250.03	4,776.19	1,409.97
Cheerleading	5,276.25	10,386.83	10,432.38	5,230.70
Concessions	1,951.66	14,698.92	15,722.64	927.94
Fastpitch	1,464.52	1,588.12	2,229.23	823.41
Football Club	2,309.09	48,794.60	37,531.62	13,572.07
Golf Club	4,043.13	830.00	4,061.98	811.15
Hawk Stat Crew	1,161.22	1,090.00	714.28	1,536.94
Intramurals	-	3,590.00	3,590.00	-
Lady Hawk B-Ball	1,789.51	4,041.16	3,345.35	2,485.32
Soccer - Boys	437.96	3,850.00	4,145.00	142.96
Soccer - Girls	779.91	6,303.00	5,945.08	1,137.83
Speech Club	230.65	10,056.79	8,927.55	1,359.89
Spikers VB	1,305.17	9,603.56	8,674.42	2,234.31
Sports Medicine	200.96	1,891.05	1,523.07	568.94
Swimming	3,065.87	2,550.50	4,730.94	885.43
Tennis	253.58	11,843.47	7,471.62	4,625.43
Towel Fund	8,641.11	-	7,188.00	1,453.11
Track Club	34.73	2,674.45	2,157.71	551.47
Wendy's Activity Fund	4,216.82	2,000.00	2,458.00	3,758.82
Wrestling Club	2,564.73	18,617.90	7,827.73	13,354.90
X-Country Club	-	6,100.67	3,932.89	2,167.78
Business Professionals	482.46	13,010.20	12,464.07	1,028.59
Construction Club	324.44	4,394.20	3,081.07	1,637.57
Deca	22,418.59	57,146.51	74,015.34	5,549.76
Metals - Labor	618.25	600.00	71.28	1,146.97
Metals - Materials	1,127.98	4,244.33	4,325.81	1,046.50
Photo Club	380.60	31.26	411.86	-
Shop Fund	-	10,944.69	9,787.16	1,157.53
Skills USA	3,960.42	6,529.18	6,675.56	3,814.04
AP - Government	591.25	-	106.96	484.29
AP - History	3,353.70	342.87	3,536.57	160.00
Art Club	247.44	20,516.72	16,314.31	4,449.85
Drama Club	5,372.17	5,878.42	3,654.33	7,596.26
Ecuador/Montana	118.46	-	37.63	80.83
French Club	292.67	22.00	81.33	233.34
Total	\$ 107,840.42	433,306.47	450,763.46	\$ 90,383.43

(Continued)

BOZEMAN SCHOOL DISTRICT NO. 7
HIGH SCHOOL STUDENT EXTRACURRICULAR FUND
ACTIVITY DETAIL
YEAR ENDED JUNE 30, 2007

Activity	Net Assets at 7/01/06	Additions	Deductions	Net Assets at 6/30/07
German Club	\$ 4,656.79	1,117.78	4,096.43	\$ 1,678.14
International Club	394.30	1,918.40	2,071.09	241.61
Latin Club	411.00	-	-	411.00
Library	311.95	495.95	600.45	207.45
Odessey of the Mind	3,839.08	-	-	3,839.08
Project Excel	1,950.12	2,496.75	2,688.36	1,758.51
Science Olympiad	933.56	1,430.00	1,507.00	856.56
Ski P.E.	-	1,374.00	1,374.00	-
Spanish Club	54.39	556.80	429.79	181.40
Youth Leg. Club	-	4,900.70	4,900.70	-
Wildlife Biology Club	1,605.93	2,210.00	918.18	2,897.75
Cap & Gowns	378.52	-	-	378.52
Class of 2006	1,337.90	-	1,337.90	-
Class of 2007	5,593.63	380.00	5,973.60	0.03
Class of 2008	925.00	7,103.13	-	8,028.13
Class of 2009	925.00	-	-	925.00
Girls & Boys State	899.75	95.00	610.00	384.75
Prom	1,000.00	12,446.85	12,446.85	1,000.00
Student Council	4,637.24	27,756.84	23,278.72	9,115.36
Bridger Alternative	2,512.73	2,495.11	1,861.17	3,146.67
MTI	1,396.43	-	-	1,396.43
Amnesty International	-	4,260.43	3,460.58	799.85
Key Club	1,923.40	2,590.39	3,776.14	737.65
Leo Club	661.50	4,708.20	4,232.77	1,136.93
National Honor Society	385.64	535.00	548.55	372.09
Recycle	1,139.50	190.00	26.48	1,303.02
Special Ed Concessions	3,191.56	400.00	505.53	3,086.03
Gay-Straight Alliance	49.20	-	12.30	36.90
Interact Club	535.48	2,518.50	1,968.61	1,085.37
Band	5,838.60	45,611.17	48,263.20	3,186.57
Choir	14,882.60	46,376.66	50,950.32	10,308.94
Flute Choir	60.18	289.00	90.29	258.89
Orchestra	687.20	15,244.00	14,921.66	1,009.54
Aerie	11,501.75	79,541.50	87,232.57	3,810.68
Hawk Tawk	364.58	190.00	533.07	21.51
Scribblings	475.57	1,081.96	1,507.26	50.27
Book Fines	4,928.62	5,584.70	10,132.45	380.87
Computers/Calculators	769.80	730.00	320.00	1,179.80
General	8,451.33	127,294.11	128,892.94	6,852.50
PAC	12,122.37	31,996.74	35,835.27	8,283.84
Interest Investment	228.50	6,591.66	713.98	6,106.18
Total	<u>\$ 209,801.12</u>	<u>875,817.80</u>	<u>908,781.67</u>	<u>\$ 176,837.25</u>

(Concluded)

**BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF ENROLLMENT
FOR THE YEAR ENDED JUNE 30, 2007**

<u>Enrollment</u>	<u>As Reported</u>	<u>Audit Per District Records</u>	<u>Difference</u>
Fall Enrollment - October 2, 2006			
Elementary School District			
Pre K-6:			
(a.) Pre-Kindergarten	<u>10</u>	<u>10</u>	<u>0</u>
(b.) Kindergarten	<u>394</u>	<u>394</u>	<u>0</u>
(c.) Grades 1 - 6	<u>2216</u>	<u>2216</u>	<u>0</u>
(d.) Part-Time (number of part-time students included on line c above)	<u>1</u>	<u>1</u>	<u>0</u>
7-8:			
(e.) Grade 7-8	<u>800</u>	<u>800</u>	<u>0</u>
(f.) Part-Time (number of part-time students included on line e above)	<u>1</u>	<u>1</u>	<u>0</u>
(g.) Total (add lines a, b, c and e)	<u>3420</u>	<u>3420</u>	<u>0</u>
High School District			
9-12:			
(h.) Grades 9-12	<u>1936</u>	<u>1936</u>	<u>0</u>
(i.) Part-Time (number of part-time students included on line h above)	<u>25</u>	<u>25</u>	<u>0</u>
(j.) 19 year-olds included on line h	<u>5</u>	<u>5</u>	<u>0</u>
Spring Enrollment - February 1, 2006			
Elementary School District			
Pre K-6:			
(k.) Pre-Kindergarten	<u>15</u>	<u>15</u>	<u>0</u>
(l.) Kindergarten	<u>395</u>	<u>395</u>	<u>0</u>
(m.) Grades 1 - 6	<u>2244</u>	<u>2244</u>	<u>0</u>
(n.) Part-Time (number of part-time students included on line m above)	<u>2</u>	<u>2</u>	<u>0</u>
7-8:			
(o.) Grade 7-8	<u>799</u>	<u>799</u>	<u>0</u>
(p.) Part-Time (number of part-time students included on line o above)	<u>3</u>	<u>3</u>	<u>0</u>
(q.) Total (add lines k, l, m and o)	<u>3453</u>	<u>3453</u>	<u>0</u>
High School District			
9-12:			
(r.) Grades 9-12	<u>1889</u>	<u>1889</u>	<u>0</u>
(s.) Part-Time (number of part-time students included on line r above)	<u>44</u>	<u>44</u>	<u>0</u>
(t.) 19 year-olds included on line r	<u>5</u>	<u>5</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
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Financial Trends	120
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These schedules contain trend information to help the reader understand how the District's financial performance and position have changed over time.

Revenue Capacity	125
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These schedules contain information to help the reader assess the District's most significant local revenue source – the property tax.

Debt Capacity	133
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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	137
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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	139
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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 Six Fiscal Years
(accrual basis of accounting)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Governmental activities:						
Invested in capital assets, net of related debt	\$ 17,153,416	\$ 17,896,966	\$ 17,769,993	\$ 19,845,904	\$ 22,676,015	\$ 25,142,399
Restricted	2,771,750	3,698,751	4,480,655	4,266,241	3,418,622	3,987,403
Unrestricted	<u>2,800,767</u>	<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>
Total governmental activities net assets	<u><u>\$ 22,725,933</u></u>	<u><u>\$ 24,586,175</u></u>	<u><u>\$ 25,199,964</u></u>	<u><u>\$ 26,523,170</u></u>	<u><u>\$ 27,810,762</u></u>	<u><u>\$ 31,871,449</u></u>

Note: The District implemented the full accrual GASB Statement 34 in fiscal year 2002.
Ten years of comparative data will be presented when available.

Table 2

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

Expenses	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Governmental activities:						
Instruction	\$ 18,247,225	\$ 18,888,292	\$ 20,437,715	\$ 21,931,633	\$ 23,407,889	\$ 25,568,496
Support services	3,562,598	3,630,049	3,951,836	4,418,767	4,642,961	4,975,685
General administration	1,518,732	1,752,069	1,793,788	1,788,838	1,873,647	2,116,552
Building administration	2,241,411	2,470,692	2,485,343	2,718,624	2,876,614	3,163,125
Operations and maintenance	3,151,222	3,309,869	3,386,525	3,609,292	3,766,666	3,663,019
Student transportation	1,070,139	1,045,895	1,218,576	1,312,826	1,400,420	1,433,032
Food services	1,062,232	1,133,804	1,379,981	1,580,563	1,743,790	1,835,040
Extracurricular activities	750,381	777,879	844,071	788,795	836,613	885,231
Unallocated depreciation	723,997	777,729	826,070	863,206	912,711	960,431
Interest and fiscal charges	693,821	604,690	481,425	347,186	682,825	1,574,466
Total governmental activities expenses	<u>\$ 33,021,758</u>	<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>
Program Revenues						
Governmental activities:						
Charges for services	\$ 1,673,981	\$ 1,782,957	\$ 1,777,149	\$ 2,035,548	\$ 2,246,851	\$ 2,483,244
Operating grants and contributions	4,091,397	4,651,015	5,214,598	6,382,579	6,192,636	6,580,610
Capital grants and contributions	-	39,920	-	200,907	54,400	810,146
Total governmental activities program revenues	<u>\$ 5,765,378</u>	<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>
Total governmental activities net expense	<u>\$ (27,256,380)</u>	<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>
General Revenues						
Governmental activities:						
District property taxes	\$ 11,514,050	\$ 13,027,975	\$ 14,155,373	\$ 15,180,803	\$ 16,788,764	\$ 19,928,795
Investment earnings	242,352	134,527	132,702	260,950	755,196	1,839,432
Restricted county distribution - retirement	2,883,197	3,165,298	3,246,825	3,749,000	3,768,848	3,872,500
Restricted state motor vehicle fee reimbursement	419,237	408,579	35,413	35,681	35,952	36,236
Restricted other state revenue	33,955	153,059	106,691	103,309	97,698	96,801
Unrestricted state equalization	9,999,354	10,126,609	10,234,849	10,452,630	11,283,156	11,695,502
Unrestricted state guaranteed tax base subsidy	1,197,663	1,183,932	924,866	630,845	612,409	443,964
Unrestricted state motor vehicle fee reimbursement	1,516,893	1,478,330	1,508,994	1,520,462	1,532,017	1,543,660
Unrestricted state quality educator	-	-	-	-	-	778,808
Unrestricted other state revenue	119,816	99,009	81,659	65,717	49,372	125,521
Gain on sale of capital assets	-	-	-	64,505	14,429	545
Total governmental activities general revenues	<u>\$ 27,926,517</u>	<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>
Change in Net Assets						
Governmental activities	<u>\$ 670,137</u>	<u>\$ 1,860,242</u>	<u>\$ 613,789</u>	<u>\$ 1,323,206</u>	<u>\$ 1,287,592</u>	<u>\$ 4,060,687</u>

Note: The District implemented the full accrual GASB Statement 34 in fiscal year 2002.
Ten years of comparative data will be presented when available.

Table 3

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

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General fund										
Reserved	\$ 624,937	\$ 943,325	\$ 1,046,529	\$ 951,958	\$ 341,882	\$ 239,001	\$ 130,615	\$ 128,085	\$ 348,877	\$ 156,283
Unreserved	<u>1,365,011</u>	<u>1,684,796</u>	<u>1,626,913</u>	<u>2,063,165</u>	<u>1,938,158</u>	<u>1,728,770</u>	<u>2,103,208</u>	<u>2,268,037</u>	<u>2,129,161</u>	<u>2,210,022</u>
Total general fund	<u>\$ 1,989,948</u>	<u>\$ 2,628,121</u>	<u>\$ 2,673,442</u>	<u>\$ 3,015,123</u>	<u>\$ 2,280,040</u>	<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>
 All other governmental funds										
Reserved	\$ 366,377	\$ 641,038	\$ 247,495	\$ 856,875	\$ 100,751	\$ 91,796	\$ 165,748	\$ 102,504	\$ 62,589	\$ (96,886)
Unreserved, reported in:										
Special revenue funds	2,280,651	2,227,437	2,289,823	2,556,506	2,581,735	3,205,073	3,331,539	3,675,171	3,950,436	5,285,646
Capital projects funds	<u>2,134,682</u>	<u>1,648,448</u>	<u>1,422,518</u>	<u>307,735</u>	<u>928,031</u>	<u>1,311,305</u>	<u>2,083,890</u>	<u>1,723,245</u>	<u>26,399,086</u>	<u>42,644,504</u>
Total all other governmental funds	<u>\$ 4,781,710</u>	<u>\$ 4,516,923</u>	<u>\$ 3,959,836</u>	<u>\$ 3,721,116</u>	<u>\$ 3,610,517</u>	<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>

Table 4

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
District property taxes	\$ 9,908,235	\$ 10,696,556	\$ 9,862,262	\$ 10,558,907	\$ 11,508,960	\$ 12,683,554	\$ 14,323,095	\$ 15,414,842	\$ 16,713,548	\$ 19,391,531
Motor vehicle fees and taxes	1,202,755	1,352,484	1,395,670	1,317,755	- ¹	-	-	-	-	-
Tuition and fees	746,278	881,130	904,927	884,715	938,639	992,390	1,116,119	1,255,980	1,420,239	1,568,319
Interest	403,618	398,433	416,090	448,073	200,956	110,296	109,973	221,062	699,210	1,795,207
Other district revenue	103,082	278,483	216,568	238,121	310,080	301,959	305,221	581,288	377,377	482,394
Gallatin County	2,804,261	2,713,073	2,821,652	2,960,615	3,175,638	3,471,862	3,588,446	4,084,517	4,127,197	4,213,172
State of Montana	11,834,885	12,021,904	12,738,152	14,163,737	14,791,635	15,028,713	14,709,131	14,961,033	16,012,832	18,419,447
Federal	1,946,878	1,958,678	2,079,052	1,994,930	2,175,820	2,646,346	2,937,235	3,709,766	3,280,384	3,116,050
Total revenues	<u>28,949,992</u>	<u>30,300,741</u>	<u>30,434,373</u>	<u>32,566,853</u>	<u>33,101,728</u>	<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>
Expenditures										
Instruction	14,425,074	15,057,057	15,711,927	16,720,669	17,599,439	18,331,641	19,932,684	20,960,778	22,585,585	24,569,060
Support services	3,116,583	3,086,726	3,115,165	3,322,920	3,499,355	3,613,293	3,916,194	4,375,683	4,574,701	4,909,200
General administration	1,231,784	1,593,916	1,357,325	1,411,981	1,461,883	1,694,716	1,731,414	1,683,859	1,759,136	1,996,421
Building administration	1,959,243	1,824,496	1,987,621	2,061,383	2,118,760	2,367,575	2,377,911	2,555,223	2,755,991	3,014,613
Operations and maintenance	2,591,598	2,767,612	2,872,860	2,896,142	3,044,763	3,225,126	3,300,903	3,502,159	3,656,580	3,567,525
Student transportation	850,562	992,529	919,722	981,642	1,069,558	1,046,280	1,218,967	1,312,970	1,399,786	1,432,484
Food services	759,935	841,067	941,555	976,933	1,012,866	1,084,861	1,334,261	1,525,827	1,679,095	1,769,280
Extracurricular activities	606,050	639,840	669,266	698,935	742,821	766,478	832,620	776,863	817,127	871,909
Capital outlay	903,718	1,321,934	1,576,406	1,577,608	1,573,505	726,644	981,146	1,822,412	5,122,160	7,623,511
Debt service										
Principal	935,000	980,000	1,025,000	1,080,000	1,130,639	750,000	1,415,000	1,586,506	1,606,506	2,216,506
Interest and fiscal charges	872,046	829,084	785,676	743,530	693,821	444,149	315,765	296,801	249,532	1,748,732
Bond issuance costs	-	-	-	-	-	179,330	79,300	-	79,578	142,254
Bond defeasance costs	-	-	-	-	-	520,491	-	-	-	-
Total expenditures	<u>28,251,593</u>	<u>29,934,261</u>	<u>30,962,523</u>	<u>32,471,743</u>	<u>33,947,410</u>	<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>
Excess of revenues over (under) expenditures	<u>698,399</u>	<u>366,480</u>	<u>(528,150)</u>	<u>95,110</u>	<u>(845,682)</u>	<u>484,536</u>	<u>(346,945)</u>	<u>(170,593)</u>	<u>(3,654,990)</u>	<u>(4,875,375)</u>
Other financing sources (uses)										
Sale of capital assets	3,403	6,904	16,384	7,850	-	-	-	252,635	19,376	545
Transfers in	70,157	64,202	37,823	54,682	51,998	102,796	121,176	33,673	32,698	23,344
Transfers out	(70,157)	(64,202)	(37,823)	(54,682)	(51,998)	(102,796)	(121,176)	(33,673)	(32,698)	(23,344)
General obligation bonds issued	-	-	-	-	-	-	-	-	28,600,000	20,725,000
Limited obligation bonds issued	-	-	-	-	-	-	1,586,000	-	-	1,459,250
Refunding bonds issued	-	-	-	-	-	12,890,000	-	-	-	-
Premium on bonds issued	-	-	-	-	-	-	-	-	28,721	-
Payments to refunded bond escrow agent	-	-	-	-	-	(12,689,148)	-	-	-	-
Total other financing sources (uses)	<u>3,403</u>	<u>6,904</u>	<u>16,384</u>	<u>7,850</u>	<u>-</u>	<u>200,852</u>	<u>1,586,000</u>	<u>252,635</u>	<u>28,648,097</u>	<u>22,184,795</u>
Net change in fund balances	<u>\$ 701,802</u>	<u>\$ 373,384</u>	<u>\$ (511,766)</u>	<u>\$ 102,960</u>	<u>\$ (845,682)</u>	<u>\$ 685,388</u>	<u>\$ 1,239,055</u>	<u>\$ 82,042</u>	<u>\$ 24,993,107</u>	<u>\$ 17,309,420</u>
Debt service as a percentage of noncapital expenditures	6.6%	6.3%	6.2%	5.9%	5.6%	3.5%	4.7%	4.9%	4.5%	8.6%

¹ Beginning in 2002, motor vehicle fees and taxes became a state sourced revenue.

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	Principal Retirement & Interest	Total
1998	\$ 11,764,321	\$ 1,988,536	\$ 984,914	\$ 1,573,676	\$ 2,306,987	\$ 10,585	\$ 574,664	\$ 833,795	\$ -	\$ 20,037,478
1999	12,136,218	2,029,394	1,078,490	1,494,742	2,240,636	10,940	606,533	1,131,869	-	20,728,822
2000	12,586,422	2,067,821	1,102,146	1,625,104	2,297,672	1,797	622,343	874,516	-	21,177,821
2001	13,437,321	2,292,249	1,146,548	1,679,983	2,330,415	12,181	663,432	683,899	-	22,246,028
2002	14,108,150	2,442,605	1,213,259	1,734,395	2,684,150	14,421	700,756	326,805	4,934	23,229,475
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

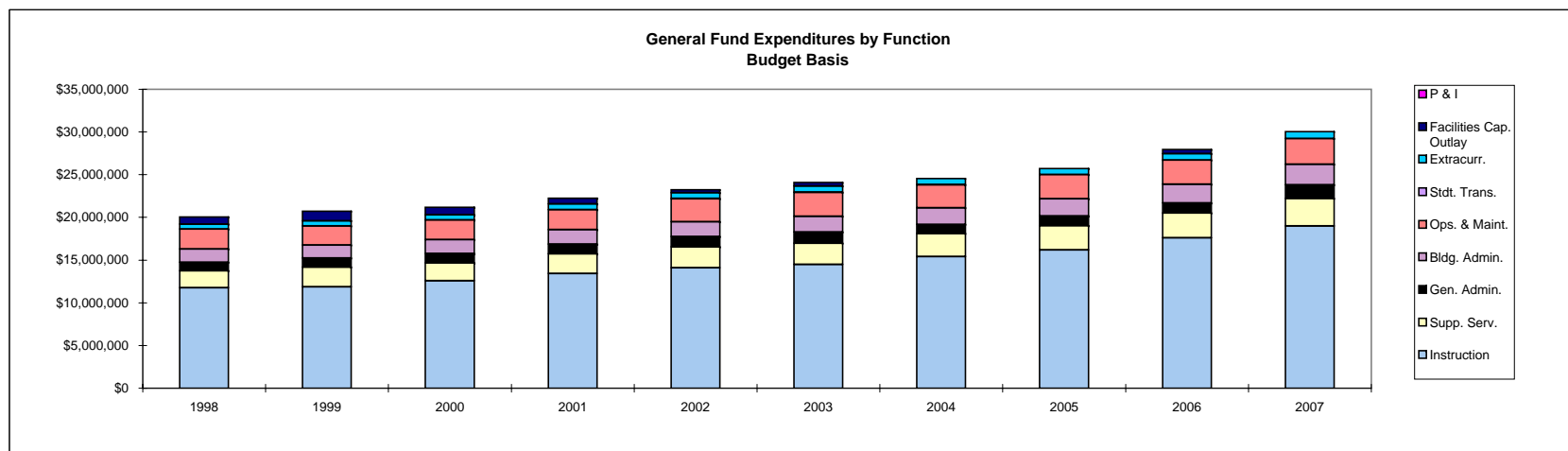


Table 6

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

Fiscal Year	Assessed Valuation*	Mill Levy	Taxes Levied	Tax Collections**	Percent of Tax Collections To Taxes Levied
Elementary District:					
1998	\$ 59,911,057	112.13	\$ 6,716,590	\$ 6,682,600	99.49%
1999	62,309,317	111.42	6,942,504	6,983,396	100.59%
2000	62,205,986	107.76	6,704,255	6,384,310	95.23%
2001	63,029,015	106.29	6,700,561	6,845,301	102.16%
2002	65,933,754	109.50	7,220,720	7,286,835	100.92%
2003	71,248,110	115.64	8,239,131	8,023,190	97.38%
2004	76,622,721	111.70	8,558,758	8,779,204	102.58%
2005	81,999,997	112.16	9,197,120	9,308,664	101.21%
2006	89,208,819	111.60	9,955,704	9,922,609	99.67%
2007	\$ 96,539,611	120.32	\$ 11,615,646	\$ 11,433,203	98.43%
High School District:					
1998	\$ 77,112,329	41.76	\$ 3,219,266	\$ 3,225,635	100.20%
1999	80,543,387	43.90	3,535,855	3,713,160	105.01%
2000	81,093,432	44.95	3,644,499	3,477,952	95.43%
2001	82,371,906	44.36	3,647,537	3,713,606	101.81%
2002	86,437,851	48.40	4,183,834	4,222,125	100.92%
2003	93,657,419	51.43	4,816,801	4,660,364	96.75%
2004	101,740,692	53.35	5,427,866	5,543,891	102.14%
2005	109,245,300	55.16	6,025,971	6,106,178	101.33%
2006	119,033,013	57.46	6,839,637	6,790,939	99.29%
2007	\$ 129,510,742	62.42	8,084,061	\$ 7,958,328	98.44%

* Assessed valuation is per the County Assessor Report and calculated as of January (i.e. assess value used for 1997-98 fiscal year is calculated as of January 1997)

** Total tax collections included delinquent taxes from prior years.

Table 7

BOZEMAN SCHOOL DISTRICT NO. 7
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Assessed Value	Estimated Actual Value	Percent of Assessed Value to Est. Actual Value
Elementary District:			
1998	\$ 59,911,057	\$ 1,393,848,321	4.3%
1999	62,309,317	1,478,399,485	4.2%
2000	62,205,986	1,505,479,023	4.1%
2001	63,029,015	1,649,476,862	3.8%
2002	65,933,754	1,798,479,256	3.7%
2003	71,248,110	2,004,352,468	3.6%
2004	76,622,721	2,193,338,586	3.5%
2005	81,999,997	2,409,812,203	3.4%
2006	89,208,819	2,649,536,773	3.4%
2007	\$ 96,539,611	\$ 2,922,699,201	3.3%
High School District:			
1998	\$ 77,112,329	\$ 1,810,905,163	4.3%
1999	80,543,387	1,926,105,237	4.2%
2000	81,093,432	1,984,328,793	4.1%
2001	82,371,906	2,168,526,307	3.8%
2002	86,437,851	2,372,218,869	3.6%
2003	93,657,419	2,651,823,923	3.5%
2004	101,740,692	2,927,915,465	3.5%
2005	109,245,300	3,224,918,891	3.4%
2006	119,033,013	3,554,146,064	3.3%
2007	\$ 129,510,742	\$ 3,946,654,848	3.3%

Source: Montana Department of Revenue

Table 8

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	Bozeman Elementary District	Bozeman High School District	City of Bozeman	Gallatin County	State of Montana	Total
1998	112.13	41.76	137.29	162.91	46.00	500.09
1999	111.42	43.90	138.79	158.37	46.00	498.48
2000	107.76	44.95	141.31	162.92	46.00	502.94
2001	106.29	44.36	146.84	174.98	46.00	518.47
2002	109.50	48.40	148.50	177.65	46.00	530.05
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

Tax Levies						
Fiscal Year	Bozeman Elementary District	Bozeman High School District	City of Bozeman	Gallatin County	State of Montana	Total
1998	\$ 6,716,590	\$ 3,219,266	\$ 5,159,150	\$ 18,293,718	\$ 5,165,496	\$ 38,554,220
1999	6,942,504	3,535,855	5,456,341	18,665,024	5,421,425	40,021,149
2000	6,704,255	3,644,499	5,572,632	19,321,244	5,455,298	40,697,928
2001	6,700,561	3,647,537	5,927,815	20,744,776	5,453,536	42,474,225
2002	7,220,720	4,183,834	6,303,912	22,067,620	5,714,104	45,490,190
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	\$ 11,615,646	\$ 8,084,061	\$ 10,475,697	\$ 35,948,481	\$ 8,378,750	\$ 74,502,635

Source: Montana Tax Foundation
Montana Property Tax Mill Levies 2006-07

Table 9

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

Taxpayer	2007			2002		
	Taxable Assessed Value	Rank	Percentage of Total Elementary District Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total High School District Taxable Assessed Value
Northwestern Corp Transmission and Distribution	\$ 7,090,476	1	7.34%	\$ 3,771,440	1	5.72%
Qwest Corporation	1,532,806	2	1.59%	1,564,699	2	2.37%
Harry Daum (Gallatin Mall)	518,025	3	0.54%	612,166	3	0.93%
Bozeman Deaconess Foundation	422,509	4	0.44%	264,806	5	0.40%
Machinery Power and Equipment Company	394,125	5	0.41%	-		-
Wal-Mart Stores	389,417	6	0.40%	-		-
Lowes HIW Inc	318,663	7	0.33%			
Highgate Bozeman LLC	317,174	8	0.33%	-		-
BOMONT LLC	294,798	9	0.31%			
Costco Wholesale Corporation	283,730	10	0.29%	259,305	6	0.39%
Bridger Peaks LLC	-		-	291,473	4	0.44%
POB Gallatin LP (Gallatin Center)	-		-	-		-
Dayton Hudson Corporation (Target)	-		-	226,283	7	0.34%
First Security Bank of Bozeman	-		-	217,980	8	0.33%
Bozeman Investors of Deluth, LP	-		-	212,855	9	0.32%
Arcadia Gardens Apartments, LLC	-		-	198,746	10	0.30%
Total	\$ 11,561,723		11.98%	\$ 7,619,753		11.54%

Source: State of Montana Department of Revenue - Gallatin County(Appraisal/Assessment Division)

Note: GASB Statement # 44 recommends presenting the principal property tax payers for the current year and nine years ago. This will be achieved when ten years of data is accessible by the District.

Table 10

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

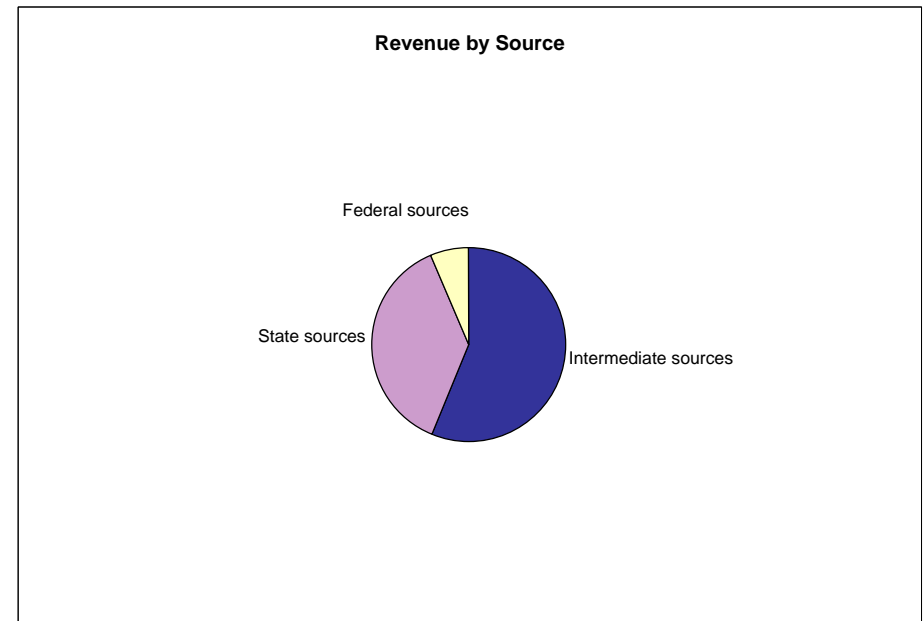
Taxpayer	2007			2002		
	Taxable Assessed Value	Rank	Percentage of Total High School District Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total High School District Taxable Assessed Value
Northwestern Corp Transmission and Distribution	\$ 9,370,390	1	7.24%	\$ 5,514,097	1	6.38%
Qwest Corporation	1,735,836	2	1.34%	1,741,514	2	2.01%
Zoot Properties LLC	591,772	3	0.46%	-		-
Harry Daum (Gallatin Mall)	518,025	4	0.40%	612,166	3	0.71%
Bozeman Deaconess Foundation	422,509	5	0.33%	264,806	5	0.31%
Machinery Power and Equipment Company	394,125	6	0.30%	-		-
Wal-Mart Stores	389,417	7	0.30%	-		-
Loews HIW Inc	318,663	8	0.25%	-		-
Highgate Bozeman LLC	317,174	9	0.24%	-		-
Genesis Partners LLC	289,185	10	0.22%	-		-
Bridger Peaks LLC	-		-	291,473	4	0.34%
Costco Wholesale Corporation	-		-	259,305	6	0.30%
Montana Rail Link	-		-	302,910	7	0.35%
Dayton Hudson Corporation (Target)	-		-	226,283	8	0.26%
First Security Bank of Bozeman	-		-	218,083	9	0.25%
Bozeman Investors of Deluth, LP	-		-	212,855	10	0.25%
Total	\$ 14,347,096		11.08%	\$ 9,643,492		11.16%

Source: State of Montana Department of Revenue - Gallatin County(Appraisal/Assessment Division)

Note: GASB Statement # 44 recommends presenting the principal property tax payers for the current year and nine years ago. This will be achieved when ten years of data is accessible by the District.

BOZEMAN SCHOOL DISTRICT NO. 7
Revenue by Source - All Governmental Fund Types
For the Fiscal Year Ended June 30, 2007
(modified accrual basis of accounting)

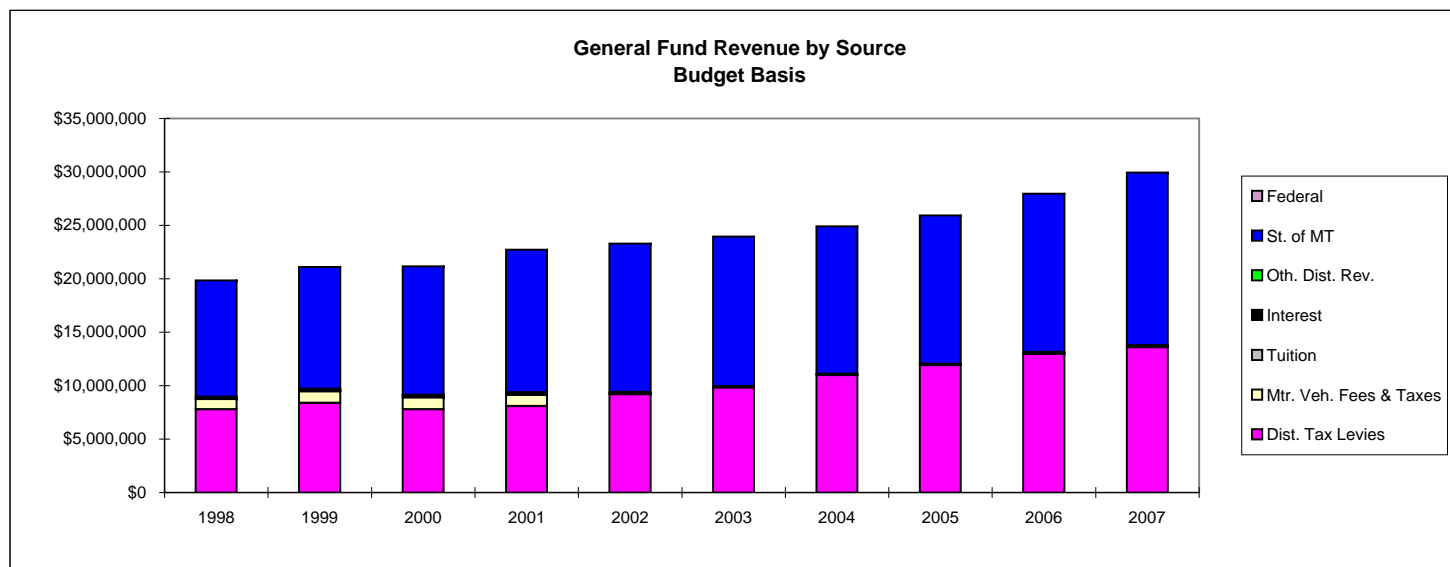
Source	Actual Revenue	Percent of Total Revenue
Revenue from local and intermediate source:		
District taxes	\$19,391,531	39.59%
Tuition and fees	1,568,319	3.20%
Interest	1,795,207	3.66%
Other district revenue	482,394	0.98%
County retirement	3,872,500	7.91%
County transportation	340,672	0.70%
Total revenue from local and intermediate sources	27,450,623	56.04%
Revenue from State sources:		
State equalization	11,695,502	23.88%
State special education allowable costs	1,430,326	2.92%
State guarantee tax base subsidy	443,964	0.91%
State transportation	340,672	0.70%
State motor vehicle fee reimbursement	1,579,896	3.23%
State quality educator	778,808	1.59%
State weatherization	810,146	1.65%
Other State revenue	1,340,133	2.74%
Total revenue from State sources	18,419,447	37.60%
Revenue from Federal sources:		
Federal grants	2,743,494	5.60%
Federal food service	372,556	0.76%
Total revenue from Federal sources	3,116,050	6.36%
Total revenue	\$48,986,120	100.00%



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

Year	District Tax Levies	Motor Vehicle Fees & Taxes	Tuition & Fees	Interest	Other District Revenue	State of Montana	Federal	Total
1998	\$ 7,797,915	\$ 940,555	\$ 17,275	\$ 170,607	\$ 11,941	\$ 10,914,589	\$ -	\$ 19,852,882
1999	8,387,741	1,062,518	75,884	144,911	19,884	11,421,871	-	21,112,809
2000	7,783,884	1,095,556	40,223	154,473	51,239	12,032,386	-	21,157,761
2001	8,097,527	1,029,919	48,290	199,449	7,979	13,353,798	-	22,736,962
2002	9,205,964	- *	52,469	118,684	9,324	13,903,333	-	23,289,774
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

* Beginning in Fiscal Year 2002, Motor Vehicle Fees & Taxes Revenues are distributed by the State of Montana as part of a School Block Grant.



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

<u>Year</u>	<u>District Revenue</u>	<u>State Revenue</u>	<u>Total Revenue</u>	<u>October Enrollment</u>	<u>Revenue Per Student</u>		
					<u>District</u>	<u>State</u>	<u>Total</u>
1998	\$ 8,938,293	\$ 10,914,589	\$ 19,852,882	5,093	\$ 1,755	\$ 2,143	\$ 3,898
1999	9,690,938	11,421,871	21,112,809	5,091	1,904	2,244	4,148
2000	9,125,375	12,032,386	21,157,761	5,124	1,781	2,348	4,129
2001	9,383,164	13,353,798	22,736,962	5,167	1,816	2,584	4,400
2002	9,386,441	13,903,333	23,289,774	5,124	1,832	2,713	4,545
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

Source: District Records

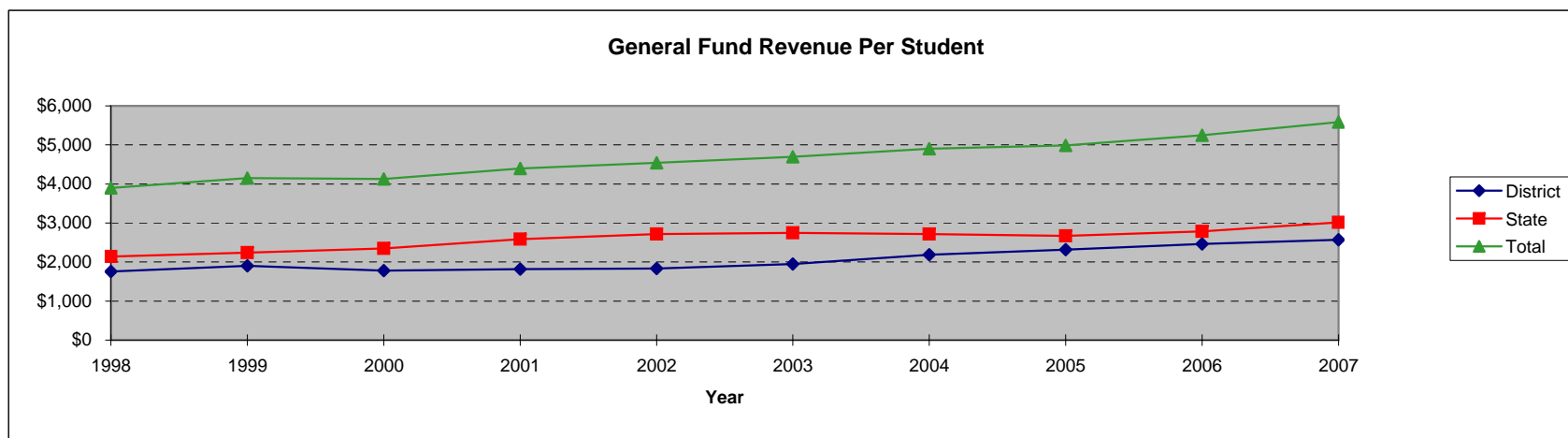


Table 14

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*	Assessed Value	Net General Obligation Bonded Debt	Percentage of Net G.O. Bonded Debt to Assessed Value	Net G.O. Bonded Debt per Capita
Elementary District:					
1998	37,029	\$ 59,911,057	\$ 15,229,032	25.42%	\$ 411.27
1999	37,769	62,309,317	14,384,487	23.09%	380.85
2000	40,025	62,205,986	13,493,145	21.69%	337.12
2001	41,198	63,029,015	12,474,911	19.79%	302.80
2002	42,364	65,933,754	11,632,520	17.64%	274.59
2003	44,202	71,248,110	10,998,345	15.44%	248.82
2004	46,121	76,622,721	9,713,055	12.68%	210.60
2005	47,786	81,999,997	8,532,420	10.41%	178.55
2006	48,933	89,208,819	21,381,452	23.97%	436.95
2007	49,961	\$ 96,539,611	\$ 25,550,000	26.47%	\$ 511.40
High School District:					
1998	43,708	\$ 77,112,329	\$ 1,673,829	2.17%	\$ 38.30
1999	44,582	80,543,387	1,564,919	1.94%	35.10
2000	46,365	81,093,432	1,443,175	1.78%	31.13
2001	47,580	82,371,906	1,294,215	1.57%	27.20
2002	48,698	86,437,851	1,164,862	1.35%	23.92
2003	50,466	93,657,419	1,058,523	1.13%	20.97
2004	52,298	101,740,692	881,823	0.87%	16.86
2005	53,898	109,245,300	712,504	0.65%	13.22
2006	55,191	119,033,013	15,042,895	12.64%	272.56
2007	56,350	\$ 129,510,742	\$ 29,545,000	22.81%	\$ 524.31

* 1998-1999 Population estimated using relationship of Bozeman School District to the City of Bozeman and Gallatin County using United States Bureau of Census Information.

2000-2007 The 2000 population data were calculated by the School District Demographics Systems using actual 2000 census data. Future years have been increased by a relationship of the Bozeman School District to the City of Bozeman Gallatin County using United States Bureau of Census Information.

Source: District Records
School District Demographics Systems
Gallatin County Assessor's Office

Table 15

BOZEMAN SCHOOL DISTRICT NO. 7
Computation of Legal Debt Margin
For the Year Ended June 30, 2007

Elementary District:

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Debt limit	\$29,219,139	\$31,139,955	\$30,585,060	\$ 29,670,189	\$ 29,670,189	\$32,061,650	\$34,480,224	\$36,899,999	\$40,143,969	\$43,442,825
Total net debt applicable to limit	<u>15,229,032</u>	<u>14,384,487</u>	<u>15,893,145</u>	<u>14,634,911</u>	<u>13,552,520</u>	<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>
Legal debt margin	<u>\$13,990,107</u>	<u>\$16,755,468</u>	<u>\$14,691,915</u>	<u>\$ 15,035,278</u>	<u>\$ 16,117,669</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	52.12%	46.19%	51.96%	49.33%	45.68%	39.54%	32.35%	31.74%	63.23%	69.45%

High School District:

Debt limit	\$34,700,548	\$36,244,524	\$36,698,738	\$ 38,897,033	\$ 38,897,033	\$42,145,839	\$45,783,311	\$49,160,385	\$53,564,856	\$58,279,834
Total net debt applicable to limit	<u>1,673,829</u>	<u>1,564,919</u>	<u>3,243,175</u>	<u>2,914,215</u>	<u>2,604,862</u>	<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>
Legal debt margin	<u>\$33,026,719</u>	<u>\$34,679,605</u>	<u>\$33,455,563</u>	<u>\$ 35,982,818</u>	<u>\$ 36,292,171</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	4.82%	4.32%	8.84%	7.49%	6.70%	5.50%	4.29%	3.28%	79.65%	72.08%

Legal Debt Margin Calculation for Fiscal Year 2007

	<u>Elementary District</u>	<u>High School District</u>
District taxable valuation	\$ 96,539,611	\$ 129,510,742
Times: 45%	<u>0.45</u>	<u>0.45</u>
Legal Debt Service Limit *	<u>43,442,825</u>	<u>58,279,834</u>
General Obligation Bonds Payable	25,550,000	29,545,000
Limited Obligation Bonds Payable	2,564,823	-
Less: Cash Available for Retirement of Bonds	<u>202,482</u>	<u>-</u>
Net Amount of Bonds Payable Applicable to Limit	27,912,341	29,545,000
Outstanding Building Reserve Levy Authorized	<u>2,260,000</u>	<u>540,000</u>
Total Net Amount of Bonds Payable and Building Reserve Levy Applicable to Limit	30,172,341	30,085,000
Margin Above Bonds Payable and Building Reserve Levy	13,270,484	28,194,834
Less: General Obligation Bonds Authorized but Unused	-	11,925,000
Legal Debt Margin	<u>\$ 13,270,484</u>	<u>\$ 16,269,834</u>

* Montana Codes Annotated Section 20-9-406 provides for the issuance of bonds to an amount not to exceed the greater of 1) 45% of the latest available taxable valuation of property which is subject to taxation within the District or 2) the statewide average taxable valuation per student multiplied by the average number of students belonging in a particular district multiplied by 45%. The District taxable valuations for 2007 are used above and exceed the statewide average taxable valuation method.

Table 16

BOZEMAN SCHOOL DISTRICT NO. 7
Computation of Direct and Overlapping General Obligation Bonded Debt
For the Fiscal Year Ended June 30, 2007

Governmental Unit	Debt	Applicable to Elementary District		Applicable to Portion of High School District Lying Outside Elementary District	
		Percent	Amount	Percent	Amount
Bozeman Elementary District:					
Issue 2002 (originally \$6,915,000)	\$ 4,435,000	100.0%	\$ 4,435,000	0.0%	\$ -
Issue 2003 (originally \$4,840,00)	1,550,000	100.0%	1,550,000	0.0%	-
Issue 2006 (originally \$14,100,000)	13,815,000	100.0%	13,815,000	0.0%	-
Issue 2007 (originally \$5,750,000)	5,750,000	100.0%	5,750,000	0.0%	-
Bozeman High School District:					
Issue 2003 (originally \$1,135,000)	365,000	74.5%	272,071	25.5%	92,929
Issue 2006 (originally \$14,500,000)	14,205,000	74.5%	10,588,407	25.5%	3,616,593
Issue 2007 (originally \$14,975,000)	<u>14,975,000</u>	74.5%	<u>11,156,375</u>	25.5%	<u>3,818,625</u>
Totals	<u>\$ 55,095,000</u>		<u>\$ 47,566,853</u>		<u>\$ 7,528,147</u>
OVERLAPPING BONDED INDEBTEDNESS					
Gallatin County:					
Various Issues	\$ 11,620,000	53.0%	\$ 6,158,600	18.1%	\$ 2,103,220
City of Bozeman:					
Various Issues	<u>5,840,000</u>	100%	<u>5,840,000</u>	0.0%	<u>-</u>
Totals	<u>\$ 17,460,000</u>		<u>\$ 11,998,600</u>		<u>\$ 2,103,220</u>

Source: City, County and District Records

Table 17

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:					
1998	\$ 820,000	\$ 783,313	\$ 1,603,313	\$ 12,572,200	12.75%
1999	860,000	745,338	1,605,338	12,890,610	12.45%
2000	900,000	706,546	1,606,546	13,050,597	12.31%
2001	950,000	671,924	1,621,924	13,591,963	11.93%
2002	985,000	628,698	1,613,698	14,043,879	11.49%
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%
High School:					
1998	\$ 115,000	\$ 85,367	\$ 200,367	\$ 7,465,278	2.68%
1999	120,000	80,768	200,768	7,838,212	2.56%
2000	125,000	75,788	200,788	8,127,224	2.47%
2001	130,000	71,606	201,606	8,654,065	2.33%
2002	140,000	64,755	204,755	9,185,596	2.23%
2003	70,000	34,250	104,250	9,517,351	1.10%
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%

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 18

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

Year	Elementary District Population (1)	High School District Population (1)	Per Capita Income (2)	Unemployment Rate (3)
1998	37,029	43,708	23,271	3.1%
1999	37,769	44,582	23,236	2.9%
2000	40,025	46,365	25,139	3.7%
2001	41,198	47,580	26,121	3.4%
2002	42,364	48,698	26,890	3.4%
2003	44,202	50,466	28,929	3.3%
2004	46,121	52,298	30,560	3.2%
2005	47,786	53,898	N/A	2.8%
2006	48,933	55,191	N/A	2.2%
2007	49,961	56,350	N/A	N/A

Sources and other information:

(1) 1998 - 1999 : Estimated based on relationship of Bozeman School District to the City of Bozeman and Gallatin County using United States Bureau of Census Information.

2000 - 2007 : The 2000 numbers were calculated by the School District Demographics Systems using actual 2000 census data. Future years have been increased by a relationship of the Bozeman School District 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) Department of Labor (Bureau of Labor Statistics) - Information only available for entire Gallatin County.

Table 19

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

2007		1998	
Private Employers By Class, Alphabetically	Employer Class Size	Private Employers By Class, Alphabetically	Employer Class Size
Bozeman Deaconess Hospital	8	Bozeman Deaconess Hospital	7
Home Care Services	8	Home Care Services	7
Kenyon Noble Lumber & Hardware	7	Wal-Mart	7
Right Now Technologies	7	Barnard Construction	6
Wal-Mart	7	Big Sky Carvers	6
Albertson's	6	Big Sky Publishing	6
Bozeman Daily Chronicle	6	Costco	6
Community Food Co-Op	6	Gibson Guitar	6
Costco	6	Gran Tree Inn	6
First Security Bank	6	Holnam Inc	6
JTL Group Inc. - Belgrade	6	Kenyon Noble Lumber & Hardware	6
Laidlaw Transit	6	Kmart	6
Martel Construction	6	Life Link International	6
McDonald's	6	Louisiana Pacific	6
Murdoch's Ranch & Home Supply	6	Martel Construction	6
Ressler Chevrolet Cadillac & Toyota	6	Personnel Leasing	6
Simkins-Hallin Lumber	6	Powerhouse Technologies	6
Town and Country Foods	6	Murdoch's Ranch & Home Supply	6
Williams Plumbing & Heating	6	Simkins-Hallin Lumber	6
Zoot Enterprises	6	Video Lottery Consultants	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
School District #7	8	School District #7	8
City of Bozeman	7	Gallatin County	7
Gallatin County	7	City of Bozeman	7

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

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

Table 20

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

Fiscal Year	Expenses ⁽¹⁾	Enrollment	Cost per Pupil	Percentage Change	Certified Staff (FTE) ⁽²⁾	Pupil/Certified Staff Ratio
2002	\$ 33,021,758	5,124	\$ 6,445	N/A	341.6	15.0
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

⁽¹⁾ Expenses are from Statement of Activities.

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

Note: The District implemented the full accrual GASB Statement # 34 reporting model in 2002. The Statement of Activities' expenses reported in column 2 are derived using this model. Ten years of data will be presented as they become available.

Source: District records

Table 21

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007				
Instruction										
Certified Staff	315.0	309.2	319.2	317.5	327.9	333.0				
Classified Employees	40.6	44.0	46.5	55.9	57.9	61.4				
Support Services										
Certified Staff	25.6	27.2	26.6	30.8	36.3	36.4				
Classified Employees	29.0	31.1	34.7	36.6	35.2	41.1				
General Administration										
Administrators	4.0	4.0	4.0	5.0	5.0	5.0				
Certified Staff	1.0	1.0	1.0	-	-	0.0				
Classified Employees	21.5	22.2	23.0	24.8	26.5	24.1				
Building Administration										
Administrators	16.3	17.3	16.5	17.3	18.0	18.0				
Classified Employees	23.8	24.6	22.0	22.4	24.5	26.5				
Operations and Maintenance										
Administrators	1.0	1.0	1.0	1.0	1.0	2.0				
Classified Employees	37.4	39.4	40.5	40.4	41.2	41.5				
Student Transportation										
Classified Employees	2.1	2.0	1.9	2.6	2.5	3.1				
Food Services										
Classified Employees	24.4	26.5	28.7	33.6	31.0	32.0				
Extracurricular Activities										
Administrators	1.0	1.0	1.0	1.0	1.0	1.0				
Classified Employees	2.0	2.0	3.0	3.0	4.0	4.0				
Total	544.7	552.5	569.6	591.9	612.0	629.1				

Fiscal 2007 Summary	Admin.	Certified Staff	Classified Employees	Total FTE
Instruction	-	333.0	61.4	394.4
Support Services	-	36.4	41.1	77.5
General Administration	5.0	-	24.1	29.1
Building Administration	18.0	-	26.5	44.5
Operations and Maintenance	2.0	-	41.5	43.5
Student Transportation	-	-	3.1	3.1
Food Services	-	-	32.0	32.0
Extracurricular Activities	1.0	-	4.0	5.0
Total	26.0	369.4	233.7	629.1

Source: District Records
Ten years of data will be presented in this table as they become available.

Table 22

BOZEMAN SCHOOL DISTRICT NO. 7
Certified Staff Education and Experience
November 30, 2006

Educational Attainment	Full Time Equivalent	Percent of Total	
Bachelor's Degree	46.1	11.6%	36.8%
Bachelor's Degree + 15 Credits	20.0	5.2%	
Bachelor's Degree + 30 Credits	21.9	6.2%	
Bachelor's Degree + 45 Credits	47.5	12.7%	
5th Year Degree + 45 Credits	4.0	1.1%	63.2%
Master's Degree	58.3	15.4%	
Master's Degree + 15 Credits	24.4	9.0%	
Master's Degree + 30 Credits	30.2	8.2%	
Master's Degree + 45 Credits	117.0	30.6%	
Total	<u>369.4</u>	<u>100.0%</u>	

Years of Experience	Full Time Equivalent	Percent of Total	
0 - 5	82.0	29.2%	
6 - 10	99.7	27.4%	
11 - 15	60.4	19.1%	
16 and Over	127.3	24.3%	
Total	<u>369.4</u>	<u>100.0%</u>	

Source: District Records

Table 23

BOZEMAN SCHOOL DISTRICT NO. 7
Educational Building Data
For the Fiscal Year Ended June 30, 2007

	<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	340	312	91.8%
Irving	1939	33,860	360	304	84.4%
Whittier	1958	29,847	244	267	109.4% ⁽¹⁾
Hawthorne	1939	34,154	312	300	96.2%
Morning Star	1992	56,010	598	550	92.0%
Emily Dickinson	1992	56,012	518	498	96.1%
<u>6-8 Schools</u>					
Chief Jospheh	1964	106,000	546	532	97.4% ⁽²⁾
Sacajawea	1996	97,456	750	657	87.6%
High School:					
Bozeman High School	1957	251,569	1,864	1851	99.3% ⁽³⁾
Bridger Alternative High School	1936	26,200	100	85	85.0%

⁽¹⁾ The District has received voter approval to build a 7th Elementary School (est. 500 to 600 capacity). This school is scheduled to open in the Fall of 2009.

⁽²⁾ It is projected that the new Chief Joseph Middle School currently under construction will handle between 600-750 students.

⁽³⁾ After the high school renovation, it is projected the high school will handle approximately 2,000 students.

Table 24

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

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Elementary Schools:										
<u>K-5 Schools</u>										
Longfellow	13%	18%	19%	20%	16%	17%	18%	20%	16%	14%
Irving	35%	35%	40%	44%	34%	37%	40%	43%	43%	35%
Whittier	45%	34%	35%	41%	39%	43%	53%	53%	53%	46%
Hawthorne	14%	14%	13%	15%	11%	9%	11%	14%	17%	16%
Morning Star	11%	16%	15%	14%	8%	7%	8%	6%	7%	9%
Emily Dickinson	16%	21%	23%	25%	22%	19%	22%	18%	20%	22%
<u>6-8 Schools</u>										
Chief Jospheh	20%	17%	17%	17%	16%	22%	25%	20%	22%	21%
Sacajawea	14%	12%	14%	13%	12%	13%	14%	11%	13%	11%
High School										
	9%	N/A	N/A	N/A	8%	9%	9%	9%	12%	15%

Source: Title I portion of ESEA consolidated applications

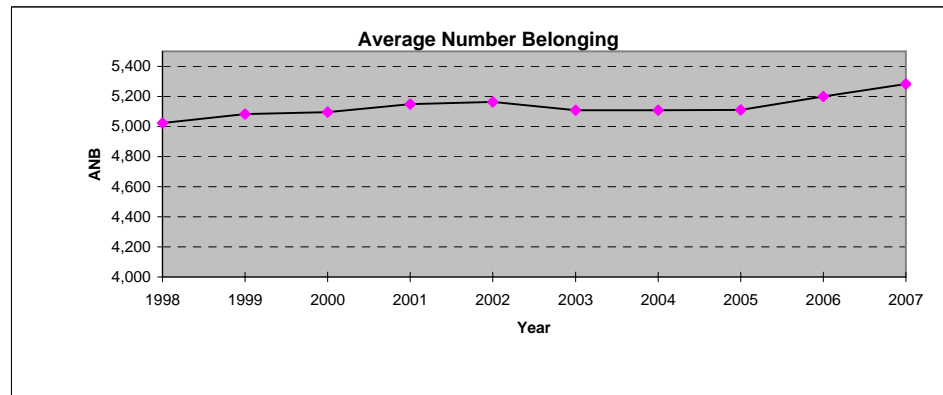
Table 25

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
1998	5,093	1.2	5,024	0.2	99.9
1999	5,091	(0.03)	5,084	1.2	99.8
2000	5,124	0.6	5,095	0.2	100.1
2001	5,167	0.8	5,148	1.0	100.5
2002	5,124	(0.8)	5,163	0.2	99.9
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

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

- A. Policy #: ALA-64-A3-EX-0000007-02
- B. Carrier: Princeton Excess & Surplus Lines Insurance Company
- C. Policy Period: 7/1/06 - 7/1/07
- D. Coverages: Building and Contents, Property Floaters, General Liability and Crime
- E. Limits: \$1,000,000 per occurrence; \$2,000,000 aggregate

II. Automobile Liability & Physical Damage

- A. Policy #: ALA-64-A3-EX-0000007-02
- B. Carrier: Princeton Excess & Surplus Lines Insurance Company
- C. Policy Period: 7/1/06 - 7/1/07
- D. Coverages: Automobile Liability and Physical Damage
- E. Limits: \$1,000,000 per occurrence

III. Workers' Compensation Policy

- A. Policy #: 11042
- B. Carrier: Workers' Compensation Risk Retention Program
- C. Policy Period: 7/1/06 - 6/30/07

IV. Boiler and Machinery Policy

- A. Policy #: BAJ-BM21-892K7675-TIL-05
- B. Carrier: St. Paul Travelers Boiler
- C. Policy Period: 7/1/06 - 7/1/07
- D. Limits: 50,000,000 per occurrence

V. Educator's Legal Liability

- A. Policy #: ALA-64-A3-EX-0000007-02
- B. Carrier: Princeton Excess & Surplus Lines Insurance Company
- C. Policy Period: 7/1/06 - 7/1/07
- D. Limits: \$1,000,000 per occurrence

VI. Umbrella Liability

- A. Policy #: ALA-64-A3-EX-0000007-02
- B. Carrier: Princeton Excess & Surplus Lines Insurance Company
- C. Policy Period: 7/1/06 - 7/1/07
- D. Limits: \$9,000,000

VII. Commercial Employee Blanket Bond

- A. Policy #: ALA-64-A3-EX-0000007-02
- B. Carrier: Princeton Excess & Surplus Lines Insurance Company
- C. Policy Period: 7/1/06 - 7/1/07
- D. Limits: \$500,000 All Employees



SINGLE AUDIT SECTION



SCHOOL DISTRICT NO. 7
SCHEDULE OF FEDERAL AWARD EXPENDITURES
For the Fiscal Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantors Number	Program or Award Amount	Fund Balance at July 1, 2006	Revenues	Expenditures	Fund Balance at June 30, 2007
U.S. Department of Education							
Pass-through Montana Office of Public Instruction:							
Title I, Part A	84.010A	16-0350-31-07	862,673	0	729,227	729,227	0
Title II, Part A	84.367	16-0350-14-07	359,568	0	318,700	318,700	0
Title II, Part D	84.318	16-0350-60-07	15,855	0	15,855	15,855	0
Title IV, Part A	84.186A	16-0350-16-07	34,418	0	34,418	34,418	0
Title V, Part A	84.298	16-0350-39-07	16,953	0	16,953	16,953	0
IDEA-B Elementary	84.027A	16-0350-77-07-ALL0	1,100,984	0	1,032,219	1,032,219	0
IDEA-B Preschool	84.173A	16-0350-79-07-ALL0	29,916	0	29,916	29,916	0
Carl Perkins - Basic	84.048A	16-0351-81-07-BG	85,689	0	85,689	85,689	0
Adult Basic Education and Literacy	84.002	16-0351-56-07-BG	32,338	0	32,338	32,338	0
EL/Civics	84.002	16-0351-56-07-EL	7,673	0	7,673	7,673	0
Title III, Part A	84.365A	16-0351-41-07I	16,533	0	15,739	15,739	0
Total U.S. Department of Education Pass-Through			<u>2,562,600</u>	<u>0</u>	<u>2,318,727</u>	<u>2,318,727</u>	<u>0</u>
U.S. Department of Education Direct Programs:							
Impact Aid	84.041	N/A	0	20,556	1,037	21,543	50
Teaching American History # 1	84.215X	S215X020278	992,106	0	33,814	33,814	0
Teaching American History # 2	84.215X	U215X040077	1,000,000		363,239	363,239	0
Title VII Indian Education - 2005/2006	84.060A	E060A050430	21,291	0	1,854	1,854	0
Title VII Indian Education - 2006-2007	84.060A	S060A060430	25,860	0	25,860	25,860	0
Total U.S. Department of Education Direct			<u>\$ 2,039,257</u>	<u>20,556</u>	<u>425,804</u>	<u>446,310</u>	<u>50</u>
U.S. Department of Agriculture:							
Pass-through Montana Office of Public Instruction:							
National School Lunch Program	10.555	N/A	0	0	372,556	372,556	0
Fair Value USDA Commodities	10.55	N/A	0	0	68,788	68,788	0
Total Department of Agriculture			<u>\$ 0</u>	<u>0</u>	<u>441,344</u>	<u>441,344</u>	<u>0</u>
U.S Department of Health & Human Services:							
Pass-through Dept. of Health & Human Services - MT:							
Tobacco Agreement - FY 05	93.283	05-07-3-31-002-0	76,000	10,786	0	774	10,012
Total Department of Health & Human Services			<u>76,000</u>	<u>10,786</u>	<u>0</u>	<u>774</u>	<u>10,012</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 4,677,857</u>	<u>31,342</u>	<u>3,185,875</u>	<u>3,207,155</u>	<u>10,062</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.



**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**

To the Board of Trustees
Bozeman School District No. 7

We have audited the basic financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of Bozeman School District No. 7 (the District) as of the year ended June 30, 2007, and have issued our report thereon dated December 21, 2007. We conducted our audit in accordance with audit standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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MEMBER: American Institute of Certified Public Accountants

WEBSITE: www.azworld.com

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

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

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 that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the District in the Schedule of Findings and Questioned Costs under "Other Matters."

This report is intended solely for the information and use of the 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 Ziemke + Co., P.C.

Bozeman, Montana
December 21, 2007



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

To the Board of Trustees
Bozeman School District No. 7

Compliance

We have audited the compliance of Bozeman School District No. 7 (the District), with the types of compliance requirements described in *the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. 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 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 on the District's compliance with those requirements.

In our opinion, Bozeman School District No. 7 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with 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 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.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

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

This report is intended solely for the information and use of the 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 Zimmahlen & Co., P.C.

Bozeman, Montana
December 21, 2007

BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	unqualified
Internal control over financial reporting:	
Material weakness identified?	no
Reportable conditions 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
Reportable condition identified not considered to be material weaknesses?	none reported
Type of auditors' report issued on compliance for major programs:	unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	no

Identification of major programs:

84.027A	IDEA B Elementary	\$1,032,219
84.173A	IDEA B Preschool	\$29,916

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

Financial Statement Findings:

None Reported

BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
YEAR ENDED JUNE 30, 2007

Federal Award Findings and Questioned Costs:

None Reported

Other Matters:

2007-01 Extracurricular Activities

Condition:

In the extracurricular funds, we found several instances on noncompliance. The rules established by the Student Activity Fund Accounting Manual are not being complied with as follows:

- a. Student activity accounts should only be used for organized student functions, activities or assessments. They should not be used for library fees, book fines, athletic fines or computer/calculator fees.
- b. Bank fees and interest are not being allocated to all funds in the extracurricular activities accounts.

Recommendation

Every fund custodian, administrator and account sponsor should receive a copy of the Student Activity Fund Accounting manual. All funds that do not meet the definition of an organized student function, activity or assessment should be eliminated (refer to Student Activity Fund Accounting manual for definitions of appropriate funds). Allocate bank fees and interest to all funds in the extracurricular activities accounts on a monthly basis.

Prior Year Audit Finding:

None Reported