

COMPREHENSIVE ANNUAL FINANCIAL REPORT



BOZEMAN SCHOOL DISTRICT NUMBER 7

For the year ended June 30, 2013

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, 2013

Prepared by the Business Office

Steven D. Johnson, CPA, Deputy Superintendent Operations

Mike Waterman, Director of Business Services/District Clerk

Richard J. Tvedt, CPA, Accounting Supervisor

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INTRODUCTORY SECTION





Bozeman Public Schools

404 West Main
P.O. Box 520
Bozeman, MT 59771-0520
Voice: (406) 522-6001
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Dr. Robert J. Watson
Superintendent

Dr. Marilyn King
Deputy Superintendent
Instruction

Steven D. Johnson, CPA
Deputy Superintendent
Operations

February 26, 2014

Letter of Transmittal

Wendy Tage, 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, 2013.

Responsibility for the accuracy of the presentation, including all disclosures, rests with the Superintendent and the Deputy Superintendent 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, 2013, Anderson ZurMuehlen & Co., P.C. has issued an unmodified (referred to as "clean") opinion on the Bozeman School District No. 7's financial statements. Their independent audit report is located at the beginning of the financial section of this report.

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

PROFILE OF THE DISTRICT

Geographically, the Bozeman Public School system covers an area greater than the City of Bozeman. The school system includes two legal districts - Elementary District No. 7 and High School District No. 7. The elementary district covers approximately 275 square miles and has an estimated population of 51,729. The high school district covers approximately 700 square miles, and encompasses eight elementary districts (kindergarten through 8th grade (K-8) - Bozeman, Anderson,

Cottonwood, Gallatin Gateway, LaMotte, Malmborg, Monforton, and Sedan-Wilsall). The estimated population of the high school district is 62,398. 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 5,993 students and provides a full range of educational services appropriate to grade levels Pre-K through 12, as well as Adult Education. These include regular and enriched academic education, special education for students with disabilities and occupational education. These basic programs are supplemented by a wide variety of offerings in fine arts and athletics. The Bozeman Schools Foundation, Bozeman Hawk Booster Club, Bozeman Schools Friends of Music and the various parent organizations are separate legal entities. The impacts of these individual entities is considered immaterial to the overall financial status of the District and, as such, are not included in these financial statements.

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

ECONOMIC CONDITION AND OUTLOOK

Local Economy

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

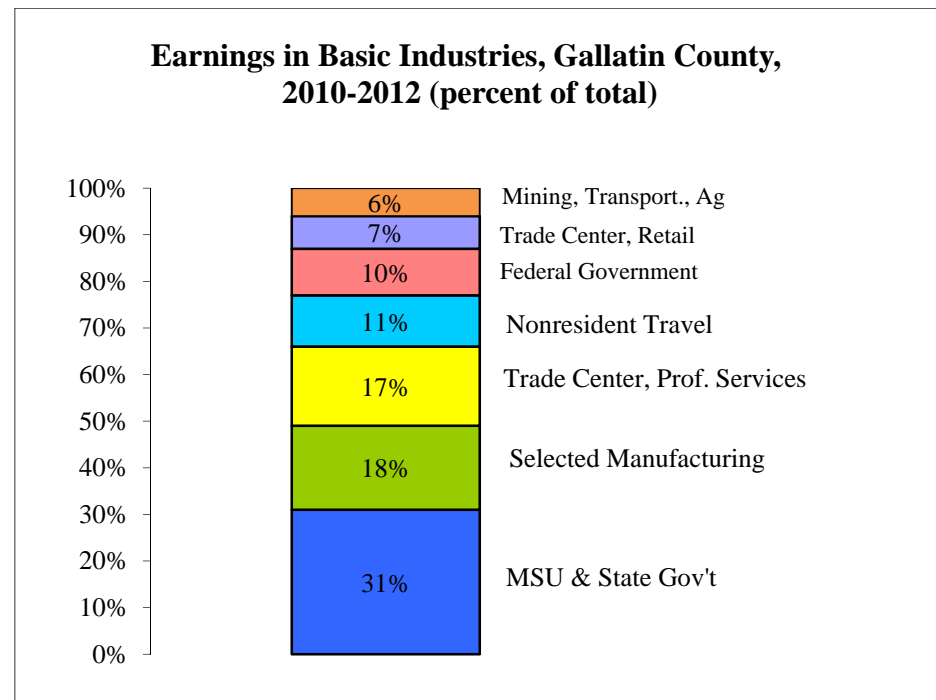
Montana State University - Bozeman (M.S.U.) represents a major economic activity in the District. M.S.U., with a fiscal year 2012-2013 annual budget of approximately \$382,088,863, employs approximately 3,670 employees (2,334 full time, 720 part time, and 616 graduate teaching and research assistants). With a student enrollment of 14,660 (Fall 2012), 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 2013 issue of the *Montana Business Quarterly* and their *Outlook 2013* issue related to Bozeman and Gallatin County, are restated in the following paragraphs.

Inflation-adjusted wage and salary earnings rose by 1.9 percent in the 12-month period ended in June 2012, compared to a previous period (and excluding the effect of the sale of a local business RightNow Technologies to Oracle). Construction ended its deep slump, posting solid gains for the year and the Bozeman airport has become the busiest airport in the state. Steady growth in Montana State University, especially in its research activities, good prospects for high-tech manufacturing and services, and an improved outlook for real estate and construction have combined to make our forecast for overall growth in Gallatin County higher than any other major urban area in the state.

The area has needed that faster growth the past few years just to ease the deep declines suffered during the recession. Since the beginning of 2010, job growth has outpaced the state average, yet unemployment is only back to the levels achieved at the end of 2006. What is impressive about job and income growth in the recovery for Gallatin County to date is the fact that it was achieved largely without any contribution from the residential construction sector. That will change in the coming years, as residential construction finally begins to restart after four stagnant years.



Outdoor recreational opportunities, the natural beauty of the area, proximity to two major ski resorts and to Yellowstone National Park promote the nonresident travel to the area.

Major Initiatives

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

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

Relevant Financial Policies

The District has worked hard to maintain and currently has a structurally balanced General Fund. This means that the current annual obligations of the General Fund are paid with current available General Fund revenues.

Long-Term Financial Planning

In addition to the main purpose of the district, which is Academic Performance, the LRSP includes sections for Operations and Capacity Building, Community Engagement and Partnerships, and Student and Staff Safety/Health/Welfare.

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

Voters also approved additional Building Reserve and Technology levies in the fiscal year ended June 30, 2013. Each are long-term in nature: the Building Reserve and Technology levies have 5-year and permanent durations, respectively. Both levies will enable the District to meet needs in these areas well into the foreseeable future.

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, 2012. 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-fourth year that the District has received this prestigious award.* We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

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

Sincerely,



Steven D. Johnson, CPA
Deputy Superintendent Operations



Robert J. Watson, Ed.D.
Superintendent



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Bozeman School District No. 7
Montana**

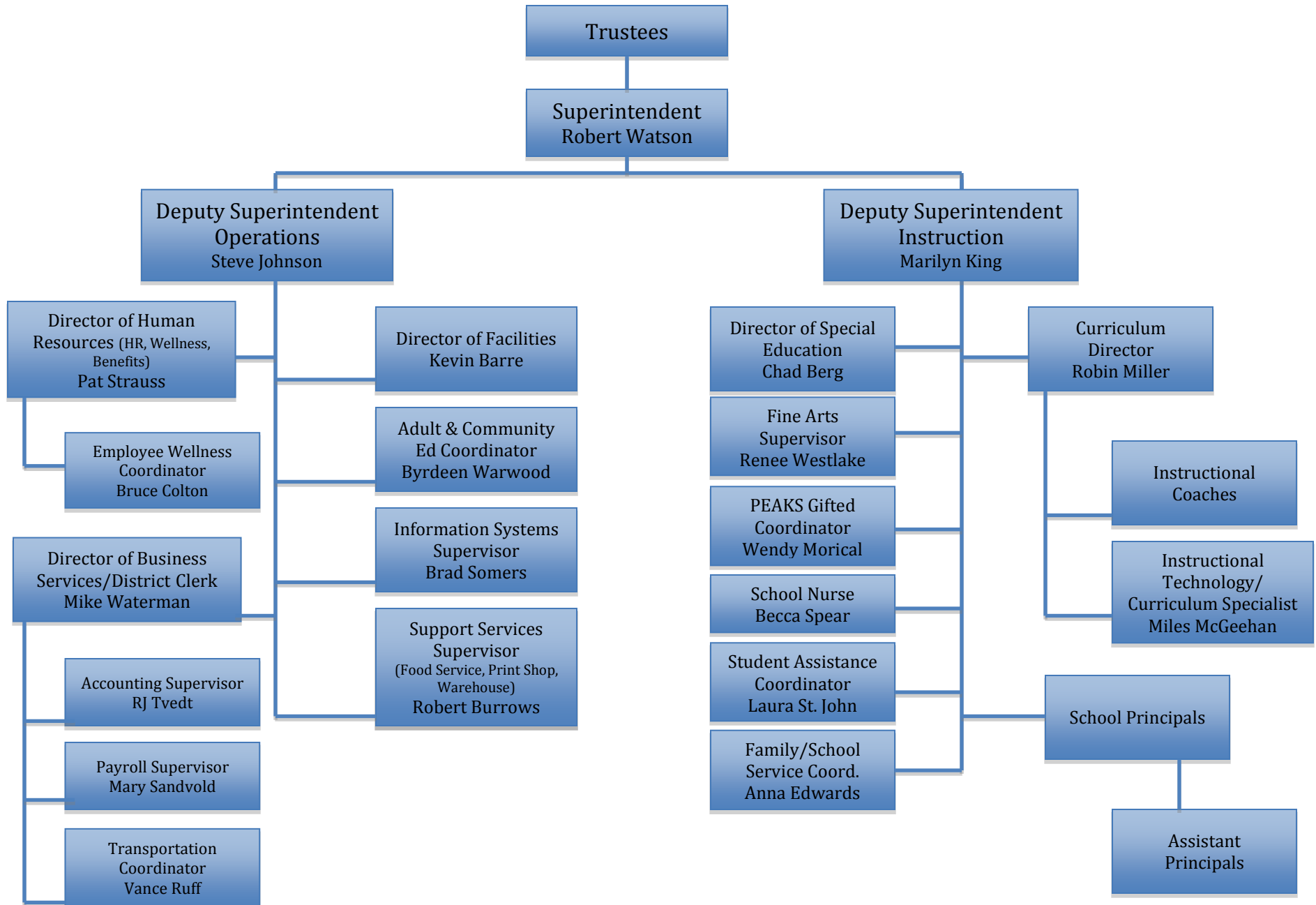
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is written in a cursive, flowing style.

Executive Director/CEO

**Bozeman School District 7
Administrative Organization Chart**



BOZEMAN SCHOOL DISTRICT NO. 7

Elected Officials
Board of Trustees

	<u>Term Expires April</u>
Wendy TageChair	2015
Sue MacGrathVice Chair	2015
Heide ArnesonTrustee	2014
Denise HaymanTrustee	2015
Gary LusinTrustee	2014
Dan SwansonTrustee	2014
Andy WillettTrustee	2016
Elizabeth WilliamsonTrustee	2016

Appointed

Robert J. Watson, Ed. D.	Superintendent of Schools
Marilyn King, Ed. D.	Deputy Superintendent Instruction
Steven Johnson, C.P.A.	Deputy Superintendent Operations
Pat Strauss.	Director of Human Resources

Board Meetings Held During Fiscal Year 2012-13

Regular	12
Special	34



1	Bozeman High School 205 North 11th 522-6200	4	Emily Dickinson Elementary 2435 Annie Street 522-6650	8	Longfellow Elementary 516 South Tracy 522-6150	12	Whittier Elementary 511 North 5th 522-6750
1	Bridger Alternative High School 205 North 11th 522-6100	5	Hawthorne Elementary 114 North Rouse 522-6700	9	Morning Star Elementary 830 Arnold Street 522-6500	13	Meadowlark Elementary 4415 Durston Road 582-6860
2	Central Administration Offices 404 W. Main Street 522-6000	6	Hyalite Elementary School 3600 West Balcock 582-6800	10	Sacajawea Middle School 3525 South 3rd 522-6400		
3	Chief Joseph Middle School 4255 Kimberwicke 522-6300	7	Irving Elementary 611 South 8th 522-6600	11	Support Services 501 North 11th 522-6380		



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Bozeman School District No. 7

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies

used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 the Bozeman School District No. 7, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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 section, combining and individual nonmajor fund financial statements, supplemental information mandated by Montana Office of Public Instruction, the schedule of capital assets used in the operation of governmental funds, 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 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.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section, supplemental information mandated by Montana Office of Public Instruction, the schedule of capital assets used in the operation of governmental funds and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Anderson Zurmuehlen & Co, P.C.

Bozeman, Montana
February 26, 2014

Management's Discussion and Analysis

**BOZEMAN SCHOOL DISTRICT NO. 7
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013. 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 Position* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements show how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds (General, Elementary Building, and the High School Building Reserve Funds) with all other nonmajor funds presented in total in one column.

Overview of the financial statements

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

The Statement of Net Position and the Statement of Activities answer the question "How did we do financially during 2013". 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 position* and changes in that position. This change in net position is important because it tells the reader that, for the School District as a whole, the *financial condition* 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 Position 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-one individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Elementary Building, and High School Building Reserve Funds, which are considered to be major funds. Data from the other eighteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* and *schedules* elsewhere in this report.

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

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

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

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

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

THE SCHOOL DISTRICT AS A WHOLE

Net position may serve over time as a useful indicator of a government's financial condition. In the case of the District, assets exceeded liabilities by \$58,941,982 as of June 30, 2013. *Table 1* presents a comparative summary of the District's net position for the fiscal years ended June 30, 2013 and 2012.

By far the largest portion of the District's net position (71.0 percent) reflects its net investment in capital assets (e.g., land, land improvements, buildings and improvements, machinery and equipment and construction in progress), less any related debt outstanding used to acquire those assets (unspent bond proceeds are not accounted for in this line). 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 21.1% of the District's net position were subject to external restrictions on how they may be used. *Unrestricted* net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements total \$4,607,300 at the end of this year.

Table 1
BOZEMAN SCHOOL DISTRICT NO. 7
Net Position

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 37,765,400	\$ 18,993,445
Capital assets	<u>118,108,524</u>	<u>103,605,631</u>
Total assets	<u>155,873,924</u>	<u>122,599,076</u>
Current liabilities	10,598,457	7,150,089
Long-term debt outstanding	<u>86,333,485</u>	<u>64,087,575</u>
Total liabilities	<u>96,931,942</u>	<u>71,237,664</u>
Net position:		
Net investment in capital assets	41,859,235	38,752,077
Restricted	12,475,447	9,586,558
Unrestricted	<u>4,607,300</u>	<u>3,022,777</u>
Total net position	<u>\$ 58,941,982</u>	<u>\$ 51,361,412</u>

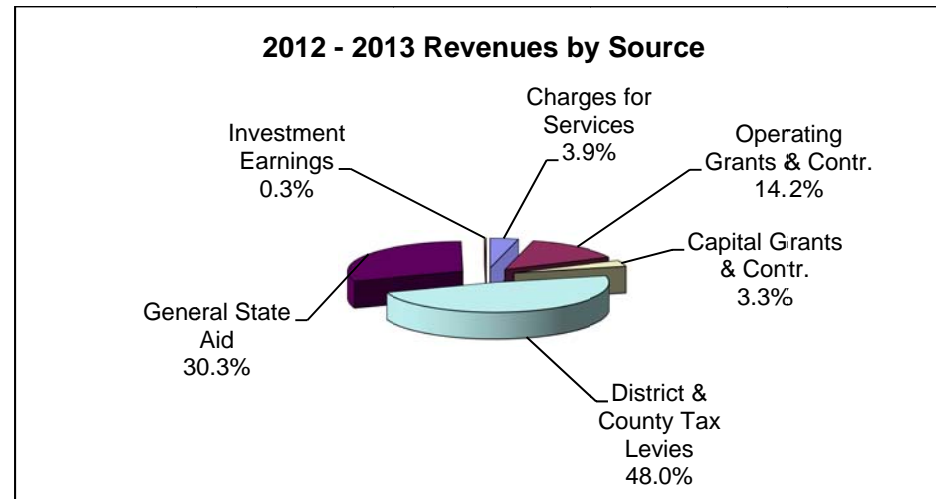
The District's net position increased by \$7,580,570 during the current fiscal year which was largely the result of debt retirement, receipt of hail insurance proceeds and raising general fund reserves.

Changes in net position - As can be seen on *Table 2*, the Bozeman School District's governmental activities increased net position by \$7,580,570, thereby accounting for 100% of the total growth in the net position.

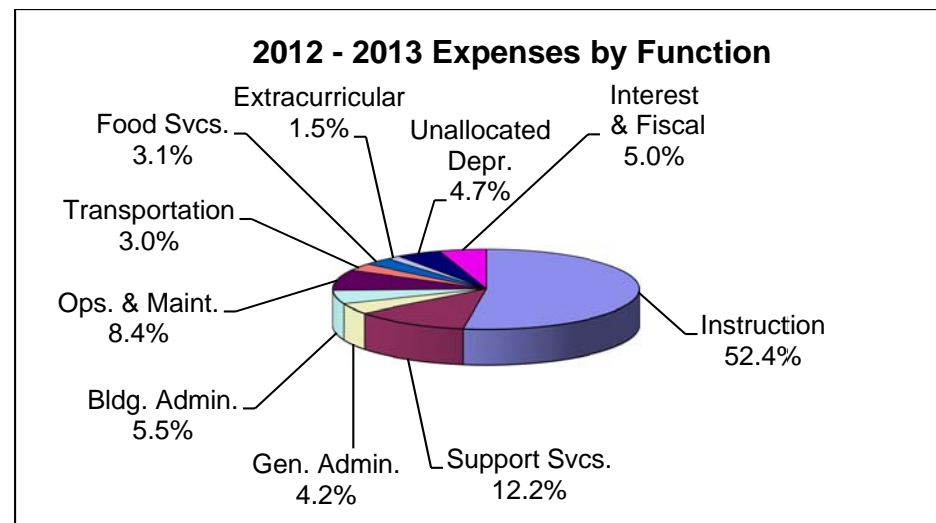
Table 2
BOZEMAN SCHOOL DISTRICT NO. 7
Changes in Net Position

	Governmental Activities	
	2013	2012
Revenues		
Program revenues:		
Charges for Services	\$ 2,694,386	\$ 2,829,479
Operating grants and contributions	9,657,240	9,053,281
Capital grants and contributions	2,216,427	934,990
General revenues:		
District property taxes	27,624,361	25,901,455
Investment earnings	173,809	196,015
Unrestricted county distribution - retirement	5,107,947	4,677,674
Unrestricted state equalization	14,847,712	14,168,581
Unrestricted state guaranteed tax base subsidy	2,296,582	1,730,896
Unrestricted state motor vehicle fee reimbursement	1,773,347	1,628,465
Unrestricted quality educator	1,266,515	1,257,904
Unrestricted other state revenue	438,003	183,766
Total revenues	<u>68,096,329</u>	<u>62,562,506</u>
Program Expenses		
Instruction	31,716,354	31,164,999
Support services	7,412,715	6,903,108
General administration	2,563,815	2,728,377
Building administration	3,310,381	3,568,685
Operations and maintenance	5,055,062	5,852,700
Student transportation	1,801,699	1,844,503
Food services	1,868,641	1,808,610
Extracurricular activities	932,725	897,486
Unallocated depreciation	2,851,136	2,734,240
Interest and fiscal charges	3,003,231	2,705,910
Total expenses	<u>60,515,759</u>	<u>60,208,618</u>
Increase (decrease) in net position	7,580,570	2,353,888
Net position, beginning of year	<u>51,361,412</u>	<u>49,007,524</u>
Net position, end of year	<u>\$ 58,941,982</u>	<u>\$ 51,361,412</u>

Revenues for fiscal year 2013 on Table 2 experienced an increase of \$5,533,823. This increase is largely attributable to an overall increase in state funding, district property taxes and receiving almost \$2,100,000 in hail damage insurance proceeds. The following chart illustrates the breakout of revenues by source.



Total expenses on Table 2 decreased by \$307,141 (0.5%) and was largely attributable to a reduction in noncapitalizable operations and maintenance expenses. The following chart illustrates the breakout of expenses by function.



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 32) reported a *combined* fund balance of \$28,743,573, an increase of \$14,666,761 due primarily to the unspent bond proceeds at year end held for ongoing construction projects.

The major elementary building fund had a \$13,147,147 increase in fund balance due to the unspent bond proceeds being used to construct the Meadowlark Elementary School, expand the Support Services building and renovate Longfellow Elementary School. The high school major building reserve fund equity appreciated a 13.5% increase due to tax levies accruing for future anticipated projects. The general fund (the third major fund) is the main operating fund of the Bozeman School District. Its fund balance increased by 18.2% and was largely attributable to tax collections exceeding current costs.

General fund budgetary highlights

The general fund's original and final budget were identical for the year ended June 30, 2013 (see statement on page 36). Actual revenues slightly surpassed expected budgeted general fund revenues by \$74,766 (0.20%), which is mostly the result of delinquent tax collections exceeding expectations (including any penalties and interest).

General fund expenditures utilized 99.1% of the general fund budget. There was only one significant functional variance in the expenditure section. The operations and maintenance function benefitted from a 12.6% favorable variance due to several reasons. One reason is the District experienced another mild Winter and did not have to utilize the utilities contingency budget and another being that the District chose to pay for more large (but noncapitalized) projects out of the building reserve funds.

Ending budgeted general fund balance reserves rose to 7.2% of the 2013-2014 expenditure budget. This percentage is 72% 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 PreK-12 enrollment has increased every year since 2004 (see Table 24). The October 2012 increase of 183 students once again followed the current trend of enrollment projections. This enrollment gain will continue to increase the demand for resources but will also have a positive impact on the maximum budget allowed to service the educational needs of the students.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2013, the District had invested \$145.5 million in capital assets, including school land, buildings, construction in progress, and machinery and equipment. This amount represents an increase prior to depreciation of \$17,620,646 over 2012. Total depreciation expense for the year was \$3,120,821. The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2013.

	Amount
Land	\$ 8,886,865
Land improvements	5,399,436
Buildings and improvements	86,559,003
Machinery and equipment	1,621,895
Construction in progress	15,728,628
Total	<u>\$118,195,827</u>

The total assets (net of depreciation) noted above includes \$87,303 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 \$91,341,095 in general and limited obligation bonds and other long-term debt outstanding, of which \$5,007,610 is due within one year. A summary of the District's outstanding long-term debt for the year ended June 30, 2013, is presented below:

	Amount
General obligation bonds	\$ 86,842,064
Limited obligation bonds	521,791
Compensated absences	3,615,928
Voluntary termination benefits	34,578
Other postemployment benefits	326,734
Total	<u>\$ 91,341,095</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, 2013, the current elementary legal debt margin is \$10,399,774 and the high school is \$43,909,988 (as shown on Table 14).

Additional information on the District's long-term debt can be found in Note III E 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 2013-2014 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 6.6% to \$40,671,155 in fiscal year 2013-2014. Increased payroll and employee benefit costs are the primary reason for the increase.

Inflation for fiscal year 2013 (June to June) was 1.8% which was a modest increase over the 1.7% as of June 2012. The Consumer Price Index has decreased 0.3% from July 2013 through December 2013. 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 Steve Johnson (Deputy Superintendent Operations), at the Bozeman School District, 404 West Main Street, Bozeman, Montana 59715 (or by phone at 406-522-6042).



Basic Financial Statements



Government-Wide Financial Statements

BOZEMAN SCHOOL DISTRICT NO. 7
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities		Governmental Activities
<u>ASSETS</u>		<u>LIABILITIES</u>	
Current assets:		Current liabilities:	
Cash and cash equivalents	\$ 34,091,127	Accounts payable	\$ 3,668,206
Property taxes receivable(net of allowances for uncollectibles)	1,890,806	Accrued interest payable	260,418
Due from other governments	1,233,127	Retainages payable	681,624
Accounts receivable	30,993	Unearned revenue	980,599
Inventory, at cost	64,473	Bonds payable - due within one year	4,601,104
Prepaid items	28,469	Compensated absences - due within one year	399,906
Total current assets	<u>37,338,995</u>	Voluntary termination benefits - due within one year	6,600
		Total current liabilities	<u>10,598,457</u>
Noncurrent assets:		Noncurrent liabilities:	
Deferred bond issuance costs	426,405	Bonds payable	82,762,751
Land	8,886,865	Compensated absences	3,216,022
Land improvements	7,570,733	Voluntary termination benefits	27,978
Buildings and improvements	107,816,118	Other postemployment health benefits	326,734
Machinery and equipment	5,423,761	Total noncurrent liabilities	<u>86,333,485</u>
Construction in progress	15,728,628	Total liabilities	<u>96,931,942</u>
Less accumulated depreciation	<u>(27,317,581)</u>		
Total noncurrent assets	<u>118,534,929</u>		
Total assets	<u>\$ 155,873,924</u>	<u>NET POSITION</u>	
		Net investment in capital assets	41,859,235
		Restricted for:	
		Building	1,902,432
		Building reserve	5,465,104
		Debt service	67,262
		Bus depreciation	344,995
		Retirement	2,359,440
		Technology acquisition	902,474
		Transportation	685,229
		Grant purposes	603,261
		Adult education	145,163
		Tuition	87
		Unrestricted	4,607,300
		Total net position	<u>\$ 58,941,982</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, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental activities:					
Instruction	\$ 31,716,354	\$ 835,292	\$ 4,227,879	\$ -	\$ (26,653,183)
Support services	7,412,715	230,111	3,316,436	-	(3,866,168)
General administration	2,563,815	57,682	117,423	-	(2,388,710)
Building administration	3,310,381	111,584	168,960	-	(3,029,837)
Operations and maintenance	5,055,062	238,569	523,906	2,216,427	(2,076,160)
Student transportation	1,801,699	45,050	599,491	-	(1,157,158)
Food services	1,868,641	1,174,689	692,611	-	(1,341)
Extracurricular activities	932,725	1,409	10,534	-	(920,782)
Unallocated depreciation *	2,851,136	-	-	-	(2,851,136)
Interest and fiscal charges	3,003,231	-	-	-	(3,003,231)
Total governmental activities	\$ 60,515,759	\$ 2,694,386	\$ 9,657,240	\$ 2,216,427	\$ (45,947,706)
General revenues:					
District property taxes					27,624,361
Investment earnings					173,809
Intergovernmental revenue					
Unrestricted:					
County distribution - retirement					5,107,947
State equalization					14,847,712
State guaranteed tax base subsidy					2,296,582
State motor vehicle fee reimbursement					1,773,347
State quality educator					1,266,515
Other state revenue					438,003
Total general revenues					53,528,276
Change in net position					7,580,570
Net position, beginning of year					51,361,412
Net position, end of year					\$ 58,941,982

* 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, 2013

	General	Elementary Building	High School Building Reserve	Nonmajor Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and cash equivalents	\$ 4,091,676	\$ 14,571,594	\$ 3,489,877	\$ 9,237,227	\$ 31,390,374
Property taxes receivable	1,103,639	-	100,070	696,378	1,900,087
Due from other funds	-	-	-	38,714	38,714
Due from other governments	6,577	443,363	-	783,187	1,233,127
Accounts receivable	3,018	12,759	-	10,262	26,039
Inventory, at cost	-	-	-	45,046	45,046
Prepaid items	5,421	-	-	5,479	10,900
Total assets	\$ 5,210,331	\$ 15,027,716	\$ 3,589,947	\$ 10,816,293	\$ 34,644,287
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 709,720	\$ 1,401,430	\$ 21,632	\$ 1,063,210	\$ 3,195,992
Retainages payable	-	609,288	1,627	70,709	681,624
Bank overdraft	-	-	-	7,901	7,901
Deferred revenue	1,103,639	-	100,070	696,378	1,900,087
Unearned revenue	-	-	-	76,396	76,396
Due to other funds	-	-	-	38,714	38,714
Total liabilities	1,813,359	2,010,718	123,329	1,953,308	5,900,714
Fund balances:					
Nonspendable	5,421	-	-	50,525	55,946
Restricted	-	13,016,998	3,466,618	7,077,135	23,560,751
Committed	-	-	-	1,743,226	1,743,226
Assigned	465,196	-	-	-	465,196
Unassigned	2,926,355	-	-	(7,901)	2,918,454
Total fund balances	3,396,972	13,016,998	3,466,618	8,862,985	28,743,573
Total liabilities and fund balances	\$ 5,210,331	\$ 15,027,716	\$ 3,589,947	\$ 10,816,293	\$ 34,644,287

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 POSITION
JUNE 30, 2013

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

Total fund balances - governmental funds (page 32)	\$ 28,743,573
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$145,426,105 and the accumulated depreciation is \$27,317,581.	118,108,524
Property tax revenue is recognized when earned (and the claim to resources is established) rather than when "available." All of the deferred property tax revenue reported in the governmental funds is not available.	1,900,087
Property taxes receivable is reported "net of the allowances for uncollectibles" on the statement of net assets.	(9,281)
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	\$ 87,197,868
Compensated absences	3,615,928
Voluntary termination benefits	34,578
	(90,848,374)
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.	1,047,453
Total net position - governmental activities (page 28)	<u><u>\$ 58,941,982</u></u>

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

BOZEMAN SCHOOL DISTRICT NO. 7
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General	Elementary Building	High School Building Reserve	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
District property taxes	\$ 15,955,470	\$ -	\$ 1,506,738	\$ 10,128,789	\$ 27,590,997
Tuition and fees	28,748	-	-	1,324,622	1,353,370
Interest	33,069	41,113	11,279	48,044	133,505
Other district revenue	946	697,784	-	676,002	1,374,732
Gallatin County	-	-	-	5,442,341	5,442,341
State of Montana	22,200,452	-	-	2,699,050	24,899,502
Federal	-	-	-	3,505,205	3,505,205
Total revenues	<u>38,218,685</u>	<u>738,897</u>	<u>1,518,017</u>	<u>23,824,053</u>	<u>64,299,652</u>
Expenditures:					
Current -					
Instruction	24,541,926	144,109	230	6,128,983	30,815,248
Support services	4,074,203	8,446	-	3,324,742	7,407,391
General administration	1,880,779	-	-	609,310	2,490,089
Building administration	2,651,661	5,914	-	590,149	3,247,724
Operations and maintenance	3,687,674	523,029	196,038	564,700	4,971,441
Student transportation	382	-	-	1,798,858	1,799,240
Food services	8,015	-	-	1,830,606	1,838,621
Extracurricular activities	851,514	-	-	76,819	928,333
Capital outlay	7	15,795,637	909,879	901,290	17,606,813
Debt service -					
Principal retirement	-	-	-	5,488,708	5,488,708
Interest and fiscal charges	-	-	-	2,970,582	2,970,582
Bond issuance costs	-	260,334	-	-	260,334
Total expenditures	<u>37,696,161</u>	<u>16,737,469</u>	<u>1,106,147</u>	<u>24,284,747</u>	<u>79,824,524</u>
Excess (deficiency) of revenues over expenditures	<u>522,524</u>	<u>(15,998,572)</u>	<u>411,870</u>	<u>(460,694)</u>	<u>(15,524,872)</u>
Other financing sources (uses):					
Hail damage insurance proceeds	-	2,093,038	-	-	2,093,038
General obligation bonds issued	-	26,375,000	-	-	26,375,000
Premium on general obligation debt	-	677,681	-	1,045,914	1,723,595
Total other financing sources (uses)	<u>-</u>	<u>29,145,719</u>	<u>-</u>	<u>1,045,914</u>	<u>30,191,633</u>
Net changes in fund balances	522,524	13,147,147	411,870	585,220	14,666,761
Fund balances, beginning of year	<u>2,874,448</u>	<u>(130,149)</u>	<u>3,054,748</u>	<u>8,277,765</u>	<u>14,076,812</u>
Fund balances, end of year	<u>\$ 3,396,972</u>	<u>\$ 13,016,998</u>	<u>\$ 3,466,618</u>	<u>\$ 8,862,985</u>	<u>\$ 28,743,573</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, 2013**

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) **\$ 14,666,761**

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 (\$17,606,813) exceeded depreciation (\$3,058,068) in the current period. 14,548,745

Deferred revenue in the governmental funds are reported on the full accrual method in the government-wide financial statements. 33,364

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 position. 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. (22,348,250)

The current period net decrease in compensated absences and voluntary termination benefits payable did not require the use of current financial resources and, therefore, generated no expenditure to be reported in the governmental funds. 140,641

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. 539,309

Change in net position of governmental activities (page 29) **\$ 7,580,570**

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, 2013

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
District property taxes	\$ 15,878,652	\$ 15,955,470	\$ 76,818
Tuition and fees	35,000	28,748	(6,252)
Interest	32,913	32,128	(785)
Other district revenue	9,599	946	(8,653)
State of Montana	22,186,814	22,200,452	13,638
Total revenues	<u>38,142,978</u>	<u>38,217,744</u>	<u>74,766</u>
Expenditures:			
Current -			
Instruction	24,198,900	24,580,312	(381,412)
Support services	4,270,614	4,068,345	202,269
General administration	1,883,063	1,790,203	92,860
Building administration	2,746,583	2,649,077	97,506
Operations and maintenance	4,198,728	3,668,270	530,458
Student transportation	3,765	382	3,383
Extracurricular activities	841,325	851,514	(10,189)
Capital outlay	-	7	(7)
Total expenditures	<u>38,142,978</u>	<u>37,608,110</u>	<u>534,868</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>609,634</u>	<u>609,634</u>
Other financing sources (uses):			
Transfers out	-	(187,000)	(187,000)
Total other financing sources (uses)	<u>-</u>	<u>(187,000)</u>	<u>(187,000)</u>
Net change in fund balances	-	422,634	422,634
Fund balances, beginning of year	<u>2,509,142</u>	<u>2,509,142</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 2,509,142</u></u>	<u><u>\$ 2,931,776</u></u>	<u><u>\$ 422,634</u></u>

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

BOZEMAN SCHOOL DISTRICT NO. 7
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Governmental Activities: Internal Service Funds
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 2,708,654
Accounts receivable	4,954
Inventory, at cost	19,427
Prepaid items	17,569
Total current assets	<u>2,750,604</u>
Noncurrent assets:	
Capital assets:	
Machinery and equipment	556,679
Less accumulated depreciation	<u>(301,103)</u>
Net capital assets	<u>255,576</u>
Total assets	<u>3,006,180</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	472,214
Unearned revenue	<u>904,203</u>
Total current liabilities	<u>1,376,417</u>
Noncurrent liabilities:	
Other postemployment health benefits	<u>326,734</u>
Total noncurrent liabilities	<u>326,734</u>
Total liabilities	<u>1,703,151</u>
<u>NET POSITION</u>	
Net investment in capital assets	255,576
Unrestricted	<u>1,047,453</u>
Total net position	<u>\$ 1,303,029</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 NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Governmental Activities: Internal Service Funds
Operating revenues:	
Charges for services	\$ 7,012,309
Charges for Wellness services	93,411
Total operating revenues	<u>7,105,720</u>
Operating expenses:	
Administrative expenses	227,014
Communications	33,406
Contracted bus services	159,390
Contracted Medicare supplement	103,088
Depreciation	57,442
Excess risk insurance	440,825
Health, dental and vision claims	4,492,591
Materials and supplies	419,307
Other postemployment health benefits	96,944
Repairs and maintenance	21,047
Salaries and benefits	206,214
Wellness	314,369
Other	1,126
Total operating expenses	<u>6,572,763</u>
Operating income (loss)	<u>532,957</u>
Nonoperating revenues (expenses):	
Interest	6,352
Total nonoperating revenues (expenses)	<u>6,352</u>
Change in net position	539,309
Net position, beginning of year	<u>763,720</u>
Net position, end of year	<u><u>\$ 1,303,029</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, 2013

	Governmental Activities: Internal Service Funds
Cash flows from operating activities:	
Receipts from users	\$ 7,164,192
Payments for insurance claims	(4,547,797)
Payments to employees	(206,214)
Payments to suppliers	(1,625,402)
Net cash provided (used) by operating activities	<u>784,779</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	(11,590)
Net cash provided (used) by capital and related financing activities	<u>(11,590)</u>
Cash flows from investing activities:	
Interest received	6,352
Net cash provided (used) by investing activities	<u>6,352</u>
Net increase (decrease) in cash and cash equivalents	779,541
Cash and cash equivalents - 7/01/12	<u>1,929,113</u>
Cash and cash equivalents - 6/30/13	<u><u>\$ 2,708,654</u></u>
Reconciliation of operating income(loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 532,957
Adjustments to reconcile operating income(loss) to net cash provided (used) by operating activities:	
Depreciation	57,442
(Increase) decrease in accounts receivable	(3,586)
(Increase) decrease in inventories	117,494
(Increase) decrease in prepaid items	(17,569)
Increase (decrease) in accounts payable	(60,961)
Increase (decrease) in other postemployment benefits	96,944
Increase (decrease) in unearned insurance premiums	62,058
Total adjustments	<u>251,822</u>
Net cash provided (used) by operating activities	<u><u>\$ 784,779</u></u>

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

BOZEMAN SCHOOL DISTRICT NO. 7
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Private-Purpose Trust
<u>ASSETS</u>	
Cash and cash equivalents	\$ 928,483
Investments	560,050
Due from other governments	1,741
Accounts receivable	27,055
Land improvements	83,852
Machinery and equipment	19,822
Less accumulated depreciation	(16,371)
Total assets	1,604,632
<u>LIABILITIES</u>	
Accounts payable	142
Due to other governments	135,970
Total liabilities	136,112
<u>NET POSITION</u>	
Net position held in trust	\$ 1,468,520

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

BOZEMAN SCHOOL DISTRICT NO. 7
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Private-Purpose Trust Funds
Additions:	
Auctions	\$ 31,198
Contributions	20,243
Extracurricular receipts and fees	1,261,473
Medicaid direct billing receipts	743,245
Membership services	208,113
Other trust revenue	3,189
State of Montana	43,838
Total noninvestment trust additions	<u>2,311,299</u>
Investment earnings:	
Interest	<u>44,178</u>
Total additions	<u>2,355,477</u>
Deductions:	
Administrative expenses	88,234
Depreciation	5,311
Dues and fees	6,420
Salaries and benefits	12,745
Extracurricular activities	1,251,140
Payments to consortium members	655,938
Professional contracted services	194,434
Scholarships	16,602
Total deductions	<u>2,230,824</u>
Change in net position	124,653
Net position, beginning of year	<u>1,343,867</u>
Net position, end of year	<u><u>\$ 1,468,520</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, 2013

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.

The District adopted the provisions of GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Statement codifies the requirements of all pre-November 30, 1989 FASB and AICPA pronouncements that apply to state and local governments.

The GASB has issued Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of net position. The requirements of this Statement were implemented for the fiscal year ended June 30, 2013.

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. The District has implemented in this fiscal year GASB Statement No. 61 *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. One significant modification was the provision that a financial benefit or burden must exist between the District and potential component unit organization for it to be included in the reporting entity as a component unit. In applying this statement, it has been determined that 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 position 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 position 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 position 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 (and ultimately presents changes in net position). Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipient of the goods or services provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

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

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

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

However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

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

The District reports the following major governmental funds:

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

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

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

Additionally, the government also reports the following fund types:

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

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

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

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

When both restricted and unrestricted net positions are available to expend, it is the District's policy to use its restricted net position first, followed by unrestricted net position 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. \$132,403 of the Middle and High School Student Extracurricular Funds (which are Private-Purpose Trust Funds) are in various interest bearing checking accounts. \$7,592 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, 2013, the District had a significant portion of its funds invested in STIP through the Gallatin County external investment pool.

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

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

E. Receivables and payables

Trade receivables are primarily comprised of outstanding receivables for user charges and reimbursements anticipated from the internal service fund's excess risk insurance provider. Periodically, less than a

hundred dollars has been written off for some fiscal years and therefore no allowance for uncollectibles is created for these receivables.

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

Property taxes are due in two payments, generally November 30th and May 31st. Unpaid taxes become delinquent on December 1st and June 1st. After three years of delinquency, the County may proceed to take title to the property. Delinquent taxes may be collected up to ten years. The County Treasurer may issue a writ of execution to the County Sheriff to seize the property and sell it to pay the taxes. Unpaid taxes at the end of ten years may be written off by the County Commissioners. Using the County's 10-year delinquency rate of 0.03% on real estate property taxes levied and 0.2% on personal property taxes levied, a \$9,281 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 was 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 \$2,588 for the fiscal year ended June 30, 2013 (the VCOP Plan is entirely employer funded). The District had 1 remaining past employee participating in these plans on June 30, 2013.

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 position. Bond issuance costs, premiums and discounts are deferred over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized as a component of interest and fiscal charges over the life of the related debt.

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

M. Fund balance

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

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

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

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

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

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

As of June 30, 2013, fund balances are comprised of the following:

	General	Elementary Building	High School Building Reserve	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Inventories	\$ -	\$ -	\$ -	\$ 45,046	\$ 45,046
Prepaid items	5,421	-	-	5,479	10,900
Restricted:					
Federal, State, & Local Grants	-	-	-	603,261	603,261
Building construction, repair & renovations	-	13,016,998	3,466,618	2,002,008	18,485,624
Debt Service	-	-	-	34,069	34,069
Student Transportation	-	-	-	684,788	684,788
Replacing School Buses	-	-	-	344,785	344,785

	General	Elementary Building	High School Building Reserve	Nonmajor Governmental Funds	Total Governmental Funds
Student Tuition	-	-	-	593	593
Retirement payroll taxes	-	-	-	2,359,440	2,359,440
Technology acquisition	-	-	-	902,953	902,953
Adult Education	-	-	-	145,238	145,238
Committed:					
Food services	-	-	-	413,261	413,261
Special services	-	-	-	588,222	588,222
Business services	-	-	-	325,457	325,457
Drivers education	-	-	-	196,929	196,929
Misc. district operations	-	-	-	219,357	219,357
Assigned:					
Encumbrances	91,056	-	-	-	91,056
Compensated absences	374,140	-	-	-	374,140
Unassigned	2,926,355	-	-	(7,901)	2,918,454
Total fund balances	<u>\$3,396,972</u>	<u>\$13,016,998</u>	<u>\$ 3,466,618</u>	<u>\$ 8,862,985</u>	<u>\$ 28,743,573</u>

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 Position

In funds other than governmental, net position represent the difference between assets and liabilities. Net investment in capital assets 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. This line item is not reduced by the portion of debt that is related to unspent bond proceeds. Net position is reported as restricted when there are limitations imposed on its use either

through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

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

General

Special Revenue:

Transportation

Bus Depreciation

Tuition

Retirement

Technology Acquisition

Adult Education

Debt Service

Capital Projects:

Building Reserve

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

Budgetary policy follows:

- 1) By the first Monday in August, the Department of Revenue transmits a statement of assessed valuation and taxable valuation of all property to the County Superintendent of Schools.
- 2) On or before August 15th, the Board of Trustees must meet to legally adopt the final budget.
- 3) Upon adoption of the final budget, expenditures and operating transfers are limited to the total fund budget. (There is one exception, see Note IIC.) Unexpended and unencumbered appropriations lapse at year end. Under State law and District Policy, management may amend the budget without seeking Board approval as long as the total individual fund budget is not exceeded.
- 4) Individual fund budgets may only be increased with Board approval, in a manner prescribed by State Law (MCA 20-9-161 through 20-9-166.) There were no supplemental appropriations approved during fiscal year 2013.

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 differences 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	\$522,524
Consolidating compensated absence liability fund activity	(40,684)
Adjustment for Encumbrances	<u>(59,206)</u>
Budget Basis	<u><u>\$422,634</u></u>

C. Excess of expenditures over appropriations

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

D. Deficit fund equity

The Elementary Debt Service and High School Tuition funds had deficits of \$7,366 and \$535, respectively, as of June 30, 2013. These deficits largely resulted from revenue collections trailing levied amounts. Additional mills are allowed to be levied in the future to make up for these deficits.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

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

Cash and cash equivalents consist of:

Petty cash	\$ 5,800
County Treasurer's Investment Pool	34,873,815
Cash in checking	132,403
Cash in D.A. Davidson bank insured deposits	7,592
Total	<u>\$ 35,019,610</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>\$560,050</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 \$132,403 which 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 two nonlocal banks through its D.A. Davidson investment account. The mutual funds listed above

were also purchased with this same Endowment fund and are 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, 2013, for the District's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Elementary Building	High School Building Reserve	Nonmajor and Other Funds	Total
Receivables:					
Accounts	\$ 3,018	\$ 12,759	\$ -	\$ 42,271	\$ 58,048
Property taxes receivable	1,103,639	-	100,070	696,378	1,900,087
Gross receivables	1,106,657	12,759	100,070	738,649	1,958,135
Less: allowance for Uncollectibles	(5,391)	-	(489)	(3,401)	(9,281)
Net total receivables	<u>\$ 1,101,266</u>	<u>\$ 12,759</u>	<u>\$ 99,581</u>	<u>\$ 735,248</u>	<u>\$1,948,854</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of \$1,900,087 deferred revenue and \$76,396 unearned revenue reported in governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (General Fund)	\$1,103,639	\$ -
Delinquent property taxes receivable (High School Bldg. Reserve)	100,070	-
Delinquent property taxes receivable (Nonmajor governmental funds)	696,378	-
Food Service, Elementary & High School grants (Nonmajor gov'tl funds)	-	76,396
Total deferred revenue for governmental funds	<u>\$1,900,087</u>	<u>\$ 76,396</u>

The Self-Insurance internal service fund had unearned revenue of \$904,203 as of June 30, 2013, 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, 2013 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	\$ 7,527,053	\$ 1,359,812	\$ -	\$ 8,886,865
Construction in progress	4,793,833	14,106,810	(3,172,015)	15,728,628
Total capital assets, not being depreciated	<u>12,320,886</u>	<u>15,466,622</u>	<u>(3,172,015)</u>	<u>24,615,493</u>
Capital assets, being depreciated:				
Land improvements	6,965,585	605,148	-	7,570,733
Buildings and improvements	103,241,138	4,574,980	-	107,816,118
Machinery and equipment	5,285,120	143,668	(5,027)	5,423,761
Total capital assets being depreciated	<u>115,491,843</u>	<u>5,323,796</u>	<u>(5,027)</u>	<u>120,810,612</u>
Less accumulated depreciation for:				
Land improvements	(1,882,622)	(363,408)	-	(2,246,030)
Buildings and improvements	(18,769,387)	(2,487,728)	-	(21,257,115)
Machinery and equipment	(3,555,089)	(264,374)	5,027	(3,814,436)
Total accumulated depreciation	<u>(24,207,098)</u>	<u>(3,115,510)</u>	<u>5,027</u>	<u>(27,317,581)</u>

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Total capital assets, being depreciated, net	91,284,745	(2,208,286)	-	93,493,031
Governmental activities capital assets, net	<u>\$103,605,631</u>	<u>\$ 17,674,908</u>	<u>\$ (3,172,015)</u>	<u>\$118,108,524</u>

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

Governmental activities:	
Instruction	\$ 76,948
Support services	3,355
General administration	30,096
Operations and maintenance	69,217
Student transportation	2,549
Food services	19,365
Extracurricular activities	5,402
Unallocated depreciation (buildings and land improvements)	2,851,136
Capital assets held by the government's internal service	
funds are charged to the various functions based on their	
usage of the assets	<u>57,442</u>
Total depreciation expense - governmental activities	<u>\$3,115,510</u>

Fiduciary Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, being depreciated:				
Land improvements	\$ 83,852	\$ -	\$ -	\$ 83,852
Machinery and equipment	12,552	7,270	-	19,822
Less accumulated depreciation	(11,060)	(5,311)	-	(16,371)
Fiduciary capital assets, net	<u>85,344</u>	<u>1,959</u>	<u>-</u>	<u>87,303</u>

Depreciation expense in the fiduciary funds amounted to \$5,311 in the 2012-2013 fiscal year.

Construction commitments - The District has active construction projects as of June 30, 2013. At year-end the District's commitments with contractors were as follows:

<u>Projects</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Construction & Architect contracts for High School (HS) hail damaged roof repair	\$ 1,743,121	\$ 274,587
Construction & Architect contracts for HS coaches and locker room phase 2 remodel	16,739	256,829
Constr. & Arch. contracts for Support Services Building & Land Improvements phase 2	335,007	3,531,666
Construction contracts remaining for Elementary hail damaged roof repair	1,693	89,845
Architect contract for Longfellow Elem. mechanical and expansion phase 1 and 2	144,193	204,064
Construction contract for Longfellow Elem. mechanical and expansion phase 1	110,100	525,923
Architect contract for Meadowlark Elementary	749,194	72,306
Construction contract for Meadowlark Elementary (building and land improvements)	10,222,760	5,261,011
Total	<u>\$ 13,322,807</u>	<u>\$ 10,216,231</u>

The building fund is responsible for the remaining hail damaged roof repairs. The high school building reserve is responsible for the coaches and locker room phase 2 remodel in addition to a portion of the Support Services building and land renovations. The elementary building fund is paying for a portion of the Support Services building and land project as well as all of the Longfellow Elementary renovation and Meadowlark Elementary building and land improvements.

D. Interfund activity

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

E. Long-term debt

General obligation bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital projects. General obligation bonds have only been issued for governmental activities. The original amount of general obligation bonds issued in prior years was \$76,825,000. During the current fiscal year, general obligation bonds totaling \$26,375,000 (July 2012 and January 2013) were issued to purchase additional Elementary District land, construct Meadowlark Elementary School, expand the Support Services building, and perform renovations at Longfellow Elementary School. 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, 2013	Due Within One Year
2006 Elementary	\$14,100,000	20	4.00 - 5.25%	\$ 10,540,000	\$ 630,000
2007 Elementary	5,750,000	19	3.75 - 4.20%	4,375,000	260,000
2008 Elementary	17,500,000	20	3.00 - 4.25%	14,625,000	710,000
2012 Elementary	10,000,000	20	1.00 - 3.00%	9,545,000	420,000
2013 Elementary	16,375,000	20	3.00 - 4.00%	15,765,000	605,000
Subtotal				54,850,000	2,625,000
2006 High School	14,500,000	20	4.00 - 5.25%	10,840,000	645,000
2007 High School	14,975,000	19	4.10 - 4.50%	11,420,000	680,000
2008 High School	10,000,000	18	3.00 - 4.00%	8,020,000	475,000
Subtotal				30,280,000	1,800,000
Total				\$ 85,130,000	\$ 4,425,000

Annual debt service requirements to maturity on general obligation bonds at June 30, 2013, are summarized as follows:

Year ending June 30:	Governmental Activities		
	Principal	Interest	Total
2014	\$ 4,425,000	\$ 3,177,095	\$ 7,602,095
2015	4,595,000	3,026,271	7,621,271
2016	4,770,000	2,860,175	7,630,175
2017	4,955,000	2,688,838	7,643,838
2018	5,135,000	2,516,757	7,651,757
2019-2023	28,820,000	9,622,220	38,442,220
2024-2028	25,735,000	3,729,511	29,464,511
2029-2032	6,695,000	551,263	7,246,263
Total	\$ 85,130,000	\$ 28,172,130	\$ 113,302,130

Limited obligation bonds

On December 19, 2006, the District issued limited obligation school building bonds in the amount of \$1,459,250. These specific bonds were used for major renovations at Whittier Elementary School and bear interest at 0% per annum and 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 December 19, 2015. 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 limited obligation debt payments and the limited obligation bonds are comprised as follows:

	Issue Amount	Term	Interest Rate	Outstanding Principal June 30, 2013	Due Within One Year
2006 Elementary	1,459,250	9	0%	\$ 521,791	\$ 176,104

Annual debt service requirements to maturity of limited obligation bonds at June 30, 2013, are summarized as follows:

Year ending June 30:	Governmental Activities		
	Principal	Investment Earnings	Total
2014	\$ 140,553	\$ 35,551	\$ 176,104
2015	140,553	41,767	182,320
2016	140,553	22,814	163,367
Total	\$ 421,659	\$ 100,132	\$ 521,791

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2013, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligations bonds	\$63,930,000	\$26,375,000	\$ (5,175,000)	\$85,130,000	\$4,425,000
Limited obligations bonds	869,451	-	(347,660)	521,791	176,104
Deferred amounts:					
Bond premiums	67,005	1,723,595	(78,536)	1,712,064	-
Excess reacquisition costs	(12,902)	-	12,902	-	-
Total bonds payable	64,853,554	28,098,595	(5,588,294)	87,363,855	4,601,104
Compensated absences	3,751,977	335,005	(471,054)	3,615,928	399,906
Voluntary termination benefits	39,170	-	(4,592)	34,578	6,600
Other postemployment benefits	229,790	96,944	-	326,734	-
Total governmental activity					
Long-term liabilities	\$68,874,491	\$28,530,544	\$ (6,063,940)	\$91,341,095	\$5,007,610

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

The legal debt limits may not exceed the greater of 1) 50% of the latest available value of property which is subject to taxation within the district or 2) the statewide average taxable valuation per student multiplied by the number of students enrolled in a particular district multiplied by 50% (MCA 20-9-406). In the current fiscal year, the Elementary District used the second formula above for its legal debt service limitation and the High School District used formula 1 for its legal debt service limit. For the year ending June 30, 2013, legal debt limitations were as follows:

	<u>TAXING DISTRICT</u>	
	<u>Elementary</u>	<u>High School</u>
Legal Debt Service Limitation	\$65,771,565	\$74,155,919

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 Hyalite Elementary School. Elementary General Obligation bonds issued in 2012 and 2013 were used to acquire an Elementary School site, construct Meadowlark Elementary School, renovate and expand the District Support Services site and building and perform renovations at Longfellow Elementary School.

F. Restricted net assets

The State of Montana has enabling legislation which mandates the creation of certain funds and establishes the criteria for property taxes levied to meet the specific purposes of these funds. The District classifies the net assets of these funds as well and some federal, state and local grants as restricted net assets. These individual funds and their net assets at June 30, 2013 are as follows:

Fund Name	Fund Type	Amount
Elementary building reserve	Capital Projects	\$ 1,998,921
High school building reserve	Capital Projects	3,466,183
Elementary building	Capital Projects	1,902,432
Elementary debt service	Debt Service	43,148
High School debt service	Debt Service	24,114
Elementary bus depreciation	Special Revenue	171,483
High school bus depreciation	Special Revenue	173,512
Elementary retirement	Special Revenue	1,341,486
High school retirement	Special Revenue	1,017,954
Elementary technology acquisition	Special Revenue	222,404
High school technology acquisition	Special Revenue	680,070
Elementary transportation	Special Revenue	518,860
High school transportation	Special Revenue	166,369
Elementary grants	Special Revenue	164,354
High school grants	Special Revenue	438,907
Elementary and High School tuition	Special Revenue	87
Adult education	Special Revenue	145,163
Total restricted net assets		<u>\$ 12,475,447</u>

G. Leases

In May, 2011, the District approved a four year noncancelable operating photocopier lease arrangement which began on July 1, 2012. The arrangement involves 33 photocopiers with guaranteed minimums of 8,500,000 copies per year. The total cost of this lease for the fiscal year ended June 30, 2013, was \$77,096. The future minimum lease payments are as follows:

Year Ending June 30	Amount
2014	\$ 85,173
2015	85,173
Total	<u>\$ 170,346</u>

IV. OTHER INFORMATION

A. Risk management

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

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

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

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

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

<u>Fiscal Year</u>	<u>Beginning Liability</u>	<u>Current Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2011	\$ 478,205	\$ 4,811,811	\$ 4,779,293	\$ 510,723
2012	510,723	4,980,180	5,047,171	443,732
2013	443,732	4,437,385	4,492,591	388,526

Beginning in January 2013, the District contracted with New West Medicare to provide medical insurance for retirees (and eligible spouses) who are of Medicare eligible ages. The retiree pays the entire insurance premium.

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
(866) 600-4045

Public Employees Retirement System
P.O. Box 200131
Helena, MT 59620-0131
(877) 275-7372

Contribution rates for both plans are required and established by the state legislature. The contribution rates for 2013, 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%
PERS (hired on or after 7-1-2011)	6.80%	7.90%	0.37%	15.07%

The employee contribution rate for new PERS eligible employees hired after July 1, 2011, is 7.9%. PERS employees hired before this date are grandfathered in at 6.9% rate. The vast majority of District PERS eligible employees are grandfathered in under the older rate. PERS contributions listed below include all contributions (regardless of the individual employee rate). The amounts contributed to the plans during the year ended June 30, 2011, 2012 and 2013 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>2011</u>	<u>2012</u>	<u>2013</u>
TRS	\$ 4,060,723	\$ 4,419,144	\$ 4,685,091
PERS	768,888	796,702	760,022
Total	<u>\$ 4,829,611</u>	<u>\$ 5,215,846</u>	<u>\$ 5,445,113</u>

The State's contribution to the plans in 2013 was approximately \$697,801 for TRS and \$20,194 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, 2013.

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. There is no separate, audited GAAP-basis postemployment benefit plan report available for the self-insured medical defined benefit plan. Medicare eligible retirees may purchase health insurance through New West Medicare (via the District) and they are solely responsible for paying 100% of these premiums.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 257,843
Interest on net OPEB obligation	9,766
Adjustment to annual required contribution	<u>(10,366)</u>
Annual OPEB cost (expense)	257,243
Contributions made	<u>(160,299)</u>
Increase in net OPEB obligation	96,944
Net OPEB obligation - beginning of year	<u>229,790</u>
Net OPEB obligation - end of year	<u><u>\$ 326,734</u></u>

The District's Annual Required Contribution (ARC), the percentage of ARC cost contributed to the Plan, and the net OPEB obligation for the fiscal year ended June 30, 2013, and the two preceding fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution (ARC)</u>	<u>Employer Contributions</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 222,291	\$ 154,917	69.7%	\$ 161,749
June 30, 2012	\$ 233,521	\$ 165,295	70.8%	\$ 229,790
June 30, 2013	\$ 257,843	\$ 160,299	62.2%	\$ 326,734

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, 2013, the Plan was 0% funded. 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. An abbreviated schedule of funding progress is presented below.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability AAL (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a/c)</u>
9/1/2010	\$ -	\$ 2,066,044	\$ 2,066,044	0.0%	\$ 29,350,387	7.04%
9/1/2011	\$ -	\$ 2,135,480	\$ 2,135,480	0.0%	\$ 30,597,778	6.98%
9/1/2012	\$ -	\$ 2,291,449	\$ 2,291,449	0.0%	\$ 32,217,783	7.11%

Actuarial Methods and Assumptions

As of June 30, 2013, the District's actuarially accrued liability (AAL) for benefits was \$2,291,449. This was calculated using a closed amortization period. The AAL by status breakdown is shown below:

Actives	\$ 1,541,744
Retirees	749,705
Total AAL	<u>\$ 2,291,449</u>
Normal Cost	<u>\$ 149,957</u>
Participant information	
Actives	755
Retirees	54
Total	<u>809</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 (2014 - 8.5%, 2015 - 8.0%, 2016 7.5%, then reduced to 7% by 2017, and remaining at that level thereafter)
6. Participation Rate: 45% of current Active medical plan participants; 15% 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

The 2013 Montana Legislature passed HB 377 which reduced the allowable retirement fund operating reserve from 35% to 20% of the greater of the FY 2013 or FY 2014 final retirement fund budget. The excess retirement reserves were required to be sent to the Teachers' Retirement System by October 1, 2013. The District complied with this law and remitted \$510,000 and \$497,954 of the Elementary and High School Retirement Fund reserves, respectively, in September 2013. The District opened its eighth elementary school (Meadowlark) in August 2013, with an enrollment of 234 students. The school was at 100% completion in November 2013.

E. Contingencies

As of June 30, 2013, 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, 2013

The annual ARC, the percentage of ARC contributed to the plan, and the net OPEB obligation for June 30, 2013, and the two prior fiscal years for the Retiree Health Plan are as follows:

ANNUAL REQUIRED CONTRIBUTION (ARC) AND NET OPEB OBLIGATION				
	Year Ended	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
Retiree Health Plan	6/30/2011	\$222,291	69.7%	\$161,749
	6/30/2012	\$233,521	70.8%	\$229,790
	6/30/2013	\$257,843	62.2%	\$326,734

The funded status of the plan was as follows:

FUNDED STATUS	
(a) Actuarial accrued liability (AAL)	\$ 2,291,449
(b) Actuarial value of plan assets (UAAL)	-
Unfunded actuarial accrued liability (funding excess) [(a) - (b)]	<u>\$ 2,291,449</u>
Funded ratio (b) / (a)	0.0%
(c) Covered payroll	\$ 32,217,783
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ({(a) - (b)} / (c))	7.11%

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	9/1/2010	\$ -	\$ 2,066,044	\$ 2,066,044	0%	\$ 29,350,387	7.03%
	9/1/2011	\$ -	\$ 2,135,480	\$ 2,135,480	0%	\$ 30,597,778	6.97%
	9/1/2012	\$ -	\$ 2,291,449	\$ 2,291,449	0%	\$ 32,217,783	7.11%

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 three 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, 2013

	Elementary General Subfund	High School General Subfund	Totals
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,385,937	\$ 1,705,739	\$ 4,091,676
Property taxes receivable	679,290	424,349	1,103,639
Due from other governments	6,577	-	6,577
Accounts receivable	1,890	1,128	3,018
Prepaid items	557	4,864	5,421
Total assets	\$ 3,074,251	\$ 2,136,080	\$ 5,210,331
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 465,820	\$ 243,900	\$ 709,720
Deferred revenue	679,290	424,349	1,103,639
Total liabilities	1,145,110	668,249	1,813,359
Fund balances:			
Nonspendable	557	4,864	5,421
Assigned	301,205	163,991	465,196
Unassigned	1,627,379	1,298,976	2,926,355
Total fund balances	1,929,141	1,467,831	3,396,972
Total liabilities and fund balances	\$ 3,074,251	\$ 2,136,080	\$ 5,210,331

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GENERAL SUBFUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Elementary General Subfund	High School General Subfund	Totals
Revenues:			
District property taxes	\$ 9,990,146	\$ 5,965,324	\$ 15,955,470
Tuition and fees	13,885	14,863	28,748
Interest	22,264	10,805	33,069
Other district revenue	438	508	946
State of Montana	14,762,524	7,437,928	22,200,452
Total revenues	<u>24,789,257</u>	<u>13,429,428</u>	<u>38,218,685</u>
Expenditures:			
Current -			
Instruction	16,594,856	7,947,070	24,541,926
Support services	2,783,150	1,291,053	4,074,203
General administration	954,156	926,623	1,880,779
Building administration	1,949,685	701,976	2,651,661
Operations and maintenance	1,954,740	1,732,934	3,687,674
Student transportation	155	227	382
Food services	-	8,015	8,015
Extracurricular activities	190,066	661,448	851,514
Capital outlay	-	7	7
Total expenditures	<u>24,426,808</u>	<u>13,269,353</u>	<u>37,696,161</u>
Net change in fund balances	362,449	160,075	522,524
Fund balances, beginning of year	<u>1,566,692</u>	<u>1,307,756</u>	<u>2,874,448</u>
Fund balances, end of year	<u><u>\$ 1,929,141</u></u>	<u><u>\$ 1,467,831</u></u>	<u><u>\$ 3,396,972</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, 2013

	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	\$ 9,965,889	\$ 9,990,146	\$ 24,257	\$ 5,912,763	\$ 5,965,324	\$ 52,561
Tuition and fees	15,000	13,885	(1,115)	20,000	14,863	(5,137)
Interest	20,763	21,695	932	12,150	10,433	(1,717)
Other district revenue	6,377	438	(5,939)	3,222	508	(2,714)
State of Montana	14,759,155	14,762,524	3,369	7,427,659	7,437,928	10,269
Total revenues	<u>24,767,184</u>	<u>24,788,688</u>	<u>21,504</u>	<u>13,375,794</u>	<u>13,429,056</u>	<u>53,262</u>
Expenditures:						
Current -						
Instruction	16,344,808	16,635,051	(290,243)	7,854,092	7,945,261	(91,169)
Support services	2,953,791	2,779,987	173,804	1,316,823	1,288,358	28,465
General administration	958,525	901,064	57,461	924,538	889,139	35,399
Building administration	1,990,345	1,948,393	41,952	756,238	700,684	55,554
Operations and maintenance	2,322,400	1,940,083	382,317	1,876,328	1,728,187	148,141
Student transportation	3,290	155	3,135	475	227	248
Extracurricular activities	194,025	190,066	3,959	647,300	661,448	(14,148)
Capital outlay	-	-	-	-	7	(7)
Total expenditures	<u>24,767,184</u>	<u>24,394,799</u>	<u>372,385</u>	<u>13,375,794</u>	<u>13,213,311</u>	<u>162,483</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>393,889</u>	<u>393,889</u>	<u>-</u>	<u>215,745</u>	<u>215,745</u>
Other financing sources (uses):						
Transfers out	-	(111,000)	(111,000)	-	(76,000)	(76,000)
Total other financing sources (uses)	<u>-</u>	<u>(111,000)</u>	<u>(111,000)</u>	<u>-</u>	<u>(76,000)</u>	<u>(76,000)</u>
Net change in fund balances	<u>-</u>	<u>282,889</u>	<u>282,889</u>	<u>-</u>	<u>139,745</u>	<u>139,745</u>
Fund balances, beginning of year	<u>1,345,047</u>	<u>1,345,047</u>	<u>-</u>	<u>1,164,095</u>	<u>1,164,095</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,345,047</u>	<u>\$ 1,627,936</u>	<u>\$ 282,889</u>	<u>\$ 1,164,095</u>	<u>\$ 1,303,840</u>	<u>\$ 139,745</u>

Nonmajor Governmental Funds – By Fund Type

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
JUNE 30, 2013

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 7,092,739	\$ 34,069	\$ 2,110,419	\$ 9,237,227
Property taxes receivable	131,769	475,119	89,490	696,378
Due from other funds	38,714	-	-	38,714
Due from other governments	783,187	-	-	783,187
Accounts receivable	10,262	-	-	10,262
Inventory, at cost	45,046	-	-	45,046
Prepaid items	5,479	-	-	5,479
Total assets	\$ 8,107,196	\$ 509,188	\$ 2,199,909	\$ 10,816,293
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 1,025,508	\$ -	\$ 37,702	\$ 1,063,210
Retainages payable	-	-	70,709	70,709
Bank overdraft	535	7,366	-	7,901
Deferred revenue	131,769	475,119	89,490	696,378
Unearned revenue	76,396	-	-	76,396
Due to other funds	38,714	-	-	38,714
Total liabilities	1,272,922	482,485	197,901	1,953,308
Fund balances:				
Nonspendable	50,525	-	-	50,525
Restricted	5,041,058	34,069	2,002,008	7,077,135
Committed	1,743,226	-	-	1,743,226
Unassigned	(535)	(7,366)	-	(7,901)
Total fund balances	6,834,274	26,703	2,002,008	8,862,985
Total liabilities and fund balances	\$ 8,107,196	\$ 509,188	\$ 2,199,909	\$ 10,816,293

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, 2013

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
Revenues:				
District property taxes	\$ 1,906,955	\$ 6,993,243	\$ 1,228,591	\$ 10,128,789
Tuition and fees	1,324,622	-	-	1,324,622
Interest	26,205	13,015	8,824	48,044
Other district revenue	676,002	-	-	676,002
Gallatin County	5,442,341	-	-	5,442,341
State of Montana	2,682,607	16,443	-	2,699,050
Federal	3,505,205	-	-	3,505,205
Total revenues	<u>15,563,937</u>	<u>7,022,701</u>	<u>1,237,415</u>	<u>23,824,053</u>
Expenditures:				
Current -				
Instruction	6,120,590	-	8,393	6,128,983
Support services	3,324,742	-	-	3,324,742
General administration	609,310	-	-	609,310
Building administration	590,149	-	-	590,149
Operations and maintenance	333,534	-	231,166	564,700
Student transportation	1,798,858	-	-	1,798,858
Food services	1,830,606	-	-	1,830,606
Extracurricular activities	76,819	-	-	76,819
Capital outlay	154,599	-	746,691	901,290
Debt service -				
Principal retirement	-	5,175,000	313,708	5,488,708
Interest and fiscal charges	-	2,970,082	500	2,970,582
Total expenditures	<u>14,839,207</u>	<u>8,145,082</u>	<u>1,300,458</u>	<u>24,284,747</u>
Excess (deficiency) of revenues over expenditures	<u>724,730</u>	<u>(1,122,381)</u>	<u>(63,043)</u>	<u>(460,694)</u>
Other financing sources (uses):				
Premium on general obligation debt	-	1,045,914	-	1,045,914
Total other financing sources (uses)	<u>-</u>	<u>1,045,914</u>	<u>-</u>	<u>1,045,914</u>
Net change in fund balances	724,730	(76,467)	(63,043)	585,220
Fund balances, beginning of year	<u>6,109,544</u>	<u>103,170</u>	<u>2,065,051</u>	<u>8,277,765</u>
Fund balances, end of year	<u>\$ 6,834,274</u>	<u>\$ 26,703</u>	<u>\$ 2,002,008</u>	<u>\$ 8,862,985</u>



Nonmajor Special Revenue Funds

Budgeted:

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

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

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

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

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

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

Non-Budgeted:

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

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

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

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2013

	Elementary Transportation	Elementary Bus Depreciation	Elementary Tuition	Elementary Retirement	Elementary Grants	Elementary Technology Acquisition	High School Transportation	High School Bus Depreciation
<u>ASSETS</u>								
Cash and cash equivalents	\$ 516,601	\$ 171,303	\$ 593	\$ 1,850,342	\$ 515,045	\$ 401,721	\$ 168,187	\$ 173,482
Property taxes receivable	65,604	2,544	4	-	-	13,833	20,383	2,640
Due from other funds	-	-	-	-	38,714	-	-	-
Due from other governments	-	-	-	-	615,274	-	-	-
Accounts receivable	-	-	-	-	2,167	-	-	-
Inventory, at cost	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	5,479	-	-	-
Total assets	\$ 582,205	\$ 173,847	\$ 597	\$ 1,850,342	\$ 1,176,679	\$ 415,554	\$ 188,570	\$ 176,122
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ 470,142	\$ 41,911	\$ 179,510	\$ -	\$ -
Bank overdraft	-	-	-	-	-	-	-	-
Deferred revenue	65,604	2,544	4	-	-	13,833	20,383	2,640
Unearned revenue	-	-	-	-	6,703	-	-	-
Due to other funds	-	-	-	38,714	-	-	-	-
Due to other governments	-	-	-	-	-	-	-	-
Total liabilities	65,604	2,544	4	508,856	48,614	193,343	20,383	2,640
Fund balances:								
Nonspendable	-	-	-	-	5,479	-	-	-
Restricted	516,601	171,303	593	1,341,486	164,354	222,211	168,187	173,482
Committed	-	-	-	-	958,232	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	516,601	171,303	593	1,341,486	1,128,065	222,211	168,187	173,482
Total liabilities and fund balances	\$ 582,205	\$ 173,847	\$ 597	\$ 1,850,342	\$ 1,176,679	\$ 415,554	\$ 188,570	\$ 176,122

(Continued)

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2013

	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	\$ 450,718	\$ -	\$ 1,250,525	\$ 508,262	\$ 145,238	\$ 160,119	\$ 780,603	\$ 7,092,739
Property taxes receivable	-	412	-	-	12,015	-	14,334	131,769
Due from other funds	-	-	-	-	-	-	-	38,714
Due from other governments	9,568	-	-	121,535	-	36,810	-	783,187
Accounts receivable	8,095	-	-	-	-	-	-	10,262
Inventory, at cost	45,046	-	-	-	-	-	-	45,046
Prepaid items	-	-	-	-	-	-	-	5,479
Total assets	\$ 513,427	\$ 412	\$ 1,250,525	\$ 629,797	\$ 157,253	\$ 196,929	\$ 794,937	\$ 8,107,196
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities:								
Accounts payable	\$ 1,152	\$ -	\$ 232,571	\$ 361	\$ -	\$ -	\$ 99,861	\$ 1,025,508
Bank overdraft	-	535	-	-	-	-	-	535
Deferred revenue	-	412	-	-	12,015	-	14,334	131,769
Unearned revenue	53,968	-	-	15,725	-	-	-	76,396
Due to other funds	-	-	-	-	-	-	-	38,714
Due to other governments	-	-	-	-	-	-	-	-
Total liabilities	55,120	947	232,571	16,086	12,015	-	114,195	1,272,922
Fund balances:								
Nonspendable	45,046	-	-	-	-	-	-	50,525
Restricted	-	-	1,017,954	438,907	145,238	-	680,742	5,041,058
Committed	413,261	-	-	174,804	-	196,929	-	1,743,226
Unassigned	-	(535)	-	-	-	-	-	(535)
Total fund balances	458,307	(535)	1,017,954	613,711	145,238	196,929	680,742	6,834,274
Total liabilities and fund balances	\$ 513,427	\$ 412	\$ 1,250,525	\$ 629,797	\$ 157,253	\$ 196,929	\$ 794,937	\$ 8,107,196

(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, 2013

	Elementary Transportation	Elementary Bus Depreciation	Elementary Tuition	Elementary Retirement	Elementary Grants	Elementary Technology Acquisition	High School Transportation	High School Bus Depreciation
Revenues:								
District property taxes	\$ 978,151	\$ 39,932	\$ 2	\$ -	\$ -	\$ 200,474	\$ 268,853	\$ 40,197
Tuition and fees	3,823	-	-	-	-	-	46,580	-
Interest	1,733	480	5	6,803	1,089	1,255	555	497
Other district revenue	-	-	-	-	526,825	-	-	-
Gallatin County	247,427	-	-	3,370,339	-	-	86,967	-
State of Montana	285,995	-	-	-	1,646,063	128,741	104,615	-
Federal	-	-	-	-	2,593,746	-	-	-
Total revenues	<u>1,517,129</u>	<u>40,412</u>	<u>7</u>	<u>3,377,142</u>	<u>4,767,723</u>	<u>330,470</u>	<u>507,570</u>	<u>40,694</u>
Expenditures:								
Current -								
Instruction	-	-	-	2,154,800	1,889,748	139,674	-	-
Support services	78,933	-	-	422,376	2,350,570	51,356	-	-
General administration	97,562	-	-	148,994	173,281	24,591	59,920	-
Building administration	-	-	-	260,673	18,123	5,996	-	-
Operations and maintenance	-	-	-	229,511	135	-	-	-
Student transportation	1,273,520	-	-	3,911	7,611	-	509,905	-
Food services	-	-	-	-	-	-	-	-
Extracurricular activities	-	-	-	25,052	1,328	-	-	-
Capital outlay	-	-	-	-	35,716	-	-	-
Total expenditures	<u>1,450,015</u>	<u>-</u>	<u>-</u>	<u>3,245,317</u>	<u>4,476,512</u>	<u>221,617</u>	<u>569,825</u>	<u>-</u>
Net change in fund balances	67,114	40,412	7	131,825	291,211	108,853	(62,255)	40,694
Fund balances, beginning of year	<u>449,487</u>	<u>130,891</u>	<u>586</u>	<u>1,209,661</u>	<u>836,854</u>	<u>113,358</u>	<u>230,442</u>	<u>132,788</u>
Fund balances, end of year	<u>\$ 516,601</u>	<u>\$ 171,303</u>	<u>\$ 593</u>	<u>\$ 1,341,486</u>	<u>\$ 1,128,065</u>	<u>\$ 222,211</u>	<u>\$ 168,187</u>	<u>\$ 173,482</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, 2013

	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	\$ -	\$ 5,918	\$ -	\$ -	\$ 171,504	\$ -	\$ 201,924	\$ 1,906,955
Tuition and fees	1,142,745	-	-	-	35,179	96,295	-	1,324,622
Interest	2,542	-	5,223	1,454	866	774	2,929	26,205
Other district revenue	4,959	-	12	137,271	6,918	-	17	676,002
Gallatin County	-	-	1,737,608	-	-	-	-	5,442,341
State of Montana	11,061	-	-	336,007	-	38,449	131,676	2,682,607
Federal	674,025	-	-	237,434	-	-	-	3,505,205
Total revenues	<u>1,835,332</u>	<u>5,918</u>	<u>1,742,843</u>	<u>712,166</u>	<u>214,467</u>	<u>135,518</u>	<u>336,546</u>	<u>15,563,937</u>
Expenditures:								
Current -								
Instruction	-	6,295	1,128,066	404,590	38,339	101,088	257,990	6,120,590
Support services	-	-	158,884	240,359	12,623	-	9,641	3,324,742
General administration	-	-	96,301	-	2,217	1,786	4,658	609,310
Building administration	-	-	117,124	8,311	155,047	24,875	-	590,149
Operations and maintenance	-	-	100,973	-	-	-	2,915	333,534
Student transportation	-	-	3,911	-	-	-	-	1,798,858
Food services	1,725,523	-	105,083	-	-	-	-	1,830,606
Extracurricular activities	-	-	50,439	-	-	-	-	76,819
Capital outlay	43,774	-	-	75,109	-	-	-	154,599
Total expenditures	<u>1,769,297</u>	<u>6,295</u>	<u>1,760,781</u>	<u>728,369</u>	<u>208,226</u>	<u>127,749</u>	<u>275,204</u>	<u>14,839,207</u>
Net change in fund balances	66,035	(377)	(17,938)	(16,203)	6,241	7,769	61,342	724,730
Fund balances, beginning of year	<u>392,272</u>	<u>(158)</u>	<u>1,035,892</u>	<u>629,914</u>	<u>138,997</u>	<u>189,160</u>	<u>619,400</u>	<u>6,109,544</u>
Fund balances, end of year	<u>\$ 458,307</u>	<u>\$ (535)</u>	<u>\$ 1,017,954</u>	<u>\$ 613,711</u>	<u>\$ 145,238</u>	<u>\$ 196,929</u>	<u>\$ 680,742</u>	<u>\$ 6,834,274</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, 2013

	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	\$ 975,887	\$ 978,151	\$ 2,264	\$ 40,542	\$ 39,932	\$ (610)
Tuition and fees	4,000	3,823	(177)	-	-	-
Interest	1,500	1,733	233	500	480	(20)
Gallatin County	271,872	247,427	(24,445)	-	-	-
State of Montana	310,440	285,995	(24,445)	-	-	-
Total revenues	<u>1,563,699</u>	<u>1,517,129</u>	<u>(46,570)</u>	<u>41,042</u>	<u>40,412</u>	<u>(630)</u>
Expenditures:						
Current -						
Support services	203,127	78,933	124,194	-	-	-
General administration	-	97,562	(97,562)	-	-	-
Student transportation	1,474,528	1,273,520	201,008	-	-	-
Capital outlay	-	-	-	171,933	-	171,933
Total expenditures	<u>1,677,655</u>	<u>1,450,015</u>	<u>227,640</u>	<u>171,933</u>	<u>-</u>	<u>171,933</u>
Net change in fund balances	(113,956)	67,114	181,070	(130,891)	40,412	171,303
Fund balances, beginning of year	<u>449,487</u>	<u>449,487</u>	<u>-</u>	<u>130,891</u>	<u>130,891</u>	<u>-</u>
Fund balances, end of year	<u>\$ 335,531</u>	<u>\$ 516,601</u>	<u>\$ 181,070</u>	<u>\$ -</u>	<u>\$ 171,303</u>	<u>\$ 171,303</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, 2013

	Elementary Tuition			Elementary Retirement		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:						
District property taxes	\$ -	\$ 2	\$ 2	\$ -	\$ -	\$ -
Interest	-	5	5	10,000	6,803	(3,197)
Gallatin County	-	-	-	3,370,339	3,370,339	-
Total revenues	<u>-</u>	<u>7</u>	<u>7</u>	<u>3,380,339</u>	<u>3,377,142</u>	<u>(3,197)</u>
Expenditures:						
Current -						
Instruction	585	-	585	2,215,000	2,154,800	60,200
Support services	-	-	-	480,000	422,376	57,624
General administration	-	-	-	160,000	148,994	11,006
Building administration	-	-	-	275,000	260,673	14,327
Operations and maintenance	-	-	-	235,000	229,511	5,489
Student transportation	-	-	-	5,000	3,911	1,089
Extracurricular activities	-	-	-	30,000	25,052	4,948
Total expenditures	<u>585</u>	<u>-</u>	<u>585</u>	<u>3,400,000</u>	<u>3,245,317</u>	<u>154,683</u>
Net change in fund balances	(585)	7	592	(19,661)	131,825	151,486
Fund balances, beginning of year	<u>586</u>	<u>586</u>	<u>-</u>	<u>1,209,661</u>	<u>1,209,661</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1</u>	<u>\$ 593</u>	<u>\$ 592</u>	<u>\$ 1,190,000</u>	<u>\$ 1,341,486</u>	<u>\$ 151,486</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, 2013

	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	\$ 200,474	\$ 474	\$ 265,768	\$ 268,853	\$ 3,085
Tuition and fees	-	-	-	2,100	46,580	44,480
Interest	1,000	1,255	255	1,200	555	(645)
Gallatin County	-	-	-	95,088	86,967	(8,121)
State of Montana	128,741	128,741	-	112,736	104,615	(8,121)
Total revenues	<u>329,741</u>	<u>330,470</u>	<u>729</u>	<u>476,892</u>	<u>507,570</u>	<u>30,678</u>
Expenditures:						
Current -						
Instruction	285,996	139,674	146,322	-	-	-
Support services	55,000	51,356	3,644	-	-	-
General administration	30,000	24,591	5,409	71,430	59,920	11,510
Building administration	6,000	5,996	4	-	-	-
Student transportation	-	-	-	518,015	509,905	8,110
Total expenditures	<u>376,996</u>	<u>221,617</u>	<u>155,379</u>	<u>589,445</u>	<u>569,825</u>	<u>19,620</u>
Net change in fund balances	(47,255)	108,853	156,108	(112,553)	(62,255)	50,298
Fund balances, beginning of year	<u>113,358</u>	<u>113,358</u>	<u>-</u>	<u>230,442</u>	<u>230,442</u>	<u>-</u>
Fund balances, end of year	<u>\$ 66,103</u>	<u>\$ 222,211</u>	<u>\$ 156,108</u>	<u>\$ 117,889</u>	<u>\$ 168,187</u>	<u>\$ 50,298</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, 2013

	High School Bus Depreciation			High School Tuition		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:						
District property taxes	\$ 40,543	\$ 40,197	\$ (346)	\$ 6,500	\$ 5,918	\$ (582)
Interest	500	497	(3)	-	-	-
Total revenues	<u>41,043</u>	<u>40,694</u>	<u>(349)</u>	<u>6,500</u>	<u>5,918</u>	<u>(582)</u>
Expenditures:						
Current -						
Instruction	-	-	-	6,500	6,295	205
Capital outlay	173,830	-	173,830	-	-	-
Total expenditures	<u>173,830</u>	<u>-</u>	<u>173,830</u>	<u>6,500</u>	<u>6,295</u>	<u>205</u>
Net change in fund balances	(132,787)	40,694	173,481	-	(377)	(377)
Fund balances, beginning of year	<u>132,788</u>	<u>132,788</u>	<u>-</u>	<u>(158)</u>	<u>(158)</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1</u>	<u>\$ 173,482</u>	<u>\$ 173,481</u>	<u>\$ (158)</u>	<u>\$ (535)</u>	<u>\$ (377)</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, 2013

	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	\$ -	\$ -	\$ -	\$ 170,463	\$ 171,504	\$ 1,041
Tuition and fees	-	-	-	40,000	35,179	(4,821)
Interest	7,500	5,223	(2,277)	1,000	866	(134)
Other district revenue	-	12	12	-	6,918	6,918
Gallatin County	1,737,608	1,737,608	-	-	-	-
Total revenues	<u>1,745,108</u>	<u>1,742,843</u>	<u>(2,265)</u>	<u>211,463</u>	<u>214,467</u>	<u>3,004</u>
Expenditures:						
Current -						
Instruction	1,395,000	1,128,066	266,934	47,250	38,339	8,911
Support services	168,000	158,884	9,116	19,650	12,623	7,027
General administration	102,000	96,301	5,699	-	2,217	(2,217)
Building administration	120,000	117,124	2,876	192,700	155,047	37,653
Operations and maintenance	105,000	100,973	4,027	-	-	-
Student transportation	5,000	3,911	1,089	-	-	-
Food services	110,000	105,083	4,917	-	-	-
Extracurricular activities	55,000	50,439	4,561	-	-	-
Total expenditures	<u>2,060,000</u>	<u>1,760,781</u>	<u>299,219</u>	<u>259,600</u>	<u>208,226</u>	<u>51,374</u>
Net change in fund balances	(314,892)	(17,938)	296,954	(48,137)	6,241	54,378
Fund balances, beginning of year	<u>1,035,892</u>	<u>1,035,892</u>	<u>-</u>	<u>138,997</u>	<u>138,997</u>	<u>-</u>
Fund balances, end of year	<u>\$ 721,000</u>	<u>\$ 1,017,954</u>	<u>\$ 296,954</u>	<u>\$ 90,860</u>	<u>\$ 145,238</u>	<u>\$ 54,378</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, 2013

	High School Technology Acquisition		
	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:			
District property taxes	\$ 200,000	\$ 201,924	\$ 1,924
Interest	2,000	2,929	929
Other district revenue	-	17	17
State of Montana	131,676	131,676	-
Total revenues	<u>333,676</u>	<u>336,546</u>	<u>2,870</u>
Expenditures:			
Current -			
Instruction	863,101	257,990	605,111
Support services	10,000	9,641	359
General administration	5,000	4,658	342
Capital outlay	4,000	2,915	1,085
Total expenditures	<u>882,101</u>	<u>275,204</u>	<u>606,897</u>
Net change in fund balances	(548,425)	61,342	609,767
Fund balances, beginning of year	<u>619,400</u>	<u>619,400</u>	<u>-</u>
Fund balances, end of year	<u>\$ 70,975</u>	<u>\$ 680,742</u>	<u>\$ 609,767</u>



Nonmajor Debt Service Funds

Budgeted:

Nonmajor -

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

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

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2013

	Elementary Debt Service	High School Debt Service	Totals
<u>ASSETS</u>			
Cash and cash equivalents	\$	\$ 34,069	\$ 34,069
Property taxes receivable	245,618	229,501	475,119
Total assets	\$ 245,618	\$ 263,570	\$ 509,188
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Bank overdraft	\$ 7,366	\$ -	\$ 7,366
Deferred revenue	245,618	229,501	475,119
Total liabilities	252,984	229,501	482,485
Fund balance:			
Restricted	-	34,069	34,069
Unassigned	(7,366)	-	(7,366)
Total fund balances	(7,366)	34,069	26,703
Total liabilities and fund balances	\$ 245,618	\$ 263,570	\$ 509,188

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Elementary Debt Service	High School Debt Service	Totals
Revenues:			
District property taxes	\$ 3,976,910	\$ 3,016,333	\$ 6,993,243
Interest	8,649	4,366	13,015
State of Montana	16,443	-	16,443
Total revenues	<u>4,002,002</u>	<u>3,020,699</u>	<u>7,022,701</u>
Expenditures:			
Debt service -			
Principal retirement	3,445,000	1,730,000	5,175,000
Interest and fiscal charges	1,687,998	1,282,084	2,970,082
Total expenditures	<u>5,132,998</u>	<u>3,012,084</u>	<u>8,145,082</u>
Excess (deficiency) of revenues over expenditures	<u>(1,130,996)</u>	<u>8,615</u>	<u>(1,122,381)</u>
Other financing sources (uses):			
Premium on general obligation debt	1,045,914	-	1,045,914
Total other financing sources (uses)	<u>1,045,914</u>	<u>-</u>	<u>1,045,914</u>
Net changes in fund balances	(85,082)	8,615	(76,467)
Fund balances, beginning of year	<u>77,716</u>	<u>25,454</u>	<u>103,170</u>
Fund balances, end of year	<u><u>\$ (7,366)</u></u>	<u><u>\$ 34,069</u></u>	<u><u>\$ 26,703</u></u>

BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Elementary Debt Service			High School Debt Service		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:						
District property taxes	\$ 4,011,093	\$ 3,976,910	\$ (34,183)	\$ 2,989,732	\$ 3,016,333	\$ 26,601
Interest	5,000	8,649	(3,649)	-	4,366	(4,366)
State of Montana	-	16,443	16,443	-	-	-
Total revenues	<u>4,016,093</u>	<u>4,002,002</u>	<u>(21,389)</u>	<u>2,989,732</u>	<u>3,020,699</u>	<u>22,235</u>
Expenditures:						
Debt service -						
Principal retirement	3,455,000	3,445,000	10,000	1,730,000	1,730,000	-
Interest and fiscal charges	1,686,724	1,687,998	(1,274)	1,285,186	1,282,084	3,102
Total expenditures	<u>5,141,724</u>	<u>5,132,998</u>	<u>8,726</u>	<u>3,015,186</u>	<u>3,012,084</u>	<u>3,102</u>
Excess (deficiency) of revenues over expenditures	<u>(1,125,631)</u>	<u>(1,130,996)</u>	<u>(12,663)</u>	<u>(25,454)</u>	<u>8,615</u>	<u>25,337</u>
Other financing sources (uses):						
Premium on general obligation debt	1,047,915	1,045,914	(2,001)	-	-	-
Total other financing sources (uses)	<u>1,047,915</u>	<u>1,045,914</u>	<u>(2,001)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(77,716)	(85,082)	(14,664)	(25,454)	8,615	25,337
Fund balances, beginning of year	<u>77,716</u>	<u>77,716</u>	<u>-</u>	<u>25,454</u>	<u>25,454</u>	<u>-</u>
Fund balances, end of year	<u>-</u>	<u>\$ (7,366)</u>	<u>\$ (14,664)</u>	<u>-</u>	<u>\$ 34,069</u>	<u>\$ 25,337</u>

Nonmajor and Major Capital Projects Funds

Budgeted:

Major -

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

Nonmajor-

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)

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2013

	Elementary Building Reserve
	<hr/>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 2,110,419
Property taxes receivable	<hr/> 89,490
Total assets	<hr/> \$ 2,199,909 <hr/>
 <u>LIABILITIES AND FUND BALANCES</u>	
Liabilities:	
Accounts payable	\$ 37,702
Retainages payable	70,709
Deferred revenue	<hr/> 89,490
Total liabilities	<hr/> 197,901 <hr/>
 Fund balances:	
Restricted	<hr/> 2,002,008
Total fund balances	<hr/> 2,002,008 <hr/>
 Total liabilities and fund balances	<hr/> \$ 2,199,909 <hr/>

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Elementary Building Reserve
Revenues:	
District property taxes	\$ 1,228,591
Interest	8,824
Total revenues	<u>1,237,415</u>
Expenditures:	
Current -	
Instruction	8,393
Operations and maintenance	231,166
Capital outlay	746,691
Debt service -	
Principal retirement	313,708
Interest and fiscal charges	500
Total expenditures	<u>1,300,458</u>
Net change in fund balance	(63,043)
Fund balance, beginning of year	<u>2,065,051</u>
Fund balance, end of year	<u><u>\$ 2,002,008</u></u>

BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR AND MAJOR CAPITAL PROJECTS FUNDS
NONMAJOR ELEMENTARY BUILDING RESERVE AND MAJOR HIGH SCHOOL BUILDING RESERVE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	NONMAJOR Elementary Building Reserve			MAJOR High School Building Reserve		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:						
District property taxes	\$ 1,220,000	\$ 1,228,591	\$ 8,591	\$ 1,500,000	\$ 1,506,738	\$ 6,738
Interest	10,000	8,824	(1,176)	10,000	11,279	1,279
Total revenues	<u>1,230,000</u>	<u>1,237,415</u>	<u>7,415</u>	<u>1,510,000</u>	<u>1,518,017</u>	<u>8,017</u>
Expenditures:						
Current -						
Instruction	10,000	8,393	1,607	-	230	(230)
Operations and maintenance	2,242,490	231,166	2,011,324	3,564,747	196,038	3,368,709
Capital outlay	750,000	746,691	3,309	1,000,000	909,879	90,121
Debt service -						
Principal retirement	292,060	313,708	(21,648)	-	-	-
Interest and fiscal charges	500	500	-	-	-	-
Total expenditures	<u>3,295,050</u>	<u>1,300,458</u>	<u>1,994,592</u>	<u>4,564,747</u>	<u>1,106,147</u>	<u>3,458,600</u>
Net change in fund balances	(2,065,050)	(63,043)	2,002,007	(3,054,747)	411,870	3,466,617
Fund balances, beginning of year	<u>2,065,051</u>	<u>2,065,051</u>	<u>-</u>	<u>3,054,748</u>	<u>3,054,748</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1</u>	<u>\$ 2,002,008</u>	<u>\$ 2,002,007</u>	<u>\$ 1</u>	<u>\$ 3,466,618</u>	<u>\$ 3,466,617</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 POSITION - ALL INTERNAL SERVICE FUNDS
JUNE 30, 2013

	<u>Purchasing</u>	<u>Self-Insurance</u>	<u>Totals</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 107,842	\$ 2,600,812	\$ 2,708,654
Accounts receivable	4,954	-	4,954
Inventory, at cost	19,427	-	19,427
Prepaid items	-	17,569	17,569
Total current assets	<u>132,223</u>	<u>2,618,381</u>	<u>2,750,604</u>
Noncurrent assets:			
Capital assets:			
Machinery and equipment	556,679	-	556,679
Less accumulated depreciation	<u>(301,103)</u>	<u>-</u>	<u>(301,103)</u>
Net capital assets	<u>255,576</u>	<u>-</u>	<u>255,576</u>
Total assets	<u>\$ 387,799</u>	<u>\$ 2,618,381</u>	<u>\$ 3,006,180</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 11,005	\$ 461,209	\$ 472,214
Unearned revenue	-	904,203	904,203
Total current liabilities	<u>11,005</u>	<u>1,365,412</u>	<u>1,376,417</u>
Noncurrent liabilities:			
Other postemployment health benefits	-	326,734	326,734
Total noncurrent liabilities	<u>-</u>	<u>326,734</u>	<u>326,734</u>
Total liabilities	<u>11,005</u>	<u>1,692,146</u>	<u>1,703,151</u>
<u>NET POSITION</u>			
Net investment in capital assets	255,576	-	255,576
Unrestricted	<u>121,218</u>	<u>926,235</u>	<u>1,047,453</u>
Total net position	<u>\$ 376,794</u>	<u>\$ 926,235</u>	<u>\$ 1,303,029</u>

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Purchasing	Self-Insurance	Totals
Operating revenues:			
Charges for services	\$ 771,057	\$ 6,241,252	\$ 7,012,309
Charges for Wellness services	-	93,411	93,411
Total operating revenues	<u>771,057</u>	<u>6,334,663</u>	<u>7,105,720</u>
Operating expenses:			
Administrative expenses	-	227,014	227,014
Communications	31,727	1,679	33,406
Contracted bus services	159,390	-	159,390
Contracted Medicare supplement	-	103,088	103,088
Depreciation	57,442	-	57,442
Excess risk insurance	-	440,825	440,825
Health, dental and vision claims	-	4,492,591	4,492,591
Materials and supplies	419,307	-	419,307
Other postemployment health benefits	-	96,944	96,944
Repairs and maintenance	21,047	-	21,047
Salaries and benefits	162,287	43,927	206,214
Wellness	-	314,369	314,369
Other	1,126	-	1,126
Total operating expenses	<u>852,326</u>	<u>5,720,437</u>	<u>6,572,763</u>
Operating income (loss)	<u>(81,269)</u>	<u>614,226</u>	<u>532,957</u>
Nonoperating revenues (expenses):			
Interest	461	5,891	6,352
Total nonoperating revenues (expenses)	<u>461</u>	<u>5,891</u>	<u>6,352</u>
Change in net position	(80,808)	620,117	539,309
Net position, beginning of year	<u>457,602</u>	<u>306,118</u>	<u>763,720</u>
Net position, end of year	<u>\$ 376,794</u>	<u>\$ 926,235</u>	<u>\$ 1,303,029</u>

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING STATEMENT OF CASH FLOWS - ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Purchasing</u>	<u>Self-Insurance</u>	<u>Totals</u>
Cash flows from operating activities:			
Receipts from users	\$ 767,471	\$ 6,396,721	\$ 7,164,192
Payments for insurance claims	-	(4,547,797)	(4,547,797)
Payments to employees	(162,287)	(43,927)	(206,214)
Payments to suppliers	(507,700)	(1,117,702)	(1,625,402)
Net cash provided (used) by operating activities	<u>97,484</u>	<u>687,295</u>	<u>784,779</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	(11,590)	-	(11,590)
Net cash provided (used) by capital and related financing activities	<u>(11,590)</u>	<u>-</u>	<u>(11,590)</u>
Cash flows from investing activities:			
Interest received	461	5,891	6,352
Net cash provided (used) by investing activities	<u>461</u>	<u>5,891</u>	<u>6,352</u>
Net increase (decrease) in cash and cash equivalents	86,355	693,186	779,541
Cash and cash equivalents - 7/01/12	<u>21,487</u>	<u>1,907,626</u>	<u>1,929,113</u>
Cash and cash equivalents - 6/30/13	<u><u>\$ 107,842</u></u>	<u><u>\$ 2,600,812</u></u>	<u><u>\$ 2,708,654</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (81,269)	\$ 614,226	\$ 532,957
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	57,442	-	57,442
(Increase) decrease in accounts receivable	(3,586)	-	(3,586)
(Increase) decrease in inventories	117,494	-	117,494
(Increase) decrease in prepaid items	-	(17,569)	(17,569)
Increase (decrease) in accounts payable	7,403	(68,364)	(60,961)
Increase (decrease) in other postemployment benefits	-	96,944	96,944
Increase (decrease) in unearned insurance premiums	-	62,058	62,058
Total adjustments	<u>178,753</u>	<u>73,069</u>	<u>251,822</u>
Net cash provided (used) by operating activities	<u><u>\$ 97,484</u></u>	<u><u>\$ 687,295</u></u>	<u><u>\$ 784,779</u></u>

Fiduciary Funds

Private-Purpose Trust Funds:

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

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

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

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

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

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

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

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

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING STATEMENT OF NET POSITION
FIDUCIARY FUNDS
ALL PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2013

	Medicaid Billing Consortium	Reward	Elementary Student Extracurricular	Middle School Student Extracurricular	High School Student Extracurricular	High School Endowment	Nonexpendable High School Endowment	High School Interlocal Agreements	Totals
<u>ASSETS</u>									
Cash and cash equivalents	\$ 232,199	\$ 8,579	\$ 122,308	\$ 72,245	\$ 86,782	\$ 34,973	\$ 7,592	\$ 363,805	\$ 928,483
Investments	-	-	-	-	-	-	560,050	-	560,050
Due from other governments	-	-	-	-	-	-	-	1,741	1,741
Accounts receivable	-	-	144	-	26,911	-	-	-	27,055
Land improvements	-	-	-	-	83,852	-	-	-	83,852
Machinery and equipment	-	-	7,552	-	12,270	-	-	-	19,822
Less accumulated depreciation	-	-	(1,888)	-	(14,483)	-	-	-	(16,371)
Total assets	<u>232,199</u>	<u>8,579</u>	<u>128,116</u>	<u>72,245</u>	<u>195,332</u>	<u>34,973</u>	<u>567,642</u>	<u>365,546</u>	<u>1,604,632</u>
<u>LIABILITIES</u>									
Accounts payable	-	-	-	-	142	-	-	-	142
Due to other governments	135,970	-	-	-	-	-	-	-	135,970
Total liabilities	<u>135,970</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>136,112</u>
<u>NET POSITION</u>									
Net position held in trust	<u>\$ 96,229</u>	<u>\$ 8,579</u>	<u>\$ 128,116</u>	<u>\$ 72,245</u>	<u>\$ 195,190</u>	<u>\$ 34,973</u>	<u>\$ 567,642</u>	<u>\$ 365,546</u>	<u>\$ 1,468,520</u>

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
ALL PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Medicaid Billing Consortium	Reward	Elementary Student Extracurricular	Middle School Student Extracurricular	High School Student Extracurricular	High School Endowment	Nonexpendable High School Endowment	High School Interlocal Agreements	Totals
Additions:									
Auctions	\$ -	\$ -	\$ 31,198	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,198
Contributions	-	-	-	-	18,643	1,600	-	-	20,243
Extracurricular receipts and fees	-	-	97,926	196,982	966,565	-	-	-	1,261,473
Medicaid direct billing receipts	743,245	-	-	-	-	-	-	-	743,245
Membership services	-	-	-	-	-	-	-	208,113	208,113
Other trust revenue	-	-	-	-	-	-	-	3,189	3,189
State of Montana	-	-	-	-	-	-	-	43,838	43,838
Total noninvestment trust additions	743,245	-	129,124	196,982	985,208	1,600	-	255,140	2,311,299
Investment earnings:									
Interest	1,137	24	597	-	277	152	40,097	1,894	44,178
Total additions	744,382	24	129,721	196,982	985,485	1,752	40,097	257,034	2,355,477
Deductions:									
Administrative expenses	88,234	-	-	-	-	-	-	-	88,234
Depreciation	-	-	755	-	4,556	-	-	-	5,311
Dues and fees	-	-	-	-	-	-	-	6,420	6,420
Salaries and benefits	-	-	-	-	-	-	-	12,745	12,745
Extracurricular activities	-	-	119,387	181,459	950,294	-	-	-	1,251,140
Payments to consortium members	655,938	-	-	-	-	-	-	-	655,938
Professional contracted services	-	-	-	-	-	-	-	194,434	194,434
Scholarships	-	-	-	-	-	16,602	-	-	16,602
Total deductions	744,172	-	120,142	181,459	954,850	16,602	-	213,599	2,230,824
Changes in net position	210	24	9,579	15,523	30,635	(14,850)	40,097	43,435	124,653
Net position, beginning of year	96,019	8,555	118,537	56,722	164,555	49,823	527,545	322,111	1,343,867
Net position, end of year	\$ 96,229	\$ 8,579	\$ 128,116	\$ 72,245	\$ 195,190	\$ 34,973	\$ 567,642	\$ 365,546	\$ 1,468,520



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, 2013

	<u>2013</u>	<u>2012</u>
<u>Governmental funds capital assets:</u>		
Land and improvements	\$ 16,457,598	\$ 14,492,638
Buildings and improvements	107,816,118	103,241,138
Machinery and equipment	4,867,082	4,740,031
Construction in progress	<u>15,728,628</u>	<u>4,793,833</u>
 Total governmental funds capital assets	 <u>\$ 144,869,426</u>	 <u>\$ 127,267,640</u>
 <u>Investments in governmental funds assets by source:</u>		
General fund	\$ 14,532,975	\$ 14,537,994
Special revenue funds	6,929,266	6,774,666
Capital projects funds	122,920,570	105,468,365
Donations	<u>486,615</u>	<u>486,615</u>
 Total governmental funds capital assets	 <u><u>\$ 144,869,426</u></u>	 <u><u>\$ 127,267,640</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, 2013

<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	\$ -	\$ -	\$ 1,913,096	\$ -	\$ 1,913,096
Support services	-	-	118,730	-	118,730
General administration	-	-	481,383	-	481,383
Operations and maintenance	-	-	1,313,471	-	1,313,471
Student transportation	-	-	12,745	-	12,745
Food service	-	-	883,556	-	883,556
Extracurricular activities	-	-	144,101	-	144,101
Facilities – capital outlay	<u>16,457,598</u>	<u>107,816,118</u>	<u>-</u>	<u>15,728,628</u>	<u>140,002,344</u>
Total governmental funds capital assets	<u>\$ 16,457,598</u>	<u>\$ 107,816,118</u>	<u>\$ 4,867,082</u>	<u>\$ 15,728,628</u>	<u>\$ 144,869,426</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, 2013

Function and Activity	Governmental Funds Capital Assets July 1, 2012	Additions	Deletions	Governmental Funds Capital Assets June 30, 2013
Instruction	\$ 1,891,696	\$ 21,400	\$ -	\$ 1,913,096
Support services	118,730	-	-	118,730
General administration	459,571	21,812	-	481,383
Operations and maintenance	1,273,406	45,092	(5,027)	1,313,471
Student transportation	12,745	-	-	12,745
Food service	839,782	43,774	-	883,556
Extracurricular activities	144,101	-	-	144,101
Facilities – capital outlay	<u>122,527,609</u>	<u>20,646,750</u>	<u>(3,172,015)</u>	<u>140,002,344</u>
Total governmental funds capital assets	<u>\$ 127,267,640</u>	<u>\$ 20,778,828</u>	<u>\$ (3,177,042)</u>	<u>\$ 144,869,426</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, 2013

Activity	Net Assets at 7/01/12	Additions	Deductions	Net Assets at 6/30/13
Longfellow Fundraiser	\$ 2,626.40	2,345.00	1,798.11	\$ 3,173.29
Longfellow Library	3,298.47	1,577.76	379.67	4,496.56
Longfellow Arts	51,200.98	31,740.14	27,773.13	55,167.99
Irving School Store	0.10	-	0.10	-
Irving Photography Club	1,538.53	-	299.99	1,238.54
Irving Fly Fishing Club	-	-	-	-
Irving 5th Grade Fundraiser	(8.92)	-	6.00	(14.92)
Irving Library Fundraiser	428.25	6,120.79	6,380.48	168.56
Irving Climbing Club	138.10	-	-	138.10
Irving Scholarships	4,244.23	679.00	2,329.85	2,593.38
Whittier Field Trips	-	-	-	-
Morning Star School Store	256.53	-	-	256.53
Emily Library Fundraiser	1,678.81	5,313.76	4,782.89	2,209.68
Hyalite Library Fundraiser	3,474.46	5,834.27	7,228.80	2,079.93
Music	20,590.89	2,872.74	9,154.20	14,309.43
Enrichment	6,873.63	330.00	936.23	6,267.40
School Sponsored Extracurricular	1,575.10	-	-	1,575.10
Elementary Athletic Participation	5,161.58	12,020.00	9,867.34	7,314.24
CJMS and SMS Athletics	15,460.23	60,887.06	49,204.86	27,142.43
Total	<u>\$ 118,537.37</u>	<u>129,720.52</u>	<u>120,141.65</u>	<u>\$ 128,116.24</u>

BOZEMAN SCHOOL DISTRICT NO. 7
CHIEF JOSEPH MIDDLE SCHOOL STUDENT EXTRACURRICULAR FUND
ACTIVITY DETAIL
YEAR ENDED JUNE 30, 2013

Activity	Net Assets at 7/01/12	Additions	Deductions	Net Assets at 6/30/13
Computer Club	\$ 33.00	-	-	\$ 33.00
Pennies for Past	559.24	2,878.00	3,254.43	182.81
Lego Robotics	142.99	268.21	82.79	328.41
Art Club	686.50	-	326.00	360.50
Foreign Language Club	570.24	2,785.00	3,465.43	(110.19)
Foreign Language Scholarships	-	101.00	-	101.00
Yearbook	2,761.59	3,670.00	3,761.10	2,670.49
Drama Club	587.09	650.00	288.20	948.89
One Million Ways	393.46	1,602.65	1,938.12	57.99
Music	677.59	16,747.70	10,651.63	6,773.66
CJ Rocks	23.71	-	-	23.71
Breakfast Club	410.04	73.30	372.94	110.40
Horizons	608.74	503.00	115.68	996.06
MBI	362.70	-	362.70	-
Leo	1,027.37	2,436.23	2,807.24	656.36
Library	2,114.88	1,739.72	1,126.02	2,728.58
Peer Mediation	646.43	483.60	544.25	585.78
Student Aid	5,863.39	7,610.00	8,097.80	5,375.59
Student Council - 6th Grade	1,544.08	2,856.68	2,435.80	1,964.96
Student Council - 7th Grade	1,340.67	2,428.68	2,160.06	1,609.29
Student Council - 8th Grade	1,085.11	1,905.70	2,172.37	818.44
Student Projects	4,600.05	1,331.25	5,530.41	400.89
Team 6A	-	6,662.28	5,229.55	1,432.73
Team 6B	-	7,889.59	6,015.62	1,873.97
Team 7A	-	3,196.27	2,903.60	292.67
Team 7B	-	5,447.76	4,947.24	500.52
Team 8A	-	9,383.81	7,235.63	2,148.18
Team 8B	-	5,040.80	3,797.96	1,242.84
Science Club - Pierce	212.31	-	-	212.31
Science Club - Johaneson	(128.42)	213.65	-	85.23
Science Club - Ham Radio	150.00	-	128.36	21.64
Science Club - Hannula	150.00	-	-	150.00
Science Club - VanDyk	201.00	700.00	832.30	68.70
Tech. Ed Club - Mathews	676.79	285.00	72.95	888.84
Bird/Science	1,795.50	5,750.00	5,703.18	1,842.32
Total	<u>\$ 29,096.05</u>	<u>94,639.88</u>	<u>86,359.36</u>	<u>\$ 37,376.57</u>

BOZEMAN SCHOOL DISTRICT NO. 7
SACAJAWEA MIDDLE SCHOOL STUDENT EXTRACURRICULAR FUND
ACTIVITY DETAIL
YEAR ENDED JUNE 30, 2013

Activity	Net Assets at 7/01/12	Additions	Deductions	Net Assets at 6/30/13
Music	\$ 4,135.38	23,309.30	15,964.55	\$ 11,480.13
Northwest Band	-	-	-	-
Drama Club	522.61	-	-	522.61
Newspaper	42.00	-	-	42.00
Computer Club	80.75	-	-	80.75
Knitting Club	192.26	115.00	172.54	134.72
Lego Robotics	-	572.00	-	572.00
Photo Lab Club	469.32	1,000.00	882.31	587.01
Foreign Language	19.50	500.00	-	519.50
Humanitarian Club	462.25	-	422.25	40.00
MBI	-	1,088.47	819.75	268.72
Peer Mediation	1,119.02	756.00	241.59	1,633.43
Art Club	1,035.12	100.00	150.56	984.56
Student Aid	10,422.20	3,072.68	834.98	12,659.90
Yearbook	1,272.00	9,214.00	8,032.77	2,453.23
Student Council	6,727.07	3,364.93	8,091.39	2,000.61
6A Team	-	6,511.19	6,511.19	-
6B Team	-	11,329.50	11,329.50	-
7A Team	-	6,216.45	6,216.45	-
7B Team	-	5,811.51	5,811.51	-
8A Team	-	13,383.33	13,383.33	-
8B Team	-	14,229.06	14,229.06	-
Outdoor Club	479.66	56.00	88.87	446.79
Science Olympiad Club	-	31.36	31.36	-
Science Club	643.73	1,655.00	1,856.42	442.31
Team Nutrition	-	-	-	-
Maintenance Account	2.70	25.86	28.56	-
Total	\$ 27,625.57	102,341.64	95,098.94	\$ 34,868.27

BOZEMAN SCHOOL DISTRICT NO. 7
HIGH SCHOOL STUDENT EXTRACURRICULAR FUND
ACTIVITY DETAIL
YEAR ENDED JUNE 30, 2013

Activity	Net Assets at 7/01/12	Additions	Deductions	Net Assets at 6/30/13
Athletics	\$ 23,563.81	251,796.53	245,328.54	\$ 30,031.80
Backboard BB-Ball	6,691.55	43,639.86	49,633.93	697.48
Cheerleading	7,121.80	14,660.39	17,597.49	4,184.70
Fastpitch	5.24	8,930.00	7,441.95	1,493.29
Football Club	4,543.56	36,109.25	32,474.93	8,177.88
Golf Club	4,543.31	920.00	3,794.33	1,668.98
Hawk Stat Crew	440.22	700.00	651.50	488.72
Lady Hawk B-Ball	9,099.75	22,662.95	26,584.36	5,178.34
Soccer - Boys	5,157.52	938.00	3,784.96	2,310.56
Soccer - Girls	1,886.00	883.00	1,149.16	1,619.84
Speech Club	23.70	24,709.53	19,186.75	5,546.48
Spikers VB	1,636.37	12,655.15	12,302.64	1,988.88
Swimming	438.64	4,075.78	3,108.41	1,406.01
Tennis	65.02	7,669.28	4,131.98	3,602.32
Track Club	773.55	8,972.00	3,330.99	6,414.56
Wrestling Club	140.32	19,299.52	17,534.83	1,905.01
X-Country Club	507.05	11,432.27	11,835.52	103.80
Business Professionals	9,435.10	72,661.29	71,531.76	10,564.63
Cad Club	730.28	210.00	273.61	666.67
Construction Club	1,015.71	596.06	413.05	1,198.72
Deca	200.00	-	-	200.00
Metals - Labor	640.07	-	640.07	-
Metals - Materials	-	-	-	-
Robotics Club	11,907.98	6,037.00	4,190.24	13,754.74
Shop Fund	-	-	-	-
Skills USA	3,393.04	5,797.80	9,189.18	1.66
Art Club	2,867.45	14,811.95	15,721.13	1,958.27
Drama Club	2,270.59	50.00	559.76	1,760.83
Ecuador/Montana	44.95	-	-	44.95
FCCLA	-	1,094.78	680.00	414.78
French Club	298.87	1,496.00	1,521.96	272.91
Total	\$ 99,441.45	572,808.39	564,593.03	\$ 107,656.81

(Continued)

BOZEMAN SCHOOL DISTRICT NO. 7
HIGH SCHOOL STUDENT EXTRACURRICULAR FUND
ACTIVITY DETAIL
YEAR ENDED JUNE 30, 2013

Activity	Net Assets at 7/01/12	Additions	Deductions	Net Assets at 6/30/13
German Club	\$ 4,895.66	6,344.41	8,025.47	\$ 3,214.60
Galapagos Club	-	98,491.05	98,491.05	-
HOSA	-	564.73	-	564.73
Latin Club	52.09	1,220.22	1,272.31	-
MUN Club	300.36	1,850.00	1,941.67	208.69
Project Excel	4,584.26	115.00	725.00	3,974.26
Science Olympiad	203.20	630.00	325.00	508.20
Ski P.E.	-	1,454.92	1,454.92	-
Spanish Club	337.88	354.00	236.31	455.57
Youth Leg. Club	224.53	3,593.87	3,818.40	-
Wildlife Biology Club	981.64	900.00	1,490.62	391.02
Cap & Gowns	328.27	-	-	328.27
Class of 2013	-	12,920.46	12,920.46	-
Class of 2014	-	5,814.71	-	5,814.71
Girls & Boys State	350.00	1,065.00	1,080.00	335.00
Prom	5,328.39	9,925.00	14,253.39	1,000.00
Student Council	22,084.79	19,111.17	19,630.78	21,565.18
Bridger Alternative	193.08	3,258.84	2,952.11	499.81
MTI	1,396.43	-	-	1,396.43
Amnesty International	674.28	-	-	674.28
The B Club	500.00	1,014.50	1,153.33	361.17
Key Club	1,750.80	226.00	182.95	1,793.85
Leo Club	63.98	2,067.05	2,108.03	23.00
National Honor Society	618.41	788.00	1,085.00	321.41
Project X2	-	1,528.27	-	1,528.27
Recycle	445.59	174.00	116.27	503.32
Special Ed Concessions	2,587.58	5,260.83	3,218.55	4,629.86
Gay-Straight Alliance	336.95	123.32	123.98	336.29
Interact Club	3,626.14	3,742.63	1,228.54	6,140.23
Band	2,365.05	86,295.11	74,957.46	13,702.70
Choir	467.59	68,048.13	66,965.24	1,550.48
Orchestra	1,395.40	9,467.00	9,165.82	1,696.58
Aerie	4,457.76	41,372.42	38,176.28	7,653.90
Hawk Tawk	864.18	10,243.91	7,082.62	4,025.47
Hawk TV Club	1,510.64	1,766.00	1,837.22	1,439.42
Scribblings	-	1,067.00	1,067.00	-
General	2,189.00	11,878.47	13,170.86	896.61
Total	\$ 164,555.38	985,484.41	954,849.67	\$ 195,190.12

(Concluded)

BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF ENROLLMENT
FOR THE YEAR ENDED JUNE 30, 2013

<u>Enrollment</u>	<u>As Reported</u>	<u>Audit Per District Records</u>	<u>Difference</u>
Fall Enrollment - October 1, 2012			
Elementary School District			
Pre K-6:			
(a.) Pre-Kindergarten *	32	32	0
(b.) Kindergarten	458	458	0
(c.) Grades 1 - 6	2758	2758	0
(d.) Part-Time (number of part-time students included on line b and c above)	8	8	0
7-8:			
(e.) Grade 7-8	836	836	0
(f.) Part-Time (number of part-time students included on line e above)	4	4	0
(g.) Total (add lines a, b, c and e)	4084	4084	0
High School District			
9-12:			
(h.) Grades 9-12	1909	1909	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	1	1	0
(k.) Montana Youth Challenge Academy students included on line h	3	3	0
Spring Enrollment - February 4, 2013			
Elementary School District			
Pre K-6:			
(l.) Pre-Kindergarten *	32	32	0
(m.) Kindergarten	460	460	0
(n.) Grades 1 - 6	2769	2769	0
(o.) Part-Time (number of part-time students included on line l and m above)	4	4	0
7-8:			
(p.) Grade 7-8	847	847	0
(q.) Part-Time (number of part-time students included on line o above)	1	1	0
(r.) Total (add lines k, l, m and o)	4108	4108	0
High School District			
9-12:			
(s.) Grades 9-12	1844	1844	0
(t.) Part-Time (number of part-time students included on line r above)	25	25	0
(u.) 19 year-olds included on line r	0	0	0
(v.) Early Graduates	11	11	0
(w.) Montana Youth Challenge Academy students included on line s	4	4	0

* The Pre-Kindergarten amounts above are not required to be audited. The amount listed is the official Special Education Pre-K Child Count from October 2012.



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 Position
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities:										
Net investment in capital assets	\$ 17,769,993	\$ 19,845,904	\$ 22,676,015	\$ 25,142,399	\$ 29,295,503	\$ 32,116,906	\$ 33,258,003	\$ 35,512,140	\$ 38,752,077	\$ 41,859,235
Restricted	4,480,655	4,266,241	3,418,622	3,987,403	4,279,556	6,904,765	9,741,156	8,779,717	9,586,558	12,475,447
Unrestricted	<u>2,949,316</u>	<u>2,411,025</u>	<u>1,716,125</u>	<u>2,741,647</u>	<u>3,392,696</u>	<u>3,254,771</u>	<u>3,126,362</u>	<u>4,715,667</u>	<u>3,022,777</u>	<u>4,607,300</u>
Total governmental activities net position	<u>\$ 25,199,964</u>	<u>\$ 26,523,170</u>	<u>\$ 27,810,762</u>	<u>\$ 31,871,449</u>	<u>\$ 36,967,755</u>	<u>\$ 42,276,442</u>	<u>\$ 46,125,521</u>	<u>\$ 49,007,524</u>	<u>\$ 51,361,412</u>	<u>\$ 58,941,982</u>

Table 2

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

Expenses	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities:										
Instruction	\$ 20,437,715	\$ 21,931,633	\$ 23,407,889	\$ 25,568,496	\$ 27,118,400	\$ 28,152,194	\$ 30,604,653	\$ 30,254,885	\$ 31,164,999	\$ 31,716,354
Support services	3,951,836	4,418,767	4,642,961	4,975,685	5,457,545	5,592,822	6,705,443	6,506,964	6,903,108	7,412,715
General administration	1,793,788	1,788,838	1,873,647	2,116,552	2,331,788	2,334,476	2,408,966	2,427,344	2,728,377	2,563,815
Building administration	2,485,343	2,718,624	2,876,614	3,163,125	3,267,924	3,508,649	3,379,725	3,506,951	3,568,685	3,310,381
Operations and maintenance	3,386,525	3,609,292	3,766,666	3,663,019	4,038,663	4,624,960	4,785,116	5,887,349	5,852,700	5,055,062
Student transportation	1,218,576	1,312,826	1,400,420	1,433,032	1,531,760	1,663,428	1,578,194	1,751,558	1,844,503	1,801,699
Food services	1,379,981	1,580,563	1,743,790	1,835,040	1,843,131	1,705,634	1,627,069	1,686,356	1,808,610	1,868,641
Extracurricular activities	844,071	788,795	836,613	885,231	941,072	915,870	911,863	928,880	897,486	932,725
Unallocated depreciation	826,070	863,206	912,711	960,431	985,952	1,217,973	1,670,495	2,277,029	2,734,240	2,851,136
Interest and fiscal charges	481,425	347,186	682,825	1,574,466	2,428,542	3,510,039	3,005,401	2,849,464	2,705,910	3,003,231
Total governmental activities expenses	<u>\$ 36,805,330</u>	<u>\$ 39,359,730</u>	<u>\$ 42,144,136</u>	<u>\$ 46,175,077</u>	<u>\$ 49,944,777</u>	<u>\$ 53,226,045</u>	<u>\$ 56,676,925</u>	<u>\$ 58,076,780</u>	<u>\$ 60,208,618</u>	<u>\$ 60,515,759</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction	\$ 428,886	\$ 474,171	\$ 505,592	\$ 586,576	\$ 618,855	\$ 620,755	\$ 753,021	\$ 749,691	\$ 707,919	\$ 835,292
Food services	915,084	1,089,157	1,230,667	1,379,861	1,250,448	1,176,105	1,114,078	1,090,682	1,172,420	1,174,689
Other functional activities	433,179	472,220	510,592	516,807	531,477	543,383	704,901	782,544	949,140	684,405
Operating grants and contributions	5,214,598	6,382,579	6,192,636	6,580,610	7,365,898	8,463,278	9,639,736	10,701,409	9,053,281	9,657,240
Capital grants and contributions	-	200,907	54,400	810,146	1,112,116	307,076	1,001,944	537,755	934,990	2,216,427
Total governmental activities program revenues	<u>\$ 6,991,747</u>	<u>\$ 8,619,034</u>	<u>\$ 8,493,887</u>	<u>\$ 9,874,000</u>	<u>\$ 10,878,794</u>	<u>\$ 11,110,597</u>	<u>\$ 13,213,680</u>	<u>\$ 13,862,081</u>	<u>\$ 12,817,750</u>	<u>\$ 14,568,053</u>
Total governmental activities net expense	<u>\$ (29,813,583)</u>	<u>\$ (30,740,696)</u>	<u>\$ (33,650,249)</u>	<u>\$ (36,301,077)</u>	<u>\$ (39,065,983)</u>	<u>\$ (42,115,448)</u>	<u>\$ (43,463,245)</u>	<u>\$ (44,214,699)</u>	<u>\$ (47,390,868)</u>	<u>\$ (45,947,706)</u>
General Revenues										
Governmental activities:										
District property taxes	\$ 14,155,373	\$ 15,180,803	\$ 16,788,764	\$ 19,928,795	\$ 21,716,571	\$ 24,919,224	\$ 25,517,907	\$ 26,005,786	\$ 25,901,455	\$ 27,624,361
Investment earnings	132,702	260,950	755,196	1,839,432	2,023,195	1,437,886	404,319	212,450	196,015	173,809
Unrestricted county distribution - retirement	3,246,825	3,749,000	3,768,848	3,872,500	4,115,000	4,685,689	4,319,087	4,628,599	4,677,674	5,107,947
Unrestricted state equalization	10,234,849	10,452,630	11,283,156	11,695,502	12,329,569	13,069,595	12,631,646	11,651,621	14,168,581	14,847,712
Unrestricted state guaranteed tax base subsidy	924,866	630,845	612,409	443,964	965,909	1,334,192	1,489,387	1,619,235	1,730,896	2,296,582
Unrestricted state motor vehicle fee reimbursement	1,544,407	1,556,143	1,567,969	1,579,896	1,591,893	1,603,991	1,616,183	1,628,465	1,628,465	1,773,347
Unrestricted state quality educator	-	-	-	778,808	1,216,152	1,231,076	1,247,959	1,264,058	1,257,904	1,266,515
Unrestricted other state revenue	188,350	169,026	147,070	222,322	202,718	184,689	85,836	86,488	183,766	438,003
Gain(loss) on sale of capital assets	-	64,505	14,429	545	1,282	(1,042,207)	-	-	-	-
Total governmental activities general revenues	<u>\$ 30,427,372</u>	<u>\$ 32,063,902</u>	<u>\$ 34,937,841</u>	<u>\$ 40,361,764</u>	<u>\$ 44,162,289</u>	<u>\$ 47,424,135</u>	<u>\$ 47,312,324</u>	<u>\$ 47,096,702</u>	<u>\$ 49,744,756</u>	<u>\$ 53,528,276</u>
Change in Net Position										
Governmental activities	<u>\$ 613,789</u>	<u>\$ 1,323,206</u>	<u>\$ 1,287,592</u>	<u>\$ 4,060,687</u>	<u>\$ 5,096,306</u>	<u>\$ 5,308,687</u>	<u>\$ 3,849,079</u>	<u>\$ 2,882,003</u>	<u>\$ 2,353,888</u>	<u>\$ 7,580,570</u>

Table 3

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General fund										
Reserved	\$ 130,615	\$ 128,085	\$ 348,877	\$ 156,283	\$ 68,169	\$ 101,278	\$ 339,845			
Unreserved	2,103,208	2,268,037	2,129,161	2,210,022	1,617,590	2,269,075	1,621,285			
Nonspendable								\$ 4,388	\$ 4,623	\$ 5,421
Restricted								-	-	-
Committed								-	-	-
Assigned								429,580	365,306	465,196
Unassigned								2,341,289	2,504,519	2,926,355
Total general fund	<u>\$ 2,233,823</u>	<u>\$ 2,396,122</u>	<u>\$ 2,478,038</u>	<u>\$ 2,366,305</u>	<u>\$ 1,685,759</u>	<u>\$ 2,370,353</u>	<u>\$ 1,961,130</u>	<u>\$ 2,775,257</u>	<u>\$ 2,874,448</u>	<u>\$ 3,396,972</u>
All other governmental funds										
Reserved	\$ 165,748	\$ 102,504	\$ 62,589	\$ (96,886)	\$ (236,463)	\$ (80,945)	\$ 1,007,568			
Unreserved, reported in:										
Special revenue funds	3,331,539	3,675,171	3,950,436	5,285,646	6,409,696	6,549,846	6,884,962			
Capital projects funds	2,083,890	1,723,245	26,399,086	42,644,504	50,993,882	22,218,476	8,820,311			
Nonspendable								\$ 28,589	\$ 37,592	\$ 50,525
Restricted								12,546,192	9,831,486	23,560,751
Committed								-	1,463,593	1,743,226
Assigned								241,168	-	-
Unassigned								(57,451)	(130,307)	(7,901)
Total all other governmental funds	<u>\$ 5,581,177</u>	<u>\$ 5,500,920</u>	<u>\$ 30,412,111</u>	<u>\$ 47,833,264</u>	<u>\$ 57,167,115</u>	<u>\$ 28,687,377</u>	<u>\$ 16,712,841</u>	<u>\$ 12,758,498</u>	<u>\$ 11,202,364</u>	<u>\$ 25,346,601</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)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
District property taxes	\$ 14,323,095	\$ 15,414,842	\$ 16,713,548	\$ 19,391,531	\$ 20,428,699	\$ 25,038,979	\$ 24,883,053	\$ 26,545,666	\$ 26,751,318	\$ 27,590,997
Tuition and fees	1,116,119	1,255,980	1,420,239	1,568,319	1,433,802	1,312,340	1,309,338	1,269,001	1,407,899	1,353,370
Interest	109,973	221,062	699,210	1,795,207	1,958,196	1,388,484	340,176	146,501	115,677	133,505
Other district revenue	305,221	581,288	377,377	482,394	820,270	1,337,136	1,013,307	966,899	1,619,654	1,374,732
Gallatin County	3,588,446	4,084,517	4,127,197	4,213,172	4,442,764	5,033,862	4,643,079	4,962,871	5,026,254	5,442,341
State of Montana	14,709,131	14,961,033	16,012,832	18,419,447	19,835,311	20,515,634	20,989,422	19,909,687	23,001,183	24,899,502
Federal	2,937,235	3,709,766	3,280,384	3,116,050	3,429,823	3,575,590	5,104,214	5,984,544	3,421,088	3,505,205
Total revenues	37,089,220	40,228,488	42,630,787	48,986,120	52,348,865	58,202,025	58,282,589	59,785,169	61,343,073	64,299,652
Expenditures										
Instruction	19,932,684	20,960,778	22,585,585	24,569,060	25,840,900	27,198,581	29,183,083	29,186,027	29,973,733	30,815,248
Support services	3,916,194	4,375,683	4,574,701	4,909,200	5,331,933	5,535,648	6,574,898	6,414,239	6,818,826	7,407,391
General administration	1,731,414	1,683,859	1,759,136	1,996,421	2,200,858	2,228,618	2,266,440	2,315,573	2,625,336	2,490,089
Building administration	2,377,911	2,555,223	2,755,991	3,014,613	3,078,574	3,335,098	3,163,077	3,260,330	3,337,108	3,247,724
Operations and maintenance	3,300,903	3,502,159	3,656,580	3,567,525	3,929,421	4,570,270	4,700,440	5,240,989	5,420,379	4,971,441
Student transportation	1,218,967	1,312,970	1,399,786	1,432,484	1,531,216	1,661,872	1,575,172	1,748,225	1,841,957	1,799,240
Food services	1,334,261	1,525,827	1,679,095	1,769,280	1,777,468	1,672,348	1,603,425	1,671,841	1,785,246	1,838,621
Extracurricular activities	832,620	776,863	817,127	871,909	925,698	908,091	901,574	917,404	889,182	928,333
Capital outlay	981,146	1,822,412	5,122,160	7,623,511	20,737,577	31,158,167	13,768,914	5,342,833	3,668,987	17,606,813
Debt service										
Principal	1,415,000	1,586,506	1,606,506	2,216,506	3,577,059	3,634,728	3,982,059	4,092,059	4,247,059	5,488,708
Interest and fiscal charges	315,765	296,801	249,532	1,748,732	2,212,528	4,094,281	2,954,436	2,835,865	2,692,203	2,970,582
Bond issuance costs	79,300	-	79,578	142,254	79,175	-	56,742	-	-	260,334
Total expenditures	37,436,165	40,399,081	46,285,777	53,861,495	71,222,407	85,997,702	70,730,260	63,025,385	63,300,016	79,824,524
Excess of revenues over (under) expenditures	(346,945)	(170,593)	(3,654,990)	(4,875,375)	(18,873,542)	(27,795,677)	(12,447,671)	(3,240,216)	(1,956,943)	(15,524,872)
Other financing sources (uses)										
Sale of capital assets	-	252,635	19,376	545	1,282	533	-	-	-	-
Transfers in	121,176	33,673	32,698	23,344	145,429	3,366,639	1,281,921	631,395	-	-
Transfers out	(121,176)	(33,673)	(32,698)	(23,344)	(145,429)	(3,366,639)	(1,281,921)	(631,395)	-	-
Hail damage insurance proceeds	-	-	-	-	-	-	-	100,000	500,000	2,093,038
General obligation bonds issued	-	-	28,600,000	20,725,000	27,500,000	-	-	-	-	26,375,000
Limited obligation bonds issued	1,586,000	-	-	1,459,250	-	-	-	-	-	-
Refunding bonds issued	-	-	-	-	-	-	3,275,000	-	-	-
Premium on bonds issued	-	-	28,721	-	25,565	-	110,840	-	-	1,723,595
Payments to refunded bond escrow agent	-	-	-	-	-	-	(3,321,928)	-	-	-
Total other financing sources (uses)	1,586,000	252,635	28,648,097	22,184,795	27,526,847	533	63,912	100,000	500,000	30,191,633
Net change in fund balances	\$ 1,239,055	\$ 82,042	\$ 24,993,107	\$ 17,309,420	\$ 8,653,305	\$ (27,795,144)	\$ (12,383,759)	\$ (3,140,216)	\$ (1,456,943)	\$ 14,666,761
Debt service as a percentage of noncapital expenditures	4.7%	4.9%	4.5%	8.6%	11.5%	14.1%	12.3%	12.0%	11.6%	13.6%

Table 5

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

Year	Instruction	Support Services	General Administration	Building Administration	Operations & Maintenance	Student Transportation	Extracurricular Activities	Capital Outlay	Total
2004	\$ 15,408,192	\$ 2,691,148	\$ 1,075,528	\$ 1,951,030	\$ 2,696,795	\$ 2,627	\$ 729,352	\$ 7,064	\$ 24,561,736
2005	16,204,121	2,833,398	1,117,522	2,036,854	2,805,342	6,327	723,202	1,608	25,728,374
2006	17,592,880	2,902,930	1,168,491	2,201,235	2,832,853	3,092	760,510	493,246	27,955,237
2007	18,995,915	3,220,986	1,596,212	2,413,652	2,981,420	9,616	805,206	6,933	30,029,940
2008	19,834,850	3,448,882	1,712,186	2,471,987	3,172,844	7,598	839,706	182,514	31,670,567
2009	21,033,525	3,417,621	1,720,166	2,552,984	3,429,669	1,780	844,247	-	32,999,992
2010	22,171,589	3,922,743	1,707,113	2,573,178	3,469,799	5,763	835,084	-	34,685,269
2011	22,303,333	3,949,570	1,794,818	2,609,518	3,965,340	-	844,781	25,412	35,492,772
2012	23,483,777	3,768,264	1,909,353	2,647,095	3,784,961	-	816,199	157,004	36,566,653
2013	\$ 24,580,312	\$ 4,068,345	\$ 1,790,203	\$ 2,649,077	\$ 3,668,270	\$ 382	\$ 851,514	\$ 7	\$ 37,608,110

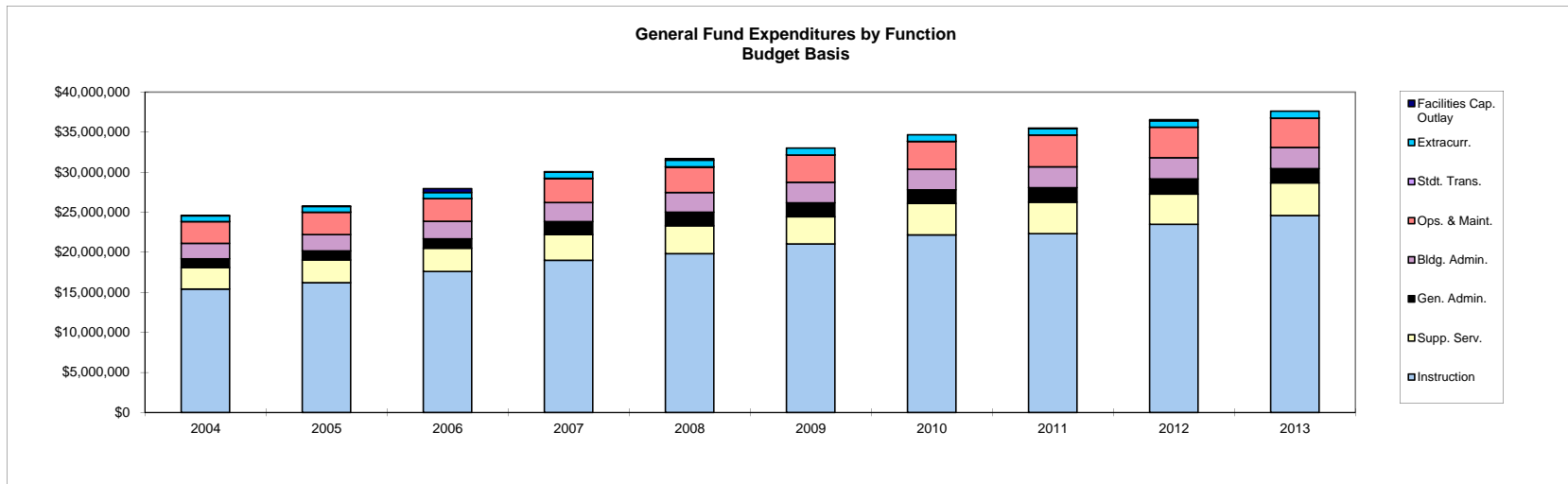


Table 6

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	Percent of Tax Levies Collected in Levy Year	Tax Levy Collections after Levy Year	Total Tax Collections Since Levy	Percent of Total Tax Collections To Taxes Levied
Elementary District:											
2004	\$ 76,622,721	\$ 2,193,338,586	3.5%	111.70	0.11170	\$ 8,558,758	\$ 8,558,758	100.00%	\$ -	\$ 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%	-	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%	-	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	96.95%	356,942	11,740,757	99.99%
2008	104,361,792	3,223,076,430	3.2%	118.51	0.11851	12,553,495	11,695,683	93.17%	852,014	12,547,697	99.95%
2009	111,162,065	3,542,469,947	3.1%	141.13	0.14113	15,794,516	14,558,640	92.18%	1,215,028	15,773,668	99.87% ³
2010	117,329,369	3,888,212,136	3.0%	130.49	0.13049	15,432,743	14,194,814	91.98%	1,211,273	15,406,087	99.83% ³
2011	121,072,738	4,135,670,271	2.9%	121.55	0.12155	14,619,619	13,975,603	95.59%	621,449	14,597,052	99.85%
2012	122,688,282	4,375,448,618	2.8%	123.38	0.12338	15,000,166	14,264,897	95.10%	717,220	14,982,117	99.88%
2013	\$ 124,859,611	\$ 4,633,513,028	2.7%	131.45	0.13145	\$ 16,419,994	\$ 15,743,823	95.88%	\$ -	\$ 15,743,823	95.88%
High School District:											
2004	\$ 101,740,692	\$ 2,927,915,465	3.5%	53.35	0.05335	\$ 5,427,866	\$ 5,427,866	100.00%	\$ -	\$ 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%	-	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%	-	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	96.55%	279,454	8,158,605	99.98%
2008	140,147,897	4,381,850,279	3.2%	65.34	0.06534	9,346,202	8,673,645	92.80%	667,939	9,341,584	99.95%
2009	130,543,804	4,170,386,822	3.1%	71.40	0.07140	9,384,507	8,573,226	91.36%	793,474	9,366,700	99.81% ³
2010	138,744,445	4,593,821,578	3.0%	69.05	0.06905	10,460,314	9,463,193	90.47%	977,009	10,440,202	99.81% ³
2011	143,508,070	4,898,411,705	2.9%	75.34	0.07534	11,148,142	10,579,367	94.90%	543,692	11,123,059	99.78%
2012	145,618,673	5,189,061,038	2.8%	73.48	0.07348	11,027,493	10,430,413	94.59%	573,393	11,003,806	99.79%
2013	\$ 148,311,838	\$ 5,501,565,981	2.7%	71.81	0.07181	\$ 11,088,494	\$ 10,601,483	95.61%	\$ -	\$ 10,601,483	95.61%

¹ Assessed valuation is per the Montana Department of Revenue and calculated as of January (i.e. assess value used for 2003-04 fiscal year is calculated as of January 2003)

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				
2004	111.70	53.35	163.31	200.59	46.00	574.95
2005	112.16	55.16	171.99	194.15	46.00	579.46
2006	111.60	57.46	168.26	196.74	46.00	580.06
2007	120.32	62.42	163.42	197.36	46.00	589.52
2008	118.51	65.34	154.18	205.40	46.00	589.43
2009	141.13	71.40	171.16	210.14	46.00	639.83
2010	130.49	69.05	170.19	210.25	46.00	625.98
2011	121.55	75.34	168.75	217.21	46.00	628.85
2012	123.38	73.48	166.75	215.77	46.00	625.38
2013	131.45	71.81	166.75	215.10	46.00	631.11

Tax Levies						
Fiscal Year	Bozeman Elementary District	Bozeman High School District	City of Bozeman	Gallatin County	State of Montana	Total
2004	\$ 8,558,758	\$ 5,427,866	\$ 8,158,125	\$ 29,057,410	\$ 6,663,547	\$ 57,865,706
2005	9,197,120	6,025,971	9,226,199	30,160,991	7,146,050	61,756,331
2006	9,955,704	6,839,637	9,911,843	32,959,146	7,706,215	67,372,545
2007	11,742,487	8,160,315	10,475,697	35,948,481	8,378,750	74,705,730
2008	12,553,495	9,346,202	10,804,728	40,697,643	9,114,370	82,516,438
2009	15,794,516	9,384,507	12,891,848	44,279,401	9,692,835	92,043,107
2010	15,432,743	10,460,314	13,749,595	47,389,128	10,368,133	97,399,913
2011	14,619,619	11,148,142	14,130,990	50,835,661	10,765,805	101,500,217
2012	15,000,166	11,027,493	14,183,870	51,333,428	10,943,772	102,488,729
2013	\$ 16,419,994	\$ 11,088,494	\$ 14,385,313	\$ 52,310,804	\$ 11,186,876	\$ 105,391,481

Source: Montana Tax Foundation
Montana Property Tax Mill Levies 2012-13
 Gallatin County Treasurer

Table 8

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

Taxpayer	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total Elementary District Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Elementary District Taxable Assessed Value
Northwestern Corp Transmission and Distribution	\$ 7,426,373	1	5.95%	\$ 4,771,584	1	6.70%
Bresnan	1,332,506	2	1.07%	-		-
Qwest Corporation	1,264,150	3	1.01%	1,461,974	2	2.05%
Verizon Wireless	746,375	4	0.60%	-		-
Harry Daum (Gallatin Mall)	508,230	5	0.41%	501,635	3	0.70%
Stone Ridge Partners LLC	440,095	6	0.35%	-		-
Bridger Bowl Inc.	361,075	7	0.29%	-		-
First Security Bank of Bozeman	342,184	8	-	224,463	8	0.32%
Bridger Peaks LLC	339,009	9	0.27%	317,641	4	0.45%
Highgate Bozeman LLC	321,938	10	0.26%	-		-
Costco Wholesale Corporation	-		-	275,707	5	0.39%
Bozeman Deaconess Foundation	-		-	260,524	6	0.37%
Home Depot	-		-	242,862	7	0.34%
Dayton Hudson Corporation (Target)	-		-	220,229	9	0.31%
Wal-Mart Stores	-		-	217,288	10	0.30%
Total	\$ 13,081,935		10.21%	\$ 8,493,907		11.93%

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	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total High School District Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total High School District Taxable Assessed Value
Northwestern Corp Transmission and Distribution	\$ 8,631,639	1	5.82%	\$ 6,400,761	1	6.83%
Bresnan	1,332,506	2	0.90%	-		-
Qwest Corporation	1,321,448	3	0.89%	1,613,242	2	1.72%
Verizon Wireless	787,070	4	0.53%	-		-
Black Bull Run Development LLC	770,958	5	0.52%			
Zoot Properties LLC	581,340	6	0.39%	477,570	4	0.51%
Harry Daum (Gallatin Mall)	508,230	7	0.34%	501,635	3	0.54%
Stone Ridge Partners LLC	440,095	8	0.30%	-		-
Bridger Bowl Inc.	361,075	9	0.24%	-		-
First Security Bank of Bozeman	342,184	10	0.23%	224,595	10	0.24%
Bridger Peaks LLC	-		-	317,641	5	0.34%
Costco Wholesale Corporation	-		-	275,707	6	0.29%
Bozeman Deaconess Foundation	-		-	260,524	7	0.28%
Home Depot	-		-	2,403,323	8	0.26%
Montana Rail Link	-		-	297,693	9	0.32%
Total	\$ 15,076,545		10.16%	\$ 12,772,691		11.33%

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, 2013
(modified accrual basis of accounting)

Source	Actual Revenue	Percent of Total Revenue
Revenue from local and intermediate source:		
District taxes	\$27,590,997	42.91%
Tuition and fees	1,353,370	2.10%
Interest	133,505	0.21%
Other district revenue	1,374,732	2.14%
County retirement	5,107,947	7.94%
County transportation	334,394	0.52%
Total revenue from local and intermediate sources	<u>35,894,945</u>	<u>55.82%</u>
Revenue from State sources:		
State equalization	14,847,712	23.09%
State special education allowable costs	1,702,292	2.65%
State guarantee tax base subsidy	2,296,582	3.57%
State transportation	334,394	0.52%
State motor vehicle fee reimbursement	1,773,347	2.76%
State quality educator	1,266,515	1.97%
State medicaid, medicaid admin, CSCT	1,468,002	2.28%
Other State revenue	1,210,658	1.88%
Total revenue from State sources	<u>24,899,502</u>	<u>38.72%</u>
Revenue from Federal sources:		
Other Federal Grants	293,582	0.46%
Federal Title I and Title I Schoolwide	716,999	1.12%
Federal IDEA Part B and Preschool	1,290,342	2.01%
Federal Title IIA	334,980	0.52%
Federal Title IIB	195,277	0.30%
Federal food service	674,025	1.05%
Total revenue from Federal sources	<u>3,505,205</u>	<u>5.46%</u>
Total governmental funds revenue	<u>\$64,299,652</u>	<u>100.00%</u>

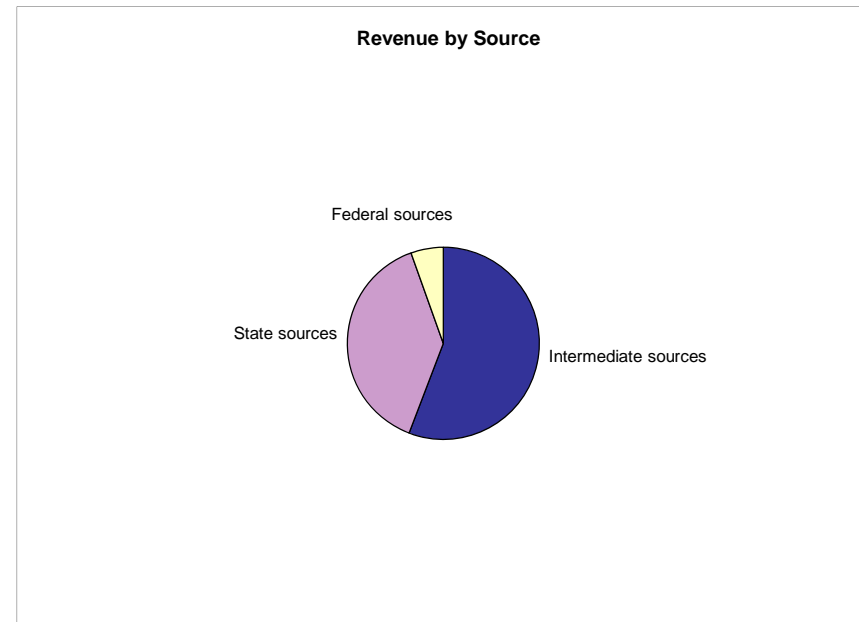


Table 11

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
2004	\$ 10,997,343	\$ 71,168	\$ 45,038	\$ 8,314	\$ 13,802,002	\$ -	\$ 24,923,865
2005	11,905,743	20,313	94,061	10,451	13,889,045	-	25,919,613
2006	12,954,456	41,541	141,486	2,658	14,833,593	-	27,973,734
2007	13,581,764	34,941	158,402	1,388	16,158,742	-	29,935,237
2008	13,195,792	39,209	208,293	4,766	17,749,057	-	31,197,117
2009	14,325,294	28,934	95,804	504,029	19,022,682	-	33,976,743
2010	14,520,782	42,773	85,100	5,276	18,735,240	890,503	34,279,674
2011	15,827,796	32,933	33,708	8,123	17,819,627	2,413,699	36,135,886
2012	16,058,899	82,078	32,913	9,597	20,722,014	16,617	36,922,118
2013	\$ 15,955,470	\$ 28,748	\$ 32,128	\$ 946	\$ 22,200,452	\$ -	\$ 38,217,744

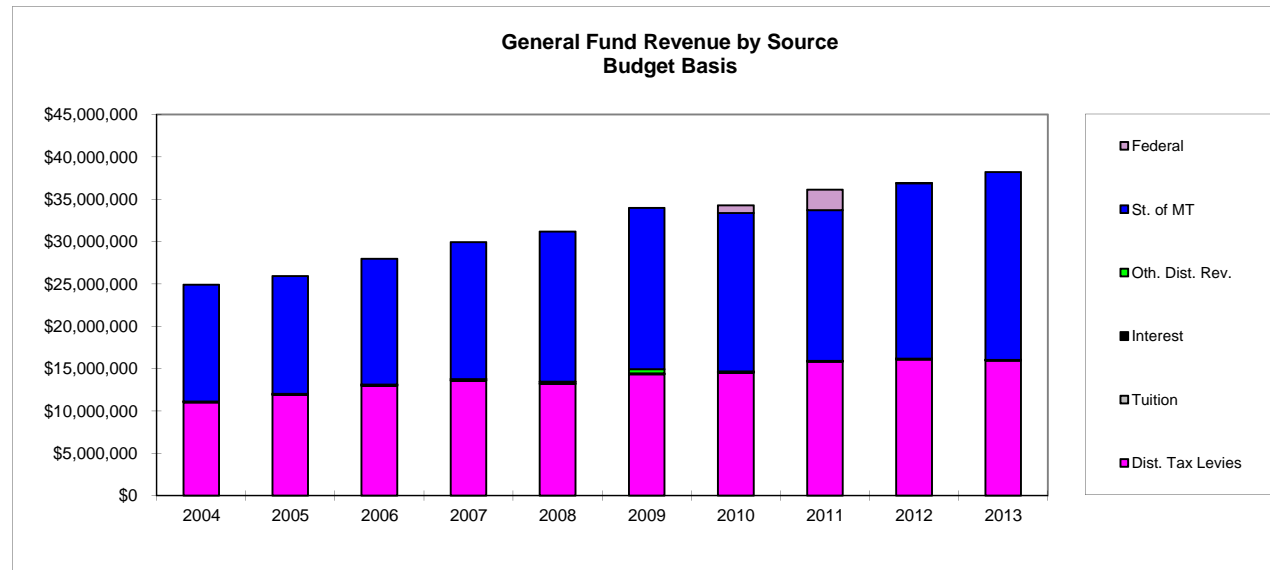


Table 12

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
2004	\$ 11,121,863	\$ 13,802,002	\$ -	\$ 24,923,865	5,086	\$ 2,187	\$ 2,714	\$ -	\$ 4,900
2005	12,030,568	13,889,045	-	25,919,613	5,198	2,314	2,672	-	4,986
2006	13,140,141	14,833,593	-	27,973,734	5,332	2,464	2,782	-	5,246
2007	13,776,495	16,158,742	-	29,935,237	5,356	2,572	3,017	-	5,589
2008	13,448,060	17,749,057	-	31,197,117	5,413	2,484	3,279	-	5,763
2009	14,954,061	19,022,682	-	33,976,743	5,463	2,737	3,482	-	6,219
2010	14,653,931	18,735,240	890,503	34,279,674	5,509	2,660	3,401	162	6,222
2011	15,902,560	17,819,627	2,413,699	36,135,886	5,679	2,800	3,138	425	6,363
2012	16,183,487	20,722,014	16,617	36,922,118	5,810	2,785	3,567	3	6,355
2013	\$ 16,017,292	\$ 22,200,452	\$ -	\$ 38,217,744	5,993	\$ 2,673	\$ 3,704	\$ -	\$ 6,377

Source: District Records

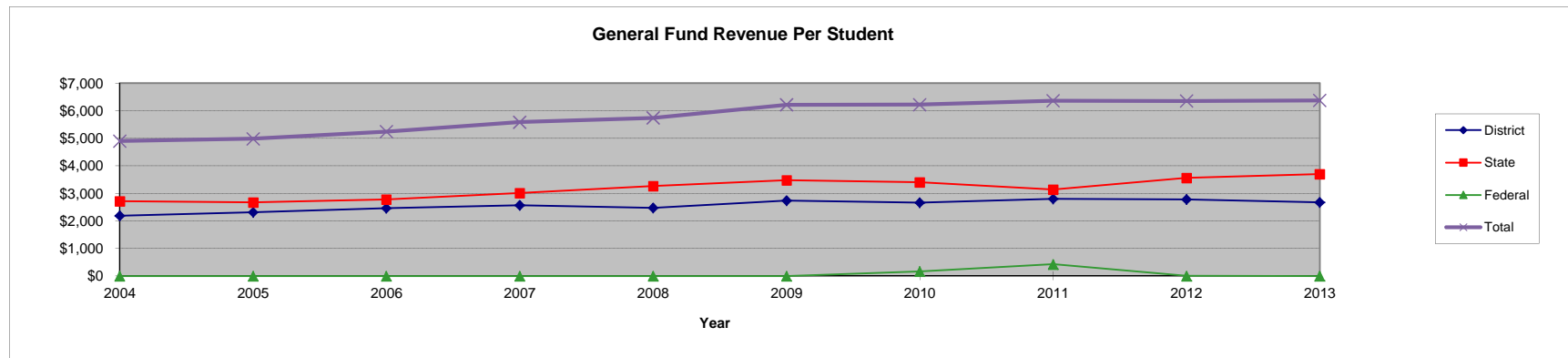


Table 13

BOZEMAN SCHOOL DISTRICT NO. 7
Ratio of Total Bonded Debt (listed by type) to Assessed Value and Total Bonded Debt per Capita
Last Ten Fiscal Years

Fiscal Year	Population ⁽¹⁾	Assessed Value ⁽²⁾	General Obligation Bonded Debt	Limited Obligation Bonded Debt	Total Bonded Debt	Percentage of Total Bonded Debt to Assessed Value	Total Bonded Debt Per Capita	Total Bonded Debt as a % of Per Capita Income
Elementary District:								
2004	42,246	\$ 76,622,721	\$ 9,713,055	\$ 1,586,000	\$ 11,299,055	14.75%	\$ 267	0.81%
2005	43,303	81,999,997	8,532,420	1,431,692	9,964,112	12.15%	230	0.70%
2006	44,385	89,208,819	21,381,452	1,271,621	22,653,073	25.39%	510	1.48%
2007	45,495	97,593,808	25,550,000	2,564,823	28,114,823	28.81%	618	1.65%
2008	46,632	104,361,792	41,005,000	2,249,561	43,254,561	41.45%	928	2.53%
2009	47,798	111,162,065	38,580,000	1,922,819	40,502,819	36.44%	847	2.41%
2010	48,993	117,329,369	36,425,000	1,584,178	38,009,178	32.40%	776	2.16%
2011	50,217	121,072,738	34,215,000	1,233,206	35,448,206	29.28%	706	1.86%
2012	51,472	122,688,282	31,920,000	869,451	32,789,451	26.73%	637	Not Available
2013	51,729	\$ 124,859,611	\$ 54,850,000	\$ 521,791	\$ 55,371,791	44.35%	\$ 1,070	Not Available
High School District:								
2004	52,298	\$ 101,740,692	\$ 881,823	\$ -	\$ 881,823	0.87%	\$ 17	0.06%
2005	53,898	109,245,300	712,504	-	712,504	0.65%	13	0.04%
2006	55,191	119,033,013	15,042,895	-	15,042,895	12.64%	273	0.80%
2007	56,350	130,732,377	29,545,000	-	29,545,000	22.60%	524	1.40%
2008	56,913	141,147,897	38,305,000	-	38,305,000	27.14%	673	1.90%
2009	57,198	130,543,804	36,790,000	-	36,790,000	28.18%	643	1.80%
2010	59,097	138,744,445	35,260,000	-	35,260,000	25.41%	597	1.66%
2011	60,574	143,508,070	33,670,000	-	33,670,000	23.46%	556	1.47%
2012	62,088	145,618,673	32,010,000	-	32,010,000	21.98%	516	Not Available
2013	62,398	\$ 148,311,838	\$ 30,280,000	\$ -	\$ 30,280,000	20.42%	\$ 485	Not Available

⁽¹⁾ **2004-2013** The 2004 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, 2013

Elementary District:										
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt limit	\$ 34,480,224	\$ 36,899,999	\$ 40,143,969	\$ 43,442,825	\$ 52,180,896	\$ 55,581,033	\$ 58,664,685	\$ 60,536,369	\$ 61,855,448	\$ 65,771,565
Total net debt applicable to limit	11,153,055	11,712,420	25,381,638	30,172,341	50,054,561	45,432,874	36,792,190	34,681,679	59,086,735	55,371,791
Legal debt margin	<u>\$ 23,327,169</u>	<u>\$ 25,187,579</u>	<u>\$ 14,762,331</u>	<u>\$ 13,270,484</u>	<u>\$ 2,126,335</u>	<u>\$ 10,148,159</u>	<u>\$ 21,872,495</u>	<u>\$ 25,854,690</u>	<u>\$ 2,768,713</u>	<u>\$ 10,399,774</u>
Total net debt applicable to the limit as a percentage of debt limit	32.35%	31.74%	63.23%	69.45%	95.93%	81.74%	62.72%	57.29%	95.52%	84.19%
High School District:										
Debt limit	\$ 45,783,311	\$ 49,160,385	\$ 53,564,856	\$ 58,279,834	\$ 70,573,949	\$ 65,271,902	\$ 69,372,223	\$ 71,754,035	\$ 72,809,337	\$ 74,155,919
Total net debt applicable to limit	1,961,823	1,612,504	42,662,895	42,010,000	38,665,000	36,970,000	35,260,000	33,670,000	31,984,546	30,245,931
Legal debt margin	<u>\$ 43,821,488</u>	<u>\$ 47,547,881</u>	<u>\$ 10,901,961</u>	<u>\$ 16,269,834</u>	<u>\$ 31,908,949</u>	<u>\$ 28,301,902</u>	<u>\$ 34,112,223</u>	<u>\$ 38,084,035</u>	<u>\$ 40,824,791</u>	<u>\$ 43,909,988</u>
Total net debt applicable to the limit as a percentage of debt limit	4.29%	3.28%	79.65%	72.08%	54.79%	56.64%	50.83%	46.92%	43.93%	40.79%
			Elementary District	High School District						
Legal Debt Margin Calculation for Fiscal Year 2013										
District taxable valuation			\$ 124,859,611	\$ 148,311,838						
Times: 50%			0.50	0.50						
District taxable valuation legal debt service limit			<u>62,429,806</u>	<u>74,155,919</u>						
Statewide average taxable valuation per student			\$ 32,170	\$ 72,210						
Times: Student ANB			4,089	1,884						
Times: 50%			0.50	0.50						
Statewide average taxable valuation debt service limit			<u>65,771,565</u>	<u>68,021,820</u>						
Legal Debt Service Limit *			<u>65,771,565</u>	<u>74,155,919</u>						
General Obligation Bonds Payable			54,850,000	30,280,000						
Limited Obligation Bonds Payable			521,791	-						
Less: Cash Available for Retirement of Bonds			-	34,069						
Net Amount of Bonds Payable Applicable to Limit			<u>55,371,791</u>	<u>30,245,931</u>						
Margin Above Bonds Payable			10,399,774	43,909,988						
Less: General Obligation Bonds Authorized but Unused			-	-						
Legal Debt Margin			<u>\$ 10,399,774</u>	<u>\$ 43,909,988</u>						

* Montana Codes Annotated Section 20-9-406 provides for the issuance of bonds to an amount not to exceed the greater of 1) 50% of the latest available taxable valuation of property which is subject to taxation within the District or 2) the statewide average taxable valuation per student multiplied by the average number of students belonging in a particular district multiplied by 50%. The state legislature changed the percentage used in item 1 and 2 above to 50% from 45% effective for fiscal years 2008 and beyond. The District taxable valuations for August 2012 are used above and was ultimately used for the high school legal debt service limit. It was more beneficial for the elementary district to use the statewide average taxable valuation method in FY 2013. Effective as of October 1, 2009 (for fiscal years 2010 and beyond), outstanding building reserve levies will no longer be included in the Legal Debt Margin calculation.

Table 15

BOZEMAN SCHOOL DISTRICT NO. 7
Computation of Direct and Overlapping Governmental Activities Total Bonded Debt
For the Fiscal Year Ended June 30, 2013

Governmental Unit	Debt	Applicable to Elementary District		Applicable to Portion of High School District Lying Outside Elementary District	
		Percent	Amount	Percent	Amount
Bozeman Elementary District:					
G.O. Issue 2006 (originally \$14,100,000)	\$ 10,540,000	100.0%	\$ 10,540,000	0.0%	\$ -
G.O. Issue 2007 (originally \$5,750,000)	4,375,000	100.0%	4,375,000	0.0%	-
G.O. Issue 2008 (originally \$17,500,000)	14,625,000	100.0%	14,625,000	0.0%	-
G.O. Issue 2012 (originally \$10,000,000)	9,545,000	100.0%	9,545,000	0.0%	-
G.O. Issue 2013 (originally \$16,375,000)	15,765,000	100.0%	15,765,000	0.0%	-
L.O. Issue 2006 (originally \$1,459,250)	521,791	100.0%	521,791	0.0%	-
Bozeman High School District:					
G.O. Issue 2006 (originally \$14,500,000)	10,840,000	84.2%	9,127,280	15.8%	1,712,720
G.O. Issue 2007 (originally \$14,975,000)	11,420,000	84.2%	9,615,640	15.8%	1,804,360
G.O. Issue 2008 (originally \$10,000,000)	<u>8,020,000</u>	84.2%	<u>6,752,840</u>	15.8%	<u>1,267,160</u>
Totals	<u>\$ 85,651,791</u>		<u>\$ 80,867,551</u>		<u>\$ 4,784,240</u>
OVERLAPPING BONDED INDEBTEDNESS					
Gallatin County:					
Various Issues	\$ 54,670,538	51.3%	\$ 28,045,986	9.6%	\$ 5,248,372
City of Bozeman:					
Various Issues	<u>10,641,852</u>	100%	<u>10,641,852</u>	0.0%	<u>-</u>
Totals	<u>\$ 65,312,390</u>		<u>\$ 38,687,838</u>		<u>\$ 5,248,372</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:					
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	1,469,970	3,629,970	21,588,382	16.81%
2011	2,210,000	1,419,490	3,629,490	22,602,120	16.06%
2012	2,295,000	1,338,402	3,633,402	23,414,033	15.52%
2013	\$ 3,445,000	\$ 1,671,538	\$ 5,116,538	\$ 24,394,799	20.97%
High School:					
2004	\$ 170,000	\$ 19,932	\$ 189,932	\$ 9,874,696	1.92%
2005	175,000	18,063	193,063	10,396,647	1.86%
2006	175,000	16,525	191,525	11,682,387	1.64%
2007	475,000	779,433	1,254,433	12,364,274	10.15%
2008	1,240,000	1,206,761	2,446,761	12,499,272	19.58%
2009	1,515,000	1,660,615	3,175,615	12,623,716	25.16%
2010	1,530,000	1,477,522	3,007,522	13,096,887	22.96%
2011	1,590,000	1,409,609	2,999,609	12,890,652	23.27%
2012	1,660,000	1,347,209	3,007,209	13,152,620	22.86%
2013	\$ 1,730,000	\$ 1,282,084	\$ 3,012,084	\$ 13,213,311	22.80%

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)
2004	42,246	52,298	\$ 30,907	\$ 1,305,697,122	\$ 1,616,374,286	3.2%
2005	43,303	53,898	32,434	1,404,489,502	1,748,127,732	2.8%
2006	44,385	55,191	34,437	1,528,486,245	1,900,612,467	2.2%
2007	45,495	56,350	36,578	1,664,116,110	2,061,170,300	2.3%
2008	46,632	56,913	36,094	1,683,135,408	2,054,217,822	3.2%
2009	47,798	57,198	34,769	1,661,888,662	1,988,717,262	6.3%
2010	48,993	59,097	35,953	1,761,445,329	2,124,714,441	7.5%
2011	50,217	60,574	\$ 37,912	\$ 1,903,826,904	\$ 2,296,481,488	7.3%
2012	51,472	62,088	Not available	Not available	Not available	6.3%
2013	51,729	62,398	Not available	Not available	Not available	4.5%

Sources and other information:

- (1) 2004 - 2013 : The 2004-2013 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**

2013		2004	
Private Employers By Class, Alphabetically	Employer Class Size	Private Employers By Class, Alphabetically	Employer Class Size
Bozeman Deaconess Hospital	9	Bozeman Deaconess Hospital	8
Oracle American Inc.	7	Boyne Mountain Lodge	7
Wal-Mart	7	Home Care Services	7
Albertson's	6	Murdoch's Ranch & Home Supply	7
Bridger Bowl	6	Wal-Mart	7
Community Food Co-Op	6	Albertson's	6
Costco	6	Bozeman Daily Chronicle	6
First Security Bank	6	Bridger Bowl	6
First Student	6	Costco	6
Gibson Guitar	6	First Security Bank	6
Kenyon Noble Lumber & Hardware	6	JTL Group	6
Martel Construction	6	Kenyon Noble	6
McDonald's	6	Martel Construction	6
Murdoch's Ranch & Home Supply	6	McDonald's	6
Ressler Motor	6	Net Profit	6
Rosauers Supermarket	6	Simkins Hallin	6
Target	6	Target	6
Town & Country Foods	6	The Home Depot	6
Town Pump Convenience Stores	6	Williams Plumbing & Heating	6
Zoot Enterprises	6	Yellowstone Mountain Club	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
U.S. Department of Agriculture	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
2004	\$ 36,805,330	5,086	\$ 7,237	7.34%	346.8	14.7
2005	39,359,730	5,198	7,572	4.63%	348.3	14.9
2006	42,144,136	5,332	7,904	4.38%	364.2	14.6
2007	46,175,077	5,356	8,621	9.07%	369.4	14.5
2008	49,944,777	5,413	9,227	7.03%	365.8	14.8
2009	53,226,045	5,463	9,743	5.59%	385.0	14.2
2010	56,676,925	5,509	10,288	5.59%	393.6	14.0
2011	57,513,286	5,679	10,127	-1.57%	390.6	14.5
2012	60,208,618	5,810	10,363	2.33%	398.6	14.6
2013	\$ 60,515,759	5,993	\$ 10,098	-2.56%	408.4	14.7

⁽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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013				
Instruction														
Certified Staff	319.2	317.5	327.9	333.0	330.4	345.8	343.5	343.0	357.9	355.4				
Classified Employees	46.5	55.9	57.9	61.4	64.3	84.7	90.3	100.5	98.8	88.7				
Support Services														
Certified Staff	26.6	30.8	36.3	36.4	37.8	39.2	50.1	47.1	40.7	52.6				
Classified Employees	34.7	36.6	35.2	41.1	36.9	34.1	37.5	46.2	45.5	46.7				
General Administration														
Administrators	4.0	5.0	5.0	5.0	5.0	5.0	5.0	4.5	4.0	6.0				
Certified Staff	1.0	-	-	-	-	-	-	0.5	-	-				
Classified Employees	23.0	24.8	26.5	24.1	29.3	31.4	31.2	29.1	30.2	24.5				
Building Administration														
Administrators	16.5	17.3	18.0	18.0	18.0	18.0	17.0	17.0	17.0	15.0				
Classified Employees	22.0	22.4	24.5	26.5	25.9	24.3	29.9	30.1	29.8	26.3				
Operations and Maintenance														
Administrators	1.0	1.0	1.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0				
Classified Employees	40.5	40.4	41.2	41.5	44.1	43.6	53.1	54.6	54.9	55.4				
Student Transportation														
Classified Employees	1.9	2.6	2.5	3.1	3.6	3.6	4.2	3.8	3.9	4.5				
Food Services														
Classified Employees	28.7	33.6	31.0	32.0	30.7	32.0	30.5	31.3	31.0	32.1				
Extracurricular Activities														
Administrators	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0				
Certified Staff	-	-	-	-	-	-	-	-	-	0.4				
Classified Employees	3.0	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.0				
Total	569.6	591.9	612.0	629.1	633.0	667.7	698.3	713.7	719.7	712.6				

<u>Fiscal 2013 Summary</u>	<u>Admin.</u>	<u>Certified Staff</u>	<u>Classified Employees</u>	<u>Total FTE</u>
Instruction	-	355.4	88.7	444.1
Support Services	-	52.6	46.7	99.3
General Administration	6.0	-	24.5	30.5
Building Administration	15.0	-	26.3	41.3
Operations and Maintenance	1.0	-	55.4	56.4
Student Transportation	-	-	4.5	4.5
Food Services	-	-	32.1	32.1
Extracurricular Activities	1.0	0.4	3.0	4.4
Total	23.0	408.4	281.2	712.6

Source: District Records

Table 21

BOZEMAN SCHOOL DISTRICT NO. 7
Certified Staff Education and Experience
November 28, 2012

Educational Attainment	Full Time Equivalent	Percent of Total	
Bachelor's Degree	46.8	11.5%	35.3%
Bachelor's Degree + 15 Credits	22.1	5.4%	
Bachelor's Degree + 30 Credits	15.1	3.7%	
Bachelor's Degree + 45 Credits	29.0	7.1%	
Bachelor's Degree + 60 Credits	14.0	3.4%	
Bachelor's Degree + 75 Credits	4.0	1.0%	
Bachelor's Degree + 90 Credits	11.0	2.7%	
5th Year Degree + 45 Credits	2.0	0.5%	64.7%
Master's Degree BA + 45 Credits	14.0	3.4%	
Master's Degree BA + 60 Credits	47.4	11.6%	
Master's Degree BA + 75 Credits	32.3	7.9%	
Master's Degree BA + 90 Credits	32.5	8.0%	
Master's Degree BA + 105 Credits	138.2	33.8%	
Total	408.4	100.0%	

Years of Experience	Full Time Equivalent	Percent of Total	
0 - 5	94.9	23.2%	
6 - 10	100.6	24.7%	
11 - 15	81.3	19.9%	
16 - 20	47.1	11.5%	
21 - 25	46.9	11.5%	
26 and Over	37.6	9.2%	
Total	408.4	100.0%	

Source: District Records

Table 22

BOZEMAN SCHOOL DISTRICT NO. 7
Educational Building Data
For the Fiscal Year Ended June 30, 2013

	<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	323	97.3%
Irving	1939	33,893	312	280	89.7%
Whittier	1958	32,955	286	275	96.2%
Hawthorne	1939	38,094	332	332	100.0%
Morning Star	1992	56,010	546	558	102.2%
Emily Dickinson	1992	56,012	498	500	100.4%
Hyalite	2009	66,186	534 ⁽³⁾	565	105.8%
<u>6-8 Schools</u>					
Chief Joseph	2008	129,500	780	617	79.1%
Sacajawea	1996	97,456	690	634	91.9%
High School:					
Bozeman High School	1957	392,442 ⁽¹⁾	2,400 ⁽¹⁾	1,909	79.5%

⁽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.

⁽²⁾ Construction of Meadowlark Elementary School (K-5) was completed in November 2013 and had an initial enrollment of 234 (which took some enrollment pressure off of neighboring schools). It has a functional capacity of 575 students and covers approximately 71,900 square feet.

⁽³⁾ All 32 Pre-K students are listed under Hyalite school even though some are receiving itinerant-only services and the majority are taught at a classroom located in the High School. This is the elementary school in which they are counted for State reporting purposes.

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Elementary Schools:										
<u>K-5 Schools</u>										
Longfellow	18%	20%	16%	14%	14%	16%	15%	17%	20%	19%
Irving	40%	43%	43%	35%	37%	36%	42%	43%	47%	55%
Whittier	53%	53%	53%	46%	47%	45%	56%	52%	53%	48%
Hawthorne	11%	14%	17%	16%	15%	16%	24%	26%	22%	26%
Morning Star	8%	6%	7%	9%	8%	9%	11%	10%	10%	10%
Emily Dickinson	22%	18%	20%	22%	24%	24%	27%	29%	25%	24%
Hyalite	N/A	N/A	N/A	N/A	N/A	N/A	39%	44%	46%	45%
<u>6-8 Schools</u>										
Chief Jospheh	25%	20%	22%	21%	31%	23%	28%	31%	33%	37%
Sacajawea	14%	11%	13%	11%	13%	13%	19%	20%	24%	23%
High School	9%	9%	12%	15%	12%	18%	24%	15%	19%	23%

Source: Title I portion of ESEA consolidated applications

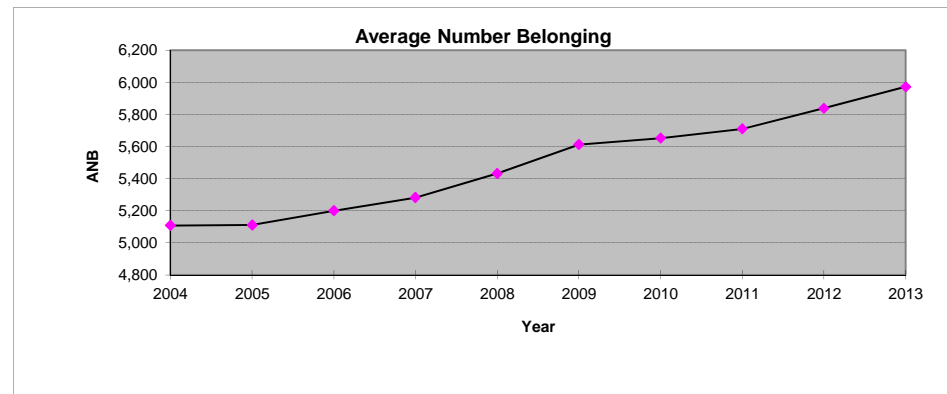
Table 24

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
2004	5,086	(0.2)	5,108	(0.02)	100.1
2005	5,198	2.2	5,111	0.06	100.5
2006	5,332	2.6	5,200	1.7	100.0
2007	5,356	0.5	5,282	1.6	99.1
2008	5,413	1.1	5,432	2.8	101.4
2009	5,463	0.9	5,613	3.3	103.7
2010	5,509	0.8	5,653	0.7	103.5
2011	5,679	3.1	5,710	1.0	103.6
2012	5,810	2.3	5,839	2.3	102.8
2013	5,993	3.1	5,973	2.3	102.8

Source: District Records

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



BOZEMAN SCHOOL DISTRICT NO. 7
Schedule of Insurance in Force

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

- A. Policy #: ALA-64-A3-EX-0000007-06
- B. Carrier: Princeton Excess & Surplus Lines Insurance Company
- C. Policy Period: 7/1/12 - 7/1/13
- 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: 12/1/12 - 11/30/13

III. Boiler and Machinery Policy

- A. Policy #: BAJ-BME 18156L884TIL12
- B. Carrier: Travelers Boiler
- C. Policy Period: 7/1/12 - 7/1/13
- D. Limits: \$100,000,000 per occurrence

IV. Excess Liability

- A. Policy #: 64-A3-FF-0000008-05
- B. Carrier: Princeton Excess & Surplus Lines Insurance Company
- C. Policy Period: 7/1/12 - 7/1/13
- D. Limits: \$9,000,000

V. Commercial Employee Blanket Bond

- A. Policy #: ALA-64-A3-EX-0000007-06
- B. Carrier: Princeton Excess & Surplus Lines Insurance Company
- C. Policy Period: 7/1/12 - 7/1/13
- D. Limits: \$500,000 All Employees

VI. Excess Property

- A. Policy #: KTK-CMB-545D4969-12
- B. Carrier: Travelers Insurance
- C. Policy Period: 7/1/12 - 7/1/13
- 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, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantors Number	Program or Award Amount	Revenues	Expenditures
U.S. Department of Education					
Pass-through Montana Office of Public Instruction:					
Title I, Part A	84.010A	16-0350-31-13	\$ 748,771	\$ 655,056	\$ 655,056
Title I, Part A - Schoolwide	84.010A	16-0350-32-13	61,943	61,943	61,943
Subtotal Title I	84.010A		<u>810,714</u>	<u>716,999</u>	<u>716,999</u>
Adult Basic Education and Literacy	84.002	16-0351-56-13-BG	94,050	94,050	94,050
EL/Civics	84.002	16-0351-56-13-EL	12,630	12,630	12,630
Subtotal ABEL and EL/Civics	84.002		<u>106,680</u>	<u>106,680</u>	<u>106,680</u>
Title II, Part A	84.367	16-0350-14-13	322,795	304,980	304,980
Title II, Part A - State Levels	84.367A	16-0350-14-13-SLA	30,000	30,000	30,000
Subtotal Title II, Part A	84.367		<u>352,795</u>	<u>334,980</u>	<u>334,980</u>
Title II, Part B	84.366B	16-0350-15-13-MSP	335,178	195,277	195,277
Title III, Part A	84.365A	16-0350-41-13I	32,246	17,000	17,000
IDEA-B	84.027A	16-0350-77-13	1,862,718	1,262,171	1,262,171
IDEA-B Preschool	84.173A	16-0350-79-13	28,171	28,171	28,171
Carl Perkins - Basic	84.048A	16-0351-81-13	93,207	93,207	93,207
Title X	84.196	16-0350-57-13	5,617	5,617	5,617
Total U.S. Department of Education Pass-Through			<u>\$ 3,627,326</u>	<u>\$ 2,760,102</u>	<u>\$ 2,760,102</u>
U.S. Department of Education Direct Programs:					
Title VII Indian Education	84.060A	S060A120430	\$ 28,908	\$ 28,908	\$ 28,908
Total U.S. Department of Education Direct			<u>\$ 28,908</u>	<u>\$ 28,908</u>	<u>\$ 28,908</u>
U.S. Federal Highway Administration:					
Pass-through Montana Department of Transportation:					
Safe Routes to School - Noninfrastructure	20.205	105143	\$ 16,750	\$ 16,623	\$ 16,623
Total U.S. Federal Highway Administration			<u>\$ 16,750</u>	<u>\$ 16,623</u>	<u>\$ 16,623</u>
U.S. Department of Agriculture:					
Pass-through Montana Office of Public Instruction:					
National School Lunch Program	10.555	N/A	\$ 674,025	\$ 674,025	\$ 674,025
School Wellness - MT Team Nutrition	10.555	N/A	500	47	47
National School Lunch Program - Commodities	10.555	N/A	-	77,764	77,764
Subtotal School Foods	10.555		<u>\$ 674,525</u>	<u>\$ 751,836</u>	<u>\$ 751,836</u>
Healthier US School Challenge	10.574	16-0351-21-12-HS	\$ 500	\$ 500	\$ 500
Total U.S. Department of Agriculture			<u>\$ 675,025</u>	<u>\$ 752,336</u>	<u>\$ 752,336</u>
U.S Department of Health & Human Services:					
Pass-through Dept. of Health & Human Services - MT:					
TANF (Education Support)	93.558	12-02261003-0	\$ 40,000	\$ 20,000	\$ 20,000
TANF (MOST Grant)	93.558	1302MOST0207	5,000	5,000	5,000
Total U.S. Department of Health & Human Services			<u>\$ 45,000</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 4,393,009</u>	<u>\$ 3,582,969</u>	<u>\$ 3,582,969</u>

Notes to Schedule of Federal Awards:

I. Summary of Significant Accounting Policies:

Basis of Accounting

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

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

To the Board of Trustees
Bozeman School District No. 7

We have audited, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 26, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anderson Zurmuehlen & Co, P.C.

Bozeman, Montana
February 26, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Trustees
Bozeman School District No. 7

Report on Compliance for Each Major Federal Program

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 Districts major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Bozeman School District No. 7, complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of the District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Anderson Zurmuehlen + Co, P.C.

Bozeman, Montana
February 26, 2014

BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued:	Unmodified
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:	Unmodified

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

84.367	Improving Teach Quality State Grants
84.366	Mathematics and Science Partnerships
84.010	Title I Grants to Local Educational Agencies

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, 2013

Financial Statement Findings

None Reported

Federal Award Findings and Questioned Costs:

None Reported

Prior Year Audit Findings

None Reported