

COMPREHENSIVE ANNUAL FINANCIAL REPORT



BOZEMAN SCHOOL DISTRICT NUMBER 7

For the year ended June 30, 2011

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, 2011

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

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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

February 21, 2012

Letter of Transmittal

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

Dear Board Members:

Montana Law requires that Bozeman School District No. 7 annually publish audited financial statements within twelve months of the close of each fiscal year. This Comprehensive Annual Financial Report meets that requirement for the fiscal year ended June 30, 2011.

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, 2011, Anderson ZurMuehlen & Co., P.C. has issued an unqualified (referred to as "clean") opinion on the Bozeman School District No. 7's financial statements. Their independent audit report is located at the beginning of the financial section of this report.

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

PROFILE OF THE DISTRICT

Geographically, the Bozeman Public School system covers an area greater than the City of Bozeman. The school system includes two legal districts - Elementary District No. 7 and High School District No. 7. The elementary district covers approximately 275 square miles and has an estimated population of 50,217. The high school district covers approximately 850 square miles, and encompasses eight elementary districts (kindergarten through 8th grade (K-8) - Bozeman, Anderson,

Cottonwood, Gallatin Gateway, LaMotte, Malmborg, Monforton, and Sedan-Wilsaw. The estimated population of the high school district is 60,574. The school system is a public entity under the authority of the State of Montana.

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

The two separate legal entities make up one independent reporting entity clearly within the criteria established in Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards. All funds of the District are included in this report. The District serves approximately 5,679 students and provides a full range of educational services appropriate to grade levels Pre-K through 12, as well as Adult Education. These include regular and enriched academic education, special education for students with disabilities and occupational education. These basic programs are supplemented by a wide variety of offerings in fine arts and athletics. The Bozeman Schools Foundation, Bozeman Hawk Booster Club, Bozeman Schools Friends of Music and the various parent organizations are separate legal entities. The 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

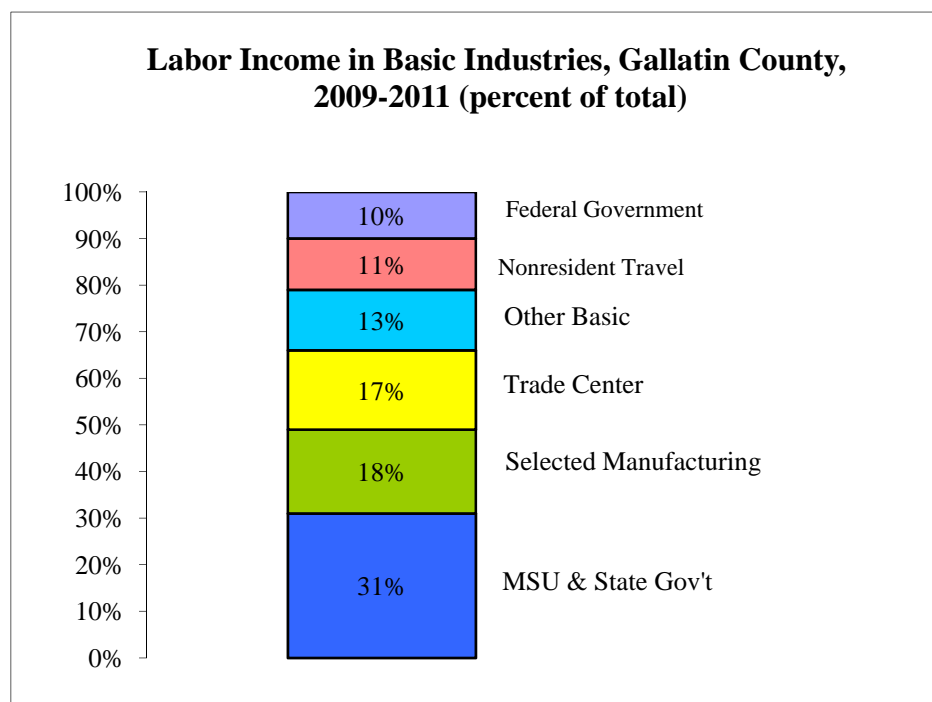
The District is located on the eastern slope of the Rocky Mountains in Southwestern Montana. The major city within the District is Bozeman, which also serves as the county seat of Gallatin County.

Montana State University - Bozeman (M.S.U.) represents a major economic activity in the District. M.S.U., with a fiscal year 2010-2011 annual budget of approximately \$359,325,000, employs approximately 3,526 employees (2,307 full time, 668 part time, and 551 graduate teaching and research assistants). With a student enrollment of 13,559 (Fall 2010), 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 2011 issue of the *Montana Business Quarterly* and their *Outlook 2012* issue related to Bozeman and Gallatin County, are restated in the following paragraphs.

Despite the sharp declines in 2008 and 2009, the Bozeman area economy should emerge from the recession relatively unscathed. Construction and real estate plummeted, and nonresident travel (which accounts for 11% of the local economic base) decreased sharply in response to the national recession. But Bozeman's high-tech industries (which suffered greatly during the 2001 recession) continue to expand. Employees of Montana State University - Bozeman will see their wages increase only slightly. The Bureau projects a roughly 3.5 percent annual growth for 2011 to 2014 which may appear buoyant compared to recent recession years, but it is nearly a full percentage point lower than the prerecession average of 4.4 percent per year.



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

Major Initiatives

The District developed a long-range strategic plan (LRSP) in 2007-08 and updated the action plans and 5-year goals in 2011-12. The LRSP is helping to form the culture of the District and is becoming a valuable tool for moving the District forward. One of many intended outcomes of the LRSP is to provide a tool to assure available resources are appropriately allocated to accomplish attainable strategic outcomes. This Comprehensive Annual Financial Report (CAFR) helps demonstrate how valuable resources are received and spent.

Relevant Financial Policies

The Hyalite Elementary School was opened on time and under budget in the Fall of 2009. Montana law requires that remaining bond proceeds, following the completion of the project, be transferred to the Debt Service Fund and be used to service the corresponding debt expenditures. As a result of a significant remaining balance from this building project, \$2,330,000 was transferred from the Building Fund to the Debt Service Fund in the last three fiscal years (\$500,000 in 08-09; \$1,200,000 in 09-10; and a final amount of \$630,000 in the current 10-11 fiscal year). This transfer helped delay the tax increase anticipated by the sale of the Hyalite building bonds.

Long-Term Financial Planning

One-time only funds were appropriated to the District as part of the increased funds received during the 2009 Legislative Session. One-time funds have been a significant part of the State's funding for schools since 2005-06. The use of these funds was previously restricted by the legislature for facility maintenance and Indian Education for All. However, for the first time in the history of Montana, the 2009 legislature used one-time federal funds to finance a portion of their obligation to fund school district General Funds in 2009-10 and 2010-11. In the past, care was taken not to build these one-time only sources of revenue into the ongoing expenditure obligations of the District. That is becoming increasingly difficult with one-time federal funds now paying a portion of the General Fund, which for the most part is comprised of ongoing obligations.

The Bozeman School District is almost finished with major renovations at the existing high school. In addition, as noted in the previous section, a new 600-student elementary school was opened in the Fall of 2009. The administration and board of trustees feel that these projects are 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 of the new and upgraded facilities by passing significant bond issues over the past three years (\$41,400,000 High School and \$17,500,000 Elementary K-5 School). In addition, the District is currently in the planning stages of another bond issue to construct the District's eighth K-5 elementary school.

These building projects, along with anticipated student enrollment increases, will impact the operating budgets of both the Elementary and High School Districts. As these projects are completed, and anticipated

enrollment increases are confirmed, the operating budgets will be adjusted to accommodate these added costs.

OTHER INFORMATION

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Bozeman School District for its comprehensive annual financial report for the fiscal year ended June 30, 2010. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year. *This is the twenty-second 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, 2010

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.



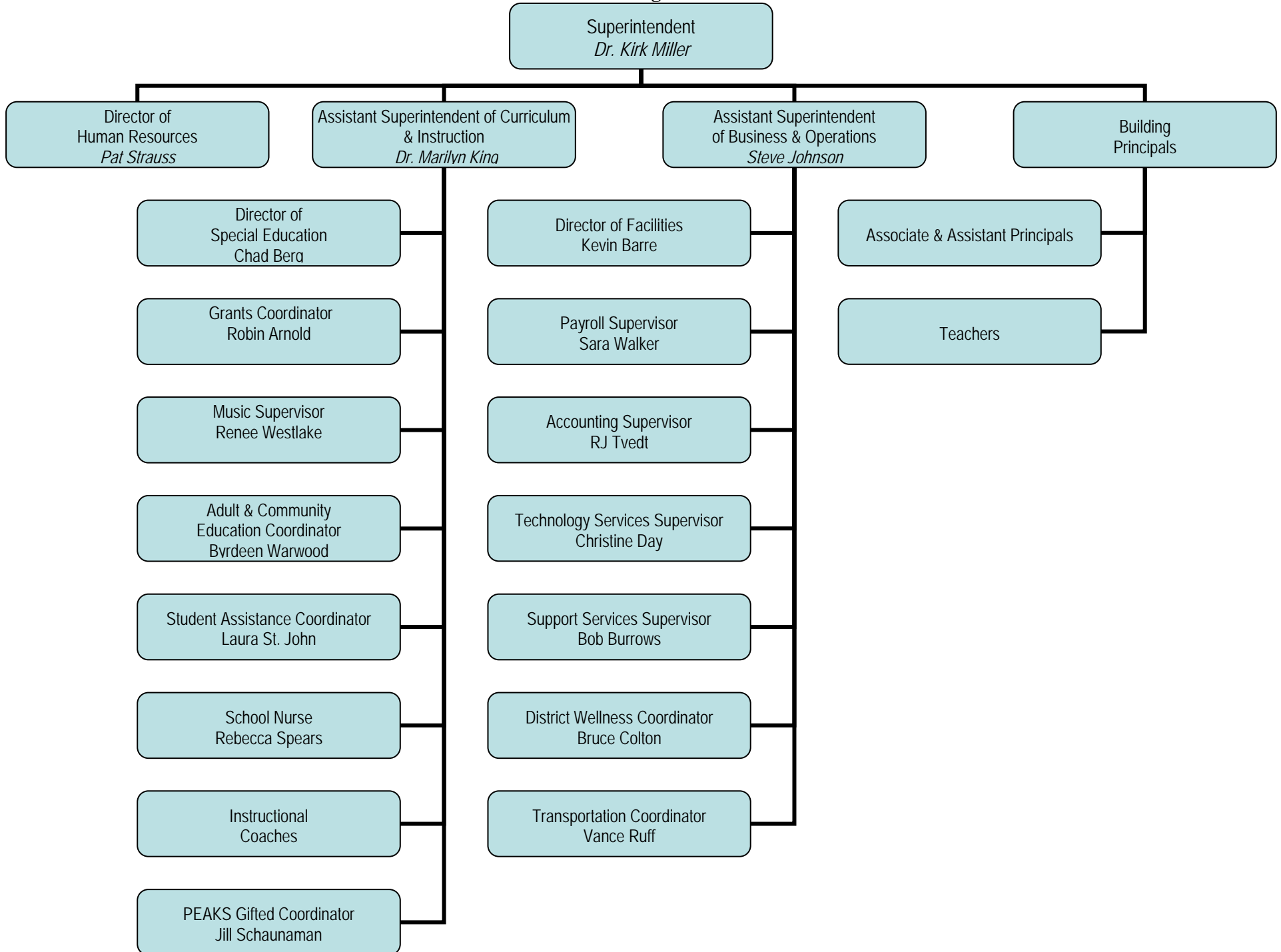
Linda C. Sandison

President

Jeffrey R. Emer

Executive Director

**Bozeman Public School
Administrative Organization Chart**



BOZEMAN SCHOOL DISTRICT NO. 7

Elected Officials
Board of TrusteesTerm
Expires
April

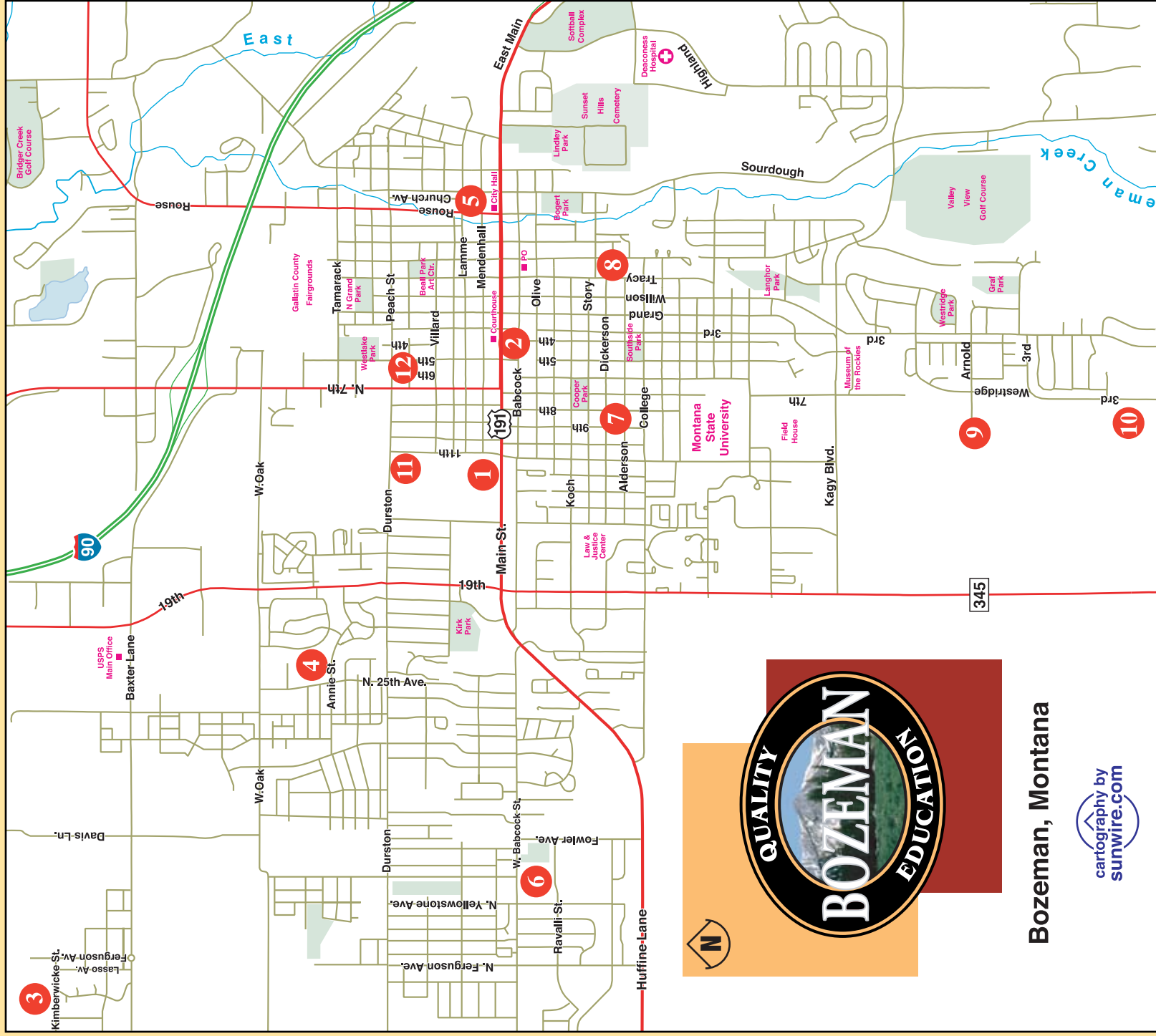
Denise HaymanChair	2012
Bruce Grubbs	Vice Chair	2013
Heide ArnesonTrustee	2014
Ed ChurchillTrustee	2012
Gary LusinTrustee	2014
Sue MacGrathTrustee	2013
Dan SwansonTrustee	2014
Wendy TageTrustee	2012

Appointed

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

Board Meetings Held During Fiscal Year 2010-11

Regular	12
Special	37



Bozeman, Montana



- 1** Bozeman High School
205 North 11th
522-6200
- 2** Bridger Alternative High School
404 W. Main Street
522-6100
- 2** Central Administration Offices
404 W. Main Street
522-6000
- 3** Chief Joseph Middle School
4255 Kimberwicke
522-6300

- 4** Emily Dickinson Elementary
2435 Annie Street
522-6650
- 5** Hawthorne Elementary
114 North Rouse
522-6700
- 6** Hyalite Elementary School
3600 West Babcock
582-6800
- 7** Irving Elementary
611 South 8th
522-6600

- 8** Longfellow Elementary
516 South Tracy
522-6150
- 9** Morning Star Elementary
830 Arnold Street
522-6500
- 10** Sacajawea Middle School
3525 South 3rd
522-6400
- 11** Support Services
501 North 11th
522-6380

- 12** 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bozeman School District No. 7 (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bozeman School District No. 7, as of June 30, 2011, and the respective changes in financial position, and cash flows where applicable, and the respective budgetary comparison for the General Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2012 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the Schedule of Funding Progress-Other Postemployment Healthcare Benefits 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 introductory, supplemental information, supplemental information mandated by Montana Office of Public Instruction, and statistical sections (as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. The supplemental information, supplemental information mandated by Montana Office Of Public Instruction, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Andersen Zuercher + Co, P.C.

Bozeman, Montana
February 28, 2012



Management's Discussion and Analysis

**BOZEMAN SCHOOL DISTRICT NO. 7
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011. 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 Grants, Elementary Building Reserve, and the High School Debt Service Funds) with all other nonmajor funds presented in total in one column.

Overview of the financial statements

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

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

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

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

Fund Financial Statements

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

Governmental funds - *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of its funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides.

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

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

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

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

The two internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* on pages 103-106 of this report. The *basic* proprietary fund financial statements can be found on pages 37-39 of this report.

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

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

THE SCHOOL DISTRICT AS A WHOLE

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$49,007,524 as of June 30, 2011. Table 1 presents a comparative summary of the District's net assets for the fiscal years ended June 30, 2011 and 2010.

By far the largest portion of the District's net assets (72.5 percent) reflects its investment in capital assets (e.g., land, land improvements, buildings and improvements, machinery and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 17.9% 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 \$4,715,667 at the end of this year.

Table 1
BOZEMAN SCHOOL DISTRICT NO. 7
Net Assets

	Governmental Activities	
	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 21,990,861	\$ 25,643,198
Capital assets	<u>103,209,780</u>	<u>100,937,598</u>
Total assets	<u>125,200,641</u>	<u>126,580,796</u>
Current liabilities	7,604,169	7,780,158
Long-term debt outstanding	<u>68,588,948</u>	<u>72,675,117</u>
Total liabilities	<u>76,193,117</u>	<u>80,455,275</u>
Net assets:		
Invested in capital assets, net of related debt	35,512,140	33,258,003
Restricted	8,779,717	9,741,156
Unrestricted	<u>4,715,667</u>	<u>3,126,362</u>
Total net assets	<u><u>\$ 49,007,524</u></u>	<u><u>\$ 46,125,521</u></u>

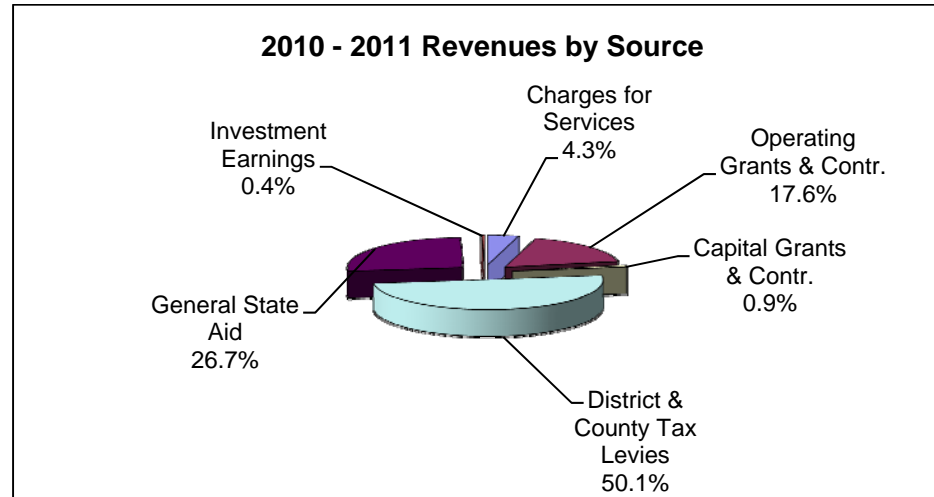
The District's net assets increased by \$2,882,003 during the current fiscal year. This increase resulted largely from the retirement of debt and partly due to raising general fund reserves.

Changes in net assets - As can be seen on *Table 2*, the Bozeman School District's governmental activities increased net assets by \$2,882,003, thereby accounting for 100 percent of the total growth in the net assets.

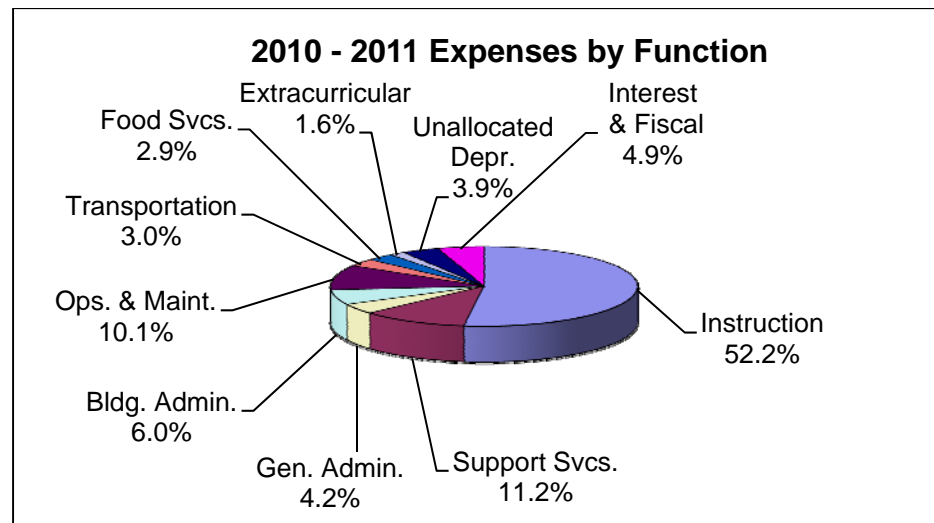
Table 2
BOZEMAN SCHOOL DISTRICT NO. 7
Changes in Net Assets

	Governmental Activities	
	2011	2010
Revenues		
Program revenues:		
Charges for Services	\$ 2,622,917	\$ 2,572,000
Operating grants and contributions	10,701,409	9,639,736
Capital grants and contributions	537,755	1,001,944
General revenues:		
District property taxes	26,005,786	25,517,907
Investment earnings	212,450	404,319
Unrestricted county distribution - retirement	4,628,599	4,319,087
Unrestricted state equalization	11,651,621	12,631,646
Unrestricted state guaranteed tax base subsidy	1,619,235	1,489,387
Unrestricted state motor vehicle fee reimbursement	1,628,465	1,616,183
Unrestricted quality educator	1,264,058	1,247,959
Unrestricted other state revenue	86,488	85,836
Total revenues	60,958,783	60,526,004
Program Expenses		
Instruction	30,254,885	30,604,653
Support services	6,506,964	6,705,443
General administration	2,427,344	2,408,966
Building administration	3,506,951	3,379,725
Operations and maintenance	5,887,349	4,785,116
Student transportation	1,751,558	1,578,194
Food services	1,686,356	1,627,069
Extracurricular activities	928,880	911,863
Unallocated depreciation	2,277,029	1,670,495
Interest and fiscal charges	2,849,464	3,005,401
Total expenses	58,076,780	56,676,925
Increase (decrease) in net assets	2,882,003	3,849,079
Net assets, beginning of year	46,125,521	42,276,442
Net assets, end of year	\$ 49,007,524	\$ 46,125,521

Revenues for fiscal year 2011 on Table 2 experienced an increase of \$432,779. The increases and decreases in federal and state funding practically offset each other, leaving the revenue increase largely attributable to local taxpayers via the general district property taxes. This increase of local support enabled the District to maintain current services. The following chart illustrates the breakout of revenues by source.



Total expenses on Table 2 increased by \$1,399,855 (2.5%) and was largely attributable to the expected increase in depreciation expense and the remainder mostly due to the result of increase in cost of salary, benefit and staffing incurred to keep up with the demand for services. The following chart illustrates the breakout of expenses by function.



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 32) reported a *combined* fund balance of \$15,533,755, a decrease of \$3,140,216 due primarily to the large construction projects taking place in the elementary and high school districts.

The nonmajor high school building fund made up almost 100% of the overall governmental fund balance decrease due to the conclusion of the capitalized high school renovation project. The major fund elementary grants had a 7.4% decrease as multi-year grant monies are spent on their intended projects. The major elementary building reserve's fund balance dipped by only 4.5% as the Hawthorne Elementary School Phase 1 and 2 construction project costs slightly outpace the current levies in this fund. The high school major debt service fund's deficit fund equity improved due to increased delinquent tax collection. The general fund (the fourth major fund) is the main operating fund of the Bozeman School District. Its fund balance increased by 41.5%. Roughly 38.8% of the 41.5% general fund balance increase resulted from the fact that the general fund now has to account for the elementary and high school compensated absence activity which it wholly funds, as a result of a change in Generally Accepted Accounting Principles. The remainder of this fund balance increase was attributable to management's decision and actions to increase the general fund's reserves.

General fund budgetary highlights

The general fund's original and final budget were identical for the year ended June 30, 2011 (see statement on page 36). Actual revenues surpassed expected budgeted general fund revenues by \$273,885 (0.76%), which is the result of more timely billing of district taxes and the subsequent decrease of delinquent taxes.

General fund expenditures utilized 99.0% of the general fund budget. There was only one significant functional variance in the expenditure section which is found in the general administration line item. This was a positive 6.1% variance of which the largest components were keeping the costs of elections low and having low turnover in certified general administrative positions (hence resulting in less general administration termination pay).

Ending budgeted general fund balance reserves rose to 6.4% of the 2011-2012 expenditure budget. This percentage is 64% of the state allowed 10% maximum and is adequate to meet cash flow needs.

Student enrollment is critical in the calculation of general fund budget limits. The overall District K-12 enrollment has increased every year since 2004 (see Table 24). The October 2010 increase of 170 students was the largest increase since 1994 when K-12 enrollment grew by 175 students. This enrollment gain will increase the demand for resources but will also have a positive impact on the maximum budget allowed to service the educational needs of the students.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2011, the District had invested \$124.5 million in capital assets, including school land, buildings, construction in progress, and machinery and equipment. This amount represents an increase prior to depreciation of \$4,500,163 over 2010. Total depreciation expense for the year was \$2,508,836. The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2011.

	<u>Amount</u>
Land	\$ 7,534,468
Land improvements	5,241,380
Buildings and improvements	86,931,686
Machinery and equipment	1,786,431
Construction in progress	<u>1,751,709</u>
Total	<u>\$103,245,674</u>

The total assets (net of depreciation) noted above includes \$35,894 of fiduciary net capital assets. Additional information on the District's capital assets can be found in Note III C on pages 57-59 of this report.

Debt Administration

At year-end, the District had \$73,315,512 in general and limited obligation bonds and other long-term debt outstanding, of which \$4,726,564 is due within one year. A summary of the District's outstanding long-term debt for the year ended June 30, 2011, is presented below:

	<u>Amount</u>
General obligation bonds	\$ 67,957,818
Limited obligation bonds	1,233,206
Compensated absences	3,839,187
Voluntary termination benefits	123,552
Other postemployment benefits	<u>161,749</u>
Total	<u>\$ 73,315,512</u>

The Elementary District has maintained an **Aa3** Moody's rating and the High School District has maintained **Aa2** Moody's rating for general obligation debt. State statutes currently limit the amount of the general obligation debt a District may issue. As of June 30, 2011, the current elementary legal debt margin is \$25,854,690 and the high school is \$38,084,035 (as shown on Table 14).

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Many factors were considered by the District's administration and board of trustees during the process of developing the fiscal year 2011-2012 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 2.5% to \$36,758,654 in fiscal year 2011-2012. Increased payroll and employee benefit costs are the primary reason for the increase.

Although inflation has increased in the post-recession economy, it is beginning to level off. Inflation for fiscal year 2010 (June to June) was 1.1% with it increasing to 3.6% in fiscal year 2011. The Consumer Price

Index decreased 0.60% from July 2011 through December 2011. The local cost of living within the Bozeman School District has kept pace with that of the national economy. This fact was considered when evaluating the cost of living during collective bargaining negotiations.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Assistant Superintendent of Business and Operations, at the Bozeman School District, 404 West Main Street, Bozeman, Montana 59715 (or by phone at 406-522-6042).



Basic Financial Statements



Government-Wide Financial Statements

BOZEMAN SCHOOL DISTRICT NO. 7
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities		Governmental Activities
<u>ASSETS</u>		<u>LIABILITIES</u>	
Current assets:		Current liabilities:	
Cash and cash equivalents	\$ 17,525,324	Accounts payable	\$ 1,675,559
Property taxes receivable(net of allowances for uncollectibles)	2,707,305	Accrued interest payable	219,960
Due from other governments	1,258,622	Retainages payable	42,918
Accounts receivable	74,030	Unearned revenue	939,168
Inventory, at cost	158,302	Bonds payable - due within one year	4,318,755
Prepaid items	10,960	Compensated absences - due within one year	295,212
Total current assets	<u>21,734,543</u>	Voluntary termination benefits - due within one year	112,597
		Total current liabilities	<u>7,604,169</u>
Noncurrent assets:		Noncurrent liabilities:	
Deferred bond issuance costs	256,318	Bonds payable	64,872,269
Land	7,534,468	Compensated absences	3,543,975
Land improvements	6,764,245	Voluntary termination benefits	10,955
Buildings and improvements	103,366,418	Other postemployment health benefits	161,749
Machinery and equipment	5,085,993	Total noncurrent liabilities	<u>68,588,948</u>
Construction in progress	1,739,500	Total liabilities	<u>76,193,117</u>
Less accumulated depreciation	<u>(21,280,844)</u>		
Total noncurrent assets	<u>103,466,098</u>	<u>NET ASSETS</u>	
Total assets	<u>\$ 125,200,641</u>	Invested in capital assets, net of related debt	35,512,140
		Restricted for:	
		Building reserve	4,144,894
		Bus depreciation	182,279
		Debt service	455,586
		Retirement	2,444,326
		Technology acquisition	759,639
		Transportation	644,511
		Other purposes	148,482
		Unrestricted	4,715,667
		Total net assets	<u>\$ 49,007,524</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, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating Grants	Capital Grants	Revenue and
		Services	and Contributions	and Contributions	Changes in
					Net Assets
Governmental activities:					
Instruction	\$ 30,254,885	\$ 749,691	\$ 7,407,870	\$ -	\$ (22,097,324)
Support services	6,506,964	244,956	1,807,887	-	(4,454,121)
General administration	2,427,344	67,487	60,453	-	(2,299,404)
Building administration	3,506,951	184,312	158,236	-	(3,164,403)
Operations and maintenance	5,887,349	240,138	78,314	537,755	(5,031,142)
Student transportation	1,751,558	42,830	597,557	-	(1,111,171)
Food services	1,686,356	1,090,682	567,279	-	(28,395)
Extracurricular activities	928,880	2,821	23,813	-	(902,246)
Unallocated depreciation *	2,277,029	-	-	-	(2,277,029)
Interest and fiscal charges	2,849,464	-	-	-	(2,849,464)
Total governmental activities	\$ 58,076,780	\$ 2,622,917	\$ 10,701,409	\$ 537,755	\$ (44,214,699)
General revenues:					
					26,005,786
					212,450
					Intergovernmental revenue
					Unrestricted:
					County distribution - retirement
					State equalization
					State guaranteed tax base subsidy
					State motor vehicle fee reimbursement
					State quality educator
					Other state revenue
					86,488
					Total general revenues
					47,096,702
					Changes in net assets
					2,882,003
					Net assets, beginning of year
					46,125,521
					Net assets, end of year
					\$ 49,007,524

* 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, 2011

	General	Elementary Grants	Elementary Building Reserve	High School Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash and cash equivalents	\$ 2,845,601	\$ 520,328	\$ 2,877,555	\$ -	\$ 9,121,396	\$ 15,364,880
Property taxes receivable	1,599,249	-	168,719	349,589	598,599	2,716,156
Due from other governments	-	849,071	-	-	409,551	1,258,622
Accounts receivable	2,170	50,938	-	-	19,889	72,997
Inventory, at cost	-	-	-	-	22,017	22,017
Prepaid items	4,388	2,462	-	-	4,110	10,960
Total assets	\$ 4,451,408	\$ 1,422,799	\$ 3,046,274	\$ 349,589	\$ 10,175,562	\$ 19,445,632
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 76,902	\$ 412,817	\$ 378,100	\$ -	\$ 184,009	\$ 1,051,828
Bank overdraft	-	-	-	56,952	499	57,451
Deferred revenue	1,599,249	-	168,719	349,589	598,599	2,716,156
Unearned revenue	-	-	-	-	43,524	43,524
Due to other governments	-	-	-	-	-	-
Retainages payable	-	21,387	21,531	-	-	42,918
Total liabilities	1,676,151	434,204	568,350	406,541	826,631	3,911,877
Fund balances:						
Nonspendable	4,388	2,462	-	-	26,127	32,977
Restricted	-	986,133	2,477,924	-	9,082,135	12,546,192
Assigned	429,580	-	-	-	241,168	670,748
Unassigned	2,341,289	-	-	(56,952)	(499)	2,283,838
Total fund balances	2,775,257	988,595	2,477,924	(56,952)	9,348,931	15,533,755
Total liabilities and fund balances	\$ 4,451,408	\$ 1,422,799	\$ 3,046,274	\$ 349,589	\$ 10,175,562	\$ 19,445,632

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, 2011

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

Total fund balances - governmental funds (page 32)	\$ 15,533,755
---	----------------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$124,490,624 and the accumulated depreciation is \$21,280,844.	103,209,780
---	-------------

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.	2,716,156
--	-----------

Property taxes receivable is reported "net of the allowances for uncollectibles" on the statement of net assets.	(8,851)
--	---------

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	\$ 69,154,666	
Compensated absences	3,839,187	
Voluntary termination benefits	123,552	(73,117,405)

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.	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; padding: 2px 10px;">674,089</div>
--	--

Total net assets - governmental activities (page 28)	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; padding: 2px 10px;">\$ 49,007,524</div>
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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, 2011

	General	Elementary Grants	Elementary Building Reserve	High School Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
District property taxes	\$ 15,827,796	\$ -	\$ 1,768,381	\$ 3,158,219	\$ 5,791,270	\$ 26,545,666
Tuition and fees	32,933	-	-	-	1,236,068	1,269,001
Interest	35,448	1,360	10,179	3,358	96,156	146,501
Other district revenue	8,123	412,463	-	-	546,313	966,899
Gallatin County	-	-	-	-	4,962,871	4,962,871
State of Montana	17,819,627	1,407,442	-	-	682,618	19,909,687
Federal	2,413,699	2,781,274	-	-	789,571	5,984,544
Total revenues	<u>36,137,626</u>	<u>4,602,539</u>	<u>1,778,560</u>	<u>3,161,577</u>	<u>14,104,867</u>	<u>59,785,169</u>
Expenditures:						
Current -						
Instruction	22,342,791	2,923,005	72	-	3,920,159	29,186,027
Support services	3,964,006	1,186,940	-	-	1,263,293	6,414,239
General administration	1,815,575	102,635	-	-	397,363	2,315,573
Building administration	2,657,311	10,354	-	-	592,665	3,260,330
Operations and maintenance	3,971,898	13,883	202,387	-	1,052,821	5,240,989
Student transportation	-	1,124	-	-	1,747,101	1,748,225
Food services	5,983	-	-	-	1,665,858	1,671,841
Extracurricular activities	844,781	8,215	-	-	64,408	917,404
Capital outlay	25,412	436,564	1,400,864	-	3,479,993	5,342,833
Debt service -						
Principal retirement	-	-	292,059	1,590,000	2,210,000	4,092,059
Interest and fiscal charges	-	-	500	1,409,609	1,425,756	2,835,865
Total expenditures	<u>35,627,757</u>	<u>4,682,720</u>	<u>1,895,882</u>	<u>2,999,609</u>	<u>17,819,417</u>	<u>63,025,385</u>
Excess (deficiency) of revenues over expenditures	<u>509,869</u>	<u>(80,181)</u>	<u>(117,322)</u>	<u>161,968</u>	<u>(3,714,550)</u>	<u>(3,240,216)</u>
Other financing sources (uses):						
Transfers in	-	1,395	-	-	630,000	631,395
Hail damage insurance proceeds	-	-	-	-	100,000	100,000
Transfers out	-	-	-	-	(631,395)	(631,395)
Total other financing sources (uses)	<u>-</u>	<u>1,395</u>	<u>-</u>	<u>-</u>	<u>98,605</u>	<u>100,000</u>
Net changes in fund balances	<u>509,869</u>	<u>(78,786)</u>	<u>(117,322)</u>	<u>161,968</u>	<u>(3,615,945)</u>	<u>(3,140,216)</u>
Fund balances, beginning of year	<u>2,265,388</u>	<u>1,067,381</u>	<u>2,595,246</u>	<u>(218,920)</u>	<u>12,964,876</u>	<u>18,673,971</u>
Fund balances, end of year	<u>\$ 2,775,257</u>	<u>\$ 988,595</u>	<u>\$ 2,477,924</u>	<u>\$ (56,952)</u>	<u>\$ 9,348,931</u>	<u>\$ 15,533,755</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, 2011**

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)	\$ (3,140,216)
---	-----------------------

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 (\$5,342,833) exceeded depreciation (\$2,461,546) in the current period.	2,881,287
---	-----------

Governmental funds report total proceeds from the disposal of capital assets as income. In the statement of activities, only the gain (or loss) on disposal of capital assets is reported. This amount represents the basis of the capital assets disposed.	(563,494)
---	-----------

Deferred revenue in the governmental funds are reported on the full accrual method in the government-wide financial statements.	(539,881)
---	-----------

The issuance of long-term debt provides current financial resources to governmental funds, while the payment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs and bond premiums when debt is first issued, whereas these amounts are deferred and amortized as a component of interest and fiscal charges in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt.	4,137,373
---	-----------

The current period net increase in compensated absences and voluntary termination benefits payable did not require the use of current financial resources and, therefore, generated no expenditure to be reported in the governmental funds.	(64,045)
--	----------

Internal service funds are used by the District to charge the costs of health insurance, printing, warehouse, postage and other services to individual funds. The net income of the internal service funds is reported with governmental activities.	170,979
--	---------

Change in net assets of governmental activities (page 29)	\$ 2,882,003
--	---------------------

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, 2011

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
District property taxes	\$ 15,526,129	\$ 15,827,796	\$ 301,667
Tuition and fees	60,001	32,933	(27,068)
Interest	92,467	33,708	(58,759)
Other district revenue	5,273	8,123	2,850
State of Montana	17,764,432	17,819,627	55,195
Federal	2,413,699	2,413,699	-
Total revenues	<u>35,862,001</u>	<u>36,135,886</u>	<u>273,885</u>
Expenditures:			
Current -			
Instruction	22,442,006	22,303,333	138,673
Support services	3,871,981	3,949,570	(77,589)
General administration	1,910,364	1,794,818	115,546
Building administration	2,642,170	2,609,518	32,652
Operations and maintenance	4,123,208	3,965,340	157,868
Student transportation	3,557	-	3,557
Extracurricular activities	868,715	844,781	23,934
Capital outlay	-	25,412	(25,412)
Total expenditures	<u>35,862,001</u>	<u>35,492,772</u>	<u>369,229</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>643,114</u>	<u>643,114</u>
Other financing sources (uses):			
Transfers out	-	(110,000)	(110,000)
Total other financing sources (uses)	<u>-</u>	<u>(110,000)</u>	<u>(110,000)</u>
Net change in fund balances	-	533,114	533,114
Fund balances, beginning of year	<u>1,812,563</u>	<u>1,812,563</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 1,812,563</u></u>	<u><u>\$ 2,345,677</u></u>	<u><u>\$ 533,114</u></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, 2011

	Governmental Activities: Internal Service Funds
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 2,217,895
Accounts receivable	1,033
Inventory, at cost	<u>136,285</u>
Total current assets	<u>2,355,213</u>
Noncurrent assets:	
Capital assets:	
Machinery and equipment	515,332
Less accumulated depreciation	<u>(181,804)</u>
Net capital assets	<u>333,528</u>
Total assets	<u>2,688,741</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	623,731
Unearned revenue	<u>895,644</u>
Total current liabilities	<u>1,519,375</u>
Noncurrent liabilities:	
Other postemployment health benefits	<u>161,749</u>
Total noncurrent liabilities	<u>161,749</u>
Total liabilities	<u>1,681,124</u>
<u>NET ASSETS</u>	
Invested in capital assets	333,528
Unrestricted	<u>674,089</u>
Total net assets	<u>\$ 1,007,617</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, 2011

	Governmental Activities: Internal Service Funds
Operating revenues:	
Charges for services	\$ 6,684,374
Charges for Wellness services	122,736
Total operating revenues	<u>6,807,110</u>
Operating expenses:	
Administrative expenses	260,849
Communications	26,648
Contracted bus services	136,782
Depreciation	45,611
Excess risk insurance	457,896
Health, dental and vision claims	4,779,293
Materials and supplies	273,596
Other postemployment health benefits	67,395
Repairs and maintenance	22,717
Salaries and benefits	229,358
Wellness	343,022
Total operating expenses	<u>6,643,167</u>
Operating income (loss)	<u>163,943</u>
Nonoperating revenues (expenses):	
Interest	7,036
Total nonoperating revenues (expenses)	<u>7,036</u>
Net income (loss) before contributions	170,979
Capital contributions - equipment	284,232
Change in net assets	455,211
Total net assets, beginning of year	<u>552,406</u>
Total net assets, end of year	<u><u>\$ 1,007,617</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, 2011

	Governmental Activities: Internal Service Funds
Cash flows from operating activities:	
Receipts from users	\$ 7,021,895
Payments for insurance claims	(4,744,338)
Payments to employees	(229,358)
Payments to suppliers	(1,522,767)
Net cash provided(used) by operating activities	525,432
Cash flows from investing activities:	
Interest received	12,133
Investment bonds matured	322,115
Net cash provided(used) by investing activities	334,248
Net increase(decrease) in cash and cash equivalents	859,680
Cash and cash equivalents - 7/01/10	1,358,215
Cash and cash equivalents - 6/30/11	\$ 2,217,895
Reconciliation of operating income(loss) to net cash provided(used) by operating activities:	
Operating income(loss)	\$ 163,943
Adjustments to reconcile operating income(loss) to net cash provided(used) by operating activities:	
Depreciation	45,611
(Increase) decrease in accounts receivable	276
(Increase) decrease in inventories	(1,143)
Increase (decrease) in accounts payable	34,841
Increase (decrease) in other postemployment benefits	67,395
Increase (decrease) in unearned insurance premiums	214,509
Total adjustments	361,489
Net cash provided(used) by operating activities	\$ 525,432
Noncash investing, capital, and financing activities:	
Contributions of capital assets from government	\$ 284,232

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, 2011

	Private-Purpose Trust
<u>ASSETS</u>	
Cash and cash equivalents	\$ 527,216
Investments	461,791
Prepaid items	500
Land improvements	18,870
Machinery and equipment	12,552
Construction in progress	12,209
Less accumulated depreciation	(7,737)
Total assets	1,025,401
<u>LIABILITIES</u>	
Accounts payable	5,380
Total liabilities	5,380
<u>NET ASSETS</u>	
Held in trust	\$ 1,020,021

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, 2011

	Private-Purpose Trust Funds
Additions:	
Auctions	\$ 37,362
Contributions	9,900
Extracurricular receipts and fees	1,250,794
Medicaid direct billing receipts	770,302
State of Montana	14,136
Total noninvestment trust additions	<u>2,082,494</u>
Investment earnings:	
Interest	<u>51,317</u>
Total additions	<u>2,133,811</u>
Deductions:	
Administrative expenses	85,472
Depreciation	1,679
Salaries and benefits	14,142
Extracurricular activities	1,282,072
Payments to consortium members	687,081
Professional services	4,334
Scholarships	1,250
Loss on disposal of capital assets	6,357
Total deductions	<u>2,082,387</u>
Changes in net assets	51,424
Net assets, beginning of year	<u>968,597</u>
Net assets, end of year	<u><u>\$ 1,020,021</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, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Government-wide and fund financial statements

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Fund financial statements are designed to present financial information of the School District at a more detailed level (and to demonstrate legal compliance). The focus of governmental fund financial statements is on major funds. In School District No. 7's case, the general, elementary grants, elementary building reserve and high school 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 grants fund* accounts for Federal, State and Local grants and indirect cost monies received by the elementary district.

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

The *high school debt service fund* accounts for the annual payment of principal, interest and expenditures on long-term obligation debt issued by the high school district.

Additionally, the government also reports the following fund types:

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal operations. The principal operating revenues of the District's *Purchasing* and *Self-Insurance* internal service funds are charges to customers for sales or services. Operating expenses for the internal service funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Deposits and investments

Except petty cash and a portion of the Private-Purpose Trust and Internal Service Funds, all District cash is held by the County Treasurer and pooled in the Gallatin County external investment pool or invested outside of that pool in direct obligations of United States Agencies. \$95,225 of the Middle and High School Student Extracurricular Funds (which are Private-Purpose Trust Funds) and \$64,366 of the Self-Insurance Fund are in various interest bearing checking accounts. \$51,995 of the nonexpendable high school endowment fund (private-purpose trust) is in interest bearing bank insured deposit accounts.

The County Treasurer, at the direction of the District, invests the pooled cash in nonfiduciary funds pursuant to State Law (MCA 20-9-213 [4]). Allowable investments include direct obligations of the United States Government and some United States Agencies (not to exceed five years), savings or time deposits in a state or national bank, building and loan association, savings and loan association, or credit union insured by the FDIC or NCUA located in the State, or in a repurchase agreement. It is also allowable to invest monies under the State Unified Investment Program (STIP) established in Title 17, Chapter 6, MCA. STIP has invested in derivatives, but the nature of those transactions, the reason for entering into them and the School District's exposure to credit is not available to the School District for disclosure. As of June 30, 2011, the District had zero funds invested in STIP through the Gallatin County external investment pool.

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

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

E. Receivables and payables

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

Property is assessed by the County division of the State Department of Revenue. Valuations are determined under State law and submitted to the County Treasurer for the preparation of tax notices. Property taxes

are assessed against the owner of record as of January 1st with the taxes generally being levied in August and billed as of November 1st. Property taxes receivable are recorded as of the date levied. Uncollected taxes receivable at year-end are deferred only in the fund financial statements.

Property taxes are due in two payments, generally November 30th and May 31st. Unpaid taxes become delinquent on December 1st and June 1st. After three years of delinquency, the County may proceed to take title to the property. Delinquent taxes may be collected up to ten years. The County Treasurer may issue a writ of execution to the County Sheriff to seize the property and sell it to pay the taxes. Unpaid taxes at the end of ten years may be written off by the County Commissioners. Using the County's 10-year delinquency rate of 0.03% on real estate property taxes levied and 0.2% on personal property taxes levied, a \$8,851 allowance for uncollectibles has been calculated and the property taxes receivable are presented net of this amount.

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

F. Inventories

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

G. Prepaid items

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

H. Capital assets

Capital assets, which include land, land improvements, buildings and improvements, machinery and equipment, and construction in progress, are reported in the government-wide financial statements. All lands purchased or received through a donation are capitalized, regardless of price. Machinery and equipment capital assets are defined by District policy as assets with an initial, individual cost of \$5,000 or more with a useful life of more than one year. District policy also dictates that buildings, improvement on buildings, land improvements, and construction in progress are deemed to be capital assets when the individual project has a cost of \$25,000 or more (or anticipated cost for construction in progress). Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

I. Compensated absences

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

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

J. Voluntary termination benefits

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

Teachers who elect to retire with between 13 and 24 credited years with the District are entitled to the benefit payable in: (1) a lump sum payment (13-19 credited years) based on a percentage of the highest average salary (HAS) for their three highest paid years that may be split over two years at the teachers request or (2) a lump sum payment plus a set monthly stipend for a period not exceeding 5 years (20-24

credited years service). In addition, teachers with 20-24 credited years service receive \$100 per month towards their medical insurance premium for 10 years as long as they remain a participant in the District's insurance program and are not eligible for participation in any other employer sponsored medical program or Medicare. The District contributions are financed on a pay-as-you-go basis.

The VCOP Plan cost the District \$234,901 for the fiscal year ended June 30, 2011 (the VCOP Plan is entirely employer funded). The District had 8 remaining past employees participating in these plans on June 30, 2011.

K. Other postemployment benefits

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

L. Long-term obligations

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

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

M. Fund balance

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

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

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

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

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

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

As of June 30, 2011, fund balances are comprised of the following:

	General	Elementary Grants	Elementary Building Reserve	High School Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Spendable:						
Inventories	\$ -	\$ -	\$ -	\$ -	\$ 22,017	\$ 22,017
Prepaid items	4,388	2,462	-	-	4,110	10,960
Restricted:						
Federal, State, & Local Grants	-	986,133	-	-	526,839	1,512,972
Building repair & Renovations	-	-	2,477,924	-	3,107,747	5,585,671
Debt Service	-	-	-	-	766,527	766,527
Student Transportation	-	-	-	-	674,124	674,124
Replacing School Buses	-	-	-	-	183,136	183,136
Student Tuition	-	-	-	-	534	534
Retirement payroll taxes	-	-	-	-	2,444,326	2,444,326
Technology acquisition	-	-	-	-	767,914	767,914
Food Services	-	-	-	-	282,118	282,118

	General	Elementary Grants	Elementary Building Reserve	High School Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Adult Education	-	-	-	-	152,727	152,727
Drivers Education	-	-	-	-	176,143	176,143
Assigned:						
Encumbrances	113,035	-	-	-	-	113,035
Compensated absences	316,545	-	-	-	-	316,545
Building & rental purposes	-	-	-	-	241,168	241,168
Unassigned	2,341,289	-	-	(56,952)	(499)	2,283,838
Total fund balances	\$2,775,257	\$ 988,595	\$2,477,924	\$ (56,952)	\$ 9,348,931	\$ 15,533,755

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

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

N. Minimum General Fund - Fund Balance

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

O. Net Assets

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

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

General

Special Revenue:

Transportation
Bus Depreciation
Tuition
Retirement
Technology Acquisition
Adult Education
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 2011.

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

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

B. Budgetary/GAAP reconciliation

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

Net Change in Fund Balance Major General Fund	
	<u>General</u>
GAAP Basis	\$509,869
Consolidating compensated absence liability fund activity	(12,287)
Adjustment for Encumbrances	<u>35,532</u>
Budget Basis	<u>\$533,114</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 High School Debt Service fund had a deficit fund balance of \$56,952 as of June 30, 2011. The High School Tuition fund had a \$499 deficit fund balance as of June 30, 2011. Both of these deficits largely resulted from revenue collections trailing levied amounts. Additional mills are allowed to be levied in the future to make up for this deficit.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

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

Cash and cash equivalents consist of:

Petty cash	\$ 5,139
County Treasurer's Investment Pool	17,835,815
Cash in checking	159,591
Cash in D.A. Davidson bank insured deposits	51,995
Total	<u>\$ 18,052,540</u>

Investments consist of:

		<u>Credit Risk</u>	<u>Interest Rate Risk</u>
	Investment Mkt Value	Standard & Poor's Corporate Bond Rating	Weighted Average Maturity (Years)
Mutual Funds	<u>\$461,791</u>	<u>AAA</u>	<u>0.00</u>
Portfolio weighted average maturity			0.00

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

The Middle and High School Extracurricular Funds have cash in several checking accounts totaling \$95,225 which is fully insured by the FDIC. \$64,366 of the Self-Insurance Fund cash is in checking and is fully insured by the FDIC.

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

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

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

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

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

B. Receivables

Receivables as of June 30, 2011, 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 Grants	Elementary Building Reserve	High School Debt Service	Nonmajor and Other Funds	Total
Receivables:						
Accounts	\$ 2,170	\$ 50,938	\$ -	\$ -	\$ 20,922	\$ 74,030
Property taxes receivable	1,599,249	-	168,719	349,589	598,599	2,716,156
Gross receivables	1,601,419	50,938	168,719	349,589	619,521	2,790,186
Less: allowance for Uncollectibles	(5,211)	-	(550)	(1,139)	(1,951)	(8,851)
Net total receivables	<u>\$ 1,596,208</u>	<u>\$ 50,938</u>	<u>\$ 168,169</u>	<u>\$ 348,450</u>	<u>\$ 617,570</u>	<u>\$2,781,335</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 \$2,716,156 deferred revenue and \$43,524 unearned revenue reported in governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (General Fund)	\$1,599,249	\$ -
Delinquent property taxes receivable (Elem. Building Reserve)	168,719	-
Delinquent property taxes receivable (High School Debt Service)	349,589	-
Delinquent property taxes receivable (Nonmajor governmental funds)	598,599	-
Food Service (Nonmajor governmental funds)	-	43,524
	<u>-</u>	<u>43,524</u>
Total deferred revenue for governmental funds	<u>\$2,716,156</u>	<u>\$ 43,524</u>

The Self-Insurance internal service fund had unearned revenue of \$895,644 as of June 30, 2011, 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, 2011 follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 7,443,747	\$ 90,721	\$ -	\$ 7,534,468
Construction in progress	31,417,181	1,455,946	(31,133,627)	1,739,500
Total capital assets, not being depreciated	<u>38,860,928</u>	<u>1,546,667</u>	<u>(31,133,627)</u>	<u>9,273,968</u>
Capital assets, being depreciated:				
Land improvements	5,189,378	1,808,107	(233,240)	6,764,245
Buildings and improvements	71,227,427	32,517,771	(378,780)	103,366,418
Machinery and equipment	4,725,969	536,496	(176,472)	5,085,993
Total capital assets being depreciated	<u>81,142,774</u>	<u>34,862,374</u>	<u>(788,492)</u>	<u>115,216,656</u>
Less accumulated depreciation for:				
Land improvements	(1,291,948)	(293,009)	45,581	(1,539,376)
Buildings and improvements	(14,521,075)	(1,984,020)	70,363	(16,434,732)
Machinery and equipment	(3,253,081)	(230,128)	176,473	(3,306,736)
Total accumulated depreciation	<u>(19,066,104)</u>	<u>(2,507,157)</u>	<u>292,417</u>	<u>(21,280,844)</u>

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Total capital assets, being depreciated, net	62,076,670	32,355,217	(496,075)	93,935,812
Governmental activities capital assets, net	<u>\$100,937,598</u>	<u>\$ 33,901,884</u>	<u>\$(31,629,702)</u>	<u>\$103,209,780</u>

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

Governmental activities:	
Instruction	\$ 79,924
Support services	5,858
General administration	18,856
Operations and maintenance	59,800
Student transportation	2,549
Food services	13,442
Extracurricular activities	4,088
Unallocated depreciation (buildings and land improvements)	2,277,029
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>45,611</u>
Total depreciation expense - governmental activities	<u>\$2,507,157</u>

Fiduciary Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 12,209	\$ -	\$ 12,209
Capital assets, being depreciated:				
Land improvements	\$ 25,390	\$ -	\$ (6,520)	\$ 18,870
Machinery and equipment	5,000	7,552	-	12,552
Less accumulated depreciation	(6,221)	(1,679)	163	(7,737)
Total Fiduciary capital assets, being depreciated, net	<u>24,169</u>	<u>5,873</u>	<u>(6,357)</u>	<u>23,685</u>
Fiduciary capital assets, net	<u>\$ 24,169</u>	<u>\$ 18,082</u>	<u>\$ (6,357)</u>	<u>\$ 35,894</u>

Depreciation expense in the fiduciary funds amounted to \$1,679 in the 2010-2011 fiscal year.

Construction commitments - The District has active construction projects as of June 30, 2011. At year-end the District's commitments with contractors were as follows:

<u>Projects</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Architecture contract for High School hail damaged roof repair	\$ 9,041	\$ 7,359
Construction contracts for High School hail damaged roof repair	-	560,200
Construction contracts for Safe Routes to School land impr.	10,721	106,236
Architecture contract for Hawthorne Phase 1 and 2	265,556	23,711
Construction contract for Hawthorne Phase 1 and 2	1,439,416	956,408
Total	<u>\$ 1,724,734</u>	<u>\$ 1,653,914</u>

The high school building fund is responsible for the hail damaged roof repair at the high school. The Safe Routes to School land improvements occurring at Sacajawea Middle School and Whittier Elementary School are being funded by a federal grant. State capital grants and the elementary building reserve fund are funding the Hawthorne electrical/mechanical phase one and phase two projects.

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 Funds	Elementary Grants	Total
<u>Transfer Out:</u>			
Nonmajor governmental funds	<u>\$ 630,000</u>	<u>\$ 1,395</u>	<u>\$ 631,395</u>

The \$630,000 transfer above is the final transfer from the Elementary Building Fund to the corresponding Debt Service Fund resulting from the Hyalite Elementary School project coming in well under budget. The remaining transfer portion of \$1,395 is routine and is 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 \$80,100,000. There were no general obligation bonds issued or refunded in the current fiscal year.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with varying amounts of increasingly larger amounts of principal maturing each year (the 2007 and 2008 high school g.o. bonds were actually issued for 19 and 18 years, respectively, to have the same maturity as the 2006 high school g.o. bond issue). General obligation bonds currently outstanding are comprised of the following individual issues:

	Issue Amount	Term	Interest Rate	Outstanding Principal June 30, 2011	Due Within One Year
2006 Elementary	\$14,100,000	20	4.00 - 5.25%	\$ 11,725,000	\$ 580,000
2007 Elementary	5,750,000	19	3.75 - 4.20%	4,865,000	240,000
2008 Elementary	17,500,000	20	3.00 - 4.25%	15,955,000	650,000
2009 Elementary	3,275,000	4	3.00 - 3.00%	1,670,000	825,000
Subtotal				34,215,000	2,295,000
2006 High School	14,500,000	20	4.00 - 5.25%	12,055,000	595,000
2007 High School	14,975,000	19	4.10 - 4.50%	12,695,000	625,000
2008 High School	10,000,000	18	3.00 - 4.00%	8,920,000	440,000
Subtotal				33,670,000	1,660,000
Total				\$ 67,885,000	\$ 3,955,000

Annual debt service requirements to maturity on general obligation bonds at June 30, 2011, are summarized as follows:

Year ending June 30:	Governmental Activities		
	Principal	Interest	Total
2012	\$ 3,955,000	\$ 2,683,512	\$ 6,638,512
2013	4,110,000	2,541,339	6,651,339
2014	3,400,000	2,392,652	5,792,652
2015	3,545,000	2,264,177	5,809,177
2016	3,690,000	2,127,332	5,817,332
2017-2021	20,930,000	8,349,550	29,279,550
2022-2026	25,720,000	3,784,037	29,504,037
2027-2028	2,535,000	156,438	2,691,438
Total	\$ 67,885,000	\$ 24,299,037	\$ 92,184,037

Limited obligation bonds

On November 25, 2003, the District issued limited obligation school building bonds in the amount of \$1,586,000. These specific bonds were used to renovate and remodel facilities at the District's Whittier and Irving Elementary Schools. \$1,459,250 of limited obligation bonds were issued by the District on December 19, 2006. These limited obligation bonds were used for additional major renovations at Whittier Elementary School. Both of these bonds bear interest at 0% per annum will be paid back through sinking fund deposits made over the next nine years from date of issuance. The sinking fund deposits, along with earnings on those deposits, will be used to retire the bonds on November 12, 2012 (2003 issue) and December 19, 2015 (2006 issue). The District will recognize a reduction in bonds payable each year in the amount of principal payments and the scheduled investments earnings on the sinking fund. The elementary building reserve fund will be servicing 100% of the 2003 and 2006 limited obligation debt payments. The limited obligation bonds are comprised of the following issues:

	Issue Amount	Term	Interest Rate	Outstanding Principal June 30, 2011	Due Within One Year
2003 Elementary	\$ 1,586,000	9	0%	\$ 377,015	\$ 199,455
2006 Elementary	1,459,250	9	0%	856,191	164,300
				<u>\$ 1,233,206</u>	<u>\$ 363,755</u>

Annual debt service requirements to maturity of limited obligation bonds at June 30, 2011, are summarized as follows:

Year ending June 30:	Governmental Activities		
	Principal	Investment Earnings	Total
2012	\$ 292,059	\$ 71,696	\$ 363,755
2013	292,059	55,601	347,660
2014	140,553	35,551	176,104
2015	140,553	41,767	182,320
2016	140,553	22,814	163,367
Total	<u>\$ 1,005,777</u>	<u>\$ 227,429</u>	<u>\$ 1,233,206</u>

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2011, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligations bonds	\$71,685,000	\$ -	\$(3,800,000)	\$67,885,000	\$3,955,000
Limited obligations bonds	1,584,178	-	(350,972)	1,233,206	363,755
Deferred amounts:					
Bond premiums	132,587	-	(32,791)	99,796	-
Excess reacquisition costs	(41,054)	-	14,076	(26,978)	-
Total bonds payable	<u>73,360,711</u>	<u>-</u>	<u>(4,169,687)</u>	<u>69,191,024</u>	<u>4,318,755</u>
Compensated absences	3,540,241	543,900	(244,954)	3,839,187	295,212
Voluntary termination benefits	358,453	-	(234,901)	123,552	112,597
Other postemployment benefits	<u>94,354</u>	<u>67,395</u>	<u>-</u>	<u>161,749</u>	<u>-</u>
Total governmental activity					
Long-term liabilities	<u>\$77,353,759</u>	<u>\$ 611,295</u>	<u>\$(4,649,542)</u>	<u>\$73,315,512</u>	<u>\$4,726,564</u>

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

The legal debt limits may not exceed the greater of 1) 50% of the latest available value of property which is subject to taxation within the district or 2) the statewide average taxable valuation per student multiplied by the number of students enrolled in a particular district multiplied by 50% (MCA 20-9-406). The Elementary and High School Districts' debt limitations were calculated using the first formula. For the year ending June 30, 2011, legal debt limitations were as follows:

TAXING DISTRICT

	<u>Elementary</u>	<u>High School</u>
Legal Debt Service Limitation	\$60,536,369	\$71,754,035

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

F. Restricted net assets

The State of Montana has enabling legislation which mandates the creation of certain funds and establishes the criteria for property taxes levied to meet the specific purposes of these funds. The District classifies the net assets of these funds as restricted net assets. These individual funds and their net assets at June 30, 2011 are as follows:

<u>Fund Name</u>	<u>Fund Type</u>	<u>Amount</u>
Elementary building reserve	Capital projects	\$ 2,433,324
High school building reserve	Capital projects	1,711,570
Elementary bus depreciation	Special revenue	90,385
High school bus depreciation	Special revenue	91,894
Elementary debt service	Debt service	455,586
Elementary retirement	Special revenue	1,392,569
High school retirement	Special revenue	1,051,757
Elementary technology acquisition	Special revenue	215,877
High school technology acquisition	Special revenue	543,762
Elementary transportation	Special revenue	369,032
High school transportation	Special revenue	275,479
Other purposes:		
Adult education	Special revenue	<u>148,482</u>
Total restricted net assets		<u>\$ 8,779,717</u>

G. Leases

The District leased 31 photocopiers under a noncancelable operating lease which began on July 1, 2006. The total cost for the fiscal year ended June 30, 2011, was \$79,983. The District had guaranteed 7,000,000 copies per year for the five year lease(four years plus one extension year) just ended. In May, 2011, the District approved a new four year noncancelable operating photocopier lease arrangement which begins on July 1, 2012. The arrangement involves 33 photocopiers with guaranteed minimums of 8,500,000 copies per year. The future minimum lease payments are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2012	\$ 85,173
2013	85,173
2014	85,173
2015	<u>85,173</u>
Total	<u>\$ 340,692</u>

IV. OTHER INFORMATION

A. Risk management

The District faces a considerable number of risks of loss, including a) damage to and loss of property and contents, b) employee torts, c) professional liability, i.e. errors and omissions, d) environmental damage, e) workers' compensation, i.e. employee injuries and f) medical insurance costs of employees. A variety of methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss except for relatively small deductible amounts, are purchased for property and content damage, employee torts and professional liabilities. The District participates in a state-wide public risk pool, *Montana Schools Group's Workers' Compensation Risk Retention Program*, for workers' compensation coverage. Employee medical insurance is provided through a privately-administered, self-funded plan. Given the lack of insurance available, the District has no coverage for potential losses from environmental damages.

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

In 1989, the District joined together with other Montana school districts to form the *Montana Schools Group's Workers' Compensation Risk Retention Program*, a public entity risk pool currently operating as a common risk management and insurance program for the member school districts. The District pays a quarterly premium for its employee injury insurance coverage which is allocated to the funds based on total paid salaries and wages. The agreement for formation of the pool provides that it will be self-sustaining through member premiums. There are no deductibles or maximum coverage limits in the plan.

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

Fiscal Year	Beginning Liability	Current Claims and Changes in Estimates	Claim Payments	Ending Liability
2009	\$ 590,408	\$ 3,894,279	\$ 3,927,300	\$ 557,387
2010	557,387	4,887,654	4,966,836	478,205
2011	478,205	4,811,811	4,779,293	510,723

B. Retirement plans

The District participates in two state-wide, cost-sharing multiple-employer defined benefit retirement plans, which cover all employees, except certain substitute teachers and part-time, non-teaching employees. The Teachers' Retirement System (TRS) covers certified teaching employees, including principals and other administrators. The Public Employee Retirement System (PERS) covers non-teaching employees. The plans are established under state law and are administered by the Montana Public Employees Retirement Administration. The plans provide retirement, disability, and death benefits to plan members and beneficiaries. The authority to establish, amend and provide cost of living adjustments for the plan is assigned to the state legislature.

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

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

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

Contribution rates for both plans are required and established by the state legislature. The contribution rates for 2011, expressed as a percentage of covered payroll, were as follows:

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

The amounts contributed to the plans during the year ended June 30, 2009, 2010 and 2011 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>2009</u>	<u>2010</u>	<u>2011</u>
TRS	\$ 3,838,549	\$ 4,087,265	\$ 4,060,723
PERS	686,589	704,929	768,888
Total	<u>\$ 4,525,138</u>	<u>\$ 4,792,194</u>	<u>\$ 4,829,611</u>

The State's contribution to the plans in 2011 was approximately \$654,972 for TRS and \$20,658 for PERS. These on-behalf contributions have been included in the Statement of Activities as an operating grant program revenue and expensed functionally by participation percentage.

C. Other Postemployment Benefits (OPEB)

Other Postemployment Benefits (OPEB)

As required by Governmental Accounting Standards Board (GASB) Statement No. 45 Other Postemployment Benefits, the District has calculated and included a post employment benefit liability for the fiscal year ended June 30, 2011.

Plan Description

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

Funding Policy

The required contribution for the District is based on a pay-as-you-go financing requirement using a level percentage of pay amortization method over 30 years.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 222,291
Interest on net OPEB obligation	4,010
Adjustment to annual required contribution	<u>(3,989)</u>
Annual OPEB cost (expense)	222,312
Contributions made	<u>(154,917)</u>
Increase in net OPEB obligation	67,395
Net OPEB obligation - beginning of year	<u>94,354</u>
Net OPEB obligation - end of year	<u>\$ 161,749</u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 199,907	76.9%	\$ 46,211
June 30, 2010	\$ 201,839	76.1%	\$ 94,354
June 30, 2011	\$ 222,312	69.7%	\$ 161,749

Funded Status and Funding Progress

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. As of June 30, 2011, the Plan was 0% funded. The actuarial accrued liability (AAL) for benefits was \$2,066,044, and the actual value of assets is \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$2,066,044. The District is currently (and for the foreseeable future) not planning on funding the AAL. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

As of June 30, 2011, the District's actuarially accrued liability (AAL) for benefits was \$2,066,044. This was calculated using a closed amortization period. The AAL by status breakdown is shown below:

Actives	\$ 1,314,623
Retirees	751,421
Total AAL	<u>\$ 2,066,044</u>
Normal Cost	<u>\$ 130,979</u>
Participant information	
Actives	714
Retirees	118
Total	<u>832</u>

The following key assumptions were chosen by the District:

1. Funding method used was Entry Age Normal Cost, level percent of pay
2. Discount Rate (which is also used for the investment rate of return): 4.25%
3. Salary increase of 4.00% for PERS employees; 4.5% per year for TRS employees
4. Inflation rate: 3.25%
5. Healthcare Trend Rate (2012 - 9%, 2013 - 8%, 2014 - 7%, then reduced to 6% by 2015, and remaining at that level thereafter)
6. Participation Rate: 40% of current Active medical plan participants; 10% of actives not participating
7. Marital Assumption: 70% of currently active participants are assumed to be married; of these 80% are assumed to elect coverage for their spouse in retirement, with husbands assumed to be 3 years older than their wives

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

D. Subsequent events

There have been no significant subsequent events of the District to report.

E. Contingencies

As of June 30, 2011, the District was not involved in any lawsuits.

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

BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS
FOR THE YEAR ENDED JUNE 30, 2011

The annual OPEB costs, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2011, and the two prior fiscal years for the Retiree Health Plan are as follows:

ANNUAL OPEB COST				
	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
Retiree Health Plan	6/30/2009	\$ 199,907	76.9%	\$ 46,211
	6/30/2010	\$ 201,839	76.1%	\$ 94,354
	6/30/2011	\$ 222,312	69.7%	\$ 161,749

The funded status of the plan was as follows:

FUNDED STATUS	
(a) Actuarial accrued liability (AAL)	\$ 2,066,044
(b) Actuarial value of plan assets (UAAL)	-
Unfunded actuarial accrued liability (funding excess) [(a) - (b)]	<u>\$ 2,066,044</u>
Funded ratio (b) / (a)	0.0%
(c) Covered payroll	\$ 29,350,387
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ({(a) - (b)} / (c))	7.0%

SCHEDULE OF FUNDING PROGRESS							
	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
Retiree Medical Plan	6/30/09	\$ -	\$ 2,114,554	\$ 2,114,554	0%	\$ 26,753,555	7.9%
	6/30/10	\$ -	\$ 2,114,554	\$ 2,114,554	0%	\$ 27,924,023	7.6%
	6/30/11	\$ -	\$ 2,066,044	\$ 2,066,044	0%	\$ 29,350,387	7.0%

Supplemental Information



Combining Financial Statements



General Fund

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

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING BALANCE SHEET
ALL GENERAL SUBFUNDS
JUNE 30, 2011

	Elementary General Subfund	High School General Subfund	Totals
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,502,617	\$ 1,342,984	\$ 2,845,601
Property taxes receivable	954,310	644,939	1,599,249
Accounts receivable	2,145	25	2,170
Prepaid items	722	3,666	4,388
Total assets	\$ 2,459,794	\$ 1,991,614	\$ 4,451,408
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 45,061	\$ 31,841	\$ 76,902
Deferred revenue	954,310	644,939	1,599,249
Total liabilities	999,371	676,780	1,676,151
Fund balances:			
Nonspendable	722	3,666	4,388
Assigned	265,008	164,572	429,580
Unassigned	1,194,693	1,146,596	2,341,289
Total fund balances	1,460,423	1,314,834	2,775,257
Total liabilities and fund balances	\$ 2,459,794	\$ 1,991,614	\$ 4,451,408

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GENERAL SUBFUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Elementary General Subfund	High School General Subfund	Totals
Revenues:			
District property taxes	\$ 9,683,465	\$ 6,144,331	\$ 15,827,796
Tuition and fees	12,626	20,307	32,933
Interest	25,414	10,034	35,448
Other district revenue	4,894	3,229	8,123
State of Montana	11,576,311	6,243,316	17,819,627
Federal	1,501,272	912,427	2,413,699
Total revenues	<u>22,803,982</u>	<u>13,333,644</u>	<u>36,137,626</u>
Expenditures:			
Current -			
Instruction	14,919,493	7,423,298	22,342,791
Support services	2,603,049	1,360,957	3,964,006
General administration	920,381	895,194	1,815,575
Building administration	1,954,183	703,128	2,657,311
Operations and maintenance	2,114,505	1,857,393	3,971,898
Food services	-	5,983	5,983
Extracurricular activities	167,232	677,549	844,781
Capital outlay	15,228	10,184	25,412
Total expenditures	<u>22,694,071</u>	<u>12,933,686</u>	<u>35,627,757</u>
Net change in fund balances	109,911	399,958	509,869
Fund balances, beginning of year	<u>1,350,512</u>	<u>914,876</u>	<u>2,265,388</u>
Fund balances, end of year	<u><u>\$ 1,460,423</u></u>	<u><u>\$ 1,314,834</u></u>	<u><u>\$ 2,775,257</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, 2011

	Elementary General Subfund			High School General Subfund		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:						
District property taxes	\$ 9,528,059	\$ 9,683,465	\$ 155,406	\$ 5,998,070	\$ 6,144,331	\$ 146,261
Tuition and fees	15,000	12,626	(2,374)	45,001	20,307	(24,694)
Interest	73,781	24,339	(49,442)	18,686	9,369	(9,317)
Other district revenue	4,210	4,894	684	1,063	3,229	2,166
State of Montana	11,549,798	11,576,311	26,513	6,214,634	6,243,316	28,682
Federal	1,501,272	1,501,272	-	912,427	912,427	-
Total revenues	<u>22,672,120</u>	<u>22,802,907</u>	<u>130,787</u>	<u>13,189,881</u>	<u>13,332,979</u>	<u>143,098</u>
Expenditures:						
Current -						
Instruction	14,774,808	14,895,902	(121,094)	7,667,198	7,407,431	259,767
Support services	2,509,152	2,595,254	(86,102)	1,362,829	1,354,316	8,513
General administration	986,685	909,364	77,321	923,679	885,454	38,225
Building administration	1,907,758	1,908,700	(942)	734,412	700,818	33,594
Operations and maintenance	2,327,363	2,110,440	216,923	1,795,845	1,854,900	(59,055)
Student transportation	2,090	-	2,090	1,467	-	1,467
Extracurricular activities	164,264	167,232	(2,968)	704,451	677,549	26,902
Capital outlay	-	15,228	(15,228)	-	10,184	(10,184)
Total expenditures	<u>22,672,120</u>	<u>22,602,120</u>	<u>70,000</u>	<u>13,189,881</u>	<u>12,890,652</u>	<u>299,229</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>200,787</u>	<u>200,787</u>	<u>-</u>	<u>442,327</u>	<u>442,327</u>
Other financing sources (uses):						
Transfers out	-	(70,000)	(70,000)	-	(40,000)	(40,000)
Total other financing sources (uses)	<u>-</u>	<u>(70,000)</u>	<u>(70,000)</u>	<u>-</u>	<u>(40,000)</u>	<u>(40,000)</u>
Net change in fund balances	<u>-</u>	<u>130,787</u>	<u>130,787</u>	<u>-</u>	<u>402,327</u>	<u>402,327</u>
Fund balances, beginning of year	<u>1,064,628</u>	<u>1,064,628</u>	<u>-</u>	<u>747,935</u>	<u>747,935</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,064,628</u>	<u>\$ 1,195,415</u>	<u>\$ 130,787</u>	<u>\$ 747,935</u>	<u>\$ 1,150,262</u>	<u>\$ 402,327</u>

Nonmajor Governmental Funds – By Fund Type

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
JUNE 30, 2011

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 4,840,293	\$ 766,527	\$ 3,514,576	\$ 9,121,396
Property taxes receivable	192,178	310,927	95,494	598,599
Due from other governments	409,551	-	-	409,551
Accounts receivable	10,292	-	9,597	19,889
Inventory, at cost	22,017	-	-	22,017
Prepaid items	4,110	-	-	4,110
Total assets	\$ 5,478,441	\$ 1,077,454	\$ 3,619,667	\$ 10,175,562
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 8,751	\$ -	\$ 175,258	\$ 184,009
Bank overdraft	499	-	-	499
Deferred revenue	192,178	310,927	95,494	598,599
Unearned revenue	43,524	-	-	43,524
Total liabilities	244,952	310,927	270,752	826,631
Fund balances:				
Nonspendable	26,127	-	-	26,127
Restricted	5,207,861	766,527	3,107,747	9,082,135
Assigned	-	-	241,168	241,168
Unassigned	(499)	-	-	(499)
Total fund balances	5,233,489	766,527	3,348,915	9,348,931
Total liabilities and fund balances	\$ 5,478,441	\$ 1,077,454	\$ 3,619,667	\$ 10,175,562

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, 2011

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
Revenues:				
District property taxes	\$ 1,831,592	\$ 2,538,365	\$ 1,421,313	\$ 5,791,270
Tuition and fees	1,236,068	-	-	1,236,068
Interest	31,951	16,930	47,275	96,156
Other district revenue	272,145	-	274,168	546,313
Gallatin County	4,962,871	-	-	4,962,871
State of Montana	682,618	-	-	682,618
Federal	789,571	-	-	789,571
Total revenues	<u>9,806,816</u>	<u>2,555,295</u>	<u>1,742,756</u>	<u>14,104,867</u>
Expenditures:				
Current -				
Instruction	3,763,228	-	156,931	3,920,159
Support services	1,237,166	-	26,127	1,263,293
General administration	397,363	-	-	397,363
Building administration	592,071	-	594	592,665
Operations and maintenance	279,972	-	772,849	1,052,821
Student transportation	1,747,101	-	-	1,747,101
Food services	1,637,346	-	28,512	1,665,858
Extracurricular activities	64,408	-	-	64,408
Capital outlay	376,100	-	3,103,893	3,479,993
Debt service -				
Principal retirement	-	2,210,000	-	2,210,000
Interest and fiscal charges	-	1,425,756	-	1,425,756
Total expenditures	<u>10,094,755</u>	<u>3,635,756</u>	<u>4,088,906</u>	<u>17,819,417</u>
Excess (deficiency) of revenues over expenditures	<u>(287,939)</u>	<u>(1,080,461)</u>	<u>(2,346,150)</u>	<u>(3,714,550)</u>
Other financing sources (uses):				
Transfers in	-	630,000	-	630,000
Hail damage insurance proceeds	-	-	100,000	100,000
Transfers out	(1,395)	-	(630,000)	(631,395)
Total other financing sources (uses)	<u>(1,395)</u>	<u>630,000</u>	<u>(530,000)</u>	<u>98,605</u>
Net change in fund balances	(289,334)	(450,461)	(2,876,150)	(3,615,945)
Fund balances, beginning of year	<u>5,522,823</u>	<u>1,216,988</u>	<u>6,225,065</u>	<u>12,964,876</u>
Fund balances, end of year	<u>\$ 5,233,489</u>	<u>\$ 766,527</u>	<u>\$ 3,348,915</u>	<u>\$ 9,348,931</u>



Nonmajor Special Revenue Funds

Budgeted:

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

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

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

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

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

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

Non-Budgeted:

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

Miscellaneous Local, State & Federal Grant Funds – (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, 2011

	Elementary Transportation	Elementary Bus Depreciation	Elementary Tuition	Elementary Retirement	Elementary Technology Acquisition	High School Transportation	High School Bus Depreciation
<u>ASSETS</u>							
Cash and cash equivalents	\$ 382,119	\$ 90,724	\$ 534	\$ 1,176,187	\$ 219,574	\$ 292,005	\$ 92,412
Property taxes receivable	83,194	2,107	65	-	20,792	41,938	2,229
Due from other governments	-	-	-	216,382	-	-	-
Accounts receivable	-	-	-	-	-	-	-
Inventory, at cost	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Total assets	\$ 465,313	\$ 92,831	\$ 599	\$ 1,392,569	\$ 240,366	\$ 333,943	\$ 94,641
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bank overdraft	-	-	-	-	-	-	-
Deferred revenue	83,194	2,107	65	-	20,792	41,938	2,229
Unearned revenue	-	-	-	-	-	-	-
Total liabilities	83,194	2,107	65	-	20,792	41,938	2,229
Fund balances:							
Nonspendable	-	-	-	-	-	-	-
Restricted	382,119	90,724	534	1,392,569	219,574	292,005	92,412
Unassigned	-	-	-	-	-	-	-
Total fund balances	382,119	90,724	534	1,392,569	219,574	292,005	92,412
Total liabilities and fund balances	\$ 465,313	\$ 92,831	\$ 599	\$ 1,392,569	\$ 240,366	\$ 333,943	\$ 94,641

(Continued)

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2011

	High School Food	High School Tuition	High School Retirement	High School Grants	High School Adult Education	High School Drivers Education	High School Technology Acquisition	Totals
<u>ASSETS</u>								
Cash and cash equivalents	\$ 324,884	\$ -	\$ 942,902	\$ 469,274	\$ 153,050	\$ 148,288	\$ 548,340	\$ 4,840,293
Property taxes receivable	-	842	-	-	19,123	-	21,888	192,178
Due from other governments	-	-	108,855	56,774	-	27,540	-	409,551
Accounts receivable	3,493	-	-	6,474	-	325	-	10,292
Inventory, at cost	22,017	-	-	-	-	-	-	22,017
Prepaid items	-	-	-	3,250	-	860	-	4,110
Total assets	<u>\$ 350,394</u>	<u>\$ 842</u>	<u>\$ 1,051,757</u>	<u>\$ 535,772</u>	<u>\$ 172,173</u>	<u>\$ 177,013</u>	<u>\$ 570,228</u>	<u>\$ 5,478,441</u>
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities:								
Accounts payable	\$ 2,735	\$ -	\$ -	\$ 5,683	\$ 323	\$ 10	\$ -	\$ 8,751
Bank overdraft	-	499	-	-	-	-	-	499
Deferred revenue	-	842	-	-	19,123	-	21,888	192,178
Unearned revenue	43,524	-	-	-	-	-	-	43,524
Total liabilities	<u>46,259</u>	<u>1,341</u>	<u>-</u>	<u>5,683</u>	<u>19,446</u>	<u>10</u>	<u>21,888</u>	<u>244,952</u>
Fund balances:								
Nonspendable	22,017	-	-	3,250	-	860	-	26,127
Restricted	282,118	-	1,051,757	526,839	152,727	176,143	548,340	5,207,861
Unassigned	-	(499)	-	-	-	-	-	(499)
Total fund balances	<u>304,135</u>	<u>(499)</u>	<u>1,051,757</u>	<u>530,089</u>	<u>152,727</u>	<u>177,003</u>	<u>548,340</u>	<u>5,233,489</u>
Total liabilities and fund balances	<u>\$ 350,394</u>	<u>\$ 842</u>	<u>\$ 1,051,757</u>	<u>\$ 535,772</u>	<u>\$ 172,173</u>	<u>\$ 177,013</u>	<u>\$ 570,228</u>	<u>\$ 5,478,441</u>

(Concluded)

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Elementary Transportation	Elementary Bus Depreciation	Elementary Tuition	Elementary Retirement	Elementary Technology Acquisition	High School Transportation	High School Bus Depreciation
Revenues:							
District property taxes	\$ 844,621	\$ 20,943	\$ 29	\$ -	\$ 203,758	\$ 348,944	\$ 20,682
Tuition and fees	3,920	-	-	-	-	42,415	-
Interest	1,673	1,820	6	7,925	1,848	1,712	1,842
Other district revenue	-	-	-	105	537	-	-
Gallatin County	227,379	-	-	2,931,325	-	106,893	-
State of Montana	251,202	-	-	-	61,598	120,409	-
Federal	-	-	-	-	-	-	-
Total revenues	<u>1,328,795</u>	<u>22,763</u>	<u>35</u>	<u>2,939,355</u>	<u>267,741</u>	<u>620,373</u>	<u>22,524</u>
Expenditures:							
Current -							
Instruction	-	-	-	1,930,668	315,304	-	-
Support services	85,530	-	-	368,016	8,886	693	-
General administration	83,733	-	-	150,952	11,258	42,332	-
Building administration	-	-	-	285,520	-	-	-
Operations and maintenance	-	-	-	159,360	508	-	-
Student transportation	1,177,225	-	-	3,811	-	562,344	-
Food services	-	-	-	-	-	-	-
Extracurricular activities	-	-	-	17,134	-	-	-
Capital outlay	-	142,116	-	-	24,970	-	142,116
Total expenditures	<u>1,346,488</u>	<u>142,116</u>	<u>-</u>	<u>2,915,461</u>	<u>360,926</u>	<u>605,369</u>	<u>142,116</u>
Excess (deficiency) of revenues over expenditures	<u>(17,693)</u>	<u>(119,353)</u>	<u>35</u>	<u>23,894</u>	<u>(93,185)</u>	<u>15,004</u>	<u>(119,592)</u>
Other financing sources (uses):							
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(17,693)	(119,353)	35	23,894	(93,185)	15,004	(119,592)
Fund balances, beginning of year	399,812	210,077	499	1,368,675	312,759	277,001	212,004
Fund balances, end of year	<u>\$ 382,119</u>	<u>\$ 90,724</u>	<u>\$ 534</u>	<u>\$ 1,392,569</u>	<u>\$ 219,574</u>	<u>\$ 292,005</u>	<u>\$ 92,412</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, 2011

	High School Food	High School Tuition	High School Retirement	High School Grants	High School Adult Education	High School Drivers Education	High School Technology Acquisition	Totals
Revenues:								
District property taxes	\$ -	\$ 4,911	\$ -	\$ -	\$ 182,889	\$ -	\$ 204,815	\$ 1,831,592
Tuition and fees	1,082,835	-	-	-	23,543	83,355	-	1,236,068
Interest	2,069	-	6,643	1,794	1,083	644	2,892	31,951
Other district revenue	4,076	-	-	261,048	6,054	325	-	272,145
Gallatin County	-	-	1,697,274	-	-	-	-	4,962,871
State of Montana	-	-	-	153,967	-	34,764	60,678	682,618
Federal	560,786	-	-	228,785	-	-	-	789,571
Total revenues	<u>1,649,766</u>	<u>4,911</u>	<u>1,703,917</u>	<u>645,594</u>	<u>213,569</u>	<u>119,088</u>	<u>268,385</u>	<u>9,806,816</u>
Expenditures:								
Current -								
Instruction	-	4,974	970,755	270,595	11,418	81,413	178,101	3,763,228
Support services	-	-	194,665	565,854	12,565	-	957	1,237,166
General administration	-	-	95,734	-	-	-	13,354	397,363
Building administration	-	-	116,806	6,836	163,380	19,529	-	592,071
Operations and maintenance	-	-	119,596	-	-	-	508	279,972
Student transportation	-	-	3,721	-	-	-	-	1,747,101
Food services	1,544,011	-	93,335	-	-	-	-	1,637,346
Extracurricular activities	-	-	47,274	-	-	-	-	64,408
Capital outlay	8,776	-	-	33,152	-	-	24,970	376,100
Total expenditures	<u>1,552,787</u>	<u>4,974</u>	<u>1,641,886</u>	<u>876,437</u>	<u>187,363</u>	<u>100,942</u>	<u>217,890</u>	<u>10,094,755</u>
Excess (deficiency) of revenues over expenditures	<u>96,979</u>	<u>(63)</u>	<u>62,031</u>	<u>(230,843)</u>	<u>26,206</u>	<u>18,146</u>	<u>50,495</u>	<u>(287,939)</u>
Other financing sources (uses):								
Transfers out	-	-	-	(1,395)	-	-	-	(1,395)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,395)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,395)</u>
Net change in fund balances	<u>96,979</u>	<u>(63)</u>	<u>62,031</u>	<u>(232,238)</u>	<u>26,206</u>	<u>18,146</u>	<u>50,495</u>	<u>(289,334)</u>
Fund balances, beginning of year	<u>207,156</u>	<u>(436)</u>	<u>989,726</u>	<u>762,327</u>	<u>126,521</u>	<u>158,857</u>	<u>497,845</u>	<u>5,522,823</u>
Fund balances, end of year	<u>\$ 304,135</u>	<u>\$ (499)</u>	<u>\$ 1,051,757</u>	<u>\$ 530,089</u>	<u>\$ 152,727</u>	<u>\$ 177,003</u>	<u>\$ 548,340</u>	<u>\$ 5,233,489</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, 2011

	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	\$ 830,852	\$ 844,621	\$ 13,769	\$ 20,350	\$ 20,943	\$ 593
Tuition and fees	3,000	3,920	920	-	-	-
Interest	1,500	1,673	173	500	1,820	1,320
Gallatin County	227,379	227,379	-	-	-	-
State of Montana	251,202	251,202	-	-	-	-
Total revenues	<u>1,313,933</u>	<u>1,328,795</u>	<u>14,862</u>	<u>20,850</u>	<u>22,763</u>	<u>1,913</u>
Expenditures:						
Current -						
Support services	73,260	85,530	(12,270)	-	-	-
General administration	83,623	83,733	(110)	-	-	-
Student transportation	1,271,238	1,177,225	94,013	-	-	-
Capital outlay	-	-	-	230,927	142,116	88,811
Total expenditures	<u>1,428,121</u>	<u>1,346,488</u>	<u>81,633</u>	<u>230,927</u>	<u>142,116</u>	<u>88,811</u>
Net change in fund balances	(114,188)	(17,693)	96,495	(210,077)	(119,353)	90,724
Fund balances, beginning of year	<u>399,812</u>	<u>399,812</u>	<u>-</u>	<u>210,077</u>	<u>210,077</u>	<u>-</u>
Fund balances, end of year	<u>\$ 285,624</u>	<u>\$ 382,119</u>	<u>\$ 96,495</u>	<u>\$ -</u>	<u>\$ 90,724</u>	<u>\$ 90,724</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, 2011

	Elementary Tuition			Elementary Retirement		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:						
District property taxes	\$ -	\$ 29	\$ 29	\$ -	\$ -	\$ -
Interest	-	6	6	20,000	7,925	(12,075)
Other district revenue	-	-	-	-	105	105
Gallatin County	-	-	-	2,931,325	2,931,325	-
Total revenues	<u>-</u>	<u>35</u>	<u>35</u>	<u>2,951,325</u>	<u>2,939,355</u>	<u>(11,970)</u>
Expenditures:						
Current -						
Instruction	499	-	499	2,180,419	1,930,668	249,751
Support services	-	-	-	338,258	368,016	(29,758)
General administration	-	-	-	175,355	150,952	24,403
Building administration	-	-	-	299,956	285,520	14,436
Operations and maintenance	-	-	-	182,391	159,360	23,031
Student transportation	-	-	-	5,507	3,811	1,696
Extracurricular activities	-	-	-	18,114	17,134	980
Total expenditures	<u>499</u>	<u>-</u>	<u>499</u>	<u>3,200,000</u>	<u>2,915,461</u>	<u>284,539</u>
Net change in fund balances	(499)	35	534	(248,675)	23,894	272,569
Fund balances, beginning of year	<u>499</u>	<u>499</u>	<u>-</u>	<u>1,368,675</u>	<u>1,368,675</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 534</u>	<u>\$ 534</u>	<u>\$ 1,120,000</u>	<u>\$ 1,392,569</u>	<u>\$ 272,569</u>

BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
ELEMENTARY TECHNOLOGY ACQUISITION AND HIGH SCHOOL TRANSPORTATION FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Elementary Technology Acquisition			High School Transportation		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:						
District property taxes	\$ 200,000	\$ 203,758	\$ 3,758	\$ 330,015	\$ 348,944	\$ 18,929
Tuition and fees	-	-	-	1,500	42,415	40,915
Interest	-	1,848	1,848	800	1,712	912
Other district revenue	-	537	537	-	-	-
Gallatin County	-	-	-	146,616	106,893	(39,723)
State of Montana	61,598	61,598	-	160,132	120,409	(39,723)
Total revenues	<u>261,598</u>	<u>267,741</u>	<u>6,143</u>	<u>639,063</u>	<u>620,373</u>	<u>(18,690)</u>
Expenditures:						
Current -						
Instruction	551,752	315,304	236,448	-	-	-
Support services	-	8,886	(8,886)	-	693	(693)
General administration	-	11,258	(11,258)	41,187	42,332	(1,145)
Operations and maintenance	-	508	(508)	-	-	-
Student transportation	-	-	-	722,200	562,344	159,856
Capital outlay	-	24,970	(24,970)	-	-	-
Total expenditures	<u>551,752</u>	<u>360,926</u>	<u>190,826</u>	<u>763,387</u>	<u>605,369</u>	<u>158,018</u>
Net change in fund balances	(290,154)	(93,185)	196,969	(124,324)	15,004	139,328
Fund balances, beginning of year	<u>312,759</u>	<u>312,759</u>	<u>-</u>	<u>277,001</u>	<u>277,001</u>	<u>-</u>
Fund balances, end of year	<u>\$ 22,605</u>	<u>\$ 219,574</u>	<u>\$ 196,969</u>	<u>\$ 152,677</u>	<u>\$ 292,005</u>	<u>\$ 139,328</u>

BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
HIGH SCHOOL BUS DEPRECIATION AND HIGH SCHOOL TUITION FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	High School Bus Depreciation			High School Tuition		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:						
District property taxes	\$ 20,350	\$ 20,682	\$ 332	\$ 5,000	\$ 4,911	\$ (89)
Interest	500	1,842	1,342	-	-	-
Total revenues	<u>20,850</u>	<u>22,524</u>	<u>1,674</u>	<u>5,000</u>	<u>4,911</u>	<u>(89)</u>
Expenditures:						
Current -						
Instruction	-	-	-	5,000	4,974	26
Capital outlay	232,854	142,116	90,738	-	-	-
Total expenditures	<u>232,854</u>	<u>142,116</u>	<u>90,738</u>	<u>5,000</u>	<u>4,974</u>	<u>26</u>
Net change in fund balances	(212,004)	(119,592)	92,412	-	(63)	(63)
Fund balances, beginning of year	<u>212,004</u>	<u>212,004</u>	<u>-</u>	<u>(436)</u>	<u>(436)</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 92,412</u>	<u>\$ 92,412</u>	<u>\$ (436)</u>	<u>\$ (499)</u>	<u>\$ (63)</u>

BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
HIGH SCHOOL RETIREMENT AND HIGH SCHOOL ADULT EDUCATION FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	High School Retirement			High School Adult Education		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:						
District property taxes	\$ -	\$ -	\$ -	\$ 177,964	\$ 182,889	\$ 4,925
Tuition and fees	-	-	-	20,000	23,543	3,543
Interest	13,000	6,643	(6,357)	1,000	1,083	83
Other district revenue	-	-	-	-	6,054	6,054
Gallatin County	1,697,274	1,697,274	-	-	-	-
Total revenues	<u>1,710,274</u>	<u>1,703,917</u>	<u>(6,357)</u>	<u>198,964</u>	<u>213,569</u>	<u>14,605</u>
Expenditures:						
Current -						
Instruction	1,148,814	970,755	178,059	27,550	11,418	16,132
Support services	190,804	194,665	(3,861)	19,850	12,565	7,285
General administration	104,282	95,734	8,548	-	-	-
Building administration	270,857	116,806	154,051	193,700	163,380	30,320
Operations and maintenance	118,863	119,596	(733)	-	-	-
Student transportation	4,745	3,721	1,024	-	-	-
Food services	105,076	93,335	11,741	-	-	-
Extracurricular activities	56,559	47,274	9,285	-	-	-
Total expenditures	<u>2,000,000</u>	<u>1,641,886</u>	<u>358,114</u>	<u>241,100</u>	<u>187,363</u>	<u>53,737</u>
Net change in fund balances	(289,726)	62,031	351,757	(42,136)	26,206	68,342
Fund balances, beginning of year	<u>989,726</u>	<u>989,726</u>	<u>-</u>	<u>126,521</u>	<u>126,521</u>	<u>-</u>
Fund balances, end of year	<u>\$ 700,000</u>	<u>\$ 1,051,757</u>	<u>\$ 351,757</u>	<u>\$ 84,385</u>	<u>\$ 152,727</u>	<u>\$ 68,342</u>

BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
HIGH SCHOOL TECHNOLOGY ACQUISITION FUND
FOR THE YEAR ENDED JUNE 30, 2011

	High School Technology Acquisition		
	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:			
District property taxes	\$ 200,000	\$ 204,815	\$ 4,815
Interest	-	2,892	2,892
State of Montana	60,678	60,678	-
Total revenues	<u>260,678</u>	<u>268,385</u>	<u>7,707</u>
Expenditures:			
Current -			
Instruction	745,339	178,101	567,238
Support services	-	957	(957)
General administration	-	13,354	(13,354)
Operations and maintenance	-	508	(508)
Capital outlay	-	24,970	(24,970)
Total expenditures	<u>745,339</u>	<u>217,890</u>	<u>527,449</u>
Net change in fund balances	(484,661)	50,495	535,156
Fund balances, beginning of year	<u>497,845</u>	<u>497,845</u>	<u>-</u>
Fund balances, end of year	<u>\$ 13,184</u>	<u>\$ 548,340</u>	<u>\$ 535,156</u>



Nonmajor and Major Debt Service Funds

Budgeted:

Nonmajor -

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

Major -

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. (**note:** Only Budget to Actual schedule presented in this section)

BOZEMAN SCHOOL DISTRICT NO. 7
BALANCE SHEET
NONMAJOR DEBT SERVICE FUND
JUNE 30, 2011

	Elementary Debt Service
<u>ASSETS</u>	
Cash and cash equivalents	\$ 766,527
Property taxes receivable	<u>310,927</u>
Total assets	<u>\$ 1,077,454</u>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Deferred revenue	\$ 310,927
Total liabilities	<u>310,927</u>
Fund balance:	
Restricted	<u>766,527</u>
Total fund balance	<u>766,527</u>
Total liabilities and fund balance	<u>\$ 1,077,454</u>

BOZEMAN SCHOOL DISTRICT NO. 7
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES
NONMAJOR DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Elementary Debt Service
Revenues:	
District property taxes	\$ 2,538,365
Interest	16,930
Total revenues	<u>2,555,295</u>
Expenditures:	
Debt service -	
Principal retirement	2,210,000
Interest and fiscal charges	1,425,756
Total expenditures	<u>3,635,756</u>
Excess (deficiency) of revenues over expenditures	<u>(1,080,461)</u>
Other financing sources (uses):	
Transfers in	630,000
Total other financing sources (uses)	<u>630,000</u>
Net change in fund balance	(450,461)
Fund balance, beginning of year	<u>1,216,988</u>
Fund balance, end of year	<u><u>\$ 766,527</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, 2011

	NONMAJOR Elementary Debt Service			MAJOR High School Debt Service		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:						
District property taxes	\$ 2,417,571	\$ 2,538,365	\$ 120,794	\$ 3,000,011	\$ 3,158,219	\$ 158,208
Interest	5,000	16,930	11,930	2,000	3,358	1,358
Total revenues	<u>2,422,571</u>	<u>2,555,295</u>	<u>132,724</u>	<u>3,002,011</u>	<u>3,161,577</u>	<u>159,566</u>
Expenditures:						
Debt service -						
Principal retirement	2,210,000	2,210,000	-	1,590,000	1,590,000	-
Interest and fiscal charges	1,429,559	1,425,756	3,803	1,412,011	1,409,609	2,402
Total expenditures	<u>3,639,559</u>	<u>3,635,756</u>	<u>3,803</u>	<u>3,002,011</u>	<u>2,999,609</u>	<u>2,402</u>
Excess (deficiency) of revenues over expenditures	<u>(1,216,988)</u>	<u>(1,080,461)</u>	<u>136,527</u>	<u>-</u>	<u>161,968</u>	<u>161,968</u>
Other financing sources (uses):						
Transfers in	-	630,000	630,000	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>630,000</u>	<u>630,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(1,216,988)</u>	<u>(450,461)</u>	<u>766,527</u>	<u>-</u>	<u>161,968</u>	<u>161,968</u>
Fund balances, beginning of year	<u>1,216,988</u>	<u>1,216,988</u>	<u>-</u>	<u>(218,920)</u>	<u>(218,920)</u>	<u>-</u>
Fund balances, end of year	<u>-</u>	<u>\$ 766,527</u>	<u>\$ 766,527</u>	<u>(218,920)</u>	<u>\$ (56,952)</u>	<u>\$ 161,968</u>

Nonmajor and Major Capital Projects Funds

Budgeted:

Major -

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

Nonmajor -

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

Nonbudgeted:

Nonmajor -

Elementary Building - To account for construction of new elementary schools and for the remodeling of existing facilities.

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

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2011

	Elementary Building	High School Building	High School Building Reserve	Totals
<u>ASSETS</u>				
Cash and cash equivalents	\$ 234,510	\$ 1,639,975	\$ 1,640,091	\$ 3,514,576
Property taxes receivable	-	-	95,494	95,494
Accounts receivable	9,597	-	-	9,597
Total assets	<u><u>\$ 244,107</u></u>	<u><u>\$ 1,639,975</u></u>	<u><u>\$ 1,735,585</u></u>	<u><u>\$ 3,619,667</u></u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 2,939	\$ 172,239	\$ 80	\$ 175,258
Deferred revenue	-	-	95,494	95,494
Total liabilities	<u>2,939</u>	<u>172,239</u>	<u>95,574</u>	<u>270,752</u>
Fund balances:				
Restricted	-	1,467,736	1,640,011	3,107,747
Assigned	241,168	-	-	241,168
Total fund balances	<u>241,168</u>	<u>1,467,736</u>	<u>1,640,011</u>	<u>3,348,915</u>
Total liabilities and fund balances	<u><u>\$ 244,107</u></u>	<u><u>\$ 1,639,975</u></u>	<u><u>\$ 1,735,585</u></u>	<u><u>\$ 3,619,667</u></u>

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, 2011

	Elementary Building	High School Building	High School Building Reserve	Totals
Revenues:				
District property taxes	\$ -	\$ -	\$ 1,421,313	\$ 1,421,313
Interest	9,100	32,602	5,573	47,275
Other district revenue	271,568	2,600	-	274,168
Total revenues	<u>280,668</u>	<u>35,202</u>	<u>1,426,886</u>	<u>1,742,756</u>
Expenditures:				
Current -				
Instruction	23,508	133,423	-	156,931
Support services	2,040	24,087	-	26,127
Building administration	-	594	-	594
Operations and maintenance	286,177	418,444	68,228	772,849
Food services	-	28,512	-	28,512
Capital outlay	63,153	2,956,247	84,493	3,103,893
Total expenditures	<u>374,878</u>	<u>3,561,307</u>	<u>152,721</u>	<u>4,088,906</u>
Excess (deficiency) of revenues over expenditures	<u>(94,210)</u>	<u>(3,526,105)</u>	<u>1,274,165</u>	<u>(2,346,150)</u>
Other financing sources (uses):				
Hail damage insurance proceeds	100,000	-	-	100,000
Transfers out	(630,000)	-	-	(630,000)
Total other financing sources (uses)	<u>(530,000)</u>	<u>-</u>	<u>-</u>	<u>(530,000)</u>
Net change in fund balances	<u>(624,210)</u>	<u>(3,526,105)</u>	<u>1,274,165</u>	<u>(2,876,150)</u>
Fund balances, beginning of year	<u>865,378</u>	<u>4,993,841</u>	<u>365,846</u>	<u>6,225,065</u>
Fund balances, end of year	<u><u>\$ 241,168</u></u>	<u><u>\$ 1,467,736</u></u>	<u><u>\$ 1,640,011</u></u>	<u><u>\$ 3,348,915</u></u>

BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MAJOR AND NONMAJOR CAPITAL PROJECTS FUNDS
ELEMENTARY AND HIGH SCHOOL BUILDING RESERVE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	MAJOR Elementary Building Reserve			NONMAJOR High School Building Reserve		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:						
District property taxes	\$ 1,720,000	\$ 1,768,381	\$ 48,381	\$ 1,500,000	\$ 1,421,313	\$ (78,687)
Interest	5,000	10,179	5,179	-	5,573	5,573
Total revenues	<u>1,725,000</u>	<u>1,778,560</u>	<u>53,560</u>	<u>1,500,000</u>	<u>1,426,886</u>	<u>(73,114)</u>
Expenditures:						
Current -						
Instruction	1,000,000	72	999,928	-	-	-
Operations and maintenance	3,027,685	202,387	2,825,298	1,865,845	68,228	1,797,617
Capital outlay	-	1,400,864	(1,400,864)	-	84,493	(84,493)
Debt service -						
Principal retirement	292,060	292,059	1	-	-	-
Interest and fiscal charges	500	500	-	-	-	-
Total expenditures	<u>4,320,245</u>	<u>1,895,882</u>	<u>2,424,363</u>	<u>1,865,845</u>	<u>152,721</u>	<u>1,713,124</u>
Net change in fund balances	(2,595,245)	(117,322)	2,477,923	(365,845)	1,274,165	1,640,010
Fund balances, beginning of year	<u>2,595,246</u>	<u>2,595,246</u>	<u>-</u>	<u>365,846</u>	<u>365,846</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1</u>	<u>\$ 2,477,924</u>	<u>\$ 2,477,923</u>	<u>\$ 1</u>	<u>\$ 1,640,011</u>	<u>\$ 1,640,010</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, 2011

	<u>Purchasing</u>	<u>Self-Insurance</u>	<u>Totals</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 24,099	\$ 2,193,796	\$ 2,217,895
Accounts receivable	1,033	-	1,033
Inventory, at cost	136,285	-	136,285
Total current assets	<u>161,417</u>	<u>2,193,796</u>	<u>2,355,213</u>
Noncurrent assets:			
Capital assets:			
Machinery and equipment	515,332	-	515,332
Less accumulated depreciation	<u>(181,804)</u>	<u>-</u>	<u>(181,804)</u>
Net capital assets	<u>333,528</u>	<u>-</u>	<u>333,528</u>
Total assets	<u>\$ 494,945</u>	<u>\$ 2,193,796</u>	<u>\$ 2,688,741</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 8	\$ 623,723	\$ 623,731
Unearned revenue	<u>-</u>	<u>895,644</u>	<u>895,644</u>
Total current liabilities	<u>8</u>	<u>1,519,367</u>	<u>1,519,375</u>
Noncurrent liabilities:			
Other postemployment health benefits	<u>-</u>	<u>161,749</u>	<u>161,749</u>
Total noncurrent liabilities	<u>-</u>	<u>161,749</u>	<u>161,749</u>
Total liabilities	<u>8</u>	<u>1,681,116</u>	<u>1,681,124</u>
<u>NET ASSETS</u>			
Invested in capital assets	333,528	-	333,528
Unrestricted	<u>161,409</u>	<u>512,680</u>	<u>674,089</u>
Total net assets	<u>\$ 494,937</u>	<u>\$ 512,680</u>	<u>\$ 1,007,617</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, 2011

	Purchasing	Self-Insurance	Totals
Operating revenues:			
Charges for services	\$ 628,280	\$ 6,056,094	\$ 6,684,374
Charges for Wellness services	-	122,736	122,736
Total operating revenues	<u>628,280</u>	<u>6,178,830</u>	<u>6,807,110</u>
Operating expenses:			
Administrative expenses	-	260,849	260,849
Communications	24,723	1,925	26,648
Contracted bus services	136,782	-	136,782
Depreciation	45,611	-	45,611
Excess risk insurance	-	457,896	457,896
Health, dental and vision claims	-	4,779,293	4,779,293
Materials and supplies	273,596	-	273,596
Other postemployment health benefits	-	67,395	67,395
Repairs and maintenance	22,717	-	22,717
Salaries and benefits	185,578	43,780	229,358
Wellness	-	343,022	343,022
Total operating expenses	<u>689,007</u>	<u>5,954,160</u>	<u>6,643,167</u>
Operating income (loss)	<u>(60,727)</u>	<u>224,670</u>	<u>163,943</u>
Nonoperating revenues (expenses):			
Interest	518	6,518	7,036
Total nonoperating revenues (expenses)	<u>518</u>	<u>6,518</u>	<u>7,036</u>
Net income (loss) before contributions	(60,209)	231,188	170,979
Capital contributions - equipment	284,232	-	284,232
Change in net assets	224,023	231,188	455,211
Total net assets, beginning of year	<u>270,914</u>	<u>281,492</u>	<u>552,406</u>
Total net assets, end of year	<u>\$ 494,937</u>	<u>\$ 512,680</u>	<u>\$ 1,007,617</u>

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING STATEMENT OF CASH FLOWS - ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Purchasing</u>	<u>Self-Insurance</u>	<u>Totals</u>
Cash flows from operating activities:			
Receipts from users	\$ 628,556	\$ 6,393,339	\$ 7,021,895
Payments for insurance claims	-	(4,744,338)	(4,744,338)
Payments to employees	(185,578)	(43,780)	(229,358)
Payments to suppliers	(459,075)	(1,063,692)	(1,522,767)
Net cash provided(used) by operating activities	<u>(16,097)</u>	<u>541,529</u>	<u>525,432</u>
Cash flows from investing activities:			
Interest received	518	11,615	12,133
Investment bonds matured	-	322,115	322,115
Net cash provided(used) by investing activities	<u>518</u>	<u>333,730</u>	<u>334,248</u>
Net increase(decrease) in cash and cash equivalents	(15,579)	875,259	859,680
Cash and cash equivalents - 7/01/10	<u>39,678</u>	<u>1,318,537</u>	<u>1,358,215</u>
Cash and cash equivalents - 6/30/11	<u><u>\$ 24,099</u></u>	<u><u>\$ 2,193,796</u></u>	<u><u>\$ 2,217,895</u></u>
Reconciliation of operating income(loss) to net cash provided(used) by operating activities:			
Operating income(loss)	\$ (60,727)	\$ 224,670	\$ 163,943
Adjustments to reconcile operating income(loss) to net cash provided(used) by operating activities:			
Depreciation	45,611	-	45,611
(Increase) decrease in accounts receivable	276	-	276
(Increase) decrease in inventories	(1,143)	-	(1,143)
Increase (decrease) in accounts payable	(114)	34,955	34,841
Increase (decrease) in other postemployment benefits	-	67,395	67,395
Increase (decrease) in unearned insurance premiums	-	214,509	214,509
Total adjustments	<u>44,630</u>	<u>316,859</u>	<u>361,489</u>
Net cash provided(used) by operating activities	<u><u>\$ (16,097)</u></u>	<u><u>\$ 541,529</u></u>	<u><u>\$ 525,432</u></u>
Noncash investing, capital, and financing activities:			
Contributions of capital assets from government	\$ 284,232	\$ -	\$ 284,232

Fiduciary Funds

Private-Purpose Trust Funds:

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

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

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

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

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

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

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

Montana Digital Academy - To account for revenue and expenditures involved with educating students who have enrolled in the online Montana Digital Academy courses.

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING STATEMENT OF FIDUCIARY NET ASSETS -
ALL PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2011

	Medicaid Billing Consortium	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	\$ 95,953	\$ 8,528	\$ 116,685	\$ 57,564	\$ 143,609	\$ 52,882	\$ 51,995	\$ 527,216
Investments	-	-	-	-	-	-	461,791	461,791
Prepaid items	-	-	500	-	-	-	-	500
Land improvements	-	-	-	-	18,870	-	-	18,870
Machinery and equipment	-	-	7,552	-	5,000	-	-	12,552
Construction in progress	-	-	-	-	12,209	-	-	12,209
Less accumulated depreciation	-	-	(378)	-	(7,359)	-	-	(7,737)
Total assets	<u>95,953</u>	<u>8,528</u>	<u>124,359</u>	<u>57,564</u>	<u>172,329</u>	<u>52,882</u>	<u>513,786</u>	<u>1,025,401</u>
<u>LIABILITIES</u>								
Accounts payable	-	-	111	-	5,269	-	-	5,380
Total liabilities	<u>-</u>	<u>-</u>	<u>111</u>	<u>-</u>	<u>5,269</u>	<u>-</u>	<u>-</u>	<u>5,380</u>
<u>NET ASSETS</u>								
Held in trust	<u>\$ 95,953</u>	<u>\$ 8,528</u>	<u>\$ 124,248</u>	<u>\$ 57,564</u>	<u>\$ 167,060</u>	<u>\$ 52,882</u>	<u>\$ 513,786</u>	<u>\$ 1,020,021</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, 2011

	Medicaid Billing Consortium	Reward	Elementary Student Extracurricular	Middle School Student Extracurricular	High School Student Extracurricular	High School Endowment	Nonexpendable High School Endowment	Montana Digital Academy	Totals
Additions:									
Auctions	\$ -	\$ -	\$ 37,362	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,362
Contributions	-	-	-	-	9,800	100	-	-	9,900
Extracurricular receipts and fees	-	-	111,549	213,229	926,016	-	-	-	1,250,794
Medicaid direct billing receipts	770,302	-	-	-	-	-	-	-	770,302
State of Montana	-	-	-	-	-	-	-	14,136	14,136
Total noninvestment trust additions	770,302	-	148,911	213,229	935,816	100	-	14,136	2,082,494
Investment earnings:									
Interest	2,038	22	874	22	447	204	47,704	6	51,317
Total additions	772,340	22	149,785	213,251	936,263	304	47,704	14,142	2,133,811
Deductions:									
Administrative expenses	85,472	-	-	-	-	-	-	-	85,472
Depreciation	-	-	378	-	1,301	-	-	-	1,679
Salaries and benefits	-	-	-	-	-	-	-	14,142	14,142
Extracurricular activities	-	-	139,271	198,463	944,338	-	-	-	1,282,072
Payments to consortium members	687,081	-	-	-	-	-	-	-	687,081
Professional services	-	-	-	-	-	4,334	-	-	4,334
Scholarships	-	-	-	-	-	1,250	-	-	1,250
Loss on disposal of capital assets	-	-	3,432	-	2,925	-	-	-	6,357
Total deductions	772,553	-	143,081	198,463	948,564	5,584	-	14,142	2,082,387
Changes in net assets	(213)	22	6,704	14,788	(12,301)	(5,280)	47,704	-	51,424
Net assets, beginning of year	96,166	8,506	117,544	42,776	179,361	58,162	466,082	-	968,597
Net assets, end of year	\$ 95,953	\$ 8,528	\$ 124,248	\$ 57,564	\$ 167,060	\$ 52,882	\$ 513,786	\$ -	\$ 1,020,021



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, 2011

	<u>2011</u>	<u>2010</u>
<u>Governmental funds capital assets:</u>		
Land and improvements	\$ 14,298,713	\$ 12,633,125
Buildings and improvements	103,366,418	71,227,427
Machinery and equipment	4,570,661	4,340,328
Construction in progress	<u>1,739,500</u>	<u>31,417,181</u>
 Total governmental funds capital assets	 <u>\$ 123,975,292</u>	 <u>\$ 119,618,061</u>
 <u>Investments in governmental funds assets by source:</u>		
General fund	\$ 14,748,001	\$ 14,864,950
Special revenue funds	6,230,370	5,520,404
Capital projects funds	102,522,686	98,733,769
Donations	<u>474,235</u>	<u>498,938</u>
 Total governmental funds capital assets	 <u><u>\$ 123,975,292</u></u>	 <u><u>\$ 119,618,061</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, 2011

<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	\$ -	\$ -	\$ 1,876,265	\$ -	\$ 1,876,265
Support services	-	-	118,730	-	118,730
General administration	-	-	396,095	-	396,095
Operations and maintenance	-	-	1,224,939	-	1,224,939
Student transportation	-	-	12,745	-	12,745
Food service	-	-	797,786	-	797,786
Extracurricular activities	-	-	144,101	-	144,101
Facilities – capital outlay	<u>14,298,713</u>	<u>103,366,418</u>	<u>-</u>	<u>1,739,500</u>	<u>119,404,631</u>
Total governmental funds capital assets	<u>\$ 14,298,713</u>	<u>\$ 103,366,418</u>	<u>\$ 4,570,661</u>	<u>\$ 1,739,500</u>	<u>\$ 123,975,292</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, 2011

Function and Activity	Governmental Funds Capital Assets July 1, 2010	Additions	Deletions	Governmental Funds Capital Assets June 30, 2011
Instruction	\$ 1,777,059	\$ 99,206	\$ -	\$ 1,876,265
Support services	118,730	-	-	118,730
General administration	396,095	-	-	396,095
Operations and maintenance	1,128,878	117,992	(21,931)	1,224,939
Student transportation	12,745	-	-	12,745
Food service	789,010	8,776	-	797,786
Extracurricular activities	117,811	26,290	-	144,101
Facilities – capital outlay	<u>115,277,733</u>	<u>35,872,545</u>	<u>(31,745,647)</u>	<u>119,404,631</u>
Total governmental funds capital assets	<u>\$ 119,618,061</u>	<u>\$ 36,124,809</u>	<u>\$ (31,767,578)</u>	<u>\$ 123,975,292</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, 2011

Activity	Net Assets at 7/01/10	Additions	Deductions	Net Assets at 6/30/11
Longfellow Fundraiser	\$ 371.10	523.00	21.55	\$ 872.55
Longfellow Library	2,639.04	1,753.00	1,207.20	3,184.84
Longfellow Arts	34,340.94	37,486.24	26,597.81	45,229.37
Irving School Theatre Arts	-	-	-	-
Irving School Store	27.10	167.00	194.00	0.10
Irving Photography Club	2,101.30	1,224.25	1,558.46	1,767.09
Irving Fly Fishing Club	-	-	-	-
Irving 5th Grade Fundraiser	-	-	8.92	(8.92)
Irving Library Fundraiser	1,439.50	5,526.05	6,109.62	855.93
Irving Climbing Club	138.10	-	-	138.10
Irving Scholarships	2,436.39	5,550.00	4,628.90	3,357.49
Whittier Field Trips	40.27	-	40.27	-
Morning Star School Store	256.53	-	-	256.53
Emily Library Fundraiser	4,259.07	951.62	3,260.34	1,950.35
Hyalite Library Fundraiser	-	116.06	-	116.06
Music	12,572.10	21,647.56	25,235.42	8,984.24
Enrichment	6,873.63	-	-	6,873.63
School Sponsored Extracurricular	640.11	443.48	-	1,083.59
Elementary Athletic Participation	3,797.98	10,181.00	9,935.31	4,043.67
CJMS and SMS Athletics	45,611.17	64,215.59	64,283.20	45,543.56
Total	<u>\$ 117,544.33</u>	<u>149,784.85</u>	<u>143,081.00</u>	<u>\$ 124,248.18</u>

BOZEMAN SCHOOL DISTRICT NO. 7
CHIEF JOSEPH MIDDLE SCHOOL STUDENT EXTRACURRICULAR FUND
ACTIVITY DETAIL
YEAR ENDED JUNE 30, 2011

Activity	Net Assets at 7/01/10	Additions	Deductions	Net Assets at 6/30/11
Computer Club	\$ 33.00	-	-	\$ 33.00
Pennies for Past	-	6,409.00	5,849.76	559.24
Lego Robotics	-	451.92	377.61	74.31
Art Club	300.37	360.00	60.11	600.26
Foreign Language Club	1,208.62	3,731.67	4,223.07	717.22
Foreign Language Scholarships	-	-	-	-
Yearbook	1,275.70	5,207.00	4,233.22	2,249.48
Drama Club	32.40	506.00	217.71	320.69
One Million Ways	706.61	1,470.25	1,456.54	720.32
Music	572.00	2,648.75	2,592.99	627.76
CJ Rocks	23.71	-	-	23.71
Breakfast Club	177.54	434.80	402.78	209.56
Horizons	234.93	111.00	44.93	301.00
MBI	137.70	225.00	-	362.70
Leo	1,134.28	774.00	238.40	1,669.88
Library	2,211.01	1,636.99	620.59	3,227.41
Peer Helpers	130.99	922.05	550.84	502.20
Student Aid	4,851.36	7,015.00	7,007.07	4,859.29
Student Council - 6th Grade	1,862.07	3,025.33	3,364.73	1,522.67
Student Council - 7th Grade	1,168.27	3,599.33	2,942.99	1,824.61
Student Council - 8th Grade	1,086.61	1,212.68	1,133.52	1,165.77
Student Projects	-	339.00	339.00	-
Team 6A	-	7,188.76	7,188.76	-
Team 6B	-	6,599.51	6,599.51	-
Team 7A	-	4,515.00	4,515.05	(0.05)
Team 7B	-	4,030.53	4,030.53	-
Team 8A	-	8,876.01	8,876.01	-
Team 8B	-	5,477.33	5,477.33	-
Science Club - Pierce	357.96	5,699.31	245.65	5,811.62
Science Club - Bradshaw	676.46	-	542.88	133.58
Science Club - Boujoukos	778.95	-	778.95	-
Science Club - Albers	664.21	120.00	664.21	120.00
Science Club - VanDyk	840.78	-	639.78	201.00
Tech. Ed Club - Mathews	223.05	309.00	25.26	506.79
Bird/Science	2,926.04	3,780.00	6,141.68	564.36
Total	<u>\$ 23,614.62</u>	<u>86,675.22</u>	<u>81,381.46</u>	<u>\$ 28,908.38</u>

BOZEMAN SCHOOL DISTRICT NO. 7
SACAJAWEA MIDDLE SCHOOL STUDENT EXTRACURRICULAR FUND
ACTIVITY DETAIL
YEAR ENDED JUNE 30, 2011

Activity	Net Assets at 7/01/10	Additions	Deductions	Net Assets at 6/30/11
Music	\$ 2,124.05	2,928.50	1,432.21	\$ 3,620.34
Northwest Band	-	30,329.80	30,329.80	-
Drama Club	522.61	-	-	522.61
Newspaper	-	71.74	71.74	-
Computer Club	80.75	-	-	80.75
Knitting Club	-	317.00	124.74	192.26
Photo Lab Club	469.32	-	-	469.32
Foreign Language	500.00	-	-	500.00
Humanitarian Club	-	670.25	208.00	462.25
Peer Mediation	1,418.27	665.50	1,448.81	634.96
Art Club	829.20	450.00	244.08	1,035.12
Student Aid	6,519.04	1,800.00	5,334.05	2,984.99
Yearbook	109.25	17,350.92	6,375.67	11,084.50
Student Council	4,611.87	4,993.25	3,592.69	6,012.43
6A Team	-	10,139.40	10,139.40	-
6B Team	-	13,189.75	13,189.75	-
7A Team	-	11,043.81	11,043.81	-
7B Team	-	6,370.62	6,370.62	-
8A Team	-	12,287.06	12,287.06	-
8B Team	-	12,260.50	12,260.50	-
Outdoor Club	832.55	-	202.93	629.62
Science Olympiad Club	746.87	1,685.50	2,008.13	424.24
Science Club	347.78	-	347.78	-
Team Nutrition	50.00	-	50.00	-
Interest Account	-	22.38	20.45	1.93
Total	\$ 19,161.56	126,575.98	117,082.22	\$ 28,655.32

BOZEMAN SCHOOL DISTRICT NO. 7
HIGH SCHOOL STUDENT EXTRACURRICULAR FUND
ACTIVITY DETAIL
YEAR ENDED JUNE 30, 2011

Activity	Net Assets at 7/01/10	Additions	Deductions	Net Assets at 6/30/11
Athletics	\$ (1,836.59)	224,157.25	235,421.14	\$ (13,100.48)
Backboard BB-Ball	6,502.19	42,993.13	48,331.65	1,163.67
Cheerleading	6,228.55	3,730.41	7,138.08	2,820.88
Concessions	3,862.26	15,643.64	17,035.45	2,470.45
Fastpitch	2,776.01	7,955.97	7,452.49	3,279.49
Football Club	4,233.35	48,910.25	49,931.63	3,211.97
Golf Club	3,246.86	1,215.00	3,628.25	833.61
Hawk Stat Crew	1,597.40	950.00	1,886.18	661.22
Hawk Power Plant	-	5,732.00	-	5,732.00
Lady Hawk B-Ball	13,407.85	32,855.45	31,430.08	14,833.22
Soccer - Boys	4.14	8,277.00	6,323.97	1,957.17
Soccer - Girls	897.99	920.80	1,818.79	-
Speech Club	1,079.62	18,727.50	19,749.49	57.63
Spikers VB	536.00	8,586.00	6,029.96	3,092.04
Swimming	455.29	1,389.01	1,844.30	-
Tennis	943.31	7,963.46	7,511.09	1,395.68
Track Club	5,347.62	12,247.00	10,348.98	7,245.64
Wendy's Activity Fund	8.82	125.00	-	133.82
Wrestling Club	-	15,580.72	14,466.96	1,113.76
X-Country Club	3,876.97	16,457.04	16,341.16	3,992.85
Business Professionals	1,206.74	8,984.51	9,891.25	300.00
Cad Club	131.98	898.00	286.43	743.55
Construction Club	567.55	648.16	200.00	1,015.71
Deca	8,739.28	66,717.81	75,214.58	242.51
Metals - Labor	1,180.07	-	234.00	946.07
Metals - Materials	290.32	545.50	272.08	563.74
Robotics Club	-	18,575.00	8,877.60	9,697.40
Shop Fund	-	434.20	434.20	-
Skills USA	2,663.94	5,010.00	5,174.81	2,499.13
Art Club	1,136.31	5,436.36	3,758.08	2,814.59
Drama Club	9,064.17	2,698.64	7,097.83	4,664.98
Ecuador/Montana	79.95	-	35.00	44.95
French Club	228.62	208.00	229.30	207.32
Total	\$ 78,456.57	584,572.81	598,394.81	\$ 64,634.57

(Continued)

BOZEMAN SCHOOL DISTRICT NO. 7
HIGH SCHOOL STUDENT EXTRACURRICULAR FUND
ACTIVITY DETAIL
YEAR ENDED JUNE 30, 2011

Activity	Net Assets at 7/01/10	Additions	Deductions	Net Assets at 6/30/11
German Club	\$ 7,177.09	1,113.30	6,553.99	\$ 1,736.40
Latin Club	-	386.00	371.00	15.00
MUN Club	212.42	1,907.00	1,629.42	490.00
Destination Imagination	1,979.38	10,162.08	11,307.73	833.73
Project Excel	454.24	201.00	300.00	355.24
Science Olympiad	642.20	250.00	389.00	503.20
Ski P.E.	-	3,033.00	3,033.00	-
Spanish Club	401.42	-	39.43	361.99
Youth Leg. Club	1,026.40	3,909.75	4,936.15	-
Wildlife Biology Club	794.40	890.00	765.37	919.03
Cap & Gowns	328.27	-	-	328.27
Class of 2012	904.71	4,910.35	-	5,815.06
Class of 2011	5,074.11	13,029.98	18,104.09	-
Girls & Boys State	224.75	225.25	450.00	-
Prom	1,000.00	11,590.55	11,590.55	1,000.00
Student Council	24,109.10	29,586.60	32,462.42	21,233.28
Bridger Alternative	770.28	457.60	1,136.77	91.11
MTI	1,396.43	-	-	1,396.43
Amnesty International	713.94	-	39.66	674.28
Key Club	1,931.56	443.00	240.36	2,134.20
Leo Club	571.85	5,992.91	6,436.41	128.35
National Honor Society	728.45	800.00	712.00	816.45
Recycle	72.81	718.36	611.17	180.00
Special Ed Concessions	3,354.20	345.75	98.98	3,600.97
Gay-Straight Alliance	72.40	309.50	44.95	336.95
Interact Club	3,736.41	3,088.90	3,225.61	3,599.70
Band	6,176.20	117,308.13	119,923.05	3,561.28
Choir	2,635.94	19,503.64	20,513.50	1,626.08
Flute Choir	-	844.00	844.00	-
Orchestra	1,605.75	17,159.15	13,066.14	5,698.76
Aerie	5,394.46	78,883.00	75,622.27	8,655.19
Hawk Tawk	1,685.61	7,965.50	6,602.61	3,048.50
Hawk TV Club	754.50	2,950.00	846.18	2,858.32
Scribblings	-	812.95	755.00	57.95
General	264.02	5,163.22	4,088.96	1,338.28
SSS	24,711.90	7,749.00	3,429.43	29,031.47
Total	\$ 179,361.77	936,262.28	948,564.01	\$ 167,060.04

(Concluded)

**BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF ENROLLMENT
FOR THE YEAR ENDED JUNE 30, 2011**

Enrollment	As Reported	Audit Per District Records	Difference
Fall Enrollment - October 4, 2010			
Elementary School District			
Pre K-6:			
(a.) Pre-Kindergarten	23	23	0
(b.) Kindergarten	433	433	0
(c.) Grades 1 - 6	2607	2607	0
(d.) Part-Time (number of part-time students included on line b and c above)	12	12	0
7-8:			
(e.) Grade 7-8	798	798	0
(f.) Part-Time (number of part-time students included on line e above)	3	3	0
(g.) Total (add lines a, b, c and e)	3861	3861	0
High School District			
9-12:			
(h.) Grades 9-12	1818	1818	0
(i.) Part-Time (number of part-time students included on line h above)	22	22	0
(j.) 19 year-olds included on line h	2	2	0
Spring Enrollment - February 1, 2011			
Elementary School District			
Pre K-6:			
(k.) Pre-Kindergarten	44	44	0
(l.) Kindergarten	428	428	0
(m.) Grades 1 - 6	2587	2587	0
(n.) Part-Time (number of part-time students included on line l and m above)	11	11	0
7-8:			
(o.) Grade 7-8	796	796	0
(p.) Part-Time (number of part-time students included on line o above)	4	4	0
(q.) Total (add lines k, l, m and o)	3855	3855	0
High School District			
9-12:			
(r.) Grades 9-12	1755	1755	0
(s.) Part-Time (number of part-time students included on line r above)	33	33	0
(t.) 19 year-olds included on line r	1	1	0
(u.) Early Graduates	21	21	0



STATISTICAL SECTION

(Unaudited)

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

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

Table 1

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	\$ 29,295,503	\$ 32,116,906	\$ 33,258,003	\$ 35,512,140
Restricted	2,771,750	3,698,751	4,480,655	4,266,241	3,418,622	3,987,403	4,279,556	6,904,765	9,741,156	8,779,717
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>	<u>3,392,696</u>	<u>3,254,771</u>	<u>3,126,362</u>	<u>4,715,667</u>
Total governmental activities net assets	<u>\$ 22,725,933</u>	<u>\$ 24,586,175</u>	<u>\$ 25,199,964</u>	<u>\$ 26,523,170</u>	<u>\$ 27,810,762</u>	<u>\$ 31,871,449</u>	<u>\$ 36,967,755</u>	<u>\$ 42,276,442</u>	<u>\$ 46,125,521</u>	<u>\$ 49,007,524</u>

Table 2

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

	Fiscal Year									
Expenses	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities:										
Instruction	\$ 18,247,225	\$ 18,888,292	\$ 20,437,715	\$ 21,931,633	\$ 23,407,889	\$ 25,568,496	\$ 27,118,400	\$ 28,152,194	\$ 30,604,653	\$ 30,254,885
Support services	3,562,598	3,630,049	3,951,836	4,418,767	4,642,961	4,975,685	5,457,545	5,592,822	6,705,443	6,506,964
General administration	1,518,732	1,752,069	1,793,788	1,788,838	1,873,647	2,116,552	2,331,788	2,334,476	2,408,966	2,427,344
Building administration	2,241,411	2,470,692	2,485,343	2,718,624	2,876,614	3,163,125	3,267,924	3,508,649	3,379,725	3,506,951
Operations and maintenance	3,151,222	3,309,869	3,386,525	3,609,292	3,766,666	3,663,019	4,038,663	4,624,960	4,785,116	5,887,349
Student transportation	1,070,139	1,045,895	1,218,576	1,312,826	1,400,420	1,433,032	1,531,760	1,663,428	1,578,194	1,751,558
Food services	1,062,232	1,133,804	1,379,981	1,580,563	1,743,790	1,835,040	1,843,131	1,705,634	1,627,069	1,686,356
Extracurricular activities	750,381	777,879	844,071	788,795	836,613	885,231	941,072	915,870	911,863	928,880
Unallocated depreciation	723,997	777,729	826,070	863,206	912,711	960,431	985,952	1,217,973	1,670,495	2,277,029
Interest and fiscal charges	693,821	604,690	481,425	347,186	682,825	1,574,466	2,428,542	3,510,039	3,005,401	2,849,464
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>	<u>\$ 49,944,777</u>	<u>\$ 53,226,045</u>	<u>\$ 56,676,925</u>	<u>\$ 58,076,780</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction	\$ 473,036	\$ 516,022	\$ 428,886	\$ 474,171	\$ 505,592	\$ 586,576	\$ 618,855	\$ 620,755	\$ 753,021	\$ 749,691
Food services	769,152	805,124	915,084	1,089,157	1,230,667	1,379,861	1,250,448	1,176,105	1,114,078	1,090,682
Other functional activities	431,793	461,811	433,179	472,220	510,592	516,807	531,477	543,383	704,901	782,544
Operating grants and contributions	4,091,397	4,651,015	5,214,598	6,382,579	6,192,636	6,580,610	7,365,898	8,463,278	9,639,736	10,701,409
Capital grants and contributions	-	39,920	-	200,907	54,400	810,146	1,112,116	307,076	1,001,944	537,755
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>	<u>\$ 10,878,794</u>	<u>\$ 11,110,597</u>	<u>\$ 13,213,680</u>	<u>\$ 13,862,081</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>	<u>\$ (39,065,983)</u>	<u>\$ (42,115,448)</u>	<u>\$ (43,463,245)</u>	<u>\$ (44,214,699)</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	\$ 21,716,571	\$ 24,919,224	\$ 25,517,907	\$ 26,005,786
Investment earnings	242,352	134,527	132,702	260,950	755,196	1,839,432	2,023,195	1,437,886	404,319	212,450
Unrestricted county distribution - retirement	2,883,197	3,165,298	3,246,825	3,749,000	3,768,848	3,872,500	4,115,000	4,685,689	4,319,087	4,628,599
Unrestricted state equalization	9,999,354	10,126,609	10,234,849	10,452,630	11,283,156	11,695,502	12,329,569	13,069,595	12,631,646	11,651,621
Unrestricted state guaranteed tax base subsidy	1,197,663	1,183,932	924,866	630,845	612,409	443,964	965,909	1,334,192	1,489,387	1,619,235
Unrestricted state motor vehicle fee reimbursement	1,936,130	1,886,909	1,544,407	1,556,143	1,567,969	1,579,896	1,591,893	1,603,991	1,616,183	1,628,465
Unrestricted state quality educator	-	-	-	-	-	778,808	1,216,152	1,231,076	1,247,959	1,264,058
Unrestricted other state revenue	153,771	252,068	188,350	169,026	147,070	222,322	202,718	184,689	85,836	86,488
Gain(loss) on sale of capital assets	-	-	-	64,505	14,429	545	1,282	(1,042,207)	-	-
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>	<u>\$ 44,162,289</u>	<u>\$ 47,424,135</u>	<u>\$ 47,312,324</u>	<u>\$ 47,096,702</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>	<u>\$ 5,096,306</u>	<u>\$ 5,308,687</u>	<u>\$ 3,849,079</u>	<u>\$ 2,882,003</u>

Table 3

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General fund										
Reserved	\$ 341,882	\$ 239,001	\$ 130,615	\$ 128,085	\$ 348,877	\$ 156,283	\$ 68,169	\$ 101,278	\$ 339,845	
Unreserved	1,938,158	1,728,770	2,103,208	2,268,037	2,129,161	2,210,022	1,617,590	2,269,075	1,621,285	
Nonspendable										\$ 4,388
Restricted										-
Committed										-
Assigned										429,580
Unassigned										2,341,289
Total general fund	<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>	<u>\$ 1,685,759</u>	<u>\$ 2,370,353</u>	<u>\$ 1,961,130</u>	<u>\$ 2,775,257</u>
All other governmental funds										
Reserved	\$ 100,751	\$ 91,796	\$ 165,748	\$ 102,504	\$ 62,589	\$ (96,886)	\$ (236,463)	\$ (80,945)	\$ 1,007,568	
Unreserved, reported in:										
Special revenue funds	2,581,735	3,205,073	3,331,539	3,675,171	3,950,436	5,285,646	6,409,696	6,549,846	6,884,962	
Capital projects funds	928,031	1,311,305	2,083,890	1,723,245	26,399,086	42,644,504	50,993,882	22,218,476	8,820,311	
Nonspendable										\$ 28,589
Restricted										12,546,192
Committed										-
Assigned										241,168
Unassigned										(57,451)
Total all other governmental funds	<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>	<u>\$57,167,115</u>	<u>\$28,687,377</u>	<u>\$16,712,841</u>	<u>\$12,758,498</u>

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

Table 4

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
District property taxes	\$ 11,508,960	\$ 12,683,554	\$ 14,323,095	\$ 15,414,842	\$ 16,713,548	\$ 19,391,531	\$ 20,428,699	\$ 25,038,979	\$ 24,883,053	\$ 26,545,666
Tuition and fees	938,639	992,390	1,116,119	1,255,980	1,420,239	1,568,319	1,433,802	1,312,340	1,309,338	1,269,001
Interest	200,956	110,296	109,973	221,062	699,210	1,795,207	1,958,196	1,388,484	340,176	146,501
Other district revenue	310,080	301,959	305,221	581,288	377,377	482,394	820,270	1,337,136	1,013,307	966,899
Gallatin County	3,175,638	3,471,862	3,588,446	4,084,517	4,127,197	4,213,172	4,442,764	5,033,862	4,643,079	4,962,871
State of Montana	14,791,635	15,028,713	14,709,131	14,961,033	16,012,832	18,419,447	19,835,311	20,515,634	20,989,422	19,909,687
Federal	2,175,820	2,646,346	2,937,235	3,709,766	3,280,384	3,116,050	3,429,823	3,575,590	5,104,214	5,984,544
Total revenues	33,101,728	35,235,120	37,089,220	40,228,488	42,630,787	48,986,120	52,348,865	58,202,025	58,282,589	59,785,169
Expenditures										
Instruction	17,599,439	18,331,641	19,932,684	20,960,778	22,585,585	24,569,060	25,840,900	27,198,581	29,183,083	29,186,027
Support services	3,499,355	3,613,293	3,916,194	4,375,683	4,574,701	4,909,200	5,331,933	5,535,648	6,574,898	6,414,239
General administration	1,461,883	1,694,716	1,731,414	1,683,859	1,759,136	1,996,421	2,200,858	2,228,618	2,266,440	2,315,573
Building administration	2,118,760	2,367,575	2,377,911	2,555,223	2,755,991	3,014,613	3,078,574	3,335,098	3,163,077	3,260,330
Operations and maintenance	3,044,763	3,225,126	3,300,903	3,502,159	3,656,580	3,567,525	3,929,421	4,570,270	4,700,440	5,240,989
Student transportation	1,069,558	1,046,280	1,218,967	1,312,970	1,399,786	1,432,484	1,531,216	1,661,872	1,575,172	1,748,225
Food services	1,012,866	1,084,861	1,334,261	1,525,827	1,679,095	1,769,280	1,777,468	1,672,348	1,603,425	1,671,841
Extracurricular activities	742,821	766,478	832,620	776,863	817,127	871,909	925,698	908,091	901,574	917,404
Capital outlay	1,573,505	726,644	981,146	1,822,412	5,122,160	7,623,511	20,737,577	31,158,167	13,768,914	5,342,833
Debt service										
Principal	1,130,639	750,000	1,415,000	1,586,506	1,606,506	2,216,506	3,577,059	3,634,728	3,982,059	4,092,059
Interest and fiscal charges	693,821	444,149	315,765	296,801	249,532	1,748,732	2,212,528	4,094,281	2,954,436	2,835,865
Bond issuance costs	-	179,330	79,300	-	79,578	142,254	79,175	-	56,742	-
Bond defeasance costs	-	520,491	-	-	-	-	-	-	-	-
Total expenditures	33,947,410	34,750,584	37,436,165	40,399,081	46,285,777	53,861,495	71,222,407	85,997,702	70,730,260	63,025,385
Excess of revenues over (under) expenditures	(845,682)	484,536	(346,945)	(170,593)	(3,654,990)	(4,875,375)	(18,873,542)	(27,795,677)	(12,447,671)	(3,240,216)
Other financing sources (uses)										
Sale of capital assets	-	-	-	252,635	19,376	545	1,282	533	-	-
Transfers in	51,998	102,796	121,176	33,673	32,698	23,344	145,429	3,366,639	1,281,921	631,395
Transfers out	(51,998)	(102,796)	(121,176)	(33,673)	(32,698)	(23,344)	(145,429)	(3,366,639)	(1,281,921)	(631,395)
Hail damage insurance proceeds	-	-	-	-	-	-	-	-	-	100,000
General obligation bonds issued	-	-	-	-	28,600,000	20,725,000	27,500,000	-	-	-
Limited obligation bonds issued	-	-	1,586,000	-	-	1,459,250	-	-	-	-
Refunding bonds issued	-	12,890,000	-	-	-	-	-	-	3,275,000	-
Premium on bonds issued	-	-	-	-	28,721	-	25,565	-	110,840	-
Payments to refunded bond escrow agent	-	(12,689,148)	-	-	-	-	-	-	(3,321,928)	-
Total other financing sources (uses)	-	200,852	1,586,000	252,635	28,648,097	22,184,795	27,526,847	533	63,912	100,000
Net change in fund balances	<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>	<u>\$ 8,653,305</u>	<u>\$ (27,795,144)</u>	<u>\$ (12,383,759)</u>	<u>\$ (3,140,216)</u>
Debt service as a percentage of noncapital expenditures	5.6%	3.5%	4.7%	4.9%	4.5%	8.6%	11.5%	14.1%	12.3%	12.0%

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
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
2008	19,834,850	3,448,882	1,712,186	2,471,987	3,172,844	7,598	839,706	182,514	-	31,670,567
2009	21,033,525	3,417,621	1,720,166	2,552,984	3,429,669	1,780	844,247	-	-	32,999,992
2010	22,171,589	3,922,743	1,707,113	2,573,178	3,469,799	5,763	835,084	-	-	34,685,269
2011	\$ 22,303,333	\$ 3,949,570	\$ 1,794,818	\$ 2,609,518	\$ 3,965,340	\$ -	\$ 844,781	\$ 25,412	\$ -	\$ 35,492,772

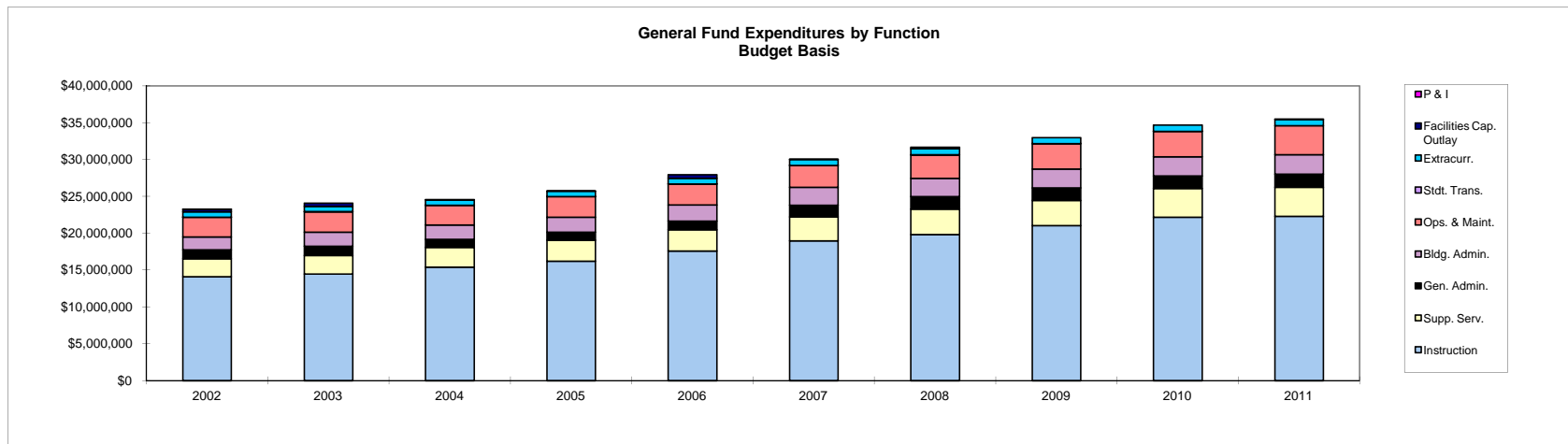


Table 6

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

Fiscal Year	Assessed Valuation ¹	Estimated Actual Value	Percent of Assessed Value to Est. Actual Value	Mill Levy	Direct Rate to be Applied against Assessed Value (Mill Levy / 1,000)	Taxes Levied ⁴	Tax Levy Collections in Levy Year	Tax Levy Collections after Levy Year	Percent of Total Tax Collections To Taxes Levied
Elementary District:									
2002	\$ 65,933,754	\$ 1,798,479,256	3.7%	109.50	0.10950	\$ 7,219,746	\$ 7,219,746	\$ -	100.00%
2003	71,248,110	2,004,352,468	3.6%	115.64	0.11564	8,239,131	8,023,190	-	97.38%
2004	76,622,721	2,193,338,586	3.5%	111.70	0.11170	8,558,758	8,558,758	-	100.00%
2005	81,999,997	2,409,812,203	3.4%	112.16	0.11216	9,197,120	9,197,120	-	100.00%
2006	89,208,819	2,649,536,773	3.4%	111.60	0.11160	9,955,704	9,922,609	-	99.67%
2007	97,593,808	2,922,699,201	3.3%	120.32	0.12032	11,742,487	11,383,815 ²	326,276	99.72%
2008	104,361,792	3,223,076,430	3.2%	118.51	0.11851	12,553,495	11,695,683	792,831	99.48%
2009	111,162,065	3,542,469,947	3.1%	141.13	0.14113	15,794,516	14,558,640	1,119,739	99.26% ³
2010	117,329,369	3,888,212,136	3.0%	130.49	0.13049	15,432,743	14,194,814	1,031,547	98.66% ³
2011	\$ 121,072,738	\$ 4,135,670,271	2.9%	121.55	0.12155	\$ 14,619,619	\$ 13,975,603	\$ -	95.59%
High School District:									
2002	\$ 86,437,851	\$ 2,372,218,869	3.6%	48.40	0.04840	\$ 4,183,834	\$ 4,183,834	\$ -	100.00%
2003	93,657,419	2,651,823,923	3.5%	51.43	0.05143	4,816,801	4,660,364	-	96.75%
2004	101,740,692	2,927,915,465	3.5%	53.35	0.05335	5,427,866	5,427,866	-	100.00%
2005	109,245,300	3,224,918,891	3.4%	55.16	0.05516	6,025,971	6,025,971	-	100.00%
2006	119,033,013	3,554,146,064	3.3%	57.46	0.05746	6,839,637	6,790,939	-	99.29%
2007	130,732,377	3,946,654,848	3.3%	62.42	0.06242	8,160,315	7,879,151 ²	263,823	99.79%
2008	140,147,897	4,381,850,279	3.2%	65.34	0.06534	9,346,202	8,673,645	619,687	99.43%
2009	130,543,804	4,170,386,822	3.1%	71.40	0.07140	9,384,507	8,573,226	736,525	99.20% ³
2010	138,744,445	4,593,821,578	3.0%	69.05	0.06905	10,460,314	9,463,193	842,208	98.52% ³
2011	\$ 143,508,070	\$ 4,898,411,705	2.9%	75.34	0.07534	\$ 11,148,142	\$ 10,579,367	\$ -	94.90%

¹ Assessed valuation is per the Montana Department of Revenue and calculated as of January (i.e. assess value used for 2001-02 fiscal year is calculated as of January 2001)

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

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

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

Table 7

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

Tax Rates (per \$1,000 of taxable value)						
Fiscal Year	These columns denote the Direct Rate of the District		City of Bozeman	Gallatin County	State of Montana	Total
	Bozeman Elementary District	Bozeman High School District				
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
2008	118.51	65.34	154.18	205.40	46.00	589.43
2009	141.13	71.40	171.16	210.14	46.00	639.83
2010	130.49	69.05	170.19	210.25	46.00	625.98
2011	121.55	75.34	168.75	217.21	46.00	628.85

Tax Levies						
Fiscal Year	Bozeman Elementary District	Bozeman High School District	City of Bozeman	Gallatin County	State of Montana	Total
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	11,742,487	8,160,315	10,475,697	35,948,481	8,378,750	74,705,730
2008	12,553,495	9,346,202	10,804,728	40,697,643	9,114,370	82,516,438
2009	15,794,516	9,384,507	12,891,848	44,279,401	9,692,835	92,043,107
2010	15,432,743	10,460,314	13,749,595	47,389,128	10,368,133	97,399,913
2011	\$ 14,619,619	\$ 11,148,142	\$ 14,130,990	\$ 50,835,661	\$ 10,765,805	\$ 101,500,217

Source: Montana Tax Foundation
Montana Property Tax Mill Levies 2010-11

Table 8

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

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total Elementary District Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Elementary District Taxable Assessed Value
Northwestern Corp Transmission and Distribution	\$ 6,633,052	1	5.48%	\$ 3,771,440	1	5.72%
Qwest Corporation	1,451,016	2	1.20%	1,564,699	2	2.37%
Bresnan	1,417,249	3	1.17%	-		-
Cellco Partnership	738,153	4	0.61%	-		-
Harry Daum (Gallatin Mall)	515,630	5	0.43%	612,166	3	0.93%
Bridger Bowl Inc.	379,205	6	0.31%	-		-
Wal-Mart Stores Inc # 2084	374,454	7	0.31%	-		-
Stone Ridge Partners LLC	362,604	8	0.30%	-		-
Highgate Bozeman LLC	335,582	9	0.28%	-		-
Bridger Peaks LLC	328,509	10	0.27%	291,473	4	0.44%
Bozeman Deaconess Foundation	-		-	264,806	5	0.40%
Costco Wholesale Corporation	-		-	259,305	6	0.39%
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	\$ 12,535,454		10.36%	\$ 7,619,753		11.54%

Source: Gallatin County Treasurer

Table 9

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

Taxpayer	2011			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	\$ 7,801,768	1	5.44%	\$ 5,514,097	1	6.38%
Qwest Corporation	1,509,450	2	1.05%	1,741,514	2	2.01%
Bresnan	1,417,249	3	0.99%	-		-
Black Bull Run Development LLC	743,937	4	0.52%	-		-
Cellco Partnership	738,153	5	0.51%	-		-
Zoot Properties LLC	581,664	6	0.41%	-		-
Harry Daum (Gallatin Mall)	515,630	7	0.36%	612,166	3	0.71%
Bridger Bowl Inc.	379,205	8	0.26%	-		-
Wal-Mart Stores Inc. # 2084	374,454	9	0.26%	-		-
Stone Ridge Partners LLC	362,604	10	0.25%	-		-
Bridger Peaks LLC	-		-	291,473	4	0.34%
Bozeman Deaconess Foundation	-		-	264,806	5	0.31%
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	\$ 14,424,114		10.05%	\$ 9,643,492		11.16%

Source: Gallatin County Treasurer

Table 10

BOZEMAN SCHOOL DISTRICT NO. 7
Revenue by Source - All Governmental Fund Types
For the Fiscal Year Ended June 30, 2011
(modified accrual basis of accounting)

Source	Actual Revenue	Percent of Total Revenue
Revenue from local and intermediate source:		
District taxes	\$26,545,666	44.40%
Tuition and fees	1,269,001	2.12%
Interest	146,501	0.25%
Other district revenue	966,899	1.62%
County retirement	4,628,599	7.74%
County transportation	334,272	0.56%
Total revenue from local and intermediate sources	<u>33,890,938</u>	<u>56.69%</u>
Revenue from State sources:		
State equalization	11,651,621	19.49%
State special education allowable costs	1,449,641	2.42%
State guarantee tax base subsidy	1,619,235	2.71%
State transportation	334,272	0.56%
State motor vehicle fee reimbursement	1,628,465	2.72%
State quality educator	1,264,058	2.11%
State medicaid, medicaid admin, CSCT	940,271	1.57%
State quality schools facilities grant	425,843	0.71%
Other State revenue	596,281	1.00%
Total revenue from State sources	<u>19,909,687</u>	<u>33.30%</u>
Revenue from Federal sources:		
Federal grants	3,010,159	5.03%
Federal GFSF ARRA	1,314,740	2.20%
Federal Ed Jobs ARRA	1,098,859	1.84%
Federal food service	560,786	0.94%
Total revenue from Federal sources	<u>5,984,544</u>	<u>10.01%</u>
Total revenue	<u>\$59,785,169</u>	<u>100.00%</u>

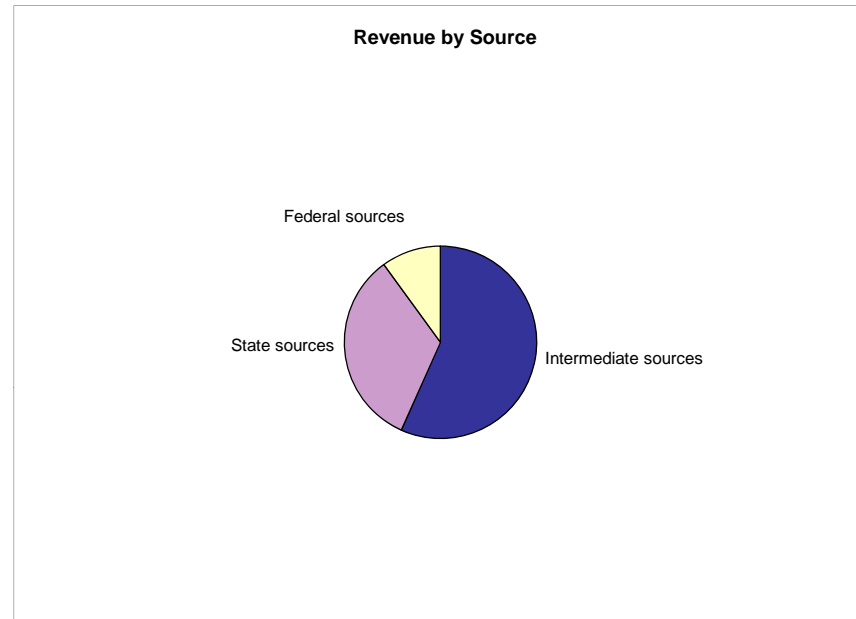


Table 11

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

Year	District Tax Levies	Tuition & Fees	Interest	Other District Revenue	State of Montana	Federal	Total
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
2008	13,195,792	39,209	208,293	4,766	17,749,057	-	31,197,117
2009	14,325,294	28,934	95,804	504,029	19,022,682	-	33,976,743
2010	14,520,782	42,773	85,100	5,276	18,735,240	890,503	34,279,674
2011	\$ 15,827,796	\$ 32,933	\$ 33,708	\$ 8,123	\$ 17,819,627	\$ 2,413,699	\$ 36,135,886

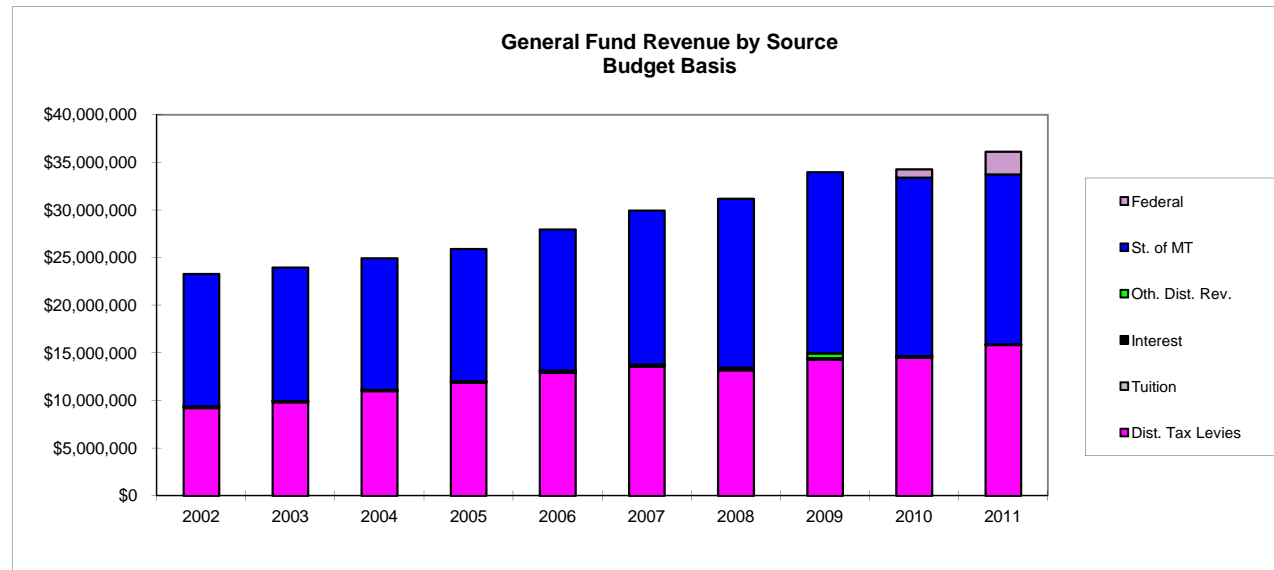


Table 12

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

Year	District Revenue	State Revenue	Federal Revenue	Total Revenue	October Enrollment	Revenue Per Student			
						District	State	Federal	Total
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
2008	13,448,060	17,749,057	-	31,197,117	5,413	2,484	3,279	-	5,763
2009	14,954,061	19,022,682	-	33,976,743	5,463	2,737	3,482	-	6,219
2010	14,653,931	18,735,240	890,503	34,279,674	5,509	2,660	3,401	162	6,222
2011	\$ 15,902,560	\$ 17,819,627	\$ 2,413,699	\$ 36,135,886	5,679	\$ 2,800	\$ 3,138	\$ 425	\$ 6,363

Source: District Records

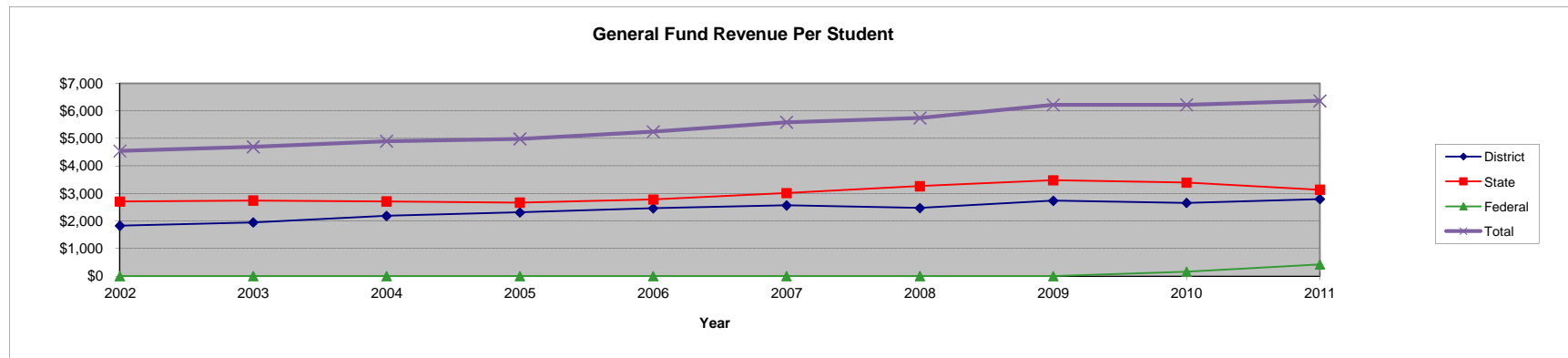


Table 13

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

Fiscal Year	Population ⁽¹⁾	Assessed Value ⁽²⁾	Net General Obligation Bonded Debt	Percentage of Net G.O. Bonded Debt to Assessed Value	Net G.O. Bonded Debt Per Capita	Net G.O. Bonded Debt as a % of Per Capita Income
Elementary District:						
2002	40,211	\$ 65,933,754	\$ 11,632,520	17.64%	\$ 289	1.10%
2003	41,216	71,248,110	10,998,345	15.44%	267	0.90%
2004	42,246	76,622,721	9,713,055	12.68%	230	0.70%
2005	43,303	81,999,997	8,532,420	10.41%	197	0.60%
2006	44,385	89,208,819	21,381,452	23.97%	482	1.40%
2007	45,495	97,593,808	25,550,000	26.18%	562	1.50%
2008	46,632	104,361,792	41,005,000	39.29%	879	2.40%
2009	47,798	111,162,065	38,580,000	34.71%	807	2.30%
2010	48,993	117,329,369	36,425,000	31.05%	743	Not Available
2011	50,217	\$ 121,072,738	\$ 34,215,000	28.26%	\$ 681	Not Available
High School District:						
2002	48,698	\$ 86,437,851	\$ 1,164,862	1.35%	\$ 24	0.09%
2003	50,466	93,657,419	1,058,523	1.13%	21	0.07%
2004	52,298	101,740,692	881,823	0.87%	17	0.06%
2005	53,898	109,245,300	712,504	0.65%	13	0.04%
2006	55,191	119,033,013	15,042,895	12.64%	273	0.80%
2007	56,350	130,732,377	29,545,000	22.60%	524	1.40%
2008	56,913	141,147,897	38,305,000	27.14%	673	1.90%
2009	57,198	130,543,804	36,790,000	28.18%	643	1.80%
2010	59,097	138,744,445	35,260,000	25.41%	597	Not Available
2011	60,574	\$ 143,508,070	\$ 33,670,000	23.46%	\$ 556	Not Available

⁽¹⁾ **2002-2011** The 2002 and future year population data were calculated using a relationship between the Bozeman School District as compared to the City of Bozeman and Gallatin County using United States Bureau of Census information.

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

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

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

Table 14

BOZEMAN SCHOOL DISTRICT NO. 7
Computation of Legal Debt Margin
For the Year Ended June 30, 2011

Elementary District:

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt limit	\$ 29,670,189	\$ 32,061,650	\$ 34,480,224	\$ 36,899,999	\$ 40,143,969	\$ 43,442,825	\$ 52,180,896	\$ 55,581,033	\$ 58,664,685	\$ 60,536,369
Total net debt applicable to limit	13,552,520	12,678,345	11,153,055	11,712,420	25,381,638	30,172,341	50,054,561	45,432,874	36,792,190	34,681,679
Legal debt margin	<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>	<u>\$ 2,126,335</u>	<u>\$ 10,148,159</u>	<u>\$ 21,872,495</u>	<u>\$ 25,854,690</u>
Total net debt applicable to the limit as a percentage of debt limit	45.68%	39.54%	32.35%	31.74%	63.23%	69.45%	95.93%	81.74%	62.72%	57.29%

High School District:

Debt limit	\$ 38,897,033	\$ 42,145,839	\$ 45,783,311	\$ 49,160,385	\$ 53,564,856	\$ 58,279,834	\$ 70,573,949	\$ 65,271,902	\$ 69,372,223	\$ 71,754,035
Total net debt applicable to limit	2,604,862	2,318,523	1,961,823	1,612,504	42,662,895	42,010,000	38,665,000	36,970,000	35,260,000	33,670,000
Legal debt margin	<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>	<u>\$ 31,908,949</u>	<u>\$ 28,301,902</u>	<u>\$ 34,112,223</u>	<u>\$ 38,084,035</u>
Total net debt applicable to the limit as a percentage of debt limit	6.70%	5.50%	4.29%	3.28%	79.65%	72.08%	54.79%	56.64%	50.83%	46.92%

Legal Debt Margin Calculation for Fiscal Year 2011

	<u>Elementary District</u>	<u>High School District</u>
District taxable valuation	\$ 121,072,738	\$ 143,508,070
Times: 50%	0.50	0.50
Legal Debt Service Limit *	<u>60,536,369</u>	<u>71,754,035</u>
General Obligation Bonds Payable	34,215,000	33,670,000
Limited Obligation Bonds Payable	1,233,206	-
Less: Cash Available for Retirement of Bonds	766,527	-
Net Amount of Bonds Payable Applicable to Limit	<u>34,681,679</u>	<u>33,670,000</u>
Margin Above Bonds Payable and Building Reserve Levy	25,854,690	38,084,035
Less: General Obligation Bonds Authorized but Unused	-	-
Legal Debt Margin	<u>\$ 25,854,690</u>	<u>\$ 38,084,035</u>

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

Table 15

BOZEMAN SCHOOL DISTRICT NO. 7
Computation of Direct and Overlapping General Obligation Bonded Debt
For the Fiscal Year Ended June 30, 2011

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 2006 (originally \$14,100,000)	\$ 11,725,000	100.0%	\$ 11,725,000	0.0%	\$ -
Issue 2007 (originally \$5,750,000)	4,865,000	100.0%	4,865,000	0.0%	-
Issue 2008 (originally \$17,500,000)	15,955,000	100.0%	15,955,000	0.0%	-
Issue 2009 (originally \$3,275,000)	1,670,000	100.0%	1,670,000	0.0%	-
Bozeman High School District:					
Issue 2006 (originally \$14,500,000)	12,055,000	84.4%	10,174,420	15.6%	1,880,580
Issue 2007 (originally \$14,975,000)	12,695,000	84.4%	10,714,580	15.6%	1,980,420
Issue 2008 (originally \$10,000,000)	<u>8,920,000</u>	84.4%	<u>7,528,480</u>	15.6%	<u>1,391,520</u>
Totals	<u>\$ 67,885,000</u>		<u>\$ 62,632,480</u>		<u>\$ 5,252,520</u>
OVERLAPPING BONDED INDEBTEDNESS					
Gallatin County:					
Various Issues	\$ 44,710,000	51.7%	\$ 23,115,070	9.6%	\$ 4,292,160
City of Bozeman:					
Various Issues	<u>3,710,000</u>	100%	<u>3,710,000</u>	0.0%	<u>-</u>
Totals	<u>\$ 48,420,000</u>		<u>\$ 26,825,070</u>		<u>\$ 4,292,160</u>

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

Source: City, County and District Records

Table 16

BOZEMAN SCHOOL DISTRICT NO. 7
Ratio of Annual Debt Service for General Obligation
Bonded Debt to Total General Subfund Expenditures
Last Ten Fiscal Years
(budget basis of accounting)

Fiscal Year	Principal	Interest and Fiscal Charges	Total Debt Service*	Total General Subfund Expenditures	Percentage of Debt Service to General Subfund Expenditures
Elementary:					
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%
2008	2,045,000	998,465	3,043,465	19,171,295	15.88%
2009	2,425,000	1,829,219	4,254,219	20,376,276	20.88%
2010	2,160,000	1,476,414	3,636,414	21,588,382	16.84%
2011	\$ 2,210,000	\$ 1,425,756	\$ 3,635,756	\$ 22,602,120	16.09%
High School:					
2002	\$ 140,000	\$ 64,755	\$ 204,755	\$ 9,185,596	2.23%
2003	160,635	34,250	194,885	9,517,351	2.05%
2004	170,000	19,932	189,932	9,874,696	1.92%
2005	175,000	18,063	193,063	10,396,647	1.86%
2006	175,000	16,525	191,525	11,682,387	1.64%
2007	475,000	779,433	1,254,433	12,364,274	10.15%
2008	1,240,000	1,206,761	2,446,761	12,499,272	19.58%
2009	1,515,000	1,660,615	3,175,615	12,623,716	25.16%
2010	1,530,000	1,477,522	3,007,522	13,096,887	22.96%
2011	\$ 1,590,000	\$ 1,409,609	\$ 2,999,609	\$ 12,890,652	23.27%

Source: District Records

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

Table 17

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

Year	Elementary District Population (1)	High School District Population (1)	Per Capita Personal Income (2)	Total Elementary District Personal Income (3)	Total High School District Personal Income (3)	Unemployment Rate (4)
2002	40,211	48,698	\$ 26,890	\$ 1,081,273,790	\$ 1,309,489,220	3.4%
2003	41,216	50,466	28,929	1,192,337,664	1,459,930,914	3.3%
2004	42,246	52,298	30,907	1,305,697,122	1,616,374,286	3.2%
2005	43,303	53,898	32,434	1,404,489,502	1,748,127,732	2.8%
2006	44,385	55,191	34,437	1,528,486,245	1,900,612,467	2.2%
2007	45,495	56,350	36,578	1,664,116,110	2,061,170,300	2.3%
2008	46,632	56,913	36,094	1,683,135,408	2,054,217,822	3.2%
2009	47,798	57,198	\$ 34,769	\$ 1,661,888,662	\$ 1,988,717,262	6.3%
2010	48,993	59,097	Not available	Not available	Not available	7.5%
2011	50,217	60,574	Not available	Not available	Not available	7.3%

Sources and other information:

- (1) 2002 - 2011 : The 2002-2011 population numbers were calculated using a relationship between the Bozeman School District as compared to the City of Bozeman and Gallatin County using United States Bureau of Census information.
- (2) Gallatin County Per Capita information. Montana Tax Foundation.
- (3) Calculated using the Gallatin County Per Capita Personal Income applied to the estimated District population.
- (4) Department of Labor (Bureau of Labor Statistics) - Information only available for entire Gallatin County.

Table 18

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

2011		2002	
Private Employers By Class, Alphabetically	Employer Class Size	Private Employers By Class, Alphabetically	Employer Class Size
Bozeman Deaconess Hospital	9	Bozeman Deaconess Hospital	8
RightNow Technologies	8	Capital Opportunities (Home Care Services)	8
Wal-Mart	7	Murdoch's Ranch & Home Supply	7
Albertson's	6	Wal-Mart	7
Community Food Co-Op	6	Albertson's	6
Costco	6	Bozeman Daily Chronicle	6
First Security Bank	6	Costco	6
Gibson Guitar	6	First Security Bank	6
GranTree Inn	6	Gibson Guitar	6
Kenyon Noble Lumber & Hardware	6	GranTree Inn	6
Lowe's	6	Kenyon Noble Lumber & Hardware	6
Martel Construction	6	Louisiana Pacific	6
McDonald's	6	Martel Construction	6
Murdoch's Ranch & Home Supply	6	Montana Conservation Corps	6
Ressler Chevrolet Cadillac & Toyota	6	Montana Furniture Industries	6
Rosauers Supermarket	6	RightNow Technologies	6
Simkins Hallin Lumber & Hardware	6	Simkins Hallin Lumber & Hardware	6
Target	6	Target	6
Town & Country Foods	6	Video Lottery Consultants	6
Zoot Enterprises	6	Zoot Enterprises	6
Public Employers By Class, Alphabetically	Employer Class Size	Public Employers By Class, Alphabetically	Employer Class Size
Montana State University	9	Montana State University	9
Bozeman School District #7	9	Bozeman School District #7	8
City of Bozeman	7	City of Bozeman	7
Gallatin County	7	Gallatin County	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 19

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

Fiscal Year	Expenses ⁽¹⁾	Enrollment	Cost per Pupil	Percentage Change	Certified Staff (FTE) ⁽²⁾	Pupil/ Certified Staff Ratio
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
2008	49,944,777	5,413	9,227	7.03%	365.8	14.8
2009	53,226,045	5,463	9,743	5.59%	385.0	14.2
2010	56,676,925	5,509	10,288	5.59%	393.6	14.0
2011	\$ 57,513,286	5,679	\$ 10,127	-1.57%	390.6	14.5

⁽¹⁾ Expenses are from Statement of Activities.

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

Source: District records

Table 20

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

	Fiscal Year													
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011				
Instruction														
Certified Staff	315.0	309.2	319.2	317.5	327.9	333.0	330.4	345.8	343.5	343.0				
Classified Employees	40.6	44.0	46.5	55.9	57.9	61.4	64.3	84.7	90.3	114.5				
Support Services														
Certified Staff	25.6	27.2	26.6	30.8	36.3	36.4	37.8	39.2	50.1	47.1				
Classified Employees	29.0	31.1	34.7	36.6	35.2	41.1	36.9	34.1	37.5	32.2				
General Administration														
Administrators	4.0	4.0	4.0	5.0	5.0	5.0	5.0	5.0	5.0	4.5				
Certified Staff	1.0	1.0	1.0	-	-	-	-	-	-	0.5				
Classified Employees	21.5	22.2	23.0	24.8	26.5	24.1	29.3	31.4	31.2	29.1				
Building Administration														
Administrators	16.3	17.3	16.5	17.3	18.0	18.0	18.0	18.0	17.0	17.0				
Classified Employees	23.8	24.6	22.0	22.4	24.5	26.5	25.9	24.3	29.9	30.1				
Operations and Maintenance														
Administrators	1.0	1.0	1.0	1.0	1.0	2.0	2.0	1.0	1.0	1.0				
Classified Employees	37.4	39.4	40.5	40.4	41.2	41.5	44.1	43.6	53.1	54.6				
Student Transportation														
Classified Employees	2.1	2.0	1.9	2.6	2.5	3.1	3.6	3.6	4.2	3.8				
Food Services														
Classified Employees	24.4	26.5	28.7	33.6	31.0	32.0	30.7	32.0	30.5	31.3				
Extracurricular Activities														
Administrators	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0				
Classified Employees	2.0	2.0	3.0	3.0	4.0	4.0	4.0	4.0	4.0	4.0				
Total	544.7	552.5	569.6	591.9	612.0	629.1	633.0	667.7	698.3	713.7				

Fiscal 2011 Summary	Admin.	Certified Staff	Classified Employees	Total FTE
Instruction	-	343.0	114.5	457.5
Support Services	-	47.1	32.2	79.3
General Administration	4.5	0.5	29.1	34.1
Building Administration	17.0	-	30.1	47.1
Operations and Maintenance	1.0	-	54.6	55.6
Student Transportation	-	-	3.8	3.8
Food Services	-	-	31.3	31.3
Extracurricular Activities	1.0	-	4.0	5.0
Total	23.5	390.6	299.6	713.7

Source: District Records

Table 21

BOZEMAN SCHOOL DISTRICT NO. 7
Certified Staff Education and Experience
November 15, 2010

Educational Attainment	Full Time Equivalent	Percent of Total	
Bachelor's Degree	41.9	10.7%	33.1%
Bachelor's Degree + 15 Credits	17.0	4.4%	
Bachelor's Degree + 30 Credits	16.8	4.3%	
Bachelor's Degree + 45 Credits	30.4	7.8%	
Bachelor's Degree + 60 Credits	10.3	2.6%	
Bachelor's Degree + 75 Credits	4.0	1.0%	
Bachelor's Degree + 90 Credits	7.0	1.8%	
5th Year Degree + 45 Credits	2.0	0.5%	66.9%
Master's Degree BA + 45 Credits	7.0	1.8%	
Master's Degree BA + 60 Credits	53.1	13.6%	
Master's Degree BA + 75 Credits	25.3	6.5%	
Master's Degree BA + 90 Credits	32.4	8.3%	
Master's Degree BA + 105 Credits	143.4	36.7%	
Total	390.6	100.0%	

Years of Experience	Full Time Equivalent	Percent of Total	
0 - 5	94.3	24.1%	
6 - 10	78.6	20.1%	
11 - 15	87.9	22.5%	
16 - 20	46.9	12.0%	
21 - 25	41.3	10.6%	
26 and Over	41.6	10.7%	
Total	390.6	100.0%	

Source: District Records

Table 22

BOZEMAN SCHOOL DISTRICT NO. 7
Educational Building Data
For the Fiscal Year Ended June 30, 2011

	<u>Year Built</u>	<u>Square Footage</u>	<u>Functional Capacity</u>	<u>Enrollment</u>	<u>Percentage of Capacity Used</u>
Elementary Schools:					
<u>K-5 Schools</u>					
Longfellow	1939	37,547	332	328	98.8%
Irving	1939	33,893	312	300	96.2%
Whittier	1958	32,955	298	241	80.9%
Hawthorne	1939	38,094	332	328	98.8%
Morning Star	1992	56,010	550	537	97.6%
Emily Dickinson	1992	56,012	498	512	102.8%
Hyalite	2009	66,186	475	400	84.2%
<u>6-8 Schools</u>					
Chief Joseph	2008	129,500	750	576	76.8%
Sacajawea	1996	97,456	750	639	85.2%
High School:					
Bozeman High School	1957	392,442 ⁽¹⁾	2,400 ⁽¹⁾	1,818	75.8%

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

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Elementary Schools:										
<u>K-5 Schools</u>										
Longfellow	16%	17%	18%	20%	16%	14%	14%	16%	15%	17%
Irving	34%	37%	40%	43%	43%	35%	37%	36%	42%	43%
Whittier	39%	43%	53%	53%	53%	46%	47%	45%	56%	52%
Hawthorne	11%	9%	11%	14%	17%	16%	15%	16%	24%	26%
Morning Star	8%	7%	8%	6%	7%	9%	8%	9%	11%	10%
Emily Dickinson	22%	19%	22%	18%	20%	22%	24%	24%	27%	29%
Hyalite	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	39%	44%
<u>6-8 Schools</u>										
Chief Jospheh	16%	22%	25%	20%	22%	21%	31%	23%	28%	31%
Sacajawea	12%	13%	14%	11%	13%	11%	13%	13%	19%	20%
High School	8%	9%	9%	9%	12%	15%	12%	18%	24%	15%

Source: Title I portion of ESEA consolidated applications

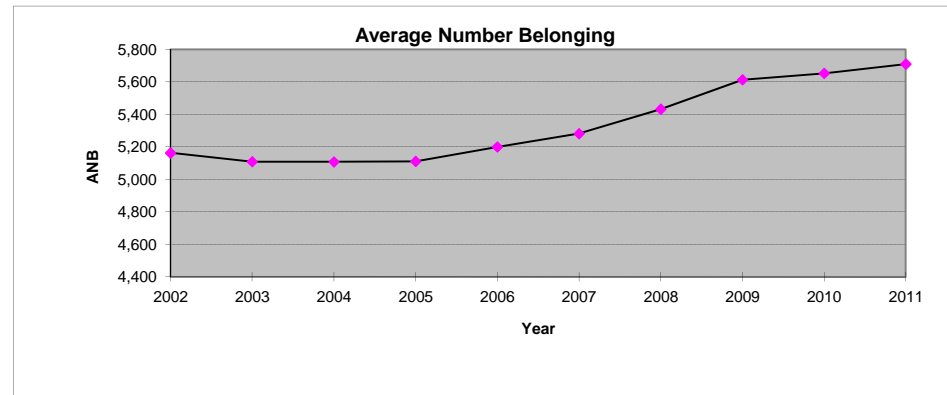
Table 24

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

Year Ended June 30	October Enrollment	Percent Increase (Decrease)	Average Number Belonging (ANB)		
			Amount	Percent Increase (Decrease)	Percent of Prior Year's Enrollment
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
2008	5,413	1.1	5,432	2.8	101.4
2009	5,463	0.9	5,613	3.3	103.7
2010	5,509	0.8	5,653	0.7	103.5
2011	5,679	3.1	5,710	1.0	103.6

Source: District Records

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



BOZEMAN SCHOOL DISTRICT NO. 7
Schedule of Insurance in Force

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

- A. Policy #: ALA-64-A3-EX-0000007-04
- B. Carrier: Princeton Excess & Surplus Lines Insurance Company
- C. Policy Period: 7/1/10 - 7/1/11
- D. Coverages: Building and Contents, Property Floaters, General Liability and Crime
- E. Limits: \$1,000,000 per occurrence; \$2,000,000 aggregate

II. Workers' Compensation Policy

- A. Policy #: 01-0005255
- B. Carrier: Workers' Compensation Risk Retention Program
- C. Policy Period: 12/1/10 - 11/30/11

III. Boiler and Machinery Policy

- A. Policy #: BAJ-BME 18156L884TIL10
- B. Carrier: Travelers Boiler
- C. Policy Period: 7/1/10 - 7/1/11
- D. Limits: \$100,000,000 per occurrence

IV. Excess Liability

- A. Policy #: 64-A3-FF-0000008-02
- B. Carrier: Princeton Excess & Surplus Lines Insurance Company
- C. Policy Period: 7/1/10 - 7/1/11
- D. Limits: \$9,000,000

V. Commercial Employee Blanket Bond

- A. Policy #: ALA-64-A3-EX-0000007-04
- B. Carrier: Princeton Excess & Surplus Lines Insurance Company
- C. Policy Period: 7/1/10 - 7/1/11
- D. Limits: \$500,000 All Employees

VI. Excess Property

- A. Policy #: KTK-CMB-545D4969-10
- B. Carrier: Travelers Insurance
- C. Policy Period: 7/1/10 - 7/1/11
- D. Limits: \$100,000,000 per occurrence

SINGLE AUDIT SECTION



SCHOOL DISTRICT NO. 7
SCHEDULE OF FEDERAL AWARD EXPENDITURES
For the Fiscal Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantors Number	Program or Award Amount	Fund Balance at July 1, 2010	Revenues	Expenditures	Fund Balance at June 30, 2011
U.S. Department of Education							
Pass-through Montana Office of Public Instruction:							
Title I, Part A	84.010A	16-0350-31-11	\$ 1,107,128	\$ -	\$ 934,106	\$ 934,106	\$ -
Title I, Part A - Schoolwide	84.010A	16-0350-32-11	104,704	-	104,704	104,704	-
Subtotal Title I	84.010A		1,211,832	-	1,038,810	1,038,810	-
Adult Basic Education and Literacy	84.002	16-0351-56-11-BG	51,183	-	51,183	51,183	-
EL/Civics	84.002	16-0351-56-11-EL	16,675	-	16,675	16,675	-
Subtotal ABEL and EL/Civics	84.002		67,858	-	67,858	67,858	-
Title II, Part A	84.367	16-0350-14-11	373,630	-	308,566	308,566	-
Title II, Part B	84.366B	62-6627-1510-SILC	44,833	-	44,833	44,833	-
Title II, Part D	84.318	16-0350-60-11	6,206	-	6,206	6,206	-
Title III, Part A	84.365A	16-0350-41-11I	3,956	-	3,956	3,956	-
IDEA-B	84.027A	16-0350-77-11	1,860,872	-	1,305,155	1,305,155	-
IDEA-B Preschool	84.173A	16-0350-79-11	27,926	-	27,926	27,926	-
Carl Perkins - Basic	84.048A	16-0351-81-11	107,138	-	107,138	107,138	-
Title X	84.196	16-0350-57-11	14,000	-	14,000	14,000	-
Title X ARRA	84.387A	16-0350-96-10-ARRA	23,317	-	23,317	23,317	-
Pass-through State of Montana as Direct State Aid:							
State Fiscal Stabilization Fund - ARRA	84.394	N/A	1,314,740	-	1,314,740	1,314,740	-
Education Jobs Fund - ARRA	84.410	N/A	1,098,959	-	1,098,959	1,098,959	-
Total U.S. Department of Education Pass-Through			\$ 6,155,267	\$ -	\$ 5,361,464	\$ 5,361,464	\$ -
U.S. Department of Education Direct Programs:							
Title VII Indian Education	84.060A	S060A100430	\$ 19,196	\$ -	\$ 19,196	\$ 19,196	\$ -
Total U.S. Department of Education Direct			\$ 19,196	\$ -	\$ 19,196	\$ 19,196	\$ -
U.S. Federal Highway Administration:							
Pass-through Montana Department of Transportation:							
Safe Routes to School - Noninfrastructure	20.205	105143	\$ 23,030	\$ -	\$ 16,317	\$ 16,317	\$ -
Safe Routes to School - Infrastructure	20.205	BSD7-2009-Hawthorne	121,000	-	11,912	11,912	-
Total U.S. Federal Highway Administration			\$ 144,030	\$ -	\$ 28,229	\$ 28,229	\$ -
U.S. Department of Agriculture:							
Pass-through Montana Office of Public Instruction:							
National School Lunch Program	10.555	N/A	\$ 513,258	\$ -	\$ 560,786	\$ 560,786	\$ -
Fair Value USDA Commodities	10.555	N/A	-	-	106,116	106,116	-
Subtotal School Lunch and USDA Commodities	10.555		513,258	-	666,902	666,902	-
Team Nutrition Training Grant	10.574	N/A	5,000	-	5,000	5,000	-
Total Department of Agriculture			\$ 518,258	\$ -	\$ 671,902	\$ 671,902	\$ -
U.S. Department of Health & Human Services:							
Pass-through Dept. of Health & Human Services - MT:							
Public Health Emergency Preparedness	93.069	N/A	\$ 28,750	\$ -	\$ 4,869	\$ 4,869	-
TANF (MOST Grant)	93.558	1102MOST0207	\$ 5,000	\$ -	\$ 5,000	\$ 5,000	-
Total Department of Health & Human Services			\$ 33,750	\$ -	\$ 9,869	\$ 9,869	\$ -
TOTAL FEDERAL ASSISTANCE			\$ 6,870,501	\$ -	\$ 6,090,660	\$ 6,090,660	\$ -

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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bozeman School District No.7 (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management of Bozeman School District No.7 and Board of Trustees, the Montana Department of Administration, the Montana Office of Public Instruction, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Andersen Ziemke & Co, P.C.".

Bozeman, Montana
February 28, 2012

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

To the Board of Trustees
Bozeman School District No. 7

Compliance

We have audited Bozeman School District No. 7 (the District)'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

Internal Control over Compliance

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

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

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

This report is intended solely for the information and use of management of Bozeman School District No.7 and the Board of Trustees, the Montana Department of Administration, the Montana office of Public Instruction, 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.

Andersen Ziemer & Co, P.C.

Bozeman, Montana
February 28, 2012

BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

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

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

10.555	National School Lunch
84.394	State Fiscal Stabilization Fund AARA
84.410	Education Jobs Fund ARRA

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	Yes
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BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Financial Statement Findings

None Reported

Federal Award Findings and Questioned Costs:

None Reported

Prior Year Audit Findings

None Reported