

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**



**BOZEMAN SCHOOL DISTRICT NUMBER 7**

**For the year ended June 30, 2016**

**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, 2016

**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

404 West Main, P.O. Box 520

Bozeman, Montana 59711-0520

Phone: (406) 522-6042



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# **INTRODUCTORY SECTION**





**Bozeman Public Schools**

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

**Dr. Robert J. Watson**  
Superintendent

**Dr. Marilyn King**  
Deputy Superintendent  
Instruction

**Steven D. Johnson, CPA**  
Deputy Superintendent  
Operations

December 28, 2016

Letter of Transmittal

Andy Willett, 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, 2016.

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, 2016, 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 53,032. The high school district covers approximately 700 square miles, and encompasses eight elementary districts (kindergarten through 8<sup>th</sup> grade (K-8) - Bozeman, Anderson,

Cottonwood, Gallatin Gateway, LaMotte, Malmborg, Monforton, and Sedan-Wilsall). The estimated population of the high school district is 63,970. 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 6,533 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 15<sup>th</sup> 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, Building Reserve, and Flexibility. 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 2015-2016 annual budget of approximately \$419,728,963, employs approximately 3,775 employees (2,334 full time, 759 part time, and 682 graduate teaching and research assistants). With a student enrollment of 15,688 (Fall 2015), M.S.U. is not only one of the largest factors in the area economy but also one of the more stable factors.

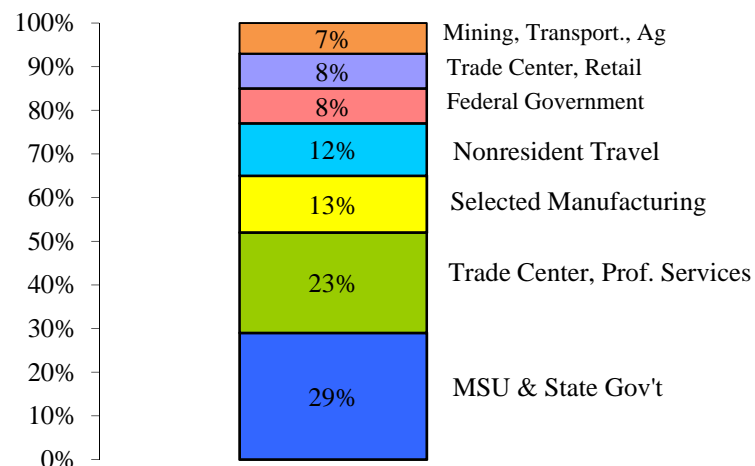
The Bureau of Business and Economic Research (BBER) is the research and public service branch of the University of Montana's School of Business Administration. The Bureau is regularly involved in a wide

variety of activities, including economic analysis and forecasting. Excerpts from the Bureau's forecasts contained in the spring 2016 issue of the *Montana Business Quarterly* related to Bozeman and Gallatin County, are restated in the following paragraphs.

Gallatin County is projected to be the fastest growing community in Montana between 2016 and 2019. A strong high-tech sector, a fast recovering construction industry, increasing enrollment at Montana State University and Bozeman's continuing growth as a regional trade center, have all contributed to its robust performance. The Bozeman-area economy experienced a significant contraction early in the recession. But the economy began to turn around in 2010 and has continued upward ever since. For the state as a whole, 2015 was a pretty good year overall economically. Income growth was reasonably strong, and wage and salary growth came in around 4 percent, corrected for inflation. That's quite an increase from 2014.

The big story is Montana's economy is coming into balance; both geographically and across industries. Three or four years ago, commodity prices were high and oil was booming. That, along with high agricultural prices, made for faster growth in rural counties, primarily eastern counties, rather than in bigger cities. At the same time consumer spending was weak and important industries for western Montana, including wood products and new home construction, were depressed. The recent growth patterns look more like those that pre-dated the commodity boom. The more populous western counties (of which Gallatin is one of) are growing again, as migration trends resume and income gains make consumer spending stronger.

**Earnings in Basic Industries, Gallatin County,  
2012-2014 (percent of total)**



Outdoor recreational opportunities, the natural beauty of the area, proximity to two major ski resorts (Bridger Bowl and Big Sky) and to Yellowstone National Park promote the nonresident travel to the area. Due to these attractions, Montana State University, and a strong local economy, Bozeman Yellowstone International Airport is the busiest airport in Montana.

### **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.

The District adheres to a technology plan which evolves to face the changing needs of students and new developments in technology. With this in mind, the District became a key financial supporter in the Bozeman Dark Fiber expansion project (a large public-private infrastructure project to expand Bozeman's fiber capabilities). This expansion will increase bandwidth and internet speeds for the District as well as provide long-term internet service cost savings.

### **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 District, with strong voter approval, took advantage of historically low interest rates and issued general obligation bonds in January, 2016, to expand the Sacajawea Middle School and Hawthorne Elementary to add capacity and improve the functionality of each building.

The District continues to benefit from generous Building Reserve and Technology levies that voters approved 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. The Building Reserve levies are helping the District tackle current and expected facilities maintenance costs, while a portion of the Technology levy has helped the District modernize its wide area network.

## 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, 2015. 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. *The District is proud to announce that this is the twenty-seventh year that it 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

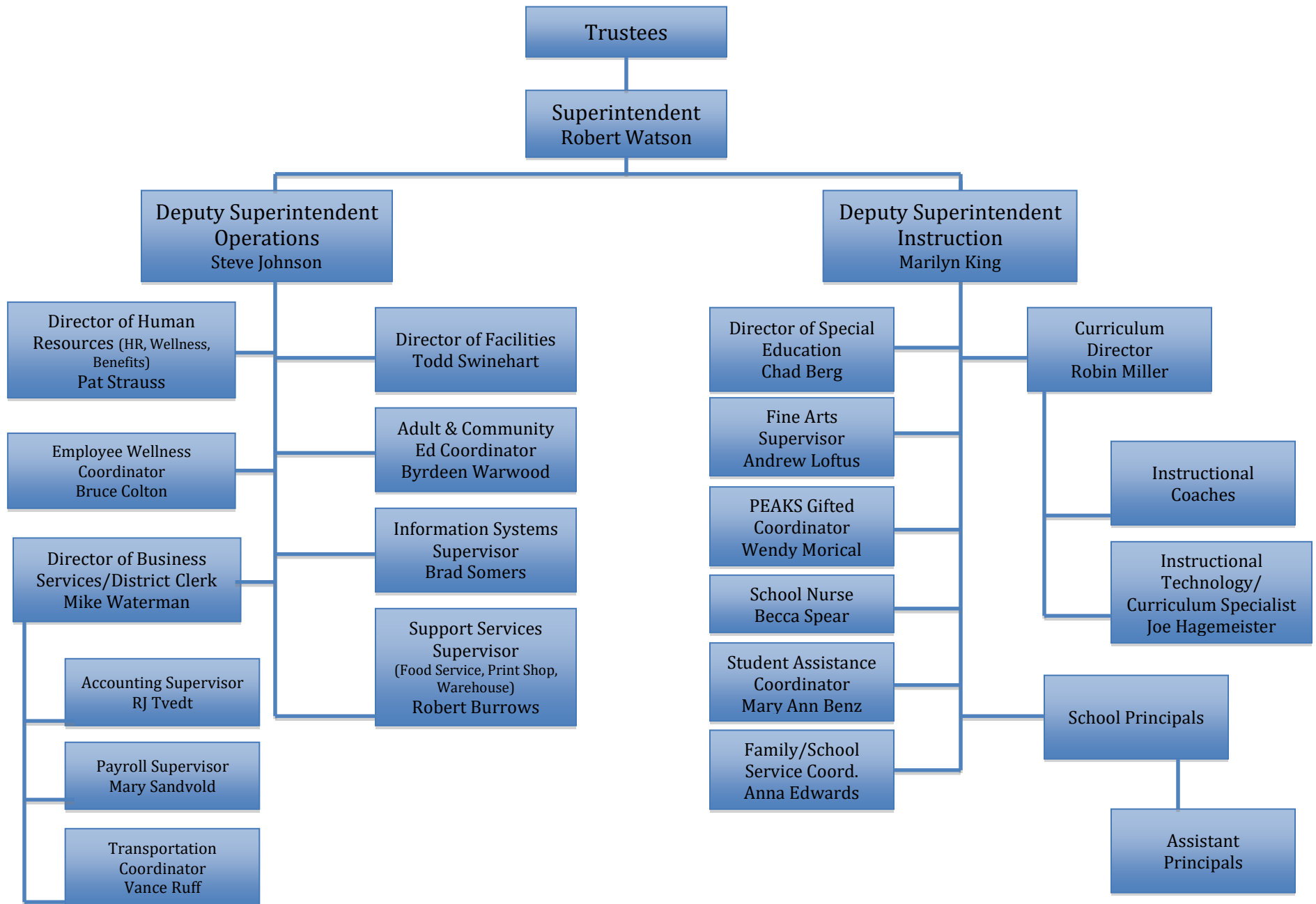
**Bozeman School District No. 7**  
**Montana**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO





## BOZEMAN SCHOOL DISTRICT NO. 7

Elected Officials  
Board of Trustees

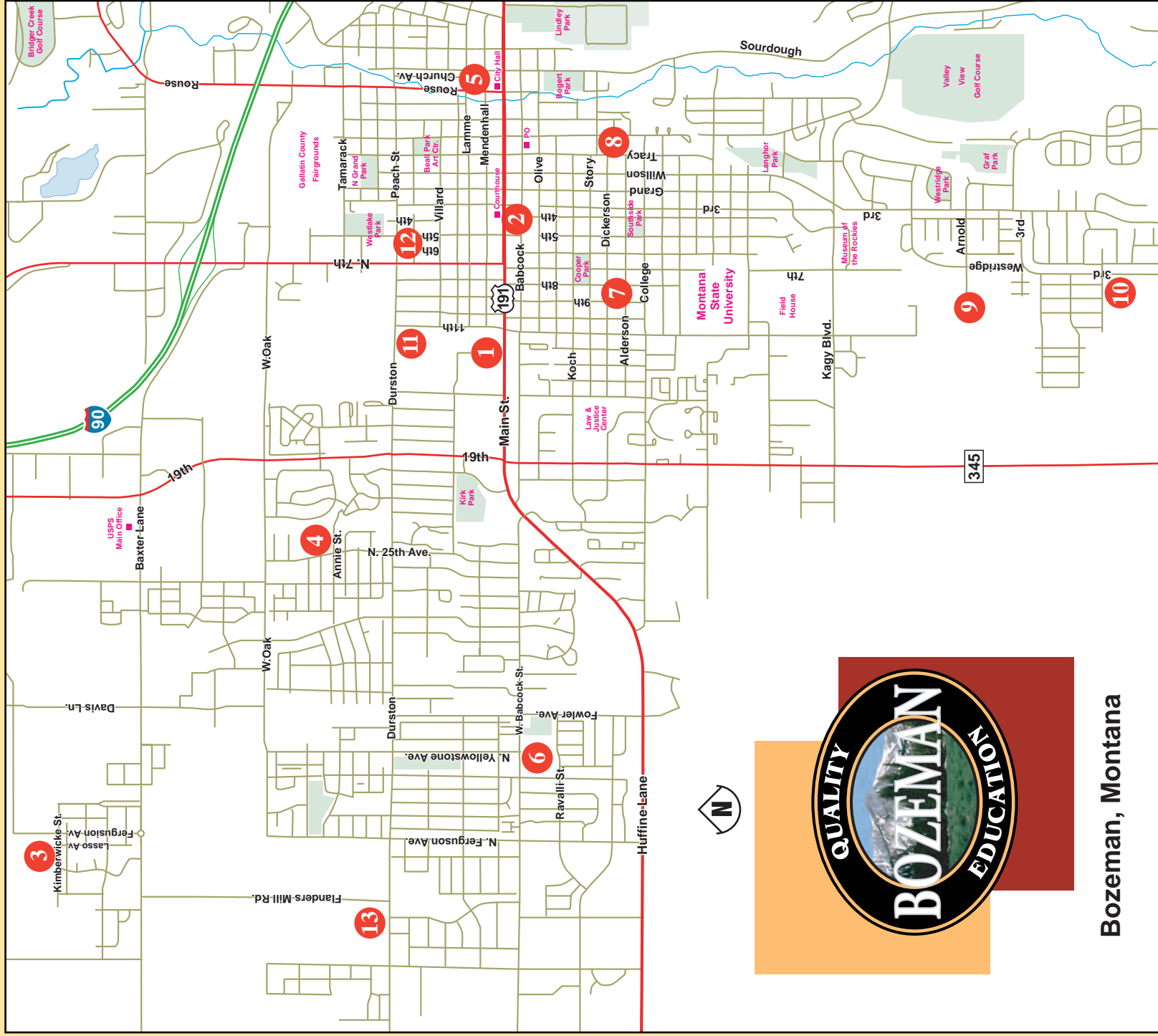
|                                   | <u>Term<br/>Expires<br/>April</u> |
|-----------------------------------|-----------------------------------|
| Andy Willett. . . . .Chair        | 2019                              |
| Heide Arneson . . . . .Vice Chair | 2017                              |
| Douglas Fischer . . . . .Trustee  | 2018                              |
| Bruce Grubbs . . . . .Trustee     | 2018                              |
| Gary Lusin . . . . .Trustee       | 2017                              |
| Tanya Reinhardt . . . . .Trustee  | 2019                              |
| Wendy Tage. . . . .Trustee        | 2018                              |
| Sandra Wilson . . . . .Trustee    | 2018                              |

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 2015-16

Regular 12  
Special 25



## Bozeman, Montana

|          |   |          |  |           |   |           |   |
|----------|---|----------|--|-----------|---|-----------|---|
| <b>1</b> | <b>Bozeman High School</b><br>205 North 11th<br>522-6200                | <b>4</b> | <b>Emily Dickinson Elementary</b><br>2435 Annie Street<br>522-6650 | <b>8</b>  | <b>Longfellow Elementary</b><br>516 South Tracy<br>522-6150     | <b>12</b> | <b>Whittier Elementary</b><br>511 North 5th<br>522-6750 |
| <b>1</b> | <b>Bridger Alternative High School</b><br>205 North 11th<br>522-6100    | <b>5</b> | <b>Hawthorne Elementary</b><br>114 North Rouse<br>522-6700         | <b>9</b>  | <b>Morning Star Elementary</b><br>830 Arnold Street<br>522-6500 | <b>13</b> | <b>Meadowlark Elementary</b><br>4415 Durston Road       |
| <b>2</b> | <b>Central Administration Offices</b><br>404 W. Main Street<br>522-6000 | <b>6</b> | <b>Hyalite Elementary School</b><br>3600 West Babcock<br>582-6800  | <b>10</b> | <b>Sacajawea Middle School</b><br>3525 South 3rd<br>522-6400    |           |   |
| <b>3</b> | <b>Chief Joseph Middle School</b><br>4255 Kimberwicke<br>522-6300       | <b>7</b> | <b>Irving Elementary</b><br>611 South 8th<br>522-6600              | <b>11</b> | <b>Support Services</b><br>501 North 11th<br>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, 2016, 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, 2016, and the respective changes in financial position, and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund 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, the schedule of funding progress-other postemployment healthcare benefits, the schedule of proportionate share of net pension liability, and schedule of contributions 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, the supplemental combining and individual nonmajor fund financial statements, the schedule of capital assets used in the operation of governmental funds, supplemental information mandated by Montana Office of Public Instruction, and statistical sections (as listed in the table of contents), are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplemental combining and individual nonmajor fund financial statements, the schedule of capital assets used in the operation of governmental funds, the supplemental information mandated by Montana Office of Public Instruction, 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 supplemental combining and individual nonmajor fund financial statements, the schedule of capital assets used in the operation of governmental funds, the supplemental information mandated by Montana Office of Public Instruction, 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 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 December 28, 2016, 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  
December 28, 2016



## **Management's Discussion and Analysis**

**BOZEMAN SCHOOL DISTRICT NO. 7  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016. 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 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 help answer the question "How did we do financially during 2016". These government-wide statements include all *assets*, *deferred inflows of resources*, *deferred outflows of resources*, 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, student 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-four 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 Funds, which are considered to be major funds. Data from the other twenty-one 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 127-130 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 131-123. The District uses the fiduciary funds to account for extracurricular student activities, Worthy Student Scholarships nonexpendable endowment, 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$25,830,331 as of June 30, 2016. This represented a generous 25.7% increase in net position from the prior year balance of \$20,550,939 and was largely the result of annual debt retirement (\$5,473,190 including bond premium amortization). Although the District issued \$21,500,000 of elementary general obligation bonds in the current fiscal year, this did not generate an increase or decrease in net position. On subsequent pages, *Table 1* presents a comparative summary of the District's net position for the fiscal years ended June 30, 2016 and 2015. *Table 2* illustrates a comparative summary of the change in net position between the fiscal years.

By far, the largest portion of the District's positive net position reflects its net investment in capital assets (e.g., land, land improvements, buildings and improvements, machinery and equipment and construction in progress), plus capital-related deferred outflows, less any related debt outstanding used to acquire those assets and capital-related deferred inflows (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 \$10.9 million of the District's net position was subject to external restrictions on how it 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 - had an ending deficit balance of (\$38,114,429) which was a small 4.1% improvement over the prior year. The origin of this large negative component of the net position resides in the recent implementation of GASB Statement 68 "Accounting and Financial Reporting for Pensions" and GASB Statement 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date" and the related additional accounting for pension activity of eligible District employees participating in the Public Employees' Retirement System (PERS) and the Teachers' Retirement System of Montana (TRS).

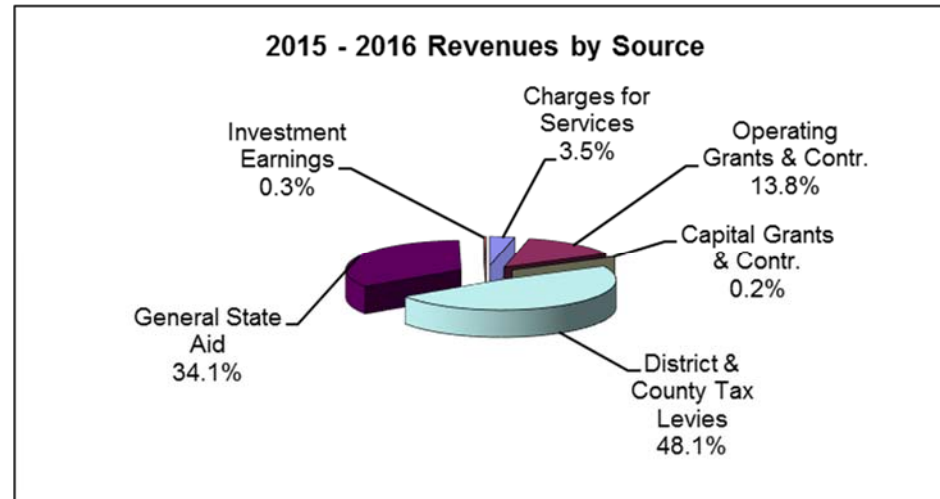
**Table 1**  
**BOZEMAN SCHOOL DISTRICT NO. 7**  
**Net Position**

|   | <b>Governmental Activities</b> |                      |
|---|--------------------------------|----------------------|
|   | 2016                           | 2015                 |
| Current assets                                      | \$ 46,277,603                  | \$ 22,057,877        |
| Capital assets                                      | 127,909,591                    | 128,149,433          |
| Total assets  | 174,187,194                    | 150,207,310          |
| Deferred outflows of resources                      | 8,146,918                      | 7,110,422            |
| Total assets and deferred outflows of resources     | 182,334,112                    | 157,317,732          |
| Current liabilities                                 | 9,209,367                      | 7,883,180            |
| Noncurrent bonds payable                            | 93,830,844                     | 75,548,773           |
| Other noncurrent liabilities                        | 4,122,543                      | 4,368,321            |
| Net pension liability                               | 46,166,710                     | 41,907,098           |
| Total liabilities                                   | 153,329,464                    | 129,707,372          |
| Deferred inflows of resources                       | 3,173,317                      | (7,059,421)          |
| Total liabilities and deferred inflows of resources | 156,502,781                    | 136,766,793          |
| Net position:                                       |                                |                      |
| Net investment in capital assets                    | 53,028,385                     | 50,406,598           |
| Restricted  | 10,916,375                     | 9,898,371            |
| Unrestricted  | (38,114,429)                   | (39,754,030)         |
| <b>Total net position</b>                           | <b>\$ 25,830,331</b>           | <b>\$ 20,550,939</b> |

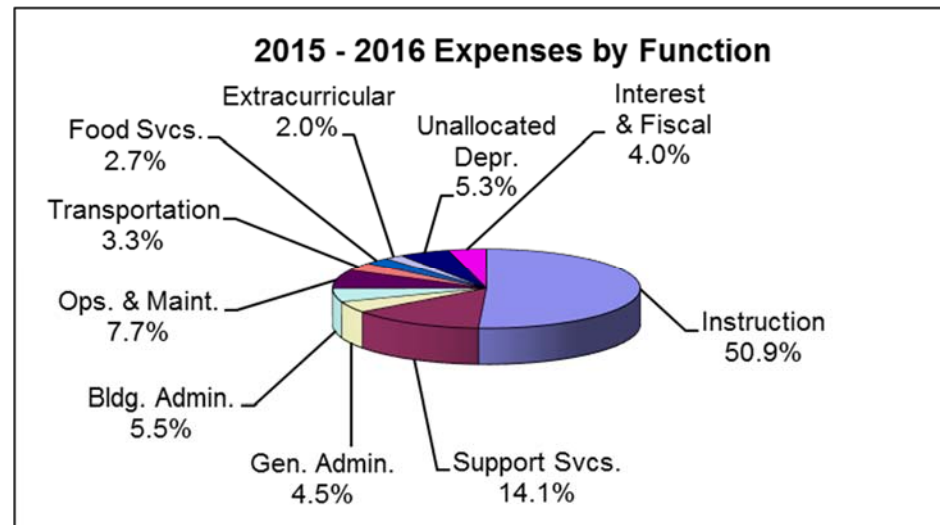
**Table 2**  
**BOZEMAN SCHOOL DISTRICT NO. 7**  
**Changes in Net Position**

|  | <b>Governmental Activities</b> |                      |
|--|--------------------------------|----------------------|
|  | 2016                           | 2015                 |
| <b>Revenues</b>                                    |                                |                      |
| Program revenues:                                  |                                |                      |
| Charges for services                               | \$ 2,761,912                   | \$ 2,768,457         |
| Operating grants and contributions                 | 10,884,477                     | 10,441,288           |
| Capital grants and contributions                   | 133,064                        | 2,326,971            |
| General revenues                                   |                                |                      |
| District property taxes                            | 31,161,445                     | 30,381,590           |
| Investment earnings                                | 228,192                        | 171,422              |
| Unrestricted county distribution - retirement      | 6,625,912                      | 5,759,010            |
| Unrestricted state equalization                    | 17,734,527                     | 16,757,156           |
| Unrestricted state guaranteed tax base subsidy     | 3,469,015                      | 3,138,561            |
| Unrestricted state motor vehicle fee reimbursement | 1,969,511                      | 1,969,511            |
| Unrestricted quality educator                      | 1,453,177                      | 1,399,168            |
| Unrestricted on-behalf pension                     | 1,622,924                      | 1,571,377            |
| Unrestricted other state revenue                   | 582,126                        | 754,681              |
| Loss on disposal of capital assets                 | (28,781)                       | -                    |
| Total revenues and transfers                       | 78,597,501                     | 77,439,192           |
| <b>Program Expenses</b>                            |                                |                      |
| Instruction  | 37,265,828                     | 35,354,198           |
| Support services                                   | 10,288,823                     | 9,941,072            |
| General administration                             | 3,329,484                      | 3,413,430            |
| Building administration                            | 4,001,440                      | 4,085,993            |
| Operations and maintenance                         | 5,673,633                      | 6,311,684            |
| Student transportation                             | 2,434,259                      | 2,339,489            |
| Food services                                      | 2,005,265                      | 1,906,087            |
| Extracurricular activities                         | 1,465,920                      | 1,507,974            |
| Unallocated depreciation                           | 3,919,169                      | 3,643,476            |
| Interest and fiscal charges                        | 2,934,288                      | 2,683,339            |
| Total expenses                                     | 73,318,109                     | 71,186,742           |
| Change in net position                             | 5,279,392                      | 6,252,450            |
| Net position, beginning of year                    | 20,550,939                     | 59,330,793           |
| Restatement of net position due to pensions        | N/A                            | (45,032,304)         |
| Net position, beginning of year, as restated       | N/A                            | 14,298,489           |
| <b>Net position, end of year</b>                   | <b>\$ 25,830,331</b>           | <b>\$ 20,550,939</b> |

Excluding the effect of a capital asset disposal, revenues for fiscal year 2016 on *Table 2* experienced a net increase of \$1,187,090. This increase was largely attributable to a growing student population which generated an overall increase in state funding and local district property taxes. The following chart illustrates the breakout of revenue by source.



Total expenses on *Table 2* increased by \$2,131,367 (3.0%) and were largely attributable to the expected increase in depreciation, interest expenses and in the cost of salary, benefit and staffing to keep up with demand for services. The following chart illustrates the breakout of expenses by function.



## **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As the District completed the year, its governmental funds (as presented in the balance sheet on page 32) reported a *combined* fund balance of \$40,687,880, an increase of \$23,587,461 due primarily to the unspent bond proceeds related to the Sacajawea Middle School and Hawthorne Elementary School renovations.

The major elementary building fund had a \$22,079,573 increase in fund balance due to the unspent bond proceeds referenced above. The major high school building fund was utilized in the current fiscal year again (first time in several years) and finished with a (\$183,186) deficit fund balance due to high school expansion planning costs that are currently unfunded. The general fund (the third major fund) is the main operating fund of the Bozeman School District. Its fund balance enjoyed a modest \$171,696 (3.7%) increase primarily due to nonbudgeted tax increment proceeds received from the City of Bozeman.

### **General fund budgetary highlights**

The ending budgeted general fund balance reserves remained unchanged at a robust 9.6% of the 2016-2017 expenditure budget. The 9.6% is 96% of the state allowed 10% maximum, is adequate to meet cash flow needs, and exceeds the District self-imposed minimum reserve of 5%. Actual general fund revenues in the current year exceeded budgeted general fund revenues by a modest \$324,009 (0.71%) primarily due to depositing a portion of tax increment funds in the general fund (while the receipt of tax increment funds are anticipated, the exact amount and which funds they will be deposited in are not determined until late in the fiscal year).

General fund expenditures utilized 100.0% of the general fund budget. There were no significant functional variances in the expenditure section in the current fiscal year.

Student enrollment is critical in the calculation of general fund budget limits. The overall District PreK-12 enrollment has increased every year since 2005 (see Table 24). While the October 2015 count revealed a 207 increase in students and was less than the record October 2013 220 student increase, the student population growth is tracking 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. The Bozeman School District is experiencing some of the fastest student enrollment growth in the state and was able to amend its general fund budget midyear and increase it by \$45,487 due to exceeding certain state thresholds.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### *Capital Assets*

As of June 30, 2016, the District had invested roughly \$166.9 million in capital assets, including school land, buildings, construction in progress, and machinery and equipment. This amount represents an increase prior to depreciation of \$3,864,756 over 2015. Total depreciation expense for the year was \$4,357,686. The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2016.



|                            | <u>Amount</u>        |
|----------------------------|----------------------|
| Land                       | \$ 9,997,655         |
| Land improvements          | 8,186,238            |
| Buildings and improvements | 106,413,916          |
| Machinery and equipment    | 1,875,501            |
| Construction in progress   | <u>2,553,327</u>     |
| Total                      | <u>\$129,021,637</u> |

The total assets (net of depreciation) noted above include \$1,112,046 of fiduciary net capital assets. Additional information on the District's capital assets can be found in Note III C of this report.

#### *Debt Administration*

At year-end, the District had \$150,353,322 in general and limited obligation bonds and other long-term debt outstanding, of which \$6,233,225 is due within one year. A summary of the District's outstanding long-term debt for the year ended June 30, 2016, is presented below:

|                                | <u>Amount</u>         |
|--------------------------------|-----------------------|
| General obligation bonds       | \$ 99,605,844         |
| Compensated absences           | 3,975,240             |
| Voluntary termination benefits | 18,000                |
| Net pension liability          | 46,166,710            |
| Other postemployment benefits  | <u>587,528</u>        |
| Total                          | <u>\$ 150,353,322</u> |

The Elementary and High School Districts have each maintained their respective **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, 2016, the current elementary legal debt margin is \$83,498,145 and the high school legal debt margin is \$135,296,059 (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 2016-2017 budget. The primary factors were the District's student population, collective bargaining agreements, inflation rates, and the local economy. Budgeted expenditures in the General Fund increased by 5.8% to \$47,800,628 in fiscal year 2016-2017. Increased payroll and employee benefit costs for an expanding workforce are the primary reason for the increase.

Inflation for fiscal year 2016 (June to June) was 1.0% which was significantly higher than the anemic twelve month 0.1% rate as of June 2015, but still lower than historical levels. For the time period covering July through November 2016, the Consumer Price Index has climbed 0.7%. The local cost of living within the Bozeman School District has slightly outpaced that of the national economy. This factor is one of several 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, 2016**

|   | Governmental<br>Activities   |  | Governmental<br>Activities   |
|---|------------------------------|--|------------------------------|
| <b><u>ASSETS</u></b>  |                              | <b><u>LIABILITIES</u></b>  |                              |
| Current assets:   |                              | Current liabilities:   |                              |
| Cash and cash equivalents                                       | \$ 43,432,012                | Accounts payable   | \$ 1,524,262                 |
| Property taxes receivable(net of allowances for uncollectibles) | 726,854                      | Accrued interest payable   | 266,190                      |
| Due from other governments                                      | 1,696,440                    | Retainages payable   | 59,851                       |
| Accounts receivable   | 276,695                      | Unearned revenue   | 1,125,839                    |
| Inventory, at cost  | 93,064                       | Bonds payable - due within one year                                      | 5,775,000                    |
| Prepaid items   | 16,482                       | Compensated absences - due within one year                               | 455,225                      |
| Flexible accounts deposit                                       | 36,056                       | Voluntary termination benefits - due within one year                     | 3,000                        |
| Total current assets  | <u>46,277,603</u>            | Total current liabilities  | <u>9,209,367</u>             |
| Noncurrent assets:  |                              | Noncurrent liabilities:  |                              |
| Land  | 8,885,609                    | Bonds payable  | 93,830,844                   |
| Land improvements   | 11,990,914                   | Compensated absences   | 3,520,015                    |
| Buildings and improvements                                      | 136,618,683                  | Voluntary termination benefits   | 15,000                       |
| Machinery and equipment   | 5,718,692                    | Net pension liability  | 46,166,710                   |
| Construction in progress  | 2,553,327                    | Other postemployment health benefits                                     | 587,528                      |
| Less accumulated depreciation                                   | <u>(37,857,634)</u>          | Total noncurrent liabilities   | <u>144,120,097</u>           |
| Total noncurrent assets   | <u>127,909,591</u>           | <b>Total liabilities</b>   | <u>153,329,464</u>           |
| <b>Total assets</b>   | <u>174,187,194</u>           |  |                              |
| <b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>                    |                              | <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>                              |                              |
| Contribution to pension plans in current fiscal year            | 5,620,247                    | Pension deferrals  | <u>3,174,317</u>             |
| Excess reacquisition costs due to bond refunding                | 2,526,671                    | <b>Total deferred inflows of resources</b>                               | <u>3,174,317</u>             |
| <b>Total deferred outflows of resources</b>                     | <u>8,146,918</u>             |  |                              |
| <b>Total assets and deferred outflows of resources</b>          | <u><u>\$ 182,334,112</u></u> | <b><u>NET POSITION</u></b>   |                              |
|   |                              | Net investment in capital assets   | 53,028,385                   |
|   |                              | Restricted for:  |                              |
|   |                              | Building   | 1,383,086                    |
|   |                              | Building reserve   | 3,871,082                    |
|   |                              | Debt service   | 475,540                      |
|   |                              | Bus depreciation   | 569,209                      |
|   |                              | Retirement   | 1,941,685                    |
|   |                              | Technology acquisition   | 1,105,100                    |
|   |                              | Transportation   | 1,023,980                    |
|   |                              | Tuition  | 12,108                       |
|   |                              | Grant purposes   | 339,126                      |
|   |                              | Adult education  | 194,888                      |
|   |                              | Flexibility  | 571                          |
|   |                              | Unrestricted   | <u>(38,114,429)</u>          |
|   |                              | <b>Total net position</b>  | <u>25,830,331</u>            |
|   |                              | <b>Total liabilities, deferred inflows of resources and net position</b> | <u><u>\$ 182,334,112</u></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, 2016**

| Functions/Programs                     | Expenses             | Program Revenues        |                                       |                                     | Net (Expense)<br>Revenue and<br>Changes in<br>Net Position |
|--|----------------------|-------------------------|---------------------------------------|-------------------------------------|--|
|  |                      | Charges for<br>Services | Operating Grants<br>and Contributions | Capital Grants<br>and Contributions |  |
| <b>Governmental activities:</b>        |                      |                         |                                       |                                     |  |
| Instruction                            | \$ 37,265,828        | \$ 710,250              | \$ 4,454,728                          | \$ -                                | \$ (32,100,850)  |
| Support services                       | 10,288,823           | 327,835                 | 4,173,541                             | -                                   | (5,787,447)  |
| General administration                 | 3,329,484            | 71,674                  | 304,366                               | -                                   | (2,953,444)  |
| Building administration                | 4,001,440            | 135,521                 | 190,972                               | -                                   | (3,674,947)  |
| Operations and maintenance             | 5,673,633            | 257,329                 | 116,620                               | 133,064                             | (5,166,620)  |
| Student transportation                 | 2,434,259            | 4,580                   | 743,912                               | -                                   | (1,685,767)  |
| Food services                          | 2,005,265            | 1,253,628               | 528,486                               | -                                   | (223,151)  |
| Extracurricular activities             | 1,465,920            | 1,095                   | 371,852                               | -                                   | (1,092,973)  |
| Unallocated depreciation *             | 3,919,169            | -                       | -                                     | -                                   | (3,919,169)  |
| Interest and fiscal charges            | 2,934,288            | -                       | -                                     | -                                   | (2,934,288)  |
| <b>Total governmental activities</b>   | <b>\$ 73,318,109</b> | <b>\$ 2,761,912</b>     | <b>\$ 10,884,477</b>                  | <b>\$ 133,064</b>                   | <b>\$ (59,538,656)</b>                                     |
|  |                      |                         |                                       |                                     |  |
| General revenues:                      |                      |                         |                                       |                                     |  |
| District property taxes                |                      |                         |                                       |                                     | 31,161,445   |
| Investment earnings                    |                      |                         |                                       |                                     | 228,192  |
| Intergovernmental revenue              |                      |                         |                                       |                                     |  |
| Unrestricted:                          |                      |                         |                                       |                                     |  |
| County distribution - retirement       |                      |                         |                                       |                                     | 6,625,912  |
| State equalization                     |                      |                         |                                       |                                     | 17,734,527   |
| State guaranteed tax base subsidy      |                      |                         |                                       |                                     | 3,469,015  |
| State motor vehicle fee reimbursement  |                      |                         |                                       |                                     | 1,969,511  |
| State quality educator                 |                      |                         |                                       |                                     | 1,453,177  |
| State on-behalf pension                |                      |                         |                                       |                                     | 1,622,924  |
| Other state revenue                    |                      |                         |                                       |                                     | 582,126  |
| Loss on disposal of capital assets     |                      |                         |                                       |                                     | (28,781)   |
| <b>Total general revenues</b>          |                      |                         |                                       |                                     | <b>64,818,048</b>  |
|  |                      |                         |                                       |                                     |  |
| <b>Change in net position</b>          |                      |                         |                                       |                                     | <b>5,279,392</b>   |
|  |                      |                         |                                       |                                     |  |
| <b>Net position, beginning of year</b> |                      |                         |                                       |                                     | <b>20,550,939</b>  |
| <b>Net position, end of year</b>       |                      |                         |                                       |                                     | <b>\$ 25,830,331</b>                                       |

\* 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, 2016**

|  | General             | Elementary<br>Building | High School<br>Building | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|------------------------|-------------------------|-----------------------------------|--------------------------------|
| <b><u>ASSETS</u></b>   |                     |                        |                         |                                   |                                |
| Cash and cash equivalents  | \$ 4,768,927        | \$ 24,722,724          | \$ 13,774               | \$ 10,129,403                     | \$ 39,634,828                  |
| Property taxes receivable  | 425,286             | -                      | -                       | 311,636                           | 736,922                        |
| Due from other funds   | -                   | -                      | -                       | 183,186                           | 183,186                        |
| Due from other governments   | 233,765             | -                      | -                       | 1,462,675                         | 1,696,440                      |
| Accounts receivable  | 3,752               | 18,055                 | -                       | 195,853                           | 217,660                        |
| Inventory, at cost   | -                   | -                      | -                       | 91,256                            | 91,256                         |
| Prepaid items  | 7,729               | -                      | -                       | 8,703                             | 16,432                         |
| <b>Total assets</b>  | <b>\$ 5,439,459</b> | <b>\$ 24,740,779</b>   | <b>\$ 13,774</b>        | <b>\$ 12,382,712</b>              | <b>\$ 42,576,724</b>           |
| <b><u>LIABILITIES</u></b>  |                     |                        |                         |                                   |                                |
| Accounts payable   | \$ 144,926          | \$ 596,153             | \$ 13,774               | \$ 84,281                         | \$ 839,134                     |
| Retainages payable   | -                   | 21,891                 | -                       | 37,960                            | 59,851                         |
| Unearned revenue   | -                   | -                      | -                       | 69,751                            | 69,751                         |
| Due to other funds   | -                   | -                      | 183,186                 | -                                 | 183,186                        |
| <b>Total liabilities</b>   | <b>144,926</b>      | <b>618,044</b>         | <b>196,960</b>          | <b>191,992</b>                    | <b>1,151,922</b>               |
| <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>                                    |                     |                        |                         |                                   |                                |
| Unavailable revenue - property taxes   | 425,286             | -                      | -                       | 311,636                           | 736,922                        |
| <b>Total deferred inflows of resources</b>                                     | <b>425,286</b>      | <b>-</b>               | <b>-</b>                | <b>311,636</b>                    | <b>736,922</b>                 |
| <b><u>FUND BALANCES</u></b>  |                     |                        |                         |                                   |                                |
| Nonspendable   | 7,729               | -                      | -                       | 99,959                            | 107,688                        |
| Restricted   | -                   | 24,122,735             | -                       | 9,662,914                         | 33,785,649                     |
| Committed  | -                   | -                      | -                       | 2,116,211                         | 2,116,211                      |
| Assigned   | 291,534             | -                      | -                       | -                                 | 291,534                        |
| Unassigned   | 4,569,984           | -                      | (183,186)               | -                                 | 4,386,798                      |
| <b>Total fund balances</b>   | <b>4,869,247</b>    | <b>24,122,735</b>      | <b>(183,186)</b>        | <b>11,879,084</b>                 | <b>40,687,880</b>              |
| <b>Total liabilities, deferred inflows of<br/>resources, and fund balances</b> | <b>\$ 5,439,459</b> | <b>\$ 24,740,779</b>   | <b>\$ 13,774</b>        | <b>\$ 12,382,712</b>              | <b>\$ 42,576,724</b>           |

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, 2016**

Amounts reported for governmental activities in the statement of net position are different because:

|   |                      |
|---|----------------------|
| <b>Fund balances - total governmental funds</b>   | \$ 40,687,880        |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$165,767,225 and the accumulated depreciation is \$37,857,634.   | 127,909,591          |
| Deferred inflows of resources(unavailable property taxes) are not available to pay for current period expenditures, and therefore are deferred in the governmental funds.   | 736,922              |
| Pension related deferred inflows and outflows are not accounted for in the governmental funds. Excess reacquisition costs related to bond refunding are accounted for as deferred inflows of resources on the government-wide statements. The following number reports the net result of the current and long-term effect of these resources. | 4,972,601            |
| Property taxes receivable is reported "net of the allowances for uncollectibles" on the statement of net position.  | (10,068)             |
| Long-term liabilities, including bonds payable, compensated absences, voluntary termination benefits, and net pension liability 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   | \$ 99,872,034        |
| Compensated absences  | 3,975,240            |
| Voluntary termination benefits  | 18,000               |
| Net pension liability   | 46,166,710           |
|   | (150,031,984)        |
| Internal service funds are used by the District to charge the costs of health insurance, printing, 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 position.   | 1,565,389            |
| <b>Net position - governmental activities</b>   | <b>\$ 25,830,331</b> |

**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, 2016**

|  | General             | Elementary<br>Building | High School<br>Building | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|------------------------|-------------------------|-----------------------------------|--------------------------------|
| <b>Revenues:</b>   |                     |                        |                         |                                   |                                |
| District property taxes                                  | \$ 18,170,793       | \$ -                   | \$ -                    | \$ 13,272,556                     | \$ 31,443,349                  |
| Tuition and fees   | 32,546              | -                      | -                       | 1,390,934                         | 1,423,480                      |
| Interest   | 57,528              | 64,166                 | -                       | 65,896                            | 187,590                        |
| Other district revenue                                   | 222,660             | 366,698                | -                       | 2,110,598                         | 2,699,956                      |
| Gallatin County  | -                   | -                      | -                       | 7,018,606                         | 7,018,606                      |
| State of Montana   | 27,002,682          | -                      | -                       | 2,534,406                         | 29,537,088                     |
| Federal  | -                   | -                      | -                       | 4,162,866                         | 4,162,866                      |
| <b>Total revenues</b>                                    | <u>45,486,209</u>   | <u>430,864</u>         | <u>-</u>                | <u>30,555,862</u>                 | <u>76,472,935</u>              |
| <b>Expenditures:</b>                                     |                     |                        |                         |                                   |                                |
| Current -  |                     |                        |                         |                                   |                                |
| Instruction  | 28,777,267          | 3,722                  | -                       | 7,317,626                         | 36,098,615                     |
| Support services   | 5,751,213           | -                      | -                       | 4,415,192                         | 10,166,405                     |
| General administration                                   | 2,393,987           | 613                    | -                       | 873,872                           | 3,268,472                      |
| Building administration                                  | 3,190,233           | -                      | -                       | 715,939                           | 3,906,172                      |
| Operations and maintenance                               | 4,156,813           | 437,347                | 522                     | 1,233,039                         | 5,827,721                      |
| Student transportation                                   | 205                 | -                      | -                       | 2,438,563                         | 2,438,768                      |
| Food services  | 7,301               | -                      | -                       | 1,973,626                         | 1,980,927                      |
| Extracurricular activities                               | 1,027,165           | -                      | -                       | 432,965                           | 1,460,130                      |
| Capital outlay   | 10,329              | 1,951,997              | 182,664                 | 2,075,227                         | 4,220,217                      |
| Debt service -   |                     |                        |                         |                                   |                                |
| Principal retirement                                     | -                   | -                      | -                       | 4,970,554                         | 4,970,554                      |
| Interest and fiscal charges                              | -                   | 303,496                | -                       | 2,589,881                         | 2,893,377                      |
| Bond issuance costs                                      | -                   | 191,730                | -                       | -                                 | 191,730                        |
| <b>Total expenditures</b>                                | <u>45,314,513</u>   | <u>2,888,905</u>       | <u>183,186</u>          | <u>29,036,484</u>                 | <u>77,423,088</u>              |
| <b>Excess (deficiency) of revenues over expenditures</b> | <u>171,696</u>      | <u>(2,458,041)</u>     | <u>(183,186)</u>        | <u>1,519,378</u>                  | <u>(950,153)</u>               |
| <b>Other financing sources (uses):</b>                   |                     |                        |                         |                                   |                                |
| General obligation bonds issued                          | -                   | 21,500,000             | -                       | -                                 | 21,500,000                     |
| Premium on general obligation debt                       | -                   | 3,037,614              | -                       | -                                 | 3,037,614                      |
| <b>Total other financing sources (uses)</b>              | <u>-</u>            | <u>24,537,614</u>      | <u>-</u>                | <u>-</u>                          | <u>24,537,614</u>              |
| <b>Net changes in fund balances</b>                      | <u>171,696</u>      | <u>22,079,573</u>      | <u>(183,186)</u>        | <u>1,519,378</u>                  | <u>23,587,461</u>              |
| <b>Fund balances, beginning of year</b>                  | <u>4,697,551</u>    | <u>2,043,162</u>       | <u>-</u>                | <u>10,359,706</u>                 | <u>17,100,419</u>              |
| <b>Fund balances, end of year</b>                        | <u>\$ 4,869,247</u> | <u>\$ 24,122,735</u>   | <u>\$ (183,186)</u>     | <u>\$ 11,879,084</u>              | <u>\$ 40,687,880</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, 2016**

Amounts reported for governmental activities in the statement of activities are different because:

|  |                            |
|--|----------------------------|
| <b>Net change in fund balances - total governmental funds</b>  | <b>\$ 23,587,461</b>       |
| 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 (\$4,226,625) fell short of depreciation (\$4,338,161) in the current period.   | (111,536)                  |
| Deferred inflows of resources in the governmental funds are reported on the full accrual method in the government-wide financial statements.   | (281,904)                  |
| The net pension liability and related pension deferred inflows and outflows of the district are reported on the full accrual method and solely in the government-wide financial statements.  | 921,466                    |
| 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 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. If debt is refunded at a cost more than the carrying amount of the old debt, this excess acquisition cost is also amortized as a component of interest and fiscal charges in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt. | (19,393,428)               |
| The current period net decrease in compensated absences and voluntary termination benefits payable did not require the use of current financial resources.   | 406,040                    |
| Internal service funds are used by the District to charge the costs of health insurance, printing, postage and other services to individual funds. The net income of the internal service funds is reported with governmental activities.  | <u>151,293</u>             |
| <b>Change in net position of governmental activities</b>   | <b><u>\$ 5,279,392</u></b> |

**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, 2016**

|   | Original<br>Budget  | Final<br>Budget     | Actual              | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|---------------------|---------------------|---------------------|---|
| <b>Revenues:</b>                        |                     |                     |                     |   |
| District property taxes                 | \$ 18,106,825       | \$ 18,106,825       | \$ 18,170,793       | \$ 63,968   |
| Tuition and fees                        | 17,500              | 17,500              | 32,546              | 15,046  |
| Interest                                | 41,871              | 41,871              | 55,443              | 13,572  |
| Other district revenue                  | 3,029               | 3,029               | 222,660             | 219,631   |
| State of Montana                        | 26,945,403          | 26,990,890          | 27,002,682          | 11,792  |
| <b>Total revenues</b>                   | <u>45,114,628</u>   | <u>45,160,115</u>   | <u>45,484,124</u>   | <u>324,009</u>  |
| <b>Expenditures:</b>                    |                     |                     |                     |   |
| Current -                               |                     |                     |                     |   |
| Instruction                             | 28,661,815          | 28,707,302          | 28,757,525          | (50,223)  |
| Support services                        | 5,694,750           | 5,694,750           | 5,667,972           | 26,778  |
| General administration                  | 2,416,016           | 2,416,016           | 2,383,801           | 32,215  |
| Building administration                 | 3,215,156           | 3,215,156           | 3,180,616           | 34,540  |
| Operations and maintenance              | 4,081,077           | 4,081,077           | 4,130,151           | (49,074)  |
| Food services                           | -                   | -                   | 2,556               | (2,556)   |
| Extracurricular activities              | 1,033,814           | 1,033,814           | 1,027,165           | 6,649   |
| Capital outlay                          | 12,000              | 12,000              | 10,329              | 1,671   |
| <b>Total expenditures</b>               | <u>45,114,628</u>   | <u>45,160,115</u>   | <u>45,160,115</u>   | <u>-</u>  |
| <b>Net change in fund balances</b>      | -                   | -                   | 324,009             | 324,009   |
| <b>Fund balances, beginning of year</b> | <u>4,253,705</u>    | <u>4,253,705</u>    | <u>4,253,705</u>    | <u>-</u>  |
| <b>Fund balances, end of year</b>       | <u>\$ 4,253,705</u> | <u>\$ 4,253,705</u> | <u>\$ 4,577,714</u> | <u>\$ 324,009</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, 2016**

|   | Governmental<br>Activities:<br>Internal Service<br>Funds |
|---|--|
| <b><u>ASSETS</u></b>  |  |
| Current assets:   |  |
| Cash and cash equivalents   | \$ 3,797,184   |
| Accounts receivable   | 59,035   |
| Inventory, at cost  | 1,808  |
| Prepaid items   | 50   |
| Flexible accounts deposit   | 36,056   |
| Total current assets  | <u>3,894,133</u>   |
| Noncurrent assets:  |  |
| Capital assets:   |  |
| Machinery and equipment   | 266,814  |
| Less accumulated depreciation   | <u>(234,808)</u>   |
| Net capital assets  | <u>32,006</u>  |
| <b>Total assets</b>   | <u>3,926,139</u>   |
| <b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>                                  |  |
| Contribution to pension plans in current fiscal year                          | <u>7,964</u>   |
| <b>Total deferred outflows of resources</b>                                   | <u>7,964</u>   |
| <b>Total assets and deferred outflows of resources</b>                        | <u><u>\$ 3,934,103</u></u>                               |
| <b><u>LIABILITIES</u></b>   |  |
| Current liabilities:  |  |
| Accounts payable  | \$ 685,128   |
| Unearned revenue  | <u>1,056,088</u>   |
| Total current liabilities   | <u>1,741,216</u>   |
| Noncurrent liabilities:   |  |
| Net pension liability   | 84,608   |
| Other postemployment health benefits  | <u>587,528</u>   |
| Total noncurrent liabilities  | <u>672,136</u>   |
| <b>Total liabilities</b>  | <u>2,413,352</u>   |
| <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>                                   |  |
| Pension deferrals   | <u>11,863</u>  |
| <b>Total deferred inflows of resources</b>                                    | <u>11,863</u>  |
| <b><u>NET POSITION</u></b>  |  |
| Net investment in capital assets  | 32,006   |
| Unrestricted  | <u>1,476,882</u>   |
| <b>Total net position</b>   | <u>1,508,888</u>   |
| <b>Total liabilities, deferred inflows of<br/>resources, and net position</b> | <u><u>\$ 3,934,103</u></u>                               |

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

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

|   | Governmental<br>Activities:<br>Internal Service<br>Funds |
|---|--|
| <b>Operating revenues:</b>                    |  |
| Charges for services                          | \$ 7,119,777   |
| Charges for Wellness services                 | 105,321  |
| State on-behalf pension                       | 2,764  |
| <b>Total operating revenues</b>               | <u>7,227,862</u>   |
| <b>Operating expenses:</b>                    |  |
| Administrative expenses                       | 287,847  |
| Communications                                | 29,497   |
| Contracted Medicare supplement                | 234,340  |
| Depreciation                                  | 19,525   |
| Excess risk insurance                         | 382,519  |
| Facilities and equipment rental               | 75,122   |
| Health, dental and vision claims              | 5,501,993  |
| Materials and supplies                        | 710  |
| Minor equipment                               | 1,857  |
| Minor technology equipment                    | 4,290  |
| Other expenses                                | 1,048  |
| Other postemployment health benefits          | 107,404  |
| Repairs and maintenance                       | 72,959   |
| Salaries and benefits                         | 40,149   |
| Wellness                                      | 306,317  |
| <b>Total operating expenses</b>               | <u>7,065,577</u>   |
| <b>Operating income (loss)</b>                | <u>162,285</u>   |
| <b>Nonoperating revenues (expenses):</b>      |  |
| Interest                                      | 17,789   |
| Loss on sale of capital assets                | (28,781)   |
| <b>Total nonoperating revenues (expenses)</b> | <u>(10,992)</u>  |
| <b>Change in net position</b>                 | 151,293  |
| <b>Net position, beginning of year</b>        | <u>1,357,595</u>   |
| <b>Net position, end of year</b>              | <u>\$ 1,508,888</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, 2016**

|   | Governmental<br>Activities:<br>Internal Service<br>Funds |
|---|--|
| <b>Cash flows from operating activities:</b>  |  |
| Receipts from users   | \$ 7,228,738   |
| Payments for insurance claims   | (5,493,707)  |
| Payments to employees   | (50,213)   |
| Payments to suppliers   | (1,374,025)  |
| <b>Net cash provided (used) by operating activities</b>   | <b>310,793</b>   |
| <b>Cash flows from capital and related financing activities:</b>  |  |
| Sale of capital assets  | 80,000   |
| <b>Net cash provided (used) by capital and related financing activities</b>                                 | <b>80,000</b>  |
| <b>Cash flows from investing activities:</b>  |  |
| Interest received   | 17,789   |
| <b>Net cash provided (used) by investing activities</b>   | <b>17,789</b>  |
| <b>Net increase (decrease) in cash and cash equivalents</b>   | <b>408,582</b>   |
| <b>Cash and cash equivalents - 7/01/15</b>  | <b>3,388,602</b>   |
| <b>Cash and cash equivalents - 6/30/16</b>  | <b>\$ 3,797,184</b>                                      |
| <b>Reconciliation of operating income(loss) to net cash provided (used) by operating activities:</b>        |  |
| Operating income (loss)   | \$ 162,285   |
| <b>Adjustments to reconcile operating income(loss) to net cash provided (used) by operating activities:</b> |  |
| Depreciation  | 19,525   |
| (Increase) decrease in accounts receivable  | (59,035)   |
| (Increase) decrease in inventories  | (1,068)  |
| (Increase) decrease in prepaid items  | (50)   |
| Increase (decrease) in accounts payable   | 32,213   |
| Increase (decrease) in other postemployment benefits  | 107,404  |
| Increase (decrease) in pension related deferred inflows, deferred outflows and net pension liability        | (13,156)   |
| Increase (decrease) in unearned insurance premiums  | 62,675   |
| Total adjustments   | 148,508  |
| <b>Net cash provided (used) by operating activities</b>   | <b>\$ 310,793</b>  |

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, 2016**

|                            | Private-Purpose<br>Trust |
|----------------------------|--------------------------|
| <b><u>ASSETS</u></b>       |                          |
| Cash and cash equivalents  | \$ 3,200,968             |
| Investments                | 661,845                  |
| Accounts receivable        | 1,531                    |
| Land                       | 1,112,046                |
| <b>Total assets</b>        | <b>4,976,390</b>         |
| <b><u>LIABILITIES</u></b>  |                          |
| Accounts payable           | 3,000                    |
| <b>Total liabilities</b>   | <b>3,000</b>             |
| <b><u>NET POSITION</u></b> |                          |
| Net position held in trust | <b>\$ 4,973,390</b>      |

**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, 2016**

|  | Private-Purpose<br>Trust Funds |
|--|--------------------------------|
| <b>Additions:</b>                      |                                |
| Payments from member districts         | \$ 1,238,539                   |
| Extracurricular receipts and fees      | 885,747                        |
| Other trust revenue                    | 35,040                         |
| State of Montana                       | 40,937                         |
| Total noninvestment trust additions    | <u>2,200,263</u>               |
| Investment earnings:                   |                                |
| Interest                               | <u>19,525</u>                  |
| <b>Total additions</b>                 | <u>2,219,788</u>               |
| <b>Deductions:</b>                     |                                |
| Administrative expenses                | 17,424                         |
| Salaries and benefits                  | 53,902                         |
| Instruction                            | 117,245                        |
| Support services                       | 4,104                          |
| Extracurricular activities             | 862,985                        |
| Professional contracted services       | 29,247                         |
| Purchased property services            | 4,902                          |
| Scholarships                           | 500                            |
| <b>Total deductions</b>                | <u>1,090,309</u>               |
| <b>Change in net position</b>          | 1,129,479                      |
| <b>Net position, beginning of year</b> | <u>3,843,911</u>               |
| <b>Net position, end of year</b>       | <u><u>\$ 4,973,390</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, 2016**

**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.

Beginning in the fiscal year ended June 30, 2015, the financial reporting information pertaining to the District's participation in the Teachers' Retirement System (TRS) and the Public Employees' Retirement System (PERS) is now prepared in accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements establish accounting and financial reporting standards to account for the District's net pension liability, deferred outflows and inflows of revenues related to pensions, and pension expense.

**New Accounting Pronouncement**

The Government implemented the provisions of the following GASB pronouncements for the year ended June 30, 2016:

- Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for fiscal years beginning after June 15, 2015.
- Statement No. 82, *Pension Issues, an amendment of GASB No. 67, 68, and 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement is effective for fiscal years beginning after June 15, 2016 with early application encouraged.

### **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. In the fiscal year ended June 30, 2013, the District implemented 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 utilizing a full accrual basis of accounting. 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 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, remodeling of existing elementary facilities and the rental of district facilities.

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

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, 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, expendable high school art endowment, extracurricular activity clubs, 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, printing, postage, 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, pension, 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. \$308,380 of the Middle and High School Student Extracurricular Funds (which are Private-Purpose Trust Funds) are in various checking accounts. \$940 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, 2016, 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 1<sup>st</sup> with the taxes generally being levied in August and billed as of November 1<sup>st</sup>. 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 30<sup>th</sup> and May 31<sup>st</sup>. Unpaid taxes become delinquent on December 1<sup>st</sup> and June 1<sup>st</sup>. 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 \$10,068 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. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and governmental funds balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position (or fund balance) that applies to a future period(s) so will not be recognized as an outflow of resources (expenses/expenditures) until then. The District has some pension related deferred outflows of resources in the current fiscal year as well as deferred outflows due to an excess reacquisition loss on debt refunding.

In addition to liabilities, the statement of net position and governmental funds balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Within the District's governmental fund balance sheet, there was one item that qualified as a deferred inflow of resources. This item was entirely comprised of outstanding property taxes as of June 30, 2016. These amounts are (and were) reported as revenue in the government-wide financial statements in the period in which they were levied and thus no deferred inflows of resources were reported for this unavailable property tax activity. The government-wide and proprietary Statements of Net Position did report some deferred inflows of resources for pension related activities. Please refer to the Other Information section of the notes for a more in-depth discussion of the pension activity that the District participates in.

### **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 15 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 162 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**

**Administrator Severance Medical Insurance Payments** - If an Administrator has at least thirteen years of administrative service with the District or at least twenty years of total service with the District, and the Administrator's employment with the District ends in a no fault termination, the Administrator shall be entitled to payments of \$250 per month from the District for medical insurance. These payments shall cease on the first of the following to occur: a. The Administrator becoming eligible to participate in another employer sponsored medical insurance plan with benefits which are of comparable value to the District's group medical insurance plan, or Medicare. b. Ten years expiring from the date of the first such payment to the Administrator. For the fiscal year ended June 30, 2016, this voluntary termination benefit cost the District \$3,000 and had only 1 past employee participating as of that year end date.

### **K. Net pension liability**

The District must report its proportionate share of the collective net pension liability, pension expense, deferred inflows, and deferred outflows of resources associated with pension plans that its employees are eligible to participate in. See Note IV B for a more in-depth discussion of this liability and related elements.

### **L. 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.

### **M. 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. Premiums and discounts are deferred over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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. Both the government-wide and fund financial statements recognize bond issuance costs as current expenses in the year incurred.

### **N. 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). These amounts were assigned in the current fiscal year by the Deputy Superintendent of Operations via the delegated powers to that position by the School Board.

*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, 2016, fund balances are comprised of the following:

|                                     | General | Elementary<br>Building | High<br>School<br>Building | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-------------------------------------|---------|------------------------|----------------------------|-----------------------------------|--------------------------------|
| Nonspendable:                       |         |                        |                            |                                   |                                |
| Inventories                         | \$ -    | \$ -                   | \$ -                       | \$ 91,256                         | \$ 91,256                      |
| Prepaid items                       | 7,729   | -                      | -                          | 8,703                             | 16,432                         |
| Restricted:                         |         |                        |                            |                                   |                                |
| Federal, State,<br>& Local Grants   | -       | -                      | -                          | 339,126                           | 339,126                        |
| Building constr.<br>repair & renov. | -       | 24,122,735             | -                          | 3,899,283                         | 28,022,018                     |
| Debt Service                        | -       | -                      | -                          | 554,374                           | 554,374                        |
| Student Transport.                  | -       | -                      | -                          | 1,036,967                         | 1,036,967                      |

|                     | General     | Elementary<br>Building | High<br>School<br>Building | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---------------------|-------------|------------------------|----------------------------|-----------------------------------|--------------------------------|
| Replacing Buses     | -           | -                      | -                          | 570,094                           | 570,094                        |
| Student Tuition     | -           | -                      | -                          | 13,354                            | 13,354                         |
| Retirement taxes    | -           | -                      | -                          | 1,941,685                         | 1,941,685                      |
| Tech acquisition    | -           | -                      | -                          | 1,110,864                         | 1,110,864                      |
| Flexibility uses    | -           | -                      | -                          | 571                               | 571                            |
| Adult Education     | -           | -                      | -                          | 196,596                           | 196,596                        |
| Committed:          |             |                        |                            |                                   |                                |
| Food services       | -           | -                      | -                          | 241,149                           | 241,149                        |
| Special services    | -           | -                      | -                          | 1,043,967                         | 1,043,967                      |
| Business services   | -           | -                      | -                          | 300,055                           | 300,055                        |
| Drivers education   | -           | -                      | -                          | 250,118                           | 250,118                        |
| Misc. district ops  | -           | -                      | -                          | 280,922                           | 280,922                        |
| Assigned:           |             |                        |                            |                                   |                                |
| Comp. absences      | 291,534     | -                      | -                          | -                                 | 291,534                        |
| Unassigned          | 4,569,984   | -                      | (183,186)                  | -                                 | 4,386,798                      |
| Total fund balances | \$4,869,247 | \$24,122,735           | (\$183,186)                | \$ 11,879,084                     | \$ 40,687,880                  |

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

#### **O. 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 30<sup>th</sup> equal to 5% of the subsequent fiscal year's expenditure budget.

#### **P. Net Position**

In funds other than governmental, net position represent the result of assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets plus capital-related deferred outflows, net of accumulated depreciation and also reduced by the outstanding balances of any borrowing used in the acquisition, construction, or improvement of those assets and any capital-related deferred inflows of resources. 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

Flexibility

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.)



While the Bozeman School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law allows accounting for certain year end appropriations as encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual presented for the District's major governmental fund (General) is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. There are two major difference between the budget basis and GAAP basis in presenting the general fund. One is that under GAAP, encumbrances outstanding at year end are reported as assigned fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. The second major difference is that on a budget basis, compensated absence liability funds are tracked separately but for GAAP purposes, their activity is consolidated back into the general fund which originally supplied it with its full source of revenue.

**B. Budgetary/GAAP reconciliation**

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

| Net Change in Fund Balance<br>Major General Fund             |                         |
|--|-------------------------|
|  | <u>General</u>          |
| GAAP Basis   | \$171,696               |
| Consolidating compensated<br>absence liability fund activity | 81,267                  |
| Adjustment for Encumbrances                                  | <u>71,046</u>           |
| Budget Basis   | <u><u>\$324,009</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 High School Building fund had a deficit fund equity of \$183,186. This deficit is the result of planning expenses incurred for the anticipation of remodeling and expanding building capacity for a growing high school student body. The District is planning on approaching voters with a levy in May 2017 to help meet its high school building needs.

### 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                                  | \$ 5,003             |
| County Treasurer's Investment Pool          | 46,318,657           |
| Cash in checking                            | 308,380              |
| Cash in D.A. Davidson bank insured deposits | 940                  |
| Total                                       | <u>\$ 46,632,980</u> |

Investments consist of:

|                                     |                         | Credit Risk                                      | Interest Rate<br>Risk                |                              |
|-------------------------------------|-------------------------|--|--------------------------------------|------------------------------|
|                                     | Investment<br>Mkt Value | Standard &<br>Poor's<br>Corporate Bond<br>Rating | Weighted Average<br>Maturity (Years) | Fair<br>Value<br>Measurement |
| Mutual Funds                        | <u>\$661,845</u>        | AAA  | 0.00                                 | Level 2                      |
| Portfolio weighted average maturity |                         |  | 0.00                                 |                              |

The District categorizes its fair value measurements within the fair value hierarchy established by the generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above fiduciary fund mutual funds are considered Level 2 within the hierarchy.

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 \$308,380 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.

The fiduciary Nonexpendable High School Endowment fund had cash held at Citibank, N.A. within 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. 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 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, 2016, 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<br>Building | High<br>School<br>Building | Nonmajor<br>and Other<br>Funds | Total      |
|---------------------------------------|------------|------------------------|----------------------------|--------------------------------|------------|
| Receivables:                          |            |                        |                            |                                |            |
| Accounts                              | \$ 3,752   | \$ 18,055              | \$ -                       | \$ 197,384                     | \$ 219,191 |
| Property taxes                        | 425,286    | -                      | -                          | 311,636                        | 736,922    |
| Gross receivables                     | 429,038    | 18,055                 | -                          | 509,020                        | 956,113    |
| Less: allowance for<br>Uncollectibles | (5,810)    | -                      | -                          | (4,258)                        | (10,068)   |
| Net total receivables                 | \$ 423,228 | \$ 18,055              | \$ -                       | \$ 504,762                     | \$ 946,045 |

Governmental funds report deferred inflows of resources (unavailable) in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also delay revenue recognition in connection with resources that have been received, but not yet earned (unearned). At the end of the current fiscal year, the various components of \$736,922 deferred inflows and \$69,751 unearned revenue reported in governmental funds were as follows:

|  | <u>Unavailable</u> | <u>Unearned</u>  |
|--|--------------------|------------------|
| Delinquent property taxes receivable (General Fund)                | \$425,286          | \$ -             |
| Delinquent property taxes receivable (Nonmajor governmental funds) | 311,636            | -                |
| Food Service & High School grants (Nonmajor gov'tl funds)          | -                  | 69,751           |
| Total unavailable and unearned revenue for governmental funds      | <u>\$736,922</u>   | <u>\$ 69,751</u> |

The Self-Insurance internal service fund had unearned revenue of \$1,056,088 as of June 30, 2016, 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, 2016 follows:

| <u>Governmental Activities</u>               | <u>Beginning<br/>Balance</u> | <u>Increase</u>     | <u>Decrease</u>       | <u>Ending<br/>Balance</u> |
|--|------------------------------|---------------------|-----------------------|---------------------------|
| Capital assets, not being depreciated:       |                              |                     |                       |                           |
| Land   | \$ 8,885,609                 | \$ -                | \$ -                  | \$ 8,885,609              |
| Construction in progress                     | 4,471,356                    | 2,412,509           | (4,330,538)           | 2,553,327                 |
| Total capital assets, not being depreciated  | 13,356,965                   | 2,412,509           | (4,330,538)           | 11,438,936                |
| Capital assets, being depreciated:           |                              |                     |                       |                           |
| Land improvements                            | 10,978,909                   | 1,012,005           | -                     | 11,990,914                |
| Buildings and improvements                   | 131,696,552                  | 4,922,131           | -                     | 136,618,683               |
| Machinery and equipment                      | 5,870,043                    | 210,518             | (361,869)             | 5,718,692                 |
| Total capital assets being depreciated       | 148,545,504                  | 6,144,654           | (361,869)             | 154,328,289               |
| Less accumulated depreciation for:           |                              |                     |                       |                           |
| Land improvements                            | (3,245,581)                  | (559,095)           | -                     | (3,804,676)               |
| Buildings and improvements                   | (26,844,693)                 | (3,360,075)         | -                     | (30,204,768)              |
| Machinery and equipment                      | (3,662,762)                  | (438,516)           | 253,088               | (3,848,190)               |
| Total accumulated depreciation               | (33,753,036)                 | (4,357,686)         | 253,088               | (37,857,634)              |
| Total capital assets, being depreciated, net | 114,792,468                  | 1,786,968           | (108,781)             | 116,470,655               |
| Governmental activities capital assets, net  | <u>\$128,149,433</u>         | <u>\$ 4,199,477</u> | <u>\$ (4,439,319)</u> | <u>\$127,909,591</u>      |

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

|  |                    |
|--|--------------------|
| Governmental activities:   |                    |
| Instruction  | \$ 50,567          |
| Support services   | 64,113             |
| General administration   | 134,634            |
| Operations and maintenance   | 68,367             |
| Food services  | 92,700             |
| Extracurricular activities   | 8,611              |
| Unallocated depreciation (buildings and land improvements)   | 3,919,169          |
| Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets | <u>19,525</u>      |
| Total depreciation expense - governmental activities   | <u>\$4,357,686</u> |

| <u>Fiduciary Activities</u>                 | <u>Beginning Balance</u> | <u>Increase</u> | <u>Decrease</u> | <u>Ending Balance</u> |
|---|--------------------------|-----------------|-----------------|-----------------------|
| Capital assets, not being depreciated:      |                          |                 |                 |                       |
| Land  | \$1,112,046              | \$ -            | \$ -            | \$1,112,046           |
| Total capital assets, not being depreciated | <u>1,112,046</u>         | <u>-</u>        | <u>-</u>        | <u>1,112,046</u>      |
| Fiduciary activities capital assets, net    | <u>\$1,112,046</u>       | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$1,112,046</u>    |

There was no depreciation in the fiduciary funds in the 2015-2016 fiscal year.

**Construction commitments** - The District has active construction projects as of June 30, 2016. At year-end the District's commitments with contractors were as follows:

| <u>Projects</u>   | <u>Spent-to-Date</u> | <u>Remaining Commitment</u> |
|---|----------------------|-----------------------------|
| Constr. & Architect contracts for Hawthorne addition and renovation | \$ 540,194           | \$ 4,801,407                |
| Constr. & Architect contracts for Sacajawea addition and renovation | 1,176,923            | 13,897,730                  |
| Construction contract for Morning Star reroof project               | 132,746              | 58,661                      |
| Construction contract for CJMS soffit replacement project           | -                    | 75,715                      |
| Construction contract for Willson switchboard/panel replacement     | 55,597               | 45,039                      |
| Construction contract for Longfellow parking lot improvements       | -                    | 26,271                      |
| Construction contract for Morning Star parking lot improvements     | -                    | 65,340                      |
| Construction contract for High School north bleacher replacement    | 35,658               | 210,741                     |
| Construction contract for Hyalite playground asphalt improvements   | -                    | 25,050                      |
| Construction contract for High School parking log improvements      | -                    | 40,121                      |
| Total   | <u>\$ 1,941,118</u>  | <u>\$ 19,246,075</u>        |

The elementary building fund (bond monies) is paying for the Hawthorne and Sacajawea School addition and renovation projects. The elementary building reserve fund is paying for a portion of the Willson switchboard project, and all of the Morning Star, CJMS, Longellow, and Hyalite projects. The high school building reserve fund is paying a portion of the Willson switchboard project as well as all of the High School north bleacher and parking lot projects.

#### **D. Interfund activity**

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the statement of activities whereas in the fund financial statements, they 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 currently outstanding general obligation bonds issued in prior years was \$90,210,000. During the current fiscal year, general obligation bonds totaling \$21,500,000 were issued to construct a Hawthorne Elementary School two story addition and expand the Sacajawea Middle 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 2008 high school g.o. bonds were actually issued for 18 years 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<br>Amount | Term | Interest<br>Rate | Outstanding<br>Principal<br>June 30, 2016 | Due Within<br>One Year |
|------------------|-----------------|------|------------------|---|------------------------|
| 2008 Elementary  | 17,500,000      | 20   | 3.00 - 4.25%     | 6,295,000                                 | 805,000                |
| 2012 Elementary  | 10,000,000      | 20   | 1.00 - 3.00%     | 8,270,000                                 | 435,000                |
| 2013 Elementary  | 16,375,000      | 20   | 3.00 - 4.00%     | 13,885,000                                | 675,000                |
| 2014 Elementary  | 9,500,000       | 11   | 1.00 - 4.00%     | 9,330,000                                 | 55,000                 |
| 2015 Elementary  | 8,935,000       | 13   | 2.00 - 5.00%     | 8,845,000                                 | 995,000                |
| 2016 Elementary  | 21,500,000      | 20   | 2.00 - 5.00%     | 21,500,000                                | 810,000                |
| Subtotal         |                 |      |                  | 68,125,000                                | 3,775,000              |
| 2008 High School | 10,000,000      | 18   | 3.00 - 4.00%     | 6,530,000                                 | 540,000                |
| 2014 High School | 9,150,000       | 11   | 1.00 - 4.00%     | 9,060,000                                 | 10,000                 |
| 2015 High School | 8,750,000       | 7    | 2.00 - 5.00%     | 8,665,000                                 | 1,450,000              |
| Subtotal         |                 |      |                  | 24,255,000                                | 2,000,000              |
| Total            |                 |      |                  | \$ 92,380,000                             | \$ 5,775,000           |

Annual debt service requirements to maturity on general obligation bonds at June 30, 2016, are summarized as follows:

| Year ending June 30: | Governmental Activities |                      |                       |
|----------------------|-------------------------|----------------------|-----------------------|
|                      | Principal               | Interest             | Total                 |
| 2017                 | \$ 5,775,000            | \$ 3,243,356         | \$ 9,018,356          |
| 2018                 | 5,985,000               | 3,054,306            | 9,039,306             |
| 2019                 | 6,190,000               | 2,861,406            | 9,051,406             |
| 2020                 | 6,425,000               | 2,664,169            | 9,089,169             |
| 2021                 | 6,620,000               | 2,469,679            | 9,089,679             |
| 2022-2026            | 37,110,000              | 8,729,506            | 45,839,506            |
| 2027-2031            | 16,780,000              | 3,101,444            | 19,881,444            |
| 2032-2036            | 7,495,000               | 637,607              | 8,132,607             |
| Total                | <u>\$ 92,380,000</u>    | <u>\$ 26,761,473</u> | <u>\$ 119,141,473</u> |

#### **Advance refundings**

On August 20, 2014, the District issued \$18,650,000 of general obligation bonds (\$9,500,000 elementary, \$9,150,000 high school) with the proceeds being placed in an irrevocable escrow account that will service all future debt service payments of \$18,290,000 of 2006 and 2007 general obligation bonds (\$9,170,000 elementary, \$9,120,000 high school). As a result, these advance refunded bonds are considered to be defeased and the liability has been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$1,518,296. This amount is included in deferred outflows of resources and amortized over the remaining life of the newly issued debt (which mirrored the original debt amortization timeline). This advance refunding was undertaken to reduce total debt service payments over the next 12 years by \$1,543,433 and resulted in an economic gain of \$1,346,223.

In addition to the above advance refunding, the District also issued \$17,685,000 of general obligation bonds (\$8,935,000 elementary, \$8,750,000 high school) with the proceeds placed in an irrevocable escrow account that will service all future debt service payments of \$18,070,000 of 2006, 2007, and 2008 general obligation bonds (\$9,070,000 elementary, \$9,000,000 high school). These advance refunded bonds are also considered to be defeased and the related liability has been removed from the statement of net position. The reacquisition price of these March 5, 2015, issued bonds exceeded the net carrying amount of the old debt by \$1,418,059. This amount is included in deferred outflows and amortized over the life of the newly issued debt (which also has the same amortization timeline of the old debt). As a result of this second round of advance refundings, total debt service payments of these refunded portions of debt will be reduced by \$1,132,842 over the next 7 to 13 years and resulted in an economic gain of \$1,032,856.

#### **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 were paid back through sinking fund deposits made over the last nine years

from date of issuance. The sinking fund deposits, along with earnings on those deposits, were used to retire the bonds on December 19, 2015. The District did 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 has serviced 100% of the limited obligation debt payments.

### Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2016, is as follows:

|                                 | <u>Beginning<br/>Balance</u> | <u>Additions</u>    | <u>Reductions</u>     | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|---------------------------------|------------------------------|---------------------|-----------------------|---------------------------|--------------------------------|
| <b>Governmental activities:</b> |                              |                     |                       |                           |                                |
| Bonds payable:                  |                              |                     |                       |                           |                                |
| General obligations bonds       | \$ 75,710,000                | \$21,500,000        | \$ (4,830,000)        | \$ 92,380,000             | \$5,775,000                    |
| Limited obligations bonds       | 163,367                      | -                   | (163,367)             | -                         | -                              |
| Amortized amounts:              |                              |                     |                       |                           |                                |
| Bond premiums                   | <u>4,668,773</u>             | <u>3,037,614</u>    | <u>(480,543)</u>      | <u>7,225,844</u>          | <u>-</u>                       |
| Total bonds payable             | 80,542,140                   | 24,537,614          | (5,473,910)           | 99,605,844                | 5,775,000                      |
| Compensated absences            | 4,378,280                    | 276,927             | (679,967)             | 3,975,240                 | 455,225                        |
| Voluntary termination benefits  | 21,000                       | -                   | (3,000)               | 18,000                    | 3,000                          |
| Net pension liability           | 41,907,098                   | 4,259,612           | -                     | 46,166,710                | -                              |
| Other postemployment benefits   | <u>480,124</u>               | <u>107,404</u>      | <u>-</u>              | <u>587,528</u>            | <u>-</u>                       |
| Total governmental activity     |                              |                     |                       |                           |                                |
| Long-term liabilities           | <u>\$127,328,642</u>         | <u>\$29,181,557</u> | <u>\$ (6,156,877)</u> | <u>\$150,353,322</u>      | <u>\$6,233,225</u>             |

The compensated absences liability has been paid this year (and in past years) from all governmental funds except for the elementary and high school bus depreciation, tuition, flexibility, 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 nor the net pension liability.

The legal debt limits may not exceed the greater of 1) 100% of the latest available value of property which is subject to taxation within the district or 2) the facility guaranteed mill value per ANB multiplied by the average number belonging student count enrolled in a particular district multiplied by 100% (MCA 20-9-406). In the current fiscal year, the Elementary District and the High School District used the second formula referenced above to calculate their respective legal debt service limitations. For the year ending June 30, 2016, legal debt limitations were as follows:

### TAXING DISTRICT

|                               | <u>Elementary</u> | <u>High School</u> |
|-------------------------------|-------------------|--------------------|
| Legal Debt Service Limitation | \$151,568,800     | \$159,526,080      |



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. The 2014 and 2015 Elementary G.O. Bond proceeds were used to partially refund the 2006, 2007, and 2008 Elementary G.O. Bonds to take advantage of favorable interest rates. The 2014 and 2015 High School G.O. Bonds were issued to partially refund the 2006 and 2007 High School General Obligation Bonds and also take advantage of favorable interest rates. Sacajawea Middle School and Hawthorne Elementary are being expanded and renovated with the newly issued 2016 Elementary G.O. Bonds.

#### **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 fund balances of these funds as well and some federal, state and local grants as restricted fund balances. These individual funds and their restricted fund balances at June 30, 2016 are as follows:

| Fund Name                          | Fund Type        | Amount               |
|------------------------------------|------------------|----------------------|
| Elementary building reserve        | Capital Projects | \$ 1,464,304         |
| High School building reserve       | Capital Projects | 2,434,979            |
| Elementary building                | Capital Projects | 24,122,735           |
| Elementary debt service            | Debt Service     | 529,395              |
| High School debt service           | Debt Service     | 24,979               |
| Elementary bus depreciation        | Special Revenue  | 284,952              |
| High School bus depreciation       | Special Revenue  | 285,142              |
| Elementary flexibility             | Special Revenue  | 428                  |
| High School flexibility            | Special Revenue  | 143                  |
| Elementary retirement              | Special Revenue  | 1,118,032            |
| High School retirement             | Special Revenue  | 823,653              |
| Elementary technology acquisition  | Special Revenue  | 390,249              |
| High School technology acquisition | Special Revenue  | 720,615              |
| Elementary transportation          | Special Revenue  | 736,331              |
| High School transportation         | Special Revenue  | 300,636              |
| Elementary tuition                 | Special Revenue  | 13,254               |
| High School tuition                | Special Revenue  | 100                  |
| Elementary grants                  | Special Revenue  | 73,279               |
| High School grants                 | Special Revenue  | 265,847              |
| Adult education                    | Special Revenue  | 196,596              |
| Total restricted fund balances     |                  | <u>\$ 33,785,649</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 involved 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, 2016, was \$72,375. There are no future minimum lease payments for this arrangement which ended this fiscal year.

## **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, 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.

Presently, the workers compensation coverage program that the District participates in is managed by the Montana Schools Group Insurance Authority. It is 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 Berkley Life for total District claims in excess of the 125% amount and for claims in excess of \$225,000 per claimant covered charges during a year. An estimated medical, dental, and vision claims liability at year end was determined by averaging the last five years' final claims paid in the following year. An analysis of claims activities is presented below:

| <u>Fiscal<br/>Year</u> | <u>Beginning<br/>Liability</u> | <u>Current Claims and<br/>Changes in Estimates</u> | <u>Claim<br/>Payments</u> | <u>Ending<br/>Liability</u> |
|------------------------|--------------------------------|--|---------------------------|-----------------------------|
| 2014                   | \$ 388,526                     | \$ 4,978,529                                       | \$ 4,895,901              | \$ 471,154                  |
| 2015                   | 471,154                        | 5,290,384  | 5,219,387                 | 542,151                     |
| 2016                   | 542,151                        | 5,510,279  | 5,501,993                 | 550,437                     |

As of June 30, 2016, 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 and some administrators. The plans are established under state law with the TRS plan being administered by the Teachers' Retirement System and the PERS 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. The next two subsections will individually discuss in more detail the accounting of the TRS and PERS retirement plans and their reporting is affected by GASB Statements 68 and 71 and use a **measurement date** of June 30, 2015, and a **reporting date** of June 30, 2016. The following table presents the District's (Employer) proportion of TRS and PERS pension amounts.

|                                | <u>The employer's<br/>proportionate<br/>share<br/>associated<br/>with<br/>TRS</u> | <u>The employer's<br/>proportionate<br/>share<br/>associated<br/>with<br/>PERS</u> | <u>The<br/>employer's<br/>Total<br/>Pension<br/>Amounts</u> |
|--------------------------------|---|--|---|
| Net Pension Liability          | \$40,485,638  | \$5,681,072  | \$46,166,710  |
| Deferred Outflows of Resources | 5,174,562   | 445,685  | 5,620,247   |
| Deferred Inflows of Resources  | 2,259,546   | 914,771  | 3,174,317   |
| Pension Expense                | 4,271,615   | 257,999  | 4,529,614   |

## Teachers' Retirement System (TRS)

### Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Montana Teachers' Retirement System (TRS or the System). Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective Net Pension Liability. In accordance with Statement 68, the System has a special funding situation in which the State of Montana is legally responsible for making contributions directly to TRS that are used to provide pension benefits to the retired members of TRS. Due to the existence of a special funding situation, employers are also required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer. The following table displays the amounts and the percentages of Net Pension Liability for the fiscal years ended June 30, 2016 and June 30, 2015 (reporting dates).

|   | <u>Net Pension<br/>Liability as<br/>of 6/30/2016</u> | <u>Net Pension<br/>Liability as<br/>of 6/30/2015</u> | <u>Percent of<br/>Collective<br/>NPL as of<br/>6/30/2016</u> | <u>Percent of<br/>Collective<br/>NPL as of<br/>6/30/2015</u> | <u>Change in<br/>Percent of<br/>Collective<br/>NPL</u> |
|---|--|--|--|--|--|
| BOZEMAN SCHOOL DISTRICT NO. 7<br>Proportionate Share                | \$40,485,638   | \$36,419,973   | 2.4641%  | 2.3667%  | 0.0974%  |
| State of Montana<br>Proportionate Share<br>associated with employer | \$27,107,547   | \$24,945,157   | 1.6499%  | 1.6210%  | 0.0289%  |
| Total   | \$67,593,185   | \$61,365,130   | 4.1140%  | 3.9877%  | 0.1263%  |

At June 30, 2016, the employer recorded a liability of \$40,485,638 for its proportionate share of the Net Pension Liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The employer's proportion of the net pension liability was based on the employer's contributions received by TRS during the measurement period July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of TRS' participating employers. At June 30, 2016, the employer's proportion was 2.4641 percent.

**Changes in actuarial assumptions and other inputs:**

Since the previous measurement date the following changes were made:

- Correctly reflect the proportion of members that are assumed to take a refund of contributions upon termination and appropriately reflect the three year COLA deferral period for Tier 2 Members.
- The 0.63% load applied to the projected retirement benefits of the university members "to account for larger than average annual compensation increases observed in the years immediately preceding retirement" is not applied to benefits expected to be paid to university members on account of death, disability and termination (prior to retirement eligibility).
- The actuarial valuation was updated to reflect the assumed rate of retirement for university members at age 60 is 8.50% as stated in the actuarial valuation report.
- The actuarial valuation was updated to reflect the fact that vested terminations are only covered by the \$500 death benefit for the one year following their termination and, once again when the terminated member commences their deferred retirement annuity (they are not covered during the deferral period). Additionally, only the portion of the terminated members that are assumed to "retain membership in the System" are covered by the \$500 death benefit after termination.

**Changes in benefit terms:**

There have been no changes in benefit terms since the previous measurement date.

**Changes in proportionate share:**

There were no changes between the measurement date of the collective net pension liability and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL. (NOTE- TRS Employers will have to disclose any changes specific to their situation that may have significant impacts on their proportionate share.)

**Pension Expense**

|  | <b><u>Pension Expense<br/>as of 6/30/2016</u></b> |
|--|---|
| BOZEMAN SCHOOL DISTRICT NO. 7<br>Proportionate Share                 | \$2,801,618                                       |
| State of Montana Proportionate Share<br>associated with the Employer | <u>\$1,469,997</u>                                |
| Total  | <u>\$4,271,615</u>                                |

At June 30, 2016, the employer recognized a Pension Expense of \$4,271,615 for its proportionate share of the TRS' pension expense. The employer also recognized grant revenue of \$1,469,997 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the employer.

**Deferred Inflows and Outflows**

At June 30, 2016, the employer reported its proportionate share of TRS' deferred outflows of resources and deferred inflows of resources related to TRS from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual economic experience                           | \$426,917                         | \$-                              |
| Changes in actuarial assumptions  | 572,938                           | 85,502                           |
| Differences between projected and actual investment earnings                          | -                                 | 2,174,044                        |
| Changes in proportion & Differences between actual and expected contributions         | 1,166,298                         | -                                |
| *Contributions paid to TRS subsequent to the measurement date - FY 2016 Contributions | 3,008,409                         | -                                |
| Total   | <u>\$5,174,562</u>                | <u>\$2,259,546</u>               |

\* Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended<br>June 30: | Deferred<br>Outflows of<br>Resources<br>(a) | Deferred<br>Inflows of<br>Resources<br>(b) | Amount recognized in<br>Pension Expense as an<br>increase or (decrease)<br>to Pension Expense<br>(a) - (b) |
|------------------------|---|--|--|
| 2017                   | \$891,599                                   | \$940,168                                  | (\$48,569)   |
| 2018                   | \$891,737                                   | \$940,168                                  | (\$48,431)   |
| 2019                   | \$382,816                                   | \$936,913                                  | (\$554,097)  |
| 2020                   | \$557,702                                   | \$-  | \$557,702  |
| 2021                   | \$-   | \$-  | \$-  |
| Thereafter             | \$-   | \$-  | \$-  |

### **Plan Description**

Teachers' Retirement System (TRS or the System) is a mandatory-participation multiple-employer cost-sharing defined-benefit public pension plan that provides retirement services to individuals employed as teachers, administrators, and in other professional and skilled positions employed in public education in Montana.

The TRS Board is the governing body of the System and the TRS staff administers the system in conformity with the laws set forth in Title 19, chapter 20 of the Montana Code Annotated, and administrative rules set forth in Title 2, chapter 44 of the Administrative Rules of Montana. Additional information pertaining to membership, benefit structure, and prior years' actuarial valuations, as well as links to applicable statutes and administrative rules, may be obtained by visiting the TRS web site at [trs.mt.gov](http://trs.mt.gov).

### **Summary of Benefits**

Through June 30, 2013, all members enrolled in TRS participated in a single-tiered plan ("Tier One"). Employees with a minimum of 25 years of service or who have reached age 60 with 5 years of service are eligible to receive an annual retirement benefit equal to creditable service years divided by 60 times the average final compensation. Final compensation is the average of the highest three consecutive years of earned compensation. Benefits fully vest after 5 years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits. Beginning July 1, 2013, new members in TRS participate in a second benefit tier ("Tier Two"), which differs from Tier One as follows:

- Tier Two uses a 5-year average final compensation (as opposed to 3-year AFC in Tier One)
- Tier Two provides for unreduced service retirement benefits at age 60 with 5 years of creditable service or at age 55 with at least 30 years of creditable service (rather than at age 60 with 5 years of service or at any age with creditable service in 25 years in Tier One)
- Tier Two provides for early retirement benefits with 5 years of creditable service at age 55 (rather than age 50 in Tier One)
- Tier Two has a one percent higher normal employee contribution rate (though a temporary 1% supplemental employee contribution rate is also now currently in place for Tier One members), and
- Tier Two provides for an enhanced benefit calculation -  $1.85\% \times \text{AFC} \times \text{years of creditable service}$  - for members retiring with at least 30 years of creditable service and at least 60 years of age (rather than  $1.6667 \times \text{AFC} \times \text{years of creditable service}$ )

A guaranteed annual benefit adjustment (GABA) is payable on January 1st of each calendar year for each retiree who has received at least 36 monthly retirement benefit payments prior to that date. The GABA is applicable to both Tier One and Tier Two members. The GABA for Tier One members is 1.5% of the benefit payable as of January 1st. For Tier Two members the GABA each year may vary from 0.5% to 1.5% based on the retirement system's funding status and the period required to amortize any unfunded accrued actuarial liability as determined in the prior actuarial valuation.

### Overview of Contributions

The System receives a portion of the total required statutory contributions directly from the State for all employers. The employers are considered to be in a special funding situation as defined by GASB 68, and the State is treated as a non-employer contributing entity in TRS. The System receives 2.49% of reportable compensation from the State's general fund for School Districts and Other Employers. The System also receives 0.11% of reportable compensation from the State's general fund for all TRS Employers including State Agency and University System Employers. Finally, the State is also required to contribute \$25 million in perpetuity payable July 1st of each year.

The tables below show the legislated contribution rates for TRS members, employers and the State.

#### **School District and Other Employers**

|                               | <b>Members</b> | <b>Employers</b> | <b>General Fund</b> | <b>Total employee<br/>&amp; employer</b> |
|-------------------------------|----------------|------------------|---------------------|--|
| Prior to July 1, 2007         | 7.15%          | 7.47%            | 0.11%               | 14.73%                                   |
| July 1, 2007 to June 30, 2009 | 7.15%          | 7.47%            | 2.11%               | 16.73%                                   |
| July 1, 2009 to June 30, 2013 | 7.15%          | 7.47%            | 2.49%               | 17.11%                                   |
| July 1, 2013 to June 30, 2014 | 8.15%          | 8.47%            | 2.49%               | 19.11%                                   |
| July 1, 2014 to June 30, 2015 | 8.15%          | 8.57%            | 2.49%               | 19.21%                                   |
| July 1, 2015 to June 30, 2016 | 8.15%          | 8.67%            | 2.49%               | 19.31%                                   |
| July 1, 2016 to June 30, 2017 | 8.15%          | 8.77%            | 2.49%               | 19.41%                                   |
| July 1, 2017 to June 30, 2018 | 8.15%          | 8.87%            | 2.49%               | 19.51%                                   |
| July 1, 2018 to June 30, 2019 | 8.15%          | 8.97%            | 2.49%               | 19.61%                                   |
| July 1, 2019 to June 30, 2020 | 8.15%          | 9.07%            | 2.49%               | 19.71%                                   |
| July 1, 2020 to June 30, 2021 | 8.15%          | 9.17%            | 2.49%               | 19.81%                                   |
| July 1, 2021 to June 30, 2022 | 8.15%          | 9.27%            | 2.49%               | 19.91%                                   |
| July 1, 2022 to June 30, 2023 | 8.15%          | 9.37%            | 2.49%               | 20.01%                                   |
| July 1, 2023 to June 30, 2024 | 8.15%          | 9.47%            | 2.49%               | 20.11%                                   |

#### **State and University Employers**

|                               | <b>Members</b> | <b>Employers</b> | <b>General Fund</b> | <b>Total employee<br/>&amp; employer</b> |
|-------------------------------|----------------|------------------|---------------------|--|
| Prior to July 1, 2007         | 7.15%          | 7.47%            | 0.11%               | 14.73%                                   |
| July 1, 2007 to June 30, 2009 | 7.15%          | 9.47%            | 0.11%               | 16.73%                                   |



|                               |       |        |       |        |
|-------------------------------|-------|--------|-------|--------|
| July 1, 2009 to June 30, 2013 | 7.15% | 9.85%  | 0.11% | 17.11% |
| July 1, 2013 to June 30, 2014 | 8.15% | 10.85% | 0.11% | 19.11% |
| July 1, 2014 to June 30, 2015 | 8.15% | 10.95% | 0.11% | 19.21% |
| July 1, 2015 to June 30, 2016 | 8.15% | 11.05% | 0.11% | 19.31% |
| July 1, 2016 to June 30, 2017 | 8.15% | 11.15% | 0.11% | 19.41% |
| July 1, 2017 to June 30, 2018 | 8.15% | 11.25% | 0.11% | 19.51% |
| July 1, 2018 to June 30, 2019 | 8.15% | 11.35% | 0.11% | 19.61% |
| July 1, 2019 to June 30, 2020 | 8.15% | 11.45% | 0.11% | 19.71% |
| July 1, 2020 to June 30, 2021 | 8.15% | 11.55% | 0.11% | 19.81% |
| July 1, 2021 to June 30, 2022 | 8.15% | 11.65% | 0.11% | 19.91% |
| July 1, 2022 to June 30, 2023 | 8.15% | 11.75% | 0.11% | 20.01% |
| July 1, 2023 to June 30, 2024 | 8.15% | 11.85% | 0.11% | 20.11% |

#### **TRS Stand-Alone Statements**

TRS' stand-alone financial statements, actuarial valuations and experience studies can be found online at <https://trs.mt.gov/TrsInfo/NewsAnnualReports>.

#### **Actuarial Assumptions**

The Total Pension Liability as of June 30, 2015, is based on the results of an actuarial valuation date of July 1, 2015. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2015 valuation were based on the results of the last actuarial experience study, dated May 1, 2014. Among those assumptions were the following:

- Total Wage Increases\* 4%-8.51% for Non-University Members  
and 5.00% for University Members
- Investment Return 7.75%
- Price Inflation 3.25%
- Postretirement Benefit Increases
  - Tier One Members: If the retiree has received benefits for at least 3 years, the retirement allowance will be increased by 1.5% on January 1st.
  - Tier Two Members, the retirement allowance will be increased by an amount equal to or greater than 0.5% but no more than 1.5% if the most recent actuarial valuation shows the System to be at least 90% funded and the provisions of the increase is not projected to cause the funded ratio to be less than 85%.
- Mortality among contributing members, service retired members, and beneficiaries
  - For Males: 1992 Base Rates from the RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and 1992 Base Rates from the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.

- For Females: 1992 Base Rates from the RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and 1992 Base Rates from the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.
- Mortality among disabled members
  - For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.
  - For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

\*Total Wage Increases include 4.00% general wage increase assumption

### Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. In addition to the contributions the State general fund will contribute \$25 million annually to the System payable July 1st of each year. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2119. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the Discount rate.

### Target Allocations

| Asset Class                | Target Asset Allocation<br>(a) | Real Rate of Return<br>Arithmetic Basis<br>(b) | Long-Term<br>Expected Portfolio<br>Real Rate of Return*<br>(a) x (b) |
|----------------------------|--------------------------------|--|--|
| Broad US Equity            | 36.00%                         | 4.80%  | 1.73%  |
| Broad International Equity | 18.00%                         | 6.05%  | 1.09%  |
| Private Equity             | 12.00%                         | 8.50%  | 1.02%  |
| Intermediate Bonds         | 23.40%                         | 1.50%  | 0.35%  |
| Core Real Estate           | 4.00%                          | 4.50%  | 0.18%  |
| High Yield Bonds           | 2.60%                          | 3.25%  | 0.08%  |
| Non-Core Real Estate       | <u>4.00%</u>                   | 7.50%  | <u>0.30%</u>   |
|                            | 100.00%                        |  | 4.75%  |
|                            |                                | Inflation                                      | <u>3.25%</u>   |
|                            |                                | Expected arithmetic nominal return             | 8.00%  |

- \* The long-term expected nominal rate of return above of 8.00% differs from the total TRS long-term rate of return assumption of 7.75%. The assumed rate is comprised of a 3.25% inflation rate and a real long-term expected rate of return of 4.50%.

The assumed long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated May 1, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2015, is summarized in the above table.

#### Sensitivity Analysis

|   | 1.0% Decrease<br>(6.75%) | Current Discount<br>Rate | 1.0% Increase<br>(8.75%) |
|---|--------------------------|--------------------------|--------------------------|
| BOZEMAN SCHOOL DISTRICT NO. 7<br>proportion of Net Pension<br>Liability | \$55,624,007             | \$40,485,638             | \$27,747,568             |

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

#### Summary of Significant Accounting Policies

The Teachers' Retirement System prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the Net Pension Liability, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position of the Teachers' Retirement System (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same accrual basis as they are reported by TRS. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. TRS adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

TRS' stand-alone financial statements, actuarial valuations and experience studies can be found online at <https://trs.mt.gov/TrsInfo/NewsAnnualReports>.

## **Public Employees' Retirement System (PERS)**

### **Net Pension Liability**

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers and the non-employer contributing entity are required to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System (PERS). Statement 68, which became effective June 30, 2015, includes requirements for employers to record and report their proportionate share of the collective Net Pension Liability (NPL), Pension Expense, and Deferred Inflows and Deferred Outflows of resources associated with pensions.

PERS has a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS on behalf of the employers. Due to the existence of this special funding situation, the State is required to report a proportionate share of a local government or school district's collective NPL that is associated with the non-State employer.

The State of Montana also has a funding situation that is not Special Funding whereby the State General Fund provides contributions from the Coal Tax Severance fund. All employers are required to report the portion of Coal Tax Severance income and earnings attributable to the employer.

The Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2014, with update procedures to roll forward the TPL to the measurement date of June 30, 2015. For most employers, their June 30, 2016 reporting will use the 2016 reporting values presented in these notes.

| <u>As of reporting date</u>   | <u>Net Pension<br/>Liability as<br/>of 6/30/2016</u> | <u>Net Pension<br/>Liability as<br/>of 6/30/2015</u> | <u>Percent of<br/>Collective<br/>NPL as of<br/>6/30/2016</u> | <u>Percent of<br/>Collective<br/>NPL as of<br/>6/30/2015</u> | <u>Change in<br/>Percent of<br/>Collective<br/>NPL</u> |
|---|--|--|--|--|--|
| BOZEMAN SCHOOL DISTRICT NO. 7<br>proportionate share                | \$5,681,072  | \$5,487,123  | 0.406409%  | 0.440375%  | -0.033966%   |
| State of Montana<br>proportionate share<br>associated with employer | 266,953  | \$256,505  | 0.019097%  | 0.020586%  | -0.001489%   |
| Total   | <u>\$5,948,025</u>                                   | <u>\$5,743,628</u>                                   | <u>0.425506%</u>   | <u>0.460961%</u>   | <u>-0.035455%</u>                                      |

The Table above displays the employer proportionate share of the NPL and the employer's proportion of NPL for June 30, 2015 and 2016. The employer's proportion of the NPL was based on the employer's contributions received by the PERS during the measurement period July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERS' participating employers. As of the employer's

reporting date the employer recorded a liability of \$5,681,072 and the employer's proportionate share was 0.406409 percent.

***Changes in actuarial assumptions and methods:***

There were no changes in assumptions or other inputs that affected the measurement of the Total Pension Liability.

***Changes in benefit terms:***

There have been no changes in benefit terms since the previous measurement date.

***Changes in proportionate share:***

Between the measurement date of the collective NPL and the employer's reporting date there were some changes in proportion that may have an insignificant effect on the employer's proportionate share of the collective NPL.

**Pension Expense**

| <u>As of reporting date</u>                                      | <u>Pension Expense<br/>as of 6/30/2016</u> |
|--|--|
| BOZEMAN SCHOOL DISTRICT NO. 7<br>Proportionate Share of PERS     | \$241,411                                  |
| State of Montana proportionate share<br>associated with employer | <u>\$16,588</u>                            |
| Total  | <u><u>\$257,999</u></u>                    |

At June 30, 2016, the employer recognized its proportionate share of the PERS' Pension Expense of \$257,998.53. The employer also recognized grant revenue of \$16,587.75 for the support provided by the State of Montana for the proportionate share of the Pension Expense that is associated with the employer, and grant revenue of \$136,339.58 from the Coal Tax Fund.

**Recognition of Deferred Inflows and Outflows**

At June 30, 2016, the employer reported its proportionate share of PERS' deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

|                                 | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---------------------------------|--------------------------------------|-------------------------------------|
| Actual vs. Expected Experience  | \$-                                  | \$34,371                            |
| Changes in Assumptions          | -                                    | -                                   |
| Actual vs. Expected Investment  |                                      |                                     |
| Earnings                        | -                                    | 480,963                             |
| Changes in Proportion Share and |                                      |                                     |
| Differences between Employer    |                                      |                                     |
| Contributions and Proportionate |                                      |                                     |
| Share of Contributions          | 9,378                                | 399,437                             |
| Employer contributions          |                                      |                                     |
| subsequent to the measurement   |                                      |                                     |
| date - *FY 2016 Contributions   | 436,306                              | -                                   |
| Total                           | \$445,685                            | \$914,771                           |

\*Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the NPL beginning in the year ended June 30, 2017.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in Pension Expense as follows:

| Year Ended June 30: | Amount of deferred outflows and deferred<br>inflows recognized in future years as an<br>increase or (decrease) to Pension Expense |
|---------------------|---|
| 2017                | (\$343,346)   |
| 2018                | (\$343,346)   |
| 2019                | (\$343,790)   |
| 2020                | \$125,089   |
| 2021                | \$-   |
| Thereafter          | \$-   |

#### Plan Description

The PERS-Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, MCA. This plan provides retirement benefits to covered employees of the State, and local governments, and certain employees of the Montana University System, and school districts.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the *defined benefit* and *defined contribution* retirement plans. All new members from the universities also have a third option to join the university system's Montana University System Retirement Program (MUS-RP).

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature.

### **Summary of Benefits**

#### **Eligibility for benefit**

Service retirement:

- Hired prior to July 1, 2011: Age 60, 5 years of membership service;  
Age 65, regardless of membership service; or  
Any age, 30 years of membership service.
- Hired on or after July 1, 2011: Age 65, 5 years of membership service;  
Age 70, regardless of membership service.

#### **Early Retirement**

Early retirement, actuarially reduced:

- Hired prior to July 1, 2011: Age 50, 5 years of membership service; or  
Any age, 25 years of membership service
- Hired on or after July 1, 2011: Age 55, 5 years of membership service.

#### **Vesting**

5 years of membership service

#### **Member's highest average compensation (HAC)**

- Hired prior to July 1, 2011 - highest average compensation during any consecutive 36 months
- Hired on or after July 1, 2011 - highest average compensation during any consecutive 60 months

#### **Compensation Cap**

- Hired on or after July 1, 2013 - 110% annual cap on compensation considered as a part of a member's highest average compensation

#### **Monthly benefit formula**

- 1) Members hired prior to July 1, 2011:
  - i) Less than 25 years of membership service - 1.785% of HAC per year of service credit
  - ii) 25 years of membership service or more - 2% of HAC per year of service credit
- 2) Members hired on or after July 1, 2011:
  - i) Less than 10 years of membership service - 1.5% of HAC per year of service credit
  - ii) 10 years or more, but less than 30 years of membership service - 1.785% of HAC per year of service credit
  - iii) 30 years or more of membership service - 2% of HAC per year of service credit.

### **Guaranteed Annual Benefit Adjustment (GABA)**

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, **inclusive** of other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
  - (a) 1.5% for each year PERS is funded at or above 90%
  - (b) 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%
  - (c) 0% whenever the amortization period for PERS is 40 years or more

### **Overview of Contributions**

Rates are specified by state law for periodic member and employer contributions and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The State legislature has the authority to establish and amend contribution rates to the plan. Member and employer contribution rates are shown in the table below.

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
2. Employer contributions to the system:
  - a. Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period of the PERS-DBRP has dropped below 25 years and remains below the 25 years following the reduction of both the additional employer and member contributions rates.
  - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
  - c. The portion of employer contributions allocated to the PCR are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
3. Non Employer Contributions:
  - a. Special Funding
    - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
    - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
  - b. Not Special Funding
    - i. The State contributes a portion of Coal Severance Tax income and earnings from the Coal Trust Permanent Trust fund.



| Fiscal<br>Year | Member             |                    | State &<br>Universities<br>Employer | Local Government<br>Employer | State  | School Districts |        |
|----------------|--------------------|--------------------|-------------------------------------|------------------------------|--------|------------------|--------|
|                | Hired<br><07/01/11 | Hired<br>>07/01/11 |                                     |                              |        | Employer         | State  |
| 2016           | 7.9000%            | 7.9000%            | 8.370%                              | 8.270%                       | 0.100% | 8.000%           | 0.370% |
| 2015           | 7.9000%            | 7.9000%            | 8.270%                              | 8.170%                       | 0.100% | 7.900%           | 0.370% |
| 2014           | 7.9000%            | 7.9000%            | 8.170%                              | 8.070%                       | 0.100% | 7.800%           | 0.370% |
| 2012-2013      | 6.9000%            | 7.9000%            | 7.170%                              | 7.070%                       | 0.100% | 6.800%           | 0.370% |
| 2010-2011      | 6.9000%            |                    | 7.170%                              | 7.070%                       | 0.100% | 6.800%           | 0.370% |
| 2008-2009      | 6.9000%            |                    | 7.035%                              | 6.935%                       | 0.100% | 6.800%           | 0.235% |
| 2000-2007      | 6.9000%            |                    | 6.900%                              | 6.800%                       | 0.100% | 6.800%           | 0.100% |

### Stand-Alone Statements

The PERS financial information is reported in the Public Employees' Retirement Board's *Comprehensive Annual Financial Report* for the fiscal year ended. It is available from the PERB at 100 North Park, PO Box 200131, Helena MT 59620-0131, (406) 444-3154.

CAFR information including our stand alone financial statements can be found on our web site at <http://mpera.mt.gov/annualReports.shtml>

The latest actuarial valuation and experience study can be found on our website at <http://mpera.mt.gov/actuarialvaluations.shtml>

### Actuarial Assumptions

The Total Pension Liability used to calculate the NPL was determined by an actuarial valuation as of June 30, 2014, with update procedures to roll forward the TPL to June 30, 2015. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the last actuarial experience study, dated June 2010 for the six year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

- Investment Return (net of admin expense) 7.75%
- Admin Expense as % of Payroll 0.27%
- General Wage Growth\* 4.00%
- \*includes Inflation at 3.00%
- Merit Increases 0% to 6%
- Postretirement Benefit Increases

#### **Guaranteed Annual Benefit Adjustment (GABA)**

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of other adjustments to the member's benefit.

- o 3% for members hired prior to July 1, 2007
- o 1.5% for members hired between July 1, 2007 and June 30, 2013
- o Members hired on or after July 1, 2013:
  - (a) 1.5% for each year PERS is funded at or above 90%
  - (b) 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%
  - (c) 0% whenever the amortization period for PERS is 40 years or more

- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

### **Discount Rate**

The discount rate used to measure the TPL was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under the Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2123. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

### **Target Allocations**

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the System. The most recent analysis, performed for the period of fiscal years 2003 through 2009, is outlined in a report dated June 2010 and is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption. These factors include rates of return adopted by similar public sector systems, as well as the utilization of a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by an investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Summarized in the table below are best estimates of the arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2015.

| <b>Asset Class</b> | <b>Target Asset Allocation</b> | <b>Long-Term Expected Real Rate of Return</b> |
|--------------------|--------------------------------|---|
| Cash Equivalents   | 2.00%                          | -0.25%  |
| Domestic Equity    | 36.00%                         | 4.55%   |
| Foreign Equity     | 18.00%                         | 6.10%   |
| Fixed Income       | 24.00%                         | 1.25%   |
| Private Equity     | 12.00%                         | 8.00%   |
| Real Estate        | 8.00%                          | 4.25%   |

**Sensitivity Analysis**

|   | <u>1.0% Decrease<br/>(6.75%)</u> | <u>Current Discount<br/>Rate</u> | <u>1.0% Increase<br/>(8.75%)</u> |
|---|----------------------------------|----------------------------------|----------------------------------|
| BOZEMAN SCHOOL DISTRICT NO. 7<br>proportion of Net Pension<br>Liability | \$8,758,984                      | \$5,681,072                      | \$3,081,847                      |

The above table presents the NPL calculated using the discount rate of 7.75%, as well as what the NPL would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate.

**Summary of Significant Accounting Policies**

The Montana Public Employee Retirement Administration (MPERA) prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the NPL; deferred inflows of resources and deferred outflows of resources related to pensions; Pension Expense; information about the fiduciary net position; and, additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA. For this purpose, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

**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, 2016.

**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               | \$ 286,997        |
| Interest on net OPEB obligation            | 19,205            |
| Adjustment to annual required contribution | <u>(24,095)</u>   |
| Annual OPEB cost (expense)                 | 282,107           |
| Contributions made                         | <u>(174,703)</u>  |
| Increase in net OPEB obligation            | 107,404           |
| Net OPEB obligation - beginning of year    | <u>480,124</u>    |
| Net OPEB obligation - end of year          | <u>\$ 587,528</u> |

The District's Annual OPEB cost, employer contributions, the percentage of OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ended June 30, 2016, and the two preceding fiscal years were as follows:

| <u>Fiscal Year<br/>Ended</u> | <u>Annual<br/>OPEB Cost</u> | <u>Employer<br/>Contributions</u> | <u>Percentage of<br/>OPEB Cost<br/>Contributed</u> | <u>Net OPEB<br/>Obligation</u> |
|------------------------------|-----------------------------|-----------------------------------|--|--------------------------------|
| June 30, 2014                | \$ 270,623                  | \$ 185,919                        | 68.7%  | \$ 411,438                     |
| June 30, 2015                | 270,169                     | 201,483                           | 74.6%  | 480,124                        |
| June 30, 2016                | 282,107                     | 174,703                           | 61.9%  | 587,528                        |

### **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, 2016, 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.

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets (a) | Actuarial<br>Accrued<br>Liability<br>AAL (b) | Unfunded<br>AAL (UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage of<br>Covered Payroll<br>(b-a/c) |
|--------------------------------|-------------------------------------|--|---------------------------------|--------------------------|---------------------------|--|
| 9/1/2013                       | \$ -                                | \$ 2,384,867                                 | \$ 2,384,867                    | 0.0%                     | \$ 33,506,494             | 7.12%  |
| 9/1/2014                       | -                                   | 2,408,030                                    | 2,408,030                       | 0.0%                     | 34,823,180                | 6.92%  |
| 9/1/2015                       | -                                   | 2,460,598                                    | 2,460,598                       | 0.0%                     | 36,216,107                | 6.79%  |

#### Actuarial Methods and Assumptions

As of June 30, 2016, the District's actuarially accrued liability (AAL) for benefits was \$2,408,030. This was calculated using a closed amortization period. The AAL by status breakdown is shown below:

|                         |                     |
|-------------------------|---------------------|
| Actives                 | \$ 1,859,364        |
| Retirees                | <u>601,234</u>      |
| Total AAL               | <u>\$ 2,460,598</u> |
| Normal Cost             | <u>\$ 159,098</u>   |
| Participant information |                     |
| Actives                 | 773                 |
| Retirees                | <u>55</u>           |
| Total                   | <u>828</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): 4.00%
3. Salary increase of 4.00% per year
4. Inflation rate: 3.00%
5. Healthcare Trend Rate (2015 - 9.0%, 2016 - 8.5%, 2017 8.0%, then reduced to 7.5% by 2018, and remaining below that level thereafter)

6. Participation Rate: 45% of current Active medical plan participants; 10% of actives not participating
7. Marital Assumption: 70% of currently active participants are assumed to be married; of these 80% are assumed to elect coverage for their spouse in retirement, with husbands assumed to be 3 years older than their wives

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

#### **D. Subsequent events**

In September, the District was notified that New West Medicare would no longer provide supplemental health coverage to the District's 65 and older retirees at the end of the current plan year (December 31, 2016). The District will now be offering the Blue Cross Blue Shield Medicare Advantage plan to eligible 65 and older retirees.

#### **E. Contingencies**

As of June 30, 2016, 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, 2016**

The annual ARC, the percentage of ARC contributed to the plan, and the net OPEB obligation for June 30, 2016, and the two prior fiscal years for the Retiree Health Plan are as follows:

| <b>ANNUAL OPEB COST AND NET OPEB OBLIGATION</b> |            |                  |                                     |                     |
|---|------------|------------------|-------------------------------------|---------------------|
|   | Year Ended | Annual OPEB Cost | Percentage of OPEB Cost Contributed | Net OPEB Obligation |
| Retiree Health Plan                             | 6/30/2014  | \$270,623        | 68.7%                               | \$411,438           |
|   | 6/30/2015  | \$270,169        | 74.6%                               | \$480,124           |
|   | 6/30/2016  | \$282,107        | 61.9%                               | \$587,528           |
|   |            |                  |                                     |                     |

The funded status of the plan was as follows:

| <b>FUNDED STATUS</b>  |                     |
|---|---------------------|
| (a) Actuarial accrued liability (AAL)   | \$ 2,460,598        |
| (b) Actuarial value of plan assets (UAAL)   | -                   |
| Unfunded actuarial accrued liability (funding excess) [(a) - (b)]   | <u>\$ 2,460,598</u> |
| Funded ratio (b) / (a)  | 0.0%                |
| (c) Covered payroll   | \$ 36,216,107       |
| Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll<br>({(a) - (b)} / (c)) | 6.79%               |

| <b>SCHEDULE OF FUNDING PROGRESS</b> |                          |                               |                                       |                           |                    |                     |   |
|-------------------------------------|--------------------------|-------------------------------|---------------------------------------|---------------------------|--------------------|---------------------|---|
|                                     | 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                | 9/1/2013                 | \$ -                          | \$ 2,384,867                          | \$ 2,384,867              | 0%                 | \$ 33,506,494       | 7.12%   |
|                                     | 9/1/2014                 | \$ -                          | \$ 2,408,030                          | \$ 2,408,030              | 0%                 | \$ 34,823,180       | 6.92%   |
|                                     | 9/1/2015                 | \$ -                          | \$ 2,460,598                          | \$ 2,460,598              | 0%                 | \$ 36,216,107       | 6.79%   |
|                                     |                          |                               |                                       |                           |                    |                     |   |



**BOZEMAN SCHOOL DISTRICT NO. 7**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**AND SCHEDULE OF CONTRIBUTIONS**  
**TEACHERS' RETIREMENT SYSTEM OF MONTANA (TRS)**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**Schedule of Proportionate Share of the Net Pension Liability:**

|   | <b>6/30/2016</b>    | <b>6/30/2015</b>    |
|---|---------------------|---------------------|
| Employer's proportion of the net pension liability  | \$40,485,638        | \$36,419,973        |
| Employer's proportionate share of the net pension liability associated with the Employer                    | 2.46410%            | 2.36670%            |
| State of Montana's proportionate share of the net pension liability associated with the Employer            | \$27,107,547        | \$24,945,157        |
| <b>Total</b>  | <b>\$67,593,185</b> | <b>\$61,365,130</b> |
| Employer's covered payroll  | \$31,446,361        | \$29,846,019        |
| Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 128.75000%          | 122.03000%          |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 69.30000%           | 70.36000%           |

**Schedule of Contributions:**

|   | <b>6/30/2016</b> | <b>6/30/2015</b> |
|---|------------------|------------------|
| Contractually required contributions                                  | \$ 3,008,409     | \$ 2,947,769     |
| Contributions in relation to the contractually required contributions | \$ 3,008,409     | \$ 2,947,769     |
| Contribution deficiency (excess)                                      | \$ -             | \$ -             |
| Employer's covered-employee payroll                                   | \$32,886,005     | \$31,446,361     |
| Contributions of covered-employee payroll (as a percentage)           | 9.15000%         | 9.37000%         |

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**AND SCHEDULE OF CONTRIBUTIONS**  
**PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**Schedule of Proportionate Share of the Net Pension Liability:**

|   | <b>6/30/2016</b> | <b>6/30/2015</b> |
|---|------------------|------------------|
| Employer's proportion of the net pension liability  | \$5,681,072      | \$ 5,487,123     |
| Employer's proportionate share of the net pension liability associated with the Employer                    | 0.40641%         | 0.44038%         |
| State of Montana's proportionate share of the net pension liability associated with the Employer            | \$ 266,953       | \$ 256,505       |
| <b>Total</b>  | \$5,948,025      | \$ 5,743,628     |
| Employer's covered payroll  | \$4,903,746      | \$ 5,157,599     |
| Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 115.85200%       | 106.38900%       |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 78.40000%        | 79.90000%        |

**Schedule of Contributions:**

|   | <b>6/30/2016</b> | <b>6/30/2015</b> |
|---|------------------|------------------|
| Contractually required contributions                                  | \$ 436,306       | \$ 422,180       |
| Contributions in relation to the contractually required contributions | \$ 436,306       | \$ 422,180       |
| Contribution deficiency (excess)                                      | \$ -             | \$ -             |
| Employer's covered-employee payroll                                   | \$5,172,904      | \$ 4,903,746     |
| Contributions of covered-employee payroll (as a percentage)           | 8.43400%         | 8.60900%         |

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

**BOZEMAN SCHOOL DISTRICT NO. 7  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016**

**Teachers' Retirement System (TRS)**

**Changes of Benefit Terms:**

The following changes to the plan provision were made as identified:

The 2013 Montana Legislature passed HB 377 which provides additional revenue and created a two tier benefit structure. A Tier One Member is a person who first became a member before July 1, 2013 and has not withdrawn their member's account balance. A Tier Two Member is a person who first becomes a member on or after July 1, 2013 or after withdrawing their member's account balance, becomes a member again on or after July 1, 2013.

The GABA for Tier 1 members has also been modified as follows:

- If the most recent actuarial valuation of the System shows that the funded ratio is less than 90%, then the maximum increase that can be granted is 0.50%.
- If the funded ratio is at least 90% and the increase is not projected to cause the System's funded ratio to be less than 85%, an increase can be granted that is greater than 0.50% but not more than 1.50%.

The second tier benefit structure for members hired on or after July 1, 2013 is summarized below.

- (1) **Final Average Compensation:** Average of earned compensation paid in five consecutive years of full-time service that yields the highest average.
- (2) **Service Retirement:** Eligible to receive a service retirement benefit if the member has been credited with at least five full years of creditable service and has attained the age of 60; or has been credited with 30 or more years of full-time or part-time creditable service and has attained age 55.
- (3) **Early Retirement:** Eligible to receive an early retirement allowance if a member is not eligible for service retirement but has at least five years of creditable service and attained age 55.
- (4) **Professional Retirement Option:** If the member has been credited with 30 or more years of service and has attained the age of 60 they are eligible for an enhanced allowance equal to 1.85% of average final compensation times all service at retirement. Otherwise, the multiplier used to calculate the retirement allowance will be equal to 1.67%.
- (5) **Annual Contribution:** 8.15% of member's earned compensation.
- (6) **Supplemental Contribution Rate:** On or after July 1, 2023, the TRS Board may require a supplemental contribution up to 0.5% if the following three conditions are met:
  - a. The average funded ratio of the System based on the last three annual actuarial valuations is equal to or less than 80%; and
  - b. The period necessary to amortize all liabilities of the System based on the latest annual actuarial valuation is greater than 20 years; and
  - c. A State or employer contribution rate increase or a flat dollar contribution to the Retirement System Trust fund has been enacted that is equivalent to or greater than the supplemental contribution rate imposed by the TRS Board.

- (7) **Disability Retirement:** A member will not be eligible for a disability retirement if the member is or will be eligible for a service retirement on the date of termination.
- (8) **Guaranteed Annual Benefit Adjustment (GABA):**
  - a. If the most recent actuarial valuation shows that Retirement System liabilities are at least 90% funded and the provision of the increase is not projected to cause the System's liabilities to be less than 85% funded, the GABA may increase from the 0.5% floor up to 1.5%, as set by the Board.

HB 377 increased revenue from the members, employers and the State as follows:

- Annual State contribution equal to \$25 million paid to the System in monthly installments.
- One-time contribution payable to the Retirement System by the trustees of a school district maintaining a retirement fund. The one-time contribution to the Retirement System shall be the amount earmarked as an operating reserve in excess of 20% of the adopted retirement fund budget for the fiscal year 2013. The amount received was \$22 million in FY 2014.
- 1% supplemental employer contribution. This will increase the current employer rates:
  - o School Districts contributions will increase from 7.47% to 8.47%.
  - o The Montana University System and State Agencies will increase from 9.85% to 10.85%.
  - o The supplemental employer contribution will increase by 0.1% each fiscal year for fiscal year 2014 thru fiscal year 2024. Fiscal years beginning after June 30, 2024 the total supplemental employer contribution will be equal to 2%.
- Members hired prior to July 1, 2013 (Tier 1) under HB 377 are required to contribute a supplemental contribution equal to an additional 1% of the member's earned compensation.
- Each employer is required to contribute 9.85% of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position to the System.

#### **Changes in actuarial assumptions and other inputs:**

The following changes to the actuarial assumptions were adopted in 2015:

- Correctly reflect the proportion of members that are assumed to take a refund of contributions upon termination and appropriately reflect the three year COLA deferral period for Tier 2 Members.
- The 0.63% load applied to the projected retirement benefits of the university members "to account for larger than average annual compensation increases observed in the years immediately preceding retirement" is not applied to benefits expected to be paid to university members on account of death, disability and termination (prior to retirement eligibility).
- The actuarial valuation was updated to reflect the assumed rate of retirement for university members at age 60 is 8.50% as stated in the actuarial valuation report.
- The actuarial valuation was updated to reflect the fact that vested terminations are only covered by the \$500 death benefit for the one year following their termination and, once again when the terminated member commences their deferred retirement annuity (they are not covered during the deferral period). Additionally, only the portion of the terminated members that are assumed to "retain membership in the System" are covered by the \$500 death benefit after termination.

The following changes to the actuarial assumptions were adopted in 2014:

- Assumed rate of inflation was reduced from 3.50% to 3.25%.
- Payroll Growth Assumption was reduced from 4.50% to 4.00%.
- Assumed real wage growth was reduced from 1.00% to 0.75%.
- Investment return assumption was changed from net of investment and administrative expenses to net of investment expenses only.

- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
  - For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.
  - For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.
- Mortality among disabled members was updated to the following:
  - For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.
  - For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

**Method and assumptions used in calculations of actuarially determined contributions:**

|                               |  |
|-------------------------------|--|
| Actuarial cost method         | Entry age  |
| Amortization method           | Level percentage of pay, open  |
| Remaining amortization period | 26 years   |
| Asset valuation method        | 4-year smoothed market   |
| Inflation                     | 3.25 percent   |
| Salary increase               | 4.00 to 8.51 percent, including inflation for<br>Non-University Members and 5.00% for University Members |
| Investment rate of return     | 7.75 percent, net of pension plan investment<br>expense, and including inflation                         |

**Public Employees' Retirement System (PERS)**

**Changes of Benefit Terms:**

The following changes to the plan provision were made as identified:

**2013 Legislative Changes:**

Working Retirees - House Bill 95 - PERS, SRS, and FURS, effective July 1, 2013

- The law requires employer contributions on working retiree compensation.
- Member contributions are not required.
- Working retiree limitations are not impacted. PERS working retirees may still work up to 960 hours a year, without impacting benefits.

Highest Average Compensation (HAC) Cap - House Bill 97, effective July 1, 2013

- All PERS members hired on or after July 1, 2013 are subject to a 110% annual cap on compensation considered as part of a member's highest or final average compensation.
- All bonuses paid to PERS members on or after July 1, 2013 will not be treated as compensation for retirement purposes.

House Bill 454 - Permanent Injunction Limits Application of the GABA Reduction passed under HB 454  
**Guaranteed Annual Benefit Adjustment (GABA)** - for PERS

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, **inclusive** of other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
  - (a) 1.5% for each year PERS is funded at or above 90%
  - (b) 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%
  - (c) 0% whenever the amortization period for PERS is 40 years or more

#### **2015 Legislative Changes:**

General Revisions - House Bill 101, effective January 1, 2016

#### **Second Retirement Benefit** - for PERS

- 1) Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again:
  - refund of member's contributions from second employment plus regular interest (currently 0.25%);
  - no service credit for second employment;
  - start same benefit amount the month following termination; and
  - GABA starts again in the January immediately following second retirement.
- 2) For members who retire **before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:**
  - member receives a recalculated retirement benefit based on laws in effect at second retirement; and;
  - GABA starts in the January after receiving recalculated benefit for 12 months.
- 3) For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:
  - refund of member's contributions from second employment plus regular interest (currently 0.25%);
  - no service credit for second employment;
  - start same benefit amount the month following termination; and,
  - GABA starts again in the January immediately following second retirement.
- 4) For members who retire **on or after January 1, 2016, return to PERS-covered employment and accumulate five or more years of service credit before retiring again:**
  - member receives same retirement benefit as prior to return to service;
  - member receives second retirement benefit for second period of service based on laws in effect at second retirement; and
  - GABA starts on both benefits in January after member receives original and new benefit for 12 months.

Revise DC Funding Laws - House Bill 107, effective July 1, 2015

**Employer Contributions and the Defined Contribution Plan - for PERS and MUS-RP**

The PCR was paid off effective March 2016 and the contributions of 2.37%, .47%, and the 1.0% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member's account.

**Changes in Actuarial Assumptions and Methods:**

***Method and assumptions used in calculations of actuarially determined contributions:***

The following addition to the actuarial assumptions was adopted in 2014 based upon implementation of GASB Statement 68:

|  |       |
|--|-------|
| Administrative Expense as % of Payroll | 0.27% |
|--|-------|

The following changes were adopted in 2013 based on the 2013 Economic Experience study:

|                        |       |
|------------------------|-------|
| General Wage Growth*   | 4.00% |
| *Includes inflation at | 3.00% |

|                           |   |
|---------------------------|---|
| Investment rate of return | 7.75 percent, net of pension plan investment expense, and including inflation |
|---------------------------|---|

The following Actuarial Assumptions are from the June 2010 Experience Study:

|                        |       |
|------------------------|-------|
| General Wage Growth*   | 4.00% |
| *Includes inflation at | 3.00% |

|                |            |
|----------------|------------|
| Merit increase | 0% to 7.3% |
|----------------|------------|

|                           |   |
|---------------------------|---|
| Investment rate of return | 8.00 percent, net of pension plan investment expense, and including inflation |
|---------------------------|---|

|                        |                        |
|------------------------|------------------------|
| Asset valuation method | 4-year smoothed market |
|------------------------|------------------------|

|                       |           |
|-----------------------|-----------|
| Actuarial cost method | Entry age |
|-----------------------|-----------|

|                     |                               |
|---------------------|-------------------------------|
| Amortization method | Level percentage of pay, open |
|---------------------|-------------------------------|





## **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, 2016**

|  | Elementary<br>General<br>Subfund | High School<br>General<br>Subfund | Totals              |
|--|----------------------------------|-----------------------------------|---------------------|
| <b><u>ASSETS</u></b>   |                                  |                                   |                     |
| Cash and cash equivalents  | \$ 3,088,273                     | \$ 1,680,654                      | \$ 4,768,927        |
| Property taxes receivable  | 260,808                          | 164,478                           | 425,286             |
| Due from other governments   | 125,368                          | 108,397                           | 233,765             |
| Accounts receivable  | 151                              | 3,601                             | 3,752               |
| Prepaid items  | 1,127                            | 6,602                             | 7,729               |
| <b>Total assets</b>  | <b>\$ 3,475,727</b>              | <b>\$ 1,963,732</b>               | <b>\$ 5,439,459</b> |
| <b><u>LIABILITIES</u></b>  |                                  |                                   |                     |
| Accounts payable   | \$ 96,826                        | \$ 48,100                         | \$ 144,926          |
| <b>Total liabilities</b>   | <b>96,826</b>                    | <b>48,100</b>                     | <b>144,926</b>      |
| <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>                                    |                                  |                                   |                     |
| Unavailable revenue - property taxes   | 260,808                          | 164,478                           | 425,286             |
| <b>Total deferred inflows of resources</b>                                     | <b>260,808</b>                   | <b>164,478</b>                    | <b>425,286</b>      |
| <b><u>FUND BALANCES</u></b>  |                                  |                                   |                     |
| Nonspendable   | 1,127                            | 6,602                             | 7,729               |
| Assigned   | 194,359                          | 97,175                            | 291,534             |
| Unassigned   | 2,922,607                        | 1,647,377                         | 4,569,984           |
| <b>Total fund balances</b>   | <b>3,118,093</b>                 | <b>1,751,154</b>                  | <b>4,869,247</b>    |
| <b>Total liabilities, deferred inflows of<br/>resources, and fund balances</b> | <b>\$ 3,475,727</b>              | <b>\$ 1,963,732</b>               | <b>\$ 5,439,459</b> |

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**ALL GENERAL SUBFUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

|   | Elementary<br>General<br>Subfund | High School<br>General<br>Subfund | Totals                     |
|---|----------------------------------|-----------------------------------|----------------------------|
| <b>Revenues:</b>                        |                                  |                                   |                            |
| District property taxes                 | \$ 11,655,999                    | \$ 6,514,794                      | \$ 18,170,793              |
| Tuition and fees                        | 23,193                           | 9,353                             | 32,546                     |
| Interest                                | 41,507                           | 16,021                            | 57,528                     |
| Other district revenue                  | 121,406                          | 101,254                           | 222,660                    |
| State of Montana                        | 18,255,441                       | 8,747,241                         | 27,002,682                 |
| <b>Total revenues</b>                   | <u>30,097,546</u>                | <u>15,388,663</u>                 | <u>45,486,209</u>          |
| <b>Expenditures:</b>                    |                                  |                                   |                            |
| Current -                               |                                  |                                   |                            |
| Instruction                             | 19,911,991                       | 8,865,276                         | 28,777,267                 |
| Support services                        | 4,073,837                        | 1,677,376                         | 5,751,213                  |
| General administration                  | 1,249,425                        | 1,144,562                         | 2,393,987                  |
| Building administration                 | 2,279,910                        | 910,323                           | 3,190,233                  |
| Operations and maintenance              | 2,303,114                        | 1,853,699                         | 4,156,813                  |
| Student transportation                  | 162                              | 43                                | 205                        |
| Food services                           | -                                | 7,301                             | 7,301                      |
| Extracurricular activities              | 208,099                          | 819,066                           | 1,027,165                  |
| Capital outlay                          | 5,165                            | 5,164                             | 10,329                     |
| <b>Total expenditures</b>               | <u>30,031,703</u>                | <u>15,282,810</u>                 | <u>45,314,513</u>          |
| <b>Net change in fund balances</b>      | 65,843                           | 105,853                           | 171,696                    |
| <b>Fund balances, beginning of year</b> | <u>3,052,250</u>                 | <u>1,645,301</u>                  | <u>4,697,551</u>           |
| <b>Fund balances, end of year</b>       | <u><u>\$ 3,118,093</u></u>       | <u><u>\$ 1,751,154</u></u>        | <u><u>\$ 4,869,247</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, 2016**

|   | Elementary General Subfund |                     |                     |                                      | High School General Subfund     |                     |                                      |
|---|----------------------------|---------------------|---------------------|--------------------------------------|---------------------------------|---------------------|--------------------------------------|
|   | Original<br>Budget         | Final<br>Budget     | Actual              | Variance -<br>Positive<br>(Negative) | Original<br>and Final<br>Budget | Actual              | Variance -<br>Positive<br>(Negative) |
| <b>Revenues:</b>                        |                            |                     |                     |                                      |                                 |                     |                                      |
| District property taxes                 | \$ 11,617,181              | \$ 11,617,181       | \$ 11,655,999       | \$ 38,818                            | \$ 6,489,644                    | \$ 6,514,794        | \$ 25,150                            |
| Tuition and fees                        | 10,000                     | 10,000              | 23,193              | 13,193                               | 7,500                           | 9,353               | 1,853                                |
| Interest                                | 29,320                     | 29,320              | 40,092              | 10,772                               | 12,551                          | 15,351              | 2,800                                |
| Other district revenue                  | 3,029                      | 3,029               | 121,406             | 118,377                              | -                               | 101,254             | 101,254                              |
| State of Montana                        | 18,205,497                 | 18,250,984          | 18,255,441          | 4,457                                | 8,739,906                       | 8,747,241           | 7,335                                |
| <b>Total revenues</b>                   | <u>29,865,027</u>          | <u>29,910,514</u>   | <u>30,096,131</u>   | <u>185,617</u>                       | <u>15,249,601</u>               | <u>15,387,993</u>   | <u>138,392</u>                       |
| <b>Expenditures:</b>                    |                            |                     |                     |                                      |                                 |                     |                                      |
| Current -                               |                            |                     |                     |                                      |                                 |                     |                                      |
| Instruction                             | 19,793,056                 | 19,838,543          | 19,896,351          | (57,808)                             | 8,868,759                       | 8,861,174           | 7,585                                |
| Support services                        | 4,011,547                  | 4,011,547           | 3,991,095           | 20,452                               | 1,683,203                       | 1,676,877           | 6,326                                |
| General administration                  | 1,255,402                  | 1,255,402           | 1,244,220           | 11,182                               | 1,160,614                       | 1,139,581           | 21,033                               |
| Building administration                 | 2,279,063                  | 2,279,063           | 2,270,887           | 8,176                                | 936,093                         | 909,729             | 26,364                               |
| Operations and maintenance              | 2,308,146                  | 2,308,146           | 2,294,697           | 13,449                               | 1,772,931                       | 1,835,454           | (62,523)                             |
| Student transportation                  | -                          | -                   | -                   | -                                    | -                               | -                   | -                                    |
| Food services                           | -                          | -                   | -                   | -                                    | -                               | 2,556               | (2,556)                              |
| Extracurricular activities              | 211,813                    | 211,813             | 208,099             | 3,714                                | 822,001                         | 819,066             | 2,935                                |
| Capital outlay                          | 6,000                      | 6,000               | 5,165               | 835                                  | 6,000                           | 5,164               | 836                                  |
| <b>Total expenditures</b>               | <u>29,865,027</u>          | <u>29,910,514</u>   | <u>29,910,514</u>   | <u>-</u>                             | <u>15,249,601</u>               | <u>15,249,601</u>   | <u>-</u>                             |
| <b>Net change in fund balances</b>      | -                          | -                   | 185,617             | 185,617                              | -                               | 138,392             | 138,392                              |
| <b>Fund balances, beginning of year</b> | <u>2,738,118</u>           | <u>2,738,118</u>    | <u>2,738,118</u>    | <u>-</u>                             | <u>1,515,587</u>                | <u>1,515,587</u>    | <u>-</u>                             |
| <b>Fund balances, end of year</b>       | <u>\$ 2,738,118</u>        | <u>\$ 2,738,118</u> | <u>\$ 2,923,735</u> | <u>\$ 185,617</u>                    | <u>\$ 1,515,587</u>             | <u>\$ 1,653,979</u> | <u>\$ 138,392</u>                    |



## **Nonmajor Governmental Funds – By Fund Type**

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**COMBINING BALANCE SHEET**  
**ALL NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE**  
**JUNE 30, 2016**

|  | Special<br>Revenue  | Debt Service      | Capital<br>Projects | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|---------------------|-------------------|---------------------|--|
| <b><u>ASSETS</u></b>   |                     |                   |                     |  |
| Cash and cash equivalents  | \$ 6,273,924        | \$ 79,324         | \$ 3,776,155        | \$ 10,129,403                              |
| Property taxes receivable  | 71,065              | 169,829           | 70,742              | 311,636                                    |
| Due from other funds   | -                   | -                 | 183,186             | 183,186                                    |
| Due from other governments   | 987,625             | 475,050           | -                   | 1,462,675                                  |
| Accounts receivable  | 195,853             | -                 | -                   | 195,853                                    |
| Inventory, at cost   | 91,256              | -                 | -                   | 91,256                                     |
| Prepaid items  | 8,703               | -                 | -                   | 8,703                                      |
| <b>Total assets</b>  | <b>\$ 7,628,426</b> | <b>\$ 724,203</b> | <b>\$ 4,030,083</b> | <b>\$ 12,382,712</b>                       |
| <b><u>LIABILITIES</u></b>  |                     |                   |                     |  |
| Accounts payable   | \$ 62,183           | \$ -              | \$ 22,098           | \$ 84,281                                  |
| Retainages payable   | -                   | -                 | 37,960              | 37,960                                     |
| Unearned revenue   | 69,751              | -                 | -                   | 69,751                                     |
| <b>Total liabilities</b>   | <b>131,934</b>      | <b>-</b>          | <b>60,058</b>       | <b>191,992</b>                             |
| <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>                                    |                     |                   |                     |  |
| Unavailable revenue - property taxes   | 71,065              | 169,829           | 70,742              | 311,636                                    |
| <b>Total deferred inflows of resources</b>                                     | <b>71,065</b>       | <b>169,829</b>    | <b>70,742</b>       | <b>311,636</b>                             |
| <b><u>FUND BALANCES</u></b>  |                     |                   |                     |  |
| Nonspendable   | 99,959              | -                 | -                   | 99,959                                     |
| Restricted   | 5,209,257           | 554,374           | 3,899,283           | 9,662,914                                  |
| Committed  | 2,116,211           | -                 | -                   | 2,116,211                                  |
| <b>Total fund balances</b>   | <b>7,425,427</b>    | <b>554,374</b>    | <b>3,899,283</b>    | <b>11,879,084</b>                          |
| <b>Total liabilities, deferred inflows of<br/>resources, and fund balances</b> | <b>\$ 7,628,426</b> | <b>\$ 724,203</b> | <b>\$ 4,030,083</b> | <b>\$ 12,382,712</b>                       |

**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, 2016**

|   | Special<br>Revenue         | Debt Service             | Capital<br>Projects        | Total<br>Nonmajor<br>Governmental<br>Funds |
|---|----------------------------|--------------------------|----------------------------|--|
| <b>Revenues:</b>                        |                            |                          |                            |  |
| District property taxes                 | \$ 3,103,456               | \$ 7,154,276             | \$ 3,014,824               | \$ 13,272,556                              |
| Tuition and fees                        | 1,390,934                  | -                        | -                          | 1,390,934                                  |
| Interest                                | 32,622                     | 14,560                   | 18,714                     | 65,896                                     |
| Other district revenue                  | 1,635,548                  | 475,050                  | -                          | 2,110,598                                  |
| Gallatin County                         | 7,018,606                  | -                        | -                          | 7,018,606                                  |
| State of Montana                        | 2,516,357                  | 18,049                   | -                          | 2,534,406                                  |
| Federal                                 | 4,162,866                  | -                        | -                          | 4,162,866                                  |
| <b>Total revenues</b>                   | <u>19,860,389</u>          | <u>7,661,935</u>         | <u>3,033,538</u>           | <u>30,555,862</u>                          |
| <b>Expenditures:</b>                    |                            |                          |                            |  |
| Current -                               |                            |                          |                            |  |
| Instruction                             | 7,258,325                  | -                        | 59,301                     | 7,317,626                                  |
| Support services                        | 4,394,330                  | -                        | 20,862                     | 4,415,192                                  |
| General administration                  | 873,872                    | -                        | -                          | 873,872                                    |
| Building administration                 | 706,743                    | -                        | 9,196                      | 715,939                                    |
| Operations and maintenance              | 416,379                    | -                        | 816,660                    | 1,233,039                                  |
| Student transportation                  | 2,438,563                  | -                        | -                          | 2,438,563                                  |
| Food services                           | 1,973,626                  | -                        | -                          | 1,973,626                                  |
| Extracurricular activities              | 432,965                    | -                        | -                          | 432,965                                    |
| Capital outlay                          | 211,120                    | -                        | 1,864,107                  | 2,075,227                                  |
| Debt service -                          |                            |                          |                            |  |
| Principal retirement                    | -                          | 4,830,000                | 140,554                    | 4,970,554                                  |
| Interest and fiscal charges             | -                          | 2,589,331                | 550                        | 2,589,881                                  |
| <b>Total expenditures</b>               | <u>18,705,923</u>          | <u>7,419,331</u>         | <u>2,911,230</u>           | <u>29,036,484</u>                          |
| <b>Net changes in fund balances</b>     | 1,154,466                  | 242,604                  | 122,308                    | 1,519,378                                  |
| <b>Fund balances, beginning of year</b> | <u>6,270,961</u>           | <u>311,770</u>           | <u>3,776,975</u>           | <u>10,359,706</u>                          |
| <b>Fund balances, end of year</b>       | <u><u>\$ 7,425,427</u></u> | <u><u>\$ 554,374</u></u> | <u><u>\$ 3,899,283</u></u> | <u><u>\$ 11,879,084</u></u>                |



## Nonmajor Special Revenue Funds

### **Budgeted:**

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

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

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

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

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

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

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

### **Non-Budgeted:**

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 corresponding tuition charged.

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2016**

|  | Elementary<br>Transportation | Elementary<br>Bus<br>Depreciation | Elementary<br>Tuition | Elementary<br>Retirement | Elementary<br>Grants | Elementary<br>Technology<br>Acquisition | Elementary<br>Flexibility | High School<br>Transportation | High School<br>Bus<br>Depreciation |
|--|------------------------------|-----------------------------------|-----------------------|--------------------------|----------------------|---|---------------------------|-------------------------------|------------------------------------|
| <b><u>ASSETS</u></b>   |                              |                                   |                       |                          |                      |   |                           |                               |                                    |
| Cash and cash equivalents  | \$ 711,664                   | \$ 284,952                        | \$ 13,254             | \$ 1,133,103             | \$ 761,345           | \$ 390,249                              | \$ 428                    | \$ 288,183                    | \$ 285,142                         |
| Property taxes receivable  | 27,382                       | 724                               | 5,014                 | -                        | -                    | 8,390                                   | -                         | 15,885                        | 808                                |
| Due from other governments   | -                            | -                                 | -                     | -                        | 532,415              | -                                       | -                         | -                             | -                                  |
| Accounts receivable  | 25,035                       | -                                 | -                     | -                        | 146,666              | -                                       | -                         | 12,807                        | -                                  |
| Inventory, at cost   | -                            | -                                 | -                     | -                        | -                    | -                                       | -                         | -                             | -                                  |
| Prepaid items  | 2,400                        | -                                 | -                     | -                        | 3,328                | -                                       | -                         | 2,400                         | -                                  |
| <b>Total assets</b>  | <b>\$ 766,481</b>            | <b>\$ 285,676</b>                 | <b>\$ 18,268</b>      | <b>\$ 1,133,103</b>      | <b>\$ 1,443,754</b>  | <b>\$ 398,639</b>                       | <b>\$ 428</b>             | <b>\$ 319,275</b>             | <b>\$ 285,950</b>                  |
| <b><u>LIABILITIES</u></b>  |                              |                                   |                       |                          |                      |   |                           |                               |                                    |
| Accounts payable   | \$ 368                       | \$ -                              | \$ -                  | \$ 15,071                | \$ 21,461            | \$ -                                    | \$ -                      | \$ 354                        | \$ -                               |
| Unearned revenue   | -                            | -                                 | -                     | -                        | -                    | -                                       | -                         | -                             | -                                  |
| <b>Total liabilities</b>   | <b>368</b>                   | <b>-</b>                          | <b>-</b>              | <b>15,071</b>            | <b>21,461</b>        | <b>-</b>                                | <b>-</b>                  | <b>354</b>                    | <b>-</b>                           |
| <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>                                    |                              |                                   |                       |                          |                      |   |                           |                               |                                    |
| Unavailable revenue - property taxes   | 27,382                       | 724                               | 5,014                 | -                        | -                    | 8,390                                   | -                         | 15,885                        | 808                                |
| <b>Total deferred inflows of resources</b>                                     | <b>27,382</b>                | <b>724</b>                        | <b>5,014</b>          | <b>-</b>                 | <b>-</b>             | <b>8,390</b>                            | <b>-</b>                  | <b>15,885</b>                 | <b>808</b>                         |
| <b><u>FUND BALANCES</u></b>  |                              |                                   |                       |                          |                      |   |                           |                               |                                    |
| Nonspendable   | 2,400                        | -                                 | -                     | -                        | 3,328                | -                                       | -                         | 2,400                         | -                                  |
| Restricted   | 736,331                      | 284,952                           | 13,254                | 1,118,032                | 73,279               | 390,249                                 | 428                       | 300,636                       | 285,142                            |
| Committed  | -                            | -                                 | -                     | -                        | 1,345,686            | -                                       | -                         | -                             | -                                  |
| <b>Total fund balances</b>   | <b>738,731</b>               | <b>284,952</b>                    | <b>13,254</b>         | <b>1,118,032</b>         | <b>1,422,293</b>     | <b>390,249</b>                          | <b>428</b>                | <b>303,036</b>                | <b>285,142</b>                     |
| <b>Total liabilities, deferred inflows of<br/>resources, and fund balances</b> | <b>\$ 766,481</b>            | <b>\$ 285,676</b>                 | <b>\$ 18,268</b>      | <b>\$ 1,133,103</b>      | <b>\$ 1,443,754</b>  | <b>\$ 398,639</b>                       | <b>\$ 428</b>             | <b>\$ 319,275</b>             | <b>\$ 285,950</b>                  |

(Continued)

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2016**

|  | High School<br>Food | High School<br>Tuition | High School<br>Retirement | High School<br>Grants | High School<br>Adult<br>Education | High School<br>Drivers<br>Education | High School<br>Technology<br>Acquisition | High School<br>Flexibility | Totals              |
|--|---------------------|------------------------|---------------------------|-----------------------|-----------------------------------|-------------------------------------|--|----------------------------|---------------------|
| <b><u>ASSETS</u></b>   |                     |                        |                           |                       |                                   |                                     |  |                            |                     |
| Cash and cash equivalents  | \$ 303,100          | \$ 100                 | \$ 838,135                | \$ 133,877            | \$ 199,074                        | \$ 210,560                          | \$ 720,615                               | \$ 143                     | \$ 6,273,924        |
| Property taxes receivable  | -                   | 2,754                  | -                         | -                     | 5,002                             | -                                   | 5,106                                    | -                          | 71,065              |
| Due from other governments   | -                   | -                      | -                         | 415,520               | -                                 | 39,690                              | -  | -                          | 987,625             |
| Accounts receivable  | 11,345              | -                      | -                         | -                     | -                                 | -                                   | -  | -                          | 195,853             |
| Inventory, at cost   | 91,256              | -                      | -                         | -                     | -                                 | -                                   | -  | -                          | 91,256              |
| Prepaid items  | -                   | -                      | -                         | 575                   | -                                 | -                                   | -  | -                          | 8,703               |
| <b>Total assets</b>  | <b>\$ 405,701</b>   | <b>\$ 2,854</b>        | <b>\$ 838,135</b>         | <b>\$ 549,972</b>     | <b>\$ 204,076</b>                 | <b>\$ 250,250</b>                   | <b>\$ 725,721</b>                        | <b>\$ 143</b>              | <b>\$ 7,628,426</b> |
| <b><u>LIABILITIES</u></b>  |                     |                        |                           |                       |                                   |                                     |  |                            |                     |
| Accounts payable   | \$ 5,018            | \$ -                   | \$ 14,482                 | \$ 2,819              | \$ 2,478                          | \$ 132                              | \$ -                                     | \$ -                       | \$ 62,183           |
| Unearned revenue   | 68,278              | -                      | -                         | 1,473                 | -                                 | -                                   | -  | -                          | 69,751              |
| <b>Total liabilities</b>   | <b>73,296</b>       | <b>-</b>               | <b>14,482</b>             | <b>4,292</b>          | <b>2,478</b>                      | <b>132</b>                          | <b>-</b>                                 | <b>-</b>                   | <b>131,934</b>      |
| <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>                                    |                     |                        |                           |                       |                                   |                                     |  |                            |                     |
| Unavailable revenue - property taxes   | -                   | 2,754                  | -                         | -                     | 5,002                             | -                                   | 5,106                                    | -                          | 71,065              |
| <b>Total deferred inflows of resources</b>                                     | <b>-</b>            | <b>2,754</b>           | <b>-</b>                  | <b>-</b>              | <b>5,002</b>                      | <b>-</b>                            | <b>5,106</b>                             | <b>-</b>                   | <b>71,065</b>       |
| <b><u>FUND BALANCES</u></b>  |                     |                        |                           |                       |                                   |                                     |  |                            |                     |
| Nonspendable   | 91,256              | -                      | -                         | 575                   | -                                 | -                                   | -  | -                          | 99,959              |
| Restricted   | -                   | 100                    | 823,653                   | 265,847               | 196,596                           | -                                   | 720,615                                  | 143                        | 5,209,257           |
| Committed  | 241,149             | -                      | -                         | 279,258               | -                                 | 250,118                             | -  | -                          | 2,116,211           |
| <b>Total fund balances</b>   | <b>332,405</b>      | <b>100</b>             | <b>823,653</b>            | <b>545,680</b>        | <b>196,596</b>                    | <b>250,118</b>                      | <b>720,615</b>                           | <b>143</b>                 | <b>7,425,427</b>    |
| <b>Total liabilities, deferred inflows of<br/>resources, and fund balances</b> | <b>\$ 405,701</b>   | <b>\$ 2,854</b>        | <b>\$ 838,135</b>         | <b>\$ 549,972</b>     | <b>\$ 204,076</b>                 | <b>\$ 250,250</b>                   | <b>\$ 725,721</b>                        | <b>\$ 143</b>              | <b>\$ 7,628,426</b> |

(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, 2016**

|   | Elementary<br>Transportation | Elementary<br>Bus<br>Depreciation | Elementary<br>Tuition | Elementary<br>Retirement | Elementary<br>Grants | Elementary<br>Technology<br>Acquisition | Elementary<br>Flexibility | High School<br>Transportation | High School<br>Bus<br>Depreciation |
|---|------------------------------|-----------------------------------|-----------------------|--------------------------|----------------------|---|---------------------------|-------------------------------|------------------------------------|
| <b>Revenues:</b>                        |                              |                                   |                       |                          |                      |   |                           |                               |                                    |
| District property taxes                 | \$ 1,235,888                 | \$ 32,242                         | \$ 244,850            | \$ -                     | \$ -                 | \$ 384,960                              | \$ -                      | \$ 653,572                    | \$ 32,230                          |
| Tuition and fees                        | 2,735                        | -                                 | -                     | -                        | 750                  | -                                       | -                         | 2,182                         | -                                  |
| Interest                                | 4,153                        | 1,111                             | 484                   | 8,062                    | 988                  | 994                                     | -                         | 1,469                         | 1,152                              |
| Other district revenue                  | -                            | -                                 | -                     | -                        | 1,180,033            | -                                       | 428                       | -                             | -                                  |
| Gallatin County                         | 261,606                      | -                                 | -                     | 4,167,912                | -                    | -                                       | -                         | 131,088                       | -                                  |
| State of Montana                        | 306,534                      | -                                 | -                     | -                        | 1,551,531            | 173,224                                 | -                         | 151,415                       | -                                  |
| Federal                                 | -                            | -                                 | -                     | -                        | 2,770,739            | -                                       | -                         | -                             | -                                  |
| <b>Total revenues</b>                   | <u>1,810,916</u>             | <u>33,353</u>                     | <u>245,334</u>        | <u>4,175,974</u>         | <u>5,504,041</u>     | <u>559,178</u>                          | <u>428</u>                | <u>939,726</u>                | <u>33,382</u>                      |
| <b>Expenditures:</b>                    |                              |                                   |                       |                          |                      |   |                           |                               |                                    |
| Current -                               |                              |                                   |                       |                          |                      |   |                           |                               |                                    |
| Instruction                             | -                            | -                                 | 232,180               | 2,668,062                | 2,104,965            | 239,006                                 | -                         | -                             | -                                  |
| Support services                        | -                            | -                                 | -                     | 610,256                  | 2,777,748            | 12,161                                  | -                         | -                             | -                                  |
| General administration                  | 79,962                       | -                                 | -                     | 180,708                  | 201,710              | 138,272                                 | -                         | 79,961                        | -                                  |
| Building administration                 | -                            | -                                 | -                     | 322,332                  | 7,760                | -                                       | -                         | -                             | -                                  |
| Operations and maintenance              | 3,042                        | -                                 | -                     | 225,400                  | 54,245               | -                                       | -                         | 3,008                         | -                                  |
| Student transportation                  | 1,612,630                    | -                                 | -                     | 13,589                   | 5,735                | -                                       | -                         | 801,880                       | -                                  |
| Food services                           | -                            | -                                 | -                     | -                        | -                    | -                                       | -                         | -                             | -                                  |
| Extracurricular activities              | -                            | -                                 | -                     | 28,183                   | 74,100               | -                                       | -                         | -                             | -                                  |
| Capital outlay                          | -                            | -                                 | -                     | -                        | 50,602               | 72,473                                  | -                         | -                             | -                                  |
| <b>Total expenditures</b>               | <u>1,695,634</u>             | <u>-</u>                          | <u>232,180</u>        | <u>4,048,530</u>         | <u>5,276,865</u>     | <u>461,912</u>                          | <u>-</u>                  | <u>884,849</u>                | <u>-</u>                           |
| <b>Net change in fund balances</b>      | 115,282                      | 33,353                            | 13,154                | 127,444                  | 227,176              | 97,266                                  | 428                       | 54,877                        | 33,382                             |
| <b>Fund balances, beginning of year</b> | <u>623,449</u>               | <u>251,599</u>                    | <u>100</u>            | <u>990,588</u>           | <u>1,195,117</u>     | <u>292,983</u>                          | <u>-</u>                  | <u>248,159</u>                | <u>251,760</u>                     |
| <b>Fund balances, end of year</b>       | <u>\$ 738,731</u>            | <u>\$ 284,952</u>                 | <u>\$ 13,254</u>      | <u>\$ 1,118,032</u>      | <u>\$ 1,422,293</u>  | <u>\$ 390,249</u>                       | <u>\$ 428</u>             | <u>\$ 303,036</u>             | <u>\$ 285,142</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, 2016**

|   | High School<br>Food | High School<br>Tuition | High School<br>Retirement | High School<br>Grants | High School<br>Adult<br>Education | High School<br>Drivers<br>Education | High School<br>Technology<br>Acquisition | High School<br>Flexibility | Totals              |
|---|---------------------|------------------------|---------------------------|-----------------------|-----------------------------------|-------------------------------------|--|----------------------------|---------------------|
| <b>Revenues:</b>                        |                     |                        |                           |                       |                                   |                                     |  |                            |                     |
| District property taxes                 | \$ -                | \$ 120,874             | \$ -                      | \$ -                  | \$ 198,570                        | \$ -                                | \$ 200,270                               | \$ -                       | \$ 3,103,456        |
| Tuition and fees                        | 1,236,791           | -                      | -                         | -                     | 26,618                            | 121,858                             | -  | -                          | 1,390,934           |
| Interest                                | 2,130               | 4                      | 3,894                     | 1,856                 | 1,342                             | 1,403                               | 3,580                                    | -                          | 32,622              |
| Other district revenue                  | 300                 | -                      | -                         | 451,333               | 3,311                             | -                                   | -  | 143                        | 1,635,548           |
| Gallatin County                         | -                   | -                      | 2,458,000                 | -                     | -                                 | -                                   | -  | -                          | 7,018,606           |
| State of Montana                        | 1,930               | -                      | -                         | 143,395               | -                                 | 39,690                              | 148,638                                  | -                          | 2,516,357           |
| Federal                                 | 526,256             | -                      | -                         | 865,871               | -                                 | -                                   | -  | -                          | 4,162,866           |
| <b>Total revenues</b>                   | <u>1,767,407</u>    | <u>120,878</u>         | <u>2,461,894</u>          | <u>1,462,455</u>      | <u>229,841</u>                    | <u>162,951</u>                      | <u>352,488</u>                           | <u>143</u>                 | <u>19,860,389</u>   |
| <b>Expenditures:</b>                    |                     |                        |                           |                       |                                   |                                     |  |                            |                     |
| Current -                               |                     |                        |                           |                       |                                   |                                     |  |                            |                     |
| Instruction                             | -                   | 120,878                | 1,198,288                 | 385,857               | 48,677                            | 118,236                             | 142,176                                  | -                          | 7,258,325           |
| Support services                        | -                   | -                      | 222,082                   | 764,836               | 4,786                             | -                                   | 2,461                                    | -                          | 4,394,330           |
| General administration                  | -                   | -                      | 131,522                   | -                     | 1,378                             | 2,903                               | 57,456                                   | -                          | 873,872             |
| Building administration                 | -                   | -                      | 161,012                   | -                     | 178,368                           | 37,271                              | -  | -                          | 706,743             |
| Operations and maintenance              | -                   | -                      | 130,684                   | -                     | -                                 | -                                   | -  | -                          | 416,379             |
| Student transportation                  | -                   | -                      | 4,729                     | -                     | -                                 | -                                   | -  | -                          | 2,438,563           |
| Food services                           | 1,852,943           | -                      | 120,683                   | -                     | -                                 | -                                   | -  | -                          | 1,973,626           |
| Extracurricular activities              | -                   | -                      | 91,445                    | 238,237               | -                                 | -                                   | 1,000                                    | -                          | 432,965             |
| Capital outlay                          | 17,104              | -                      | -                         | 26,342                | -                                 | -                                   | 44,599                                   | -                          | 211,120             |
| <b>Total expenditures</b>               | <u>1,870,047</u>    | <u>120,878</u>         | <u>2,060,445</u>          | <u>1,415,272</u>      | <u>233,209</u>                    | <u>158,410</u>                      | <u>247,692</u>                           | <u>-</u>                   | <u>18,705,923</u>   |
| <b>Net change in fund balances</b>      | (102,640)           | -                      | 401,449                   | 47,183                | (3,368)                           | 4,541                               | 104,796                                  | 143                        | 1,154,466           |
| <b>Fund balances, beginning of year</b> | <u>435,045</u>      | <u>100</u>             | <u>422,204</u>            | <u>498,497</u>        | <u>199,964</u>                    | <u>245,577</u>                      | <u>615,819</u>                           | <u>-</u>                   | <u>6,270,961</u>    |
| <b>Fund balances, end of year</b>       | <u>\$ 332,405</u>   | <u>\$ 100</u>          | <u>\$ 823,653</u>         | <u>\$ 545,680</u>     | <u>\$ 196,596</u>                 | <u>\$ 250,118</u>                   | <u>\$ 720,615</u>                        | <u>\$ 143</u>              | <u>\$ 7,425,427</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, 2016**

|   | Elementary Transportation       |                   |                                      | Elementary Bus Depreciation     |                   |                                      |
|---|---------------------------------|-------------------|--------------------------------------|---------------------------------|-------------------|--------------------------------------|
|   | Original<br>and Final<br>Budget | Actual            | Variance -<br>Positive<br>(Negative) | Original<br>and Final<br>Budget | Actual            | Variance -<br>Positive<br>(Negative) |
| <b>Revenues:</b>                        |                                 |                   |                                      |                                 |                   |                                      |
| District property taxes                 | \$ 1,233,920                    | \$ 1,235,888      | \$ 1,968                             | \$ 32,193                       | \$ 32,242         | \$ 49                                |
| Tuition and fees                        | 2,500                           | 2,735             | 235                                  | -                               | -                 | -                                    |
| Interest                                | 1,501                           | 4,153             | 2,652                                | 500                             | 1,111             | 611                                  |
| Gallatin County                         | 285,153                         | 261,606           | (23,547)                             | -                               | -                 | -                                    |
| State of Montana                        | 330,081                         | 306,534           | (23,547)                             | -                               | -                 | -                                    |
| <b>Total revenues</b>                   | <u>1,853,155</u>                | <u>1,810,916</u>  | <u>(42,239)</u>                      | <u>32,693</u>                   | <u>33,353</u>     | <u>660</u>                           |
| <b>Expenditures:</b>                    |                                 |                   |                                      |                                 |                   |                                      |
| Current -                               |                                 |                   |                                      |                                 |                   |                                      |
| General administration                  | 81,911                          | 79,962            | 1,949                                | -                               | -                 | -                                    |
| Operations and maintenance              | 3,250                           | 3,042             | 208                                  | -                               | -                 | -                                    |
| Student transportation                  | 1,978,675                       | 1,612,630         | 366,045                              | -                               | -                 | -                                    |
| Capital outlay                          | -                               | -                 | -                                    | 284,291                         | -                 | 284,291                              |
| <b>Total expenditures</b>               | <u>2,063,836</u>                | <u>1,695,634</u>  | <u>368,202</u>                       | <u>284,291</u>                  | <u>-</u>          | <u>284,291</u>                       |
| <b>Net change in fund balances</b>      | (210,681)                       | 115,282           | 325,963                              | (251,598)                       | 33,353            | 284,951                              |
| <b>Fund balances, beginning of year</b> | <u>623,449</u>                  | <u>623,449</u>    | <u>-</u>                             | <u>251,599</u>                  | <u>251,599</u>    | <u>-</u>                             |
| <b>Fund balances, end of year</b>       | <u>\$ 412,768</u>               | <u>\$ 738,731</u> | <u>\$ 325,963</u>                    | <u>\$ 1</u>                     | <u>\$ 284,952</u> | <u>\$ 284,951</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, 2016**

|   | Elementary Tuition              |                  |                                      | Elementary Retirement           |                     |                                      |
|---|---------------------------------|------------------|--------------------------------------|---------------------------------|---------------------|--------------------------------------|
|   | Original<br>and Final<br>Budget | Actual           | Variance -<br>Positive<br>(Negative) | Original<br>and Final<br>Budget | Actual              | Variance -<br>Positive<br>(Negative) |
| <b>Revenues:</b>                        |                                 |                  |                                      |                                 |                     |                                      |
| District property taxes                 | \$ 245,554                      | \$ 244,850       | \$ (704)                             | \$ -                            | \$ -                | \$ -                                 |
| Interest                                | -                               | 484              | 484                                  | 1,500                           | 8,062               | 6,562                                |
| Gallatin County                         | -                               | -                | -                                    | 4,167,912                       | 4,167,912           | -                                    |
| State of Montana                        | 13,732                          | -                | (13,732)                             | -                               | -                   | -                                    |
| <b>Total revenues</b>                   | <u>259,286</u>                  | <u>245,334</u>   | <u>(13,952)</u>                      | <u>4,169,412</u>                | <u>4,175,974</u>    | <u>6,562</u>                         |
| <b>Expenditures:</b>                    |                                 |                  |                                      |                                 |                     |                                      |
| Current -                               |                                 |                  |                                      |                                 |                     |                                      |
| Instruction                             | 259,386                         | 232,180          | 27,206                               | 2,841,415                       | 2,668,062           | 173,353                              |
| Support services                        | -                               | -                | -                                    | 628,815                         | 610,256             | 18,559                               |
| General administration                  | -                               | -                | -                                    | 180,921                         | 180,708             | 213                                  |
| Building administration                 | -                               | -                | -                                    | 337,333                         | 322,332             | 15,001                               |
| Operations and maintenance              | -                               | -                | -                                    | 233,882                         | 225,400             | 8,482                                |
| Student transportation                  | -                               | -                | -                                    | 27,066                          | 13,589              | 13,477                               |
| Extracurricular activities              | -                               | -                | -                                    | 50,568                          | 28,183              | 22,385                               |
| <b>Total expenditures</b>               | <u>259,386</u>                  | <u>232,180</u>   | <u>27,206</u>                        | <u>4,300,000</u>                | <u>4,048,530</u>    | <u>251,470</u>                       |
| <b>Net change in fund balances</b>      | (100)                           | 13,154           | 13,254                               | (130,588)                       | 127,444             | 258,032                              |
| <b>Fund balances, beginning of year</b> | <u>100</u>                      | <u>100</u>       | <u>-</u>                             | <u>990,588</u>                  | <u>990,588</u>      | <u>-</u>                             |
| <b>Fund balances, end of year</b>       | <u>\$ -</u>                     | <u>\$ 13,254</u> | <u>\$ 13,254</u>                     | <u>\$ 860,000</u>               | <u>\$ 1,118,032</u> | <u>\$ 258,032</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 ELEMENTARY FLEXIBILITY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

|   | Elementary Technology Acquisition |                   |                                      | Elementary Flexibility          |               |                                      |
|---|-----------------------------------|-------------------|--------------------------------------|---------------------------------|---------------|--------------------------------------|
|   | Original<br>and Final<br>Budget   | Actual            | Variance -<br>Positive<br>(Negative) | Original<br>and Final<br>Budget | Actual        | Variance -<br>Positive<br>(Negative) |
| <b>Revenues:</b>                        |                                   |                   |                                      |                                 |               |                                      |
| District property taxes                 | \$ 383,109                        | \$ 384,960        | \$ 1,851                             | \$ -                            | \$ -          | \$ -                                 |
| Interest                                | 750                               | 994               | 244                                  | -                               | -             | -                                    |
| Other district revenue                  | -                                 | -                 | -                                    | -                               | 428           | 428                                  |
| State of Montana                        | 173,224                           | 173,224           | -                                    | -                               | -             | -                                    |
| <b>Total revenues</b>                   | <u>557,083</u>                    | <u>559,178</u>    | <u>2,095</u>                         | <u>-</u>                        | <u>428</u>    | <u>428</u>                           |
| <b>Expenditures:</b>                    |                                   |                   |                                      |                                 |               |                                      |
| Current -                               |                                   |                   |                                      |                                 |               |                                      |
| Instruction                             | 612,776                           | 239,006           | 373,770                              | -                               | -             | -                                    |
| Support services                        | 13,000                            | 12,161            | 839                                  | -                               | -             | -                                    |
| General administration                  | 174,290                           | 138,272           | 36,018                               | -                               | -             | -                                    |
| Capital outlay                          | 50,000                            | 72,473            | (22,473)                             | -                               | -             | -                                    |
| <b>Total expenditures</b>               | <u>850,066</u>                    | <u>461,912</u>    | <u>388,154</u>                       | <u>-</u>                        | <u>-</u>      | <u>-</u>                             |
| <b>Net change in fund balances</b>      | (292,983)                         | 97,266            | 390,249                              | -                               | 428           | 428                                  |
| <b>Fund balances, beginning of year</b> | <u>292,983</u>                    | <u>292,983</u>    | <u>-</u>                             | <u>-</u>                        | <u>-</u>      | <u>-</u>                             |
| <b>Fund balances, end of year</b>       | <u>\$ -</u>                       | <u>\$ 390,249</u> | <u>\$ 390,249</u>                    | <u>\$ -</u>                     | <u>\$ 428</u> | <u>\$ 428</u>                        |

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**HIGH SCHOOL TRANSPORTATION AND HIGH SCHOOL BUS DEPRECIATION FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

|   | High Transportation             |                   |                                      | High Bus Depreciation           |                   |                                      |
|---|---------------------------------|-------------------|--------------------------------------|---------------------------------|-------------------|--------------------------------------|
|   | Original<br>and Final<br>Budget | Actual            | Variance -<br>Positive<br>(Negative) | Original<br>and Final<br>Budget | Actual            | Variance -<br>Positive<br>(Negative) |
| <b>Revenues:</b>                        |                                 |                   |                                      |                                 |                   |                                      |
| District property taxes                 | \$ 651,970                      | \$ 653,572        | \$ 1,602                             | \$ 32,193                       | \$ 32,230         | \$ 37                                |
| Tuition and fees                        | 1,000                           | 2,182             | 1,182                                | -                               | -                 | -                                    |
| Interest                                | 500                             | 1,469             | 969                                  | 500                             | 1,152             | 652                                  |
| Gallatin County                         | 142,882                         | 131,088           | (11,794)                             | -                               | -                 | -                                    |
| State of Montana                        | 163,209                         | 151,415           | (11,794)                             | -                               | -                 | -                                    |
| <b>Total revenues</b>                   | <u>959,561</u>                  | <u>939,726</u>    | <u>(19,835)</u>                      | <u>32,693</u>                   | <u>33,382</u>     | <u>689</u>                           |
| <b>Expenditures:</b>                    |                                 |                   |                                      |                                 |                   |                                      |
| Current -                               |                                 |                   |                                      |                                 |                   |                                      |
| General administration                  | 80,332                          | 79,961            | 371                                  | -                               | -                 | -                                    |
| Operations and maintenance              | 3,400                           | 3,008             | 392                                  | -                               | -                 | -                                    |
| Student transportation                  | 922,701                         | 801,880           | 120,821                              | -                               | -                 | -                                    |
| Capital outlay                          | -                               | -                 | -                                    | 284,453                         | -                 | 284,453                              |
| <b>Total expenditures</b>               | <u>1,006,433</u>                | <u>884,849</u>    | <u>121,584</u>                       | <u>284,453</u>                  | <u>-</u>          | <u>284,453</u>                       |
| <b>Net change in fund balances</b>      | (46,872)                        | 54,877            | 101,749                              | (251,760)                       | 33,382            | 285,142                              |
| <b>Fund balances, beginning of year</b> | <u>248,159</u>                  | <u>248,159</u>    | <u>-</u>                             | <u>251,760</u>                  | <u>251,760</u>    | <u>-</u>                             |
| <b>Fund balances, end of year</b>       | <u>\$ 201,287</u>               | <u>\$ 303,036</u> | <u>\$ 101,749</u>                    | <u>\$ -</u>                     | <u>\$ 285,142</u> | <u>\$ 285,142</u>                    |

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**HIGH SCHOOL TUITION AND HIGH SCHOOL RETIREMENT FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

|   | High School Tuition             |                |                                      | High School Retirement          |                   |                                      |
|---|---------------------------------|----------------|--------------------------------------|---------------------------------|-------------------|--------------------------------------|
|   | Original<br>and Final<br>Budget | Actual         | Variance -<br>Positive<br>(Negative) | Original<br>and Final<br>Budget | Actual            | Variance -<br>Positive<br>(Negative) |
| <b>Revenues:</b>                        |                                 |                |                                      |                                 |                   |                                      |
| District property taxes                 | \$ 121,437                      | \$ 120,874     | \$ (563)                             | \$ -                            | \$ -              | \$ -                                 |
| Interest                                | -                               | 4              | 4                                    | 2,000                           | 3,894             | 1,894                                |
| Gallatin County                         | -                               | -              | -                                    | 2,458,000                       | 2,458,000         | -                                    |
| State of Montana                        | 2,289                           | -              | (2,289)                              | -                               | -                 | -                                    |
| <b>Total revenues</b>                   | <u>123,726</u>                  | <u>120,878</u> | <u>(2,848)</u>                       | <u>2,460,000</u>                | <u>2,461,894</u>  | <u>1,894</u>                         |
| <b>Expenditures:</b>                    |                                 |                |                                      |                                 |                   |                                      |
| Current -                               |                                 |                |                                      |                                 |                   |                                      |
| Instruction                             | 123,826                         | 120,878        | 2,948                                | 1,569,189                       | 1,198,288         | 370,901                              |
| Support services                        | -                               | -              | -                                    | 213,428                         | 222,082           | (8,654)                              |
| General administration                  | -                               | -              | -                                    | 119,425                         | 131,522           | (12,097)                             |
| Building administration                 | -                               | -              | -                                    | 191,000                         | 161,012           | 29,988                               |
| Operations and maintenance              | -                               | -              | -                                    | 132,424                         | 130,684           | 1,740                                |
| Student transportation                  | -                               | -              | -                                    | 15,325                          | 4,729             | 10,596                               |
| Food services                           | -                               | -              | -                                    | 124,929                         | 120,683           | 4,246                                |
| Extracurricular activities              | -                               | -              | -                                    | 94,280                          | 91,445            | 2,835                                |
| <b>Total expenditures</b>               | <u>123,826</u>                  | <u>120,878</u> | <u>2,948</u>                         | <u>2,460,000</u>                | <u>2,060,445</u>  | <u>399,555</u>                       |
| <b>Net change in fund balances</b>      | (100)                           | -              | 100                                  | -                               | 401,449           | 401,449                              |
| <b>Fund balances, beginning of year</b> | <u>100</u>                      | <u>100</u>     | <u>-</u>                             | <u>422,204</u>                  | <u>422,204</u>    | <u>-</u>                             |
| <b>Fund balances, end of year</b>       | <u>\$ -</u>                     | <u>\$ 100</u>  | <u>\$ 100</u>                        | <u>\$ 422,204</u>               | <u>\$ 823,653</u> | <u>\$ 401,449</u>                    |

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**HIGH SCHOOL ADULT EDUCATION AND HIGH SCHOOL TECHNOLOGY ACQUISITION FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

|   | High School Adult Education     |                   |                                      | High School Technology Acquisition |                   |                                      |
|---|---------------------------------|-------------------|--------------------------------------|------------------------------------|-------------------|--------------------------------------|
|   | Original<br>and Final<br>Budget | Actual            | Variance -<br>Positive<br>(Negative) | Original<br>and Final<br>Budget    | Actual            | Variance -<br>Positive<br>(Negative) |
| <b>Revenues:</b>                        |                                 |                   |                                      |                                    |                   |                                      |
| District property taxes                 | \$ 198,396                      | \$ 198,570        | \$ 174                               | \$ 200,000                         | \$ 200,270        | \$ 270                               |
| Tuition and fees                        | 45,000                          | 26,618            | (18,382)                             | -                                  | -                 | -                                    |
| Interest                                | 500                             | 1,342             | 842                                  | 1,499                              | 3,580             | 2,081                                |
| Other district revenue                  | 2,000                           | 3,311             | 1,311                                | -                                  | -                 | -                                    |
| State of Montana                        | -                               | -                 | -                                    | 148,638                            | 148,638           | -                                    |
| <b>Total revenues</b>                   | <u>245,896</u>                  | <u>229,841</u>    | <u>(16,055)</u>                      | <u>350,137</u>                     | <u>352,488</u>    | <u>2,351</u>                         |
| <b>Expenditures:</b>                    |                                 |                   |                                      |                                    |                   |                                      |
| Current -                               |                                 |                   |                                      |                                    |                   |                                      |
| Instruction                             | 70,172                          | 48,677            | 21,495                               | 867,165                            | 142,176           | 724,989                              |
| Support services                        | 5,350                           | 4,786             | 564                                  | 2,500                              | 2,461             | 39                                   |
| General administration                  | 2,500                           | 1,378             | 1,122                                | 94,290                             | 57,456            | 36,834                               |
| Building administration                 | 252,245                         | 178,368           | 73,877                               | -                                  | -                 | -                                    |
| Extracurricular activities              | -                               | -                 | -                                    | 2,000                              | 1,000             | 1,000                                |
| Capital outlay                          | -                               | -                 | -                                    | -                                  | 44,599            | (44,599)                             |
| <b>Total expenditures</b>               | <u>330,267</u>                  | <u>233,209</u>    | <u>97,058</u>                        | <u>965,955</u>                     | <u>247,692</u>    | <u>718,263</u>                       |
| <b>Net change in fund balances</b>      | (84,371)                        | (3,368)           | 81,003                               | (615,818)                          | 104,796           | 720,614                              |
| <b>Fund balances, beginning of year</b> | <u>199,964</u>                  | <u>199,964</u>    | <u>-</u>                             | <u>615,819</u>                     | <u>615,819</u>    | <u>-</u>                             |
| <b>Fund balances, end of year</b>       | <u>\$ 115,593</u>               | <u>\$ 196,596</u> | <u>\$ 81,003</u>                     | <u>\$ 1</u>                        | <u>\$ 720,615</u> | <u>\$ 720,614</u>                    |

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**HIGH SCHOOL FLEXIBILITY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

|   | High School Flexibility         |        |                                      |
|---|---------------------------------|--------|--------------------------------------|
|   | Original<br>and Final<br>Budget | Actual | Variance -<br>Positive<br>(Negative) |
| <b>Revenues:</b>                        |                                 |        |                                      |
| Other district revenue                  | \$ -                            | \$ 143 | \$ 143                               |
| <b>Total revenues</b>                   | -                               | 143    | 143                                  |
| <b>Expenditures:</b>                    |                                 |        |                                      |
| Current -                               |                                 |        |                                      |
| Instruction                             | -                               | -      | -                                    |
| <b>Total expenditures</b>               | -                               | -      | -                                    |
| <b>Net change in fund balances</b>      | -                               | 143    | 143                                  |
| <b>Fund balances, beginning of year</b> | -                               | -      | -                                    |
| <b>Fund balances, end of year</b>       | \$ -                            | \$ 143 | \$ 143                               |



## Nonmajor Debt Service Funds

### **Budgeted:**

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, 2016**

|  | Elementary<br>Debt Service | High School<br>Debt Service | Totals            |
|--|----------------------------|-----------------------------|-------------------|
| <b><u>ASSETS</u></b>   |                            |                             |                   |
| Cash and cash equivalents  | \$ 54,345                  | \$ 24,979                   | \$ 79,324         |
| Property taxes receivable  | 96,914                     | 72,915                      | 169,829           |
| Due from other governments   | 475,050                    | -                           | 475,050           |
| <b>Total assets</b>  | <b>\$ 626,309</b>          | <b>\$ 97,894</b>            | <b>\$ 724,203</b> |
| <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>                                    |                            |                             |                   |
| Unavailable revenue - property taxes   | \$ 96,914                  | \$ 72,915                   | \$ 169,829        |
| <b>Total deferred inflows of resources</b>                                     | <b>96,914</b>              | <b>72,915</b>               | <b>169,829</b>    |
| <b><u>FUND BALANCE</u></b>   |                            |                             |                   |
| Restricted   | 529,395                    | 24,979                      | 554,374           |
| <b>Total fund balance</b>  | <b>529,395</b>             | <b>24,979</b>               | <b>554,374</b>    |
| <b>Total liabilities, deferred inflows of<br/>resources, and fund balances</b> | <b>\$ 626,309</b>          | <b>\$ 97,894</b>            | <b>\$ 724,203</b> |

**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, 2016**

|   | Elementary Debt<br>Service | High School<br>Debt Service | Totals                   |
|---|----------------------------|-----------------------------|--------------------------|
| <b>Revenues:</b>                        |                            |                             |                          |
| District property taxes                 | \$ 4,318,264               | \$ 2,836,012                | \$ 7,154,276             |
| Interest                                | 8,732                      | 5,828                       | 14,560                   |
| Other district revenue                  | 475,050                    | -                           | 475,050                  |
| State of Montana                        | 17,603                     | 446                         | 18,049                   |
| <b>Total revenues</b>                   | <u>4,819,649</u>           | <u>2,842,286</u>            | <u>7,661,935</u>         |
| <b>Expenditures:</b>                    |                            |                             |                          |
| Debt service -                          |                            |                             |                          |
| Principal retirement                    | 2,865,000                  | 1,965,000                   | 4,830,000                |
| Interest and fiscal charges             | 1,633,550                  | 955,781                     | 2,589,331                |
| <b>Total expenditures</b>               | <u>4,498,550</u>           | <u>2,920,781</u>            | <u>7,419,331</u>         |
| <b>Net changes in fund balances</b>     | 321,099                    | (78,495)                    | 242,604                  |
| <b>Fund balances, beginning of year</b> | <u>208,296</u>             | <u>103,474</u>              | <u>311,770</u>           |
| <b>Fund balances, end of year</b>       | <u><u>\$ 529,395</u></u>   | <u><u>\$ 24,979</u></u>     | <u><u>\$ 554,374</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, 2016**

|   | Elementary Debt Service         |                   |                                      | High School Debt Service        |                  |                                      |
|---|---------------------------------|-------------------|--------------------------------------|---------------------------------|------------------|--------------------------------------|
|   | Original<br>and Final<br>Budget | Actual            | Variance -<br>Positive<br>(Negative) | Original<br>and Final<br>Budget | Actual           | Variance -<br>Positive<br>(Negative) |
| <b>Revenues:</b>                        |                                 |                   |                                      |                                 |                  |                                      |
| District property taxes                 | \$ 4,291,317                    | \$ 4,318,264      | \$ 26,947                            | \$ 2,816,307                    | \$ 2,836,012     | \$ 19,705                            |
| Interest                                | 4,000                           | 8,732             | 4,732                                | 3,000                           | 5,828            | 2,828                                |
| Other district revenue                  | -                               | 475,050           | 475,050                              | -                               | -                | -                                    |
| State of Montana                        | -                               | 17,603            | 17,603                               | -                               | 446              | 446                                  |
| <b>Total revenues</b>                   | <u>4,295,317</u>                | <u>4,819,649</u>  | <u>524,332</u>                       | <u>2,819,307</u>                | <u>2,842,286</u> | <u>22,979</u>                        |
| <b>Expenditures:</b>                    |                                 |                   |                                      |                                 |                  |                                      |
| Debt service -                          |                                 |                   |                                      |                                 |                  |                                      |
| Principal retirement                    | 2,865,000                       | 2,865,000         | -                                    | 1,965,000                       | 1,965,000        | -                                    |
| Interest and fiscal charges             | 1,638,613                       | 1,633,550         | 5,063                                | 957,781                         | 955,781          | 2,000                                |
| <b>Total expenditures</b>               | <u>4,503,613</u>                | <u>4,498,550</u>  | <u>5,063</u>                         | <u>2,922,781</u>                | <u>2,920,781</u> | <u>2,000</u>                         |
| <b>Net change in fund balances</b>      | (208,296)                       | 321,099           | 529,395                              | (103,474)                       | (78,495)         | 24,979                               |
| <b>Fund balances, beginning of year</b> | 208,296                         | 208,296           | -                                    | 103,474                         | 103,474          | -                                    |
| <b>Fund balances, end of year</b>       | <u>\$ -</u>                     | <u>\$ 529,395</u> | <u>\$ 529,395</u>                    | <u>\$ -</u>                     | <u>\$ 24,979</u> | <u>\$ 24,979</u>                     |

## **Nonmajor Capital Projects Funds**

### **Budgeted:**

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

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

**BOZEMAN SCHOOL DISTRICT NO. 7  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2016**

|  | Elementary<br>Building<br>Reserve | High School<br>Building<br>Reserve | Totals              |
|--|-----------------------------------|------------------------------------|---------------------|
| <b><u>ASSETS</u></b>   |                                   |                                    |                     |
| Cash and cash equivalents  | \$ 1,518,251                      | \$ 2,257,904                       | \$ 3,776,155        |
| Property taxes receivable  | 34,244                            | 36,498                             | 70,742              |
| Due from other funds   | -                                 | 183,186                            | 183,186             |
| <b>Total assets</b>  | <b>\$ 1,552,495</b>               | <b>\$ 2,477,588</b>                | <b>\$ 4,030,083</b> |
| <b><u>LIABILITIES</u></b>  |                                   |                                    |                     |
| Accounts payable   | \$ 17,787                         | \$ 4,311                           | 22,098              |
| Retainages payable   | 36,160                            | 1,800                              | 37,960              |
| <b>Total liabilities</b>   | <b>53,947</b>                     | <b>6,111</b>                       | <b>60,058</b>       |
| <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>                                    |                                   |                                    |                     |
| Unavailable revenue - property taxes   | 34,244                            | 36,498                             | 70,742              |
| <b>Total deferred inflows of resources</b>                                     | <b>34,244</b>                     | <b>36,498</b>                      | <b>70,742</b>       |
| <b><u>FUND BALANCES</u></b>  |                                   |                                    |                     |
| Restricted   | 1,464,304                         | 2,434,979                          | 3,899,283           |
| <b>Total fund balances</b>   | <b>1,464,304</b>                  | <b>2,434,979</b>                   | <b>3,899,283</b>    |
| <b>Total liabilities, deferred inflows of<br/>resources, and fund balances</b> | <b>\$ 1,552,495</b>               | <b>\$ 2,477,588</b>                | <b>\$ 4,030,083</b> |

**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, 2016**

|   | Elementary<br>Building<br>Reserve | High School<br>Building<br>Reserve | Totals                     |
|---|-----------------------------------|------------------------------------|----------------------------|
| <b>Revenues:</b>                        |                                   |                                    |                            |
| District property taxes                 | \$ 1,508,220                      | \$ 1,506,604                       | \$ 3,014,824               |
| Interest                                | 7,231                             | 11,483                             | 18,714                     |
| <b>Total revenues</b>                   | <u>1,515,451</u>                  | <u>1,518,087</u>                   | <u>3,033,538</u>           |
| <b>Expenditures:</b>                    |                                   |                                    |                            |
| Current -                               |                                   |                                    |                            |
| Instruction                             | 29,396                            | 29,905                             | 59,301                     |
| Support services                        | 2,397                             | 18,465                             | 20,862                     |
| Building administration                 | 9,196                             | -                                  | 9,196                      |
| Operations and maintenance              | 629,895                           | 186,765                            | 816,660                    |
| Capital outlay                          | 1,051,604                         | 812,503                            | 1,864,107                  |
| Debt service -                          |                                   |                                    |                            |
| Principal retirement                    | 140,554                           | -                                  | 140,554                    |
| Interest and fiscal charges             | 550                               | -                                  | 550                        |
| <b>Total expenditures</b>               | <u>1,863,592</u>                  | <u>1,047,638</u>                   | <u>2,911,230</u>           |
| <b>Net changes in fund balances</b>     | (348,141)                         | 470,449                            | 122,308                    |
| <b>Fund balances, beginning of year</b> | <u>1,812,445</u>                  | <u>1,964,530</u>                   | <u>3,776,975</u>           |
| <b>Fund balances, end of year</b>       | <u><u>\$ 1,464,304</u></u>        | <u><u>\$ 2,434,979</u></u>         | <u><u>\$ 3,899,283</u></u> |

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

|   | Elementary Building Reserve     |                     |                                      | High School Building Reserve    |                     |                                      |
|---|---------------------------------|---------------------|--------------------------------------|---------------------------------|---------------------|--------------------------------------|
|   | Original<br>and Final<br>Budget | Actual              | Variance -<br>Positive<br>(Negative) | Original<br>and Final<br>Budget | Actual              | Variance -<br>Positive<br>(Negative) |
| <b>Revenues:</b>                        |                                 |                     |                                      |                                 |                     |                                      |
| District property taxes                 | \$ 1,500,000                    | \$ 1,508,220        | \$ 8,220                             | \$ 1,500,000                    | \$ 1,506,604        | \$ 6,604                             |
| Interest                                | 7,500                           | 7,231               | (269)                                | 12,500                          | 11,483              | (1,017)                              |
| <b>Total revenues</b>                   | <u>1,507,500</u>                | <u>1,515,451</u>    | <u>7,951</u>                         | <u>1,512,500</u>                | <u>1,518,087</u>    | <u>5,587</u>                         |
| <b>Expenditures:</b>                    |                                 |                     |                                      |                                 |                     |                                      |
| Current -                               |                                 |                     |                                      |                                 |                     |                                      |
| Instruction                             | 34,000                          | 29,396              | 4,604                                | 35,000                          | 29,905              | 5,095                                |
| Support services                        | 5,000                           | 2,397               | 2,603                                | 25,000                          | 18,465              | 6,535                                |
| Building administration                 | 10,000                          | 9,196               | 804                                  | -                               | -                   | -                                    |
| Operations and maintenance              | 2,109,840                       | 629,895             | 1,479,945                            | 2,567,029                       | 186,765             | 2,380,264                            |
| Capital outlay                          | 1,020,000                       | 1,051,604           | (31,604)                             | 850,000                         | 812,503             | 37,497                               |
| Debt service -                          |                                 |                     |                                      |                                 |                     |                                      |
| Principal retirement                    | 140,554                         | 140,554             | -                                    | -                               | -                   | -                                    |
| Interest and fiscal charges             | 550                             | 550                 | -                                    | -                               | -                   | -                                    |
| <b>Total expenditures</b>               | <u>3,319,944</u>                | <u>1,863,592</u>    | <u>1,456,352</u>                     | <u>3,477,029</u>                | <u>1,047,638</u>    | <u>2,429,391</u>                     |
| <b>Net change in fund balances</b>      | (1,812,444)                     | (348,141)           | 1,464,303                            | (1,964,529)                     | 470,449             | 2,434,978                            |
| <b>Fund balances, beginning of year</b> | <u>1,812,445</u>                | <u>1,812,445</u>    | <u>-</u>                             | <u>1,964,530</u>                | <u>1,964,530</u>    | <u>-</u>                             |
| <b>Fund balances, end of year</b>       | <u>\$ 1</u>                     | <u>\$ 1,464,304</u> | <u>\$ 1,464,303</u>                  | <u>\$ 1</u>                     | <u>\$ 2,434,979</u> | <u>\$ 2,434,978</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, and mail posting 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 former employees on the COBRA plan.

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**COMBINING STATEMENT OF NET POSITION - ALL INTERNAL SERVICE FUNDS**  
**JUNE 30, 2016**

|   | Purchasing        | Self-Insurance      | Totals              |
|---|-------------------|---------------------|---------------------|
| <b><u>ASSETS</u></b>  |                   |                     |                     |
| Current assets:   |                   |                     |                     |
| Cash and cash equivalents   | \$ 333,394        | \$ 3,463,790        | \$ 3,797,184        |
| Accounts receivable   | -                 | 59,035              | 59,035              |
| Inventory, at cost  | 1,808             | -                   | 1,808               |
| Prepaid items   | -                 | 50                  | 50                  |
| Flexible accounts deposit   | -                 | 36,056              | 36,056              |
| Total current assets  | <u>335,202</u>    | <u>3,558,931</u>    | <u>3,894,133</u>    |
| Noncurrent assets:  |                   |                     |                     |
| Capital assets:   |                   |                     |                     |
| Machinery and equipment   | 241,884           | 24,930              | 266,814             |
| Less accumulated depreciation   | <u>(222,343)</u>  | <u>(12,465)</u>     | <u>(234,808)</u>    |
| Net capital assets  | <u>19,541</u>     | <u>12,465</u>       | <u>32,006</u>       |
| <b>Total assets</b>   | <u>354,743</u>    | <u>3,571,396</u>    | <u>3,926,139</u>    |
| <b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>                              |                   |                     |                     |
| Contribution to pension plans in current fiscal year                      | -                 | 7,964               | 7,964               |
| <b>Total deferred outflows of resources</b>                               | <u>-</u>          | <u>7,964</u>        | <u>7,964</u>        |
| <b>Total asset and deferred outflows of resources</b>                     | <u>\$ 354,743</u> | <u>\$ 3,579,360</u> | <u>\$ 3,934,103</u> |
| <b><u>LIABILITIES</u></b>   |                   |                     |                     |
| Current liabilities:  |                   |                     |                     |
| Accounts payable  | \$ 11,021         | \$ 674,107          | \$ 685,128          |
| Unearned revenue  | -                 | 1,056,088           | 1,056,088           |
| Total current liabilities   | <u>11,021</u>     | <u>1,730,195</u>    | <u>1,741,216</u>    |
| Noncurrent liabilities:   |                   |                     |                     |
| Net pension liability   | -                 | 84,608              | 84,608              |
| Other postemployment health benefits                                      | -                 | 587,528             | 587,528             |
| Total noncurrent liabilities  | <u>-</u>          | <u>672,136</u>      | <u>672,136</u>      |
| <b>Total liabilities</b>  | <u>11,021</u>     | <u>2,402,331</u>    | <u>2,413,352</u>    |
| <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>                               |                   |                     |                     |
| Pension deferrals   | -                 | 11,863              | 11,863              |
| <b>Total deferred inflows of resources</b>                                | <u>-</u>          | <u>11,863</u>       | <u>11,863</u>       |
| <b><u>NET POSITION</u></b>  |                   |                     |                     |
| Net investment in capital assets  | 19,541            | 12,465              | 32,006              |
| Unrestricted  | <u>324,181</u>    | <u>1,152,701</u>    | <u>1,476,882</u>    |
| <b>Total net position</b>   | <u>343,722</u>    | <u>1,165,166</u>    | <u>1,508,888</u>    |
| <b>Total liabilities, deferred inflows of resources, and net position</b> | <u>\$ 354,743</u> | <u>\$ 3,579,360</u> | <u>\$ 3,934,103</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, 2016**

|   | <u>Purchasing</u> | <u>Self-Insurance</u> | <u>Totals</u>       |
|---|-------------------|-----------------------|---------------------|
| <b>Operating revenues:</b>                    |                   |                       |                     |
| Charges for services                          | \$ 231,137        | \$ 6,888,640          | \$ 7,119,777        |
| Charges for Wellness services                 | -                 | 105,321               | 105,321             |
| State on-behalf pension                       | -                 | 2,764                 | 2,764               |
| <b>Total operating revenues</b>               | <u>231,137</u>    | <u>6,996,725</u>      | <u>7,227,862</u>    |
| <b>Operating expenses:</b>                    |                   |                       |                     |
| Administrative expenses                       | -                 | 287,847               | 287,847             |
| Communications                                | 27,137            | 2,360                 | 29,497              |
| Contracted Medicare supplement                | -                 | 234,340               | 234,340             |
| Depreciation                                  | 11,215            | 8,310                 | 19,525              |
| Excess risk insurance                         | -                 | 382,519               | 382,519             |
| Facilities and equipment rental               | 75,122            | -                     | 75,122              |
| Health, dental and vision claims              | -                 | 5,501,993             | 5,501,993           |
| Materials and supplies                        | 710               | -                     | 710                 |
| Minor equipment                               | 1,857             | -                     | 1,857               |
| Minor technology equipment                    | 4,290             | -                     | 4,290               |
| Other expenses                                | 1,048             | -                     | 1,048               |
| Other postemployment health benefits          | -                 | 107,404               | 107,404             |
| Repairs and maintenance                       | 51,660            | 21,299                | 72,959              |
| Salaries and benefits                         | -                 | 40,149                | 40,149              |
| Wellness                                      | -                 | 306,317               | 306,317             |
| <b>Total operating expenses</b>               | <u>173,039</u>    | <u>6,892,538</u>      | <u>7,065,577</u>    |
| <b>Operating income (loss)</b>                | <u>58,098</u>     | <u>104,187</u>        | <u>162,285</u>      |
| <b>Nonoperating revenues (expenses):</b>      |                   |                       |                     |
| Interest                                      | 1,573             | 16,216                | 17,789              |
| Loss on sale of capital assets                | (28,781)          | -                     | (28,781)            |
| <b>Total nonoperating revenues (expenses)</b> | <u>(27,208)</u>   | <u>16,216</u>         | <u>(10,992)</u>     |
| <b>Change in net position</b>                 | 30,890            | 120,403               | 151,293             |
| <b>Net position, beginning of year</b>        | <u>312,832</u>    | <u>1,044,763</u>      | <u>1,357,595</u>    |
| <b>Net position, end of year</b>              | <u>\$ 343,722</u> | <u>\$ 1,165,166</u>   | <u>\$ 1,508,888</u> |

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**COMBINING STATEMENT OF CASH FLOWS - ALL INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

|  | Purchasing        | Self-Insurance      | Totals              |
|--|-------------------|---------------------|---------------------|
| <b>Cash flows from operating activities:</b>   |                   |                     |                     |
| Receipts from users  | \$ 231,137        | \$ 6,997,601        | \$ 7,228,738        |
| Payments for insurance claims  | -                 | (5,493,707)         | (5,493,707)         |
| Payments to employees  | -                 | (50,213)            | (50,213)            |
| Payments to suppliers  | (155,372)         | (1,218,653)         | (1,374,025)         |
| <b>Net cash provided (used) by operating activities</b>  | <b>75,765</b>     | <b>235,028</b>      | <b>310,793</b>      |
| <b>Cash flows from capital and related financing activities:</b>   |                   |                     |                     |
| Sale of capital assets   | 80,000            | -                   | 80,000              |
| <b>Net cash provided (used) by capital and related financing activities</b>                                  | <b>80,000</b>     | <b>-</b>            | <b>80,000</b>       |
| <b>Cash flows from investing activities:</b>   |                   |                     |                     |
| Interest received  | 1,573             | 16,216              | 17,789              |
| <b>Net cash provided (used) by investing activities</b>  | <b>1,573</b>      | <b>16,216</b>       | <b>17,789</b>       |
| <b>Net increase (decrease) in cash and cash equivalents</b>  | <b>157,338</b>    | <b>251,244</b>      | <b>408,582</b>      |
| <b>Cash and cash equivalents - 7/01/15</b>   | <b>176,056</b>    | <b>3,212,546</b>    | <b>3,388,602</b>    |
| <b>Cash and cash equivalents - 6/30/16</b>   | <b>\$ 333,394</b> | <b>\$ 3,463,790</b> | <b>\$ 3,797,184</b> |
| <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>        |                   |                     |                     |
| Operating income (loss)  | \$ 58,098         | \$ 104,187          | \$ 162,285          |
| <b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b> |                   |                     |                     |
| Depreciation   | 11,215            | 8,310               | 19,525              |
| (Increase) decrease in accounts receivable   | -                 | (59,035)            | (59,035)            |
| (Increase) decrease in inventories   | (1,068)           | -                   | (1,068)             |
| (Increase) decrease in prepaid items   | -                 | (50)                | (50)                |
| Increase (decrease) in accounts payable  | 7,520             | 24,693              | 32,213              |
| Increase (decrease) in other postemployment benefits   | -                 | 107,404             | 107,404             |
| Net increase (decrease) in pension related deferred inflows, deferred outflows and net pension liability     | -                 | (13,156)            | (13,156)            |
| Increase (decrease) in unearned insurance premiums   | -                 | 62,675              | 62,675              |
| <b>Total adjustments</b>   | <b>17,667</b>     | <b>130,841</b>      | <b>148,508</b>      |
| <b>Net cash provided (used) by operating activities</b>  | <b>\$ 75,765</b>  | <b>\$ 235,028</b>   | <b>\$ 310,793</b>   |

## Fiduciary Funds

### Private-Purpose Trust Funds:

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 or multi-district agreement with the High School District. Currently, this fund accounts for the online educating of students enrolled in the Montana Digital Academy, educating of dual-enrolled high school students receiving MSU Gallatin College course credits, a significant portion of the cooperative multi-district activity encompassed by the Southwest Montana School Services (a Regional Education Service Agency) and flexible spending for the District as a whole via the K-12 multi-district agreement.

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**COMBINING STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**ALL PRIVATE-PURPOSE TRUST FUNDS**  
**JUNE 30, 2016**

|                            | Middle School<br>Student<br>Extracurricular | High School<br>Student<br>Extracurricular | High School<br>Endowment | Nonexpendable<br>High School<br>Endowment | High School<br>Interlocal<br>Agreements | Totals              |
|----------------------------|---|---|--------------------------|---|---|---------------------|
| <b><u>ASSETS</u></b>       |   |   |                          |   |   |                     |
| Cash and cash equivalents  | \$ 102,490                                  | \$ 205,890                                | \$ 30,514                | \$ 940                                    | \$ 2,861,134                            | \$ 3,200,968        |
| Investments                | -   | -   | -                        | 661,845                                   | -                                       | 661,845             |
| Accounts receivable        | -   | -   | -                        | -   | 1,531                                   | 1,531               |
| Land                       | -   | -   | -                        | -   | 1,112,046                               | 1,112,046           |
| <b>Total assets</b>        | <u>102,490</u>                              | <u>205,890</u>                            | <u>30,514</u>            | <u>662,785</u>                            | <u>3,974,711</u>                        | <u>4,976,390</u>    |
| <b><u>LIABILITIES</u></b>  |   |   |                          |   |   |                     |
| Accounts payable           | -   | -   | -                        | -   | 3,000                                   | 3,000               |
| <b>Total liabilities</b>   | <u>-</u>                                    | <u>-</u>                                  | <u>-</u>                 | <u>-</u>                                  | <u>3,000</u>                            | <u>3,000</u>        |
| <b><u>NET POSITION</u></b> |   |   |                          |   |   |                     |
| Net position held in trust | <u>\$ 102,490</u>                           | <u>\$ 205,890</u>                         | <u>\$ 30,514</u>         | <u>\$ 662,785</u>                         | <u>\$ 3,971,711</u>                     | <u>\$ 4,973,390</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, 2016**

|  | Elementary<br>Student<br>Extracurricular | Middle School<br>Student<br>Extracurricular | High School<br>Student<br>Extracurricular | High School<br>Endowment | Nonexpendable<br>High School<br>Endowment | High School<br>Interlocal<br>Agreements | Totals                   |
|--|--|---|---|--------------------------|---|---|--------------------------|
| <b>Additions:</b>                      |  |   |   |                          |   |   |                          |
| Payments from member districts         | \$ -                                     | \$ -  | \$ -                                      | \$ -                     | \$ -                                      | \$ 1,238,539                            | \$ 1,238,539             |
| Extracurricular receipts and fees      | -  | 199,684                                     | 686,063                                   | -                        | -   | -                                       | 885,747                  |
| Other trust revenue                    | -  | -   | -   | -                        | -   | 35,040                                  | 35,040                   |
| State of Montana                       | -  | -   | -   | -                        | -   | 40,937                                  | 40,937                   |
|  | <hr/>                                    | <hr/>                                       | <hr/>                                     | <hr/>                    | <hr/>                                     | <hr/>                                   | <hr/>                    |
| Total noninvestment trust additions    | -  | 199,684                                     | 686,063                                   | -                        | -   | 1,314,516                               | 2,200,263                |
| Investment earnings:                   |  |   |   |                          |   |   |                          |
| Interest                               | -  | -   | -   | -                        | 9,566                                     | 9,959                                   | 19,525                   |
|  | <hr/>                                    | <hr/>                                       | <hr/>                                     | <hr/>                    | <hr/>                                     | <hr/>                                   | <hr/>                    |
| <b>Total additions</b>                 | <hr/> - <hr/>                            | <hr/> 199,684 <hr/>                         | <hr/> 686,063 <hr/>                       | <hr/> - <hr/>            | <hr/> 9,566 <hr/>                         | <hr/> 1,324,475 <hr/>                   | <hr/> 2,219,788 <hr/>    |
| <b>Deductions:</b>                     |  |   |   |                          |   |   |                          |
| Administrative expenses                | -  | -   | -   | -                        | -   | 17,424                                  | 17,424                   |
| Salaries and benefits                  | -  | -   | -   | -                        | -   | 53,902                                  | 53,902                   |
| Instruction                            | -  | -   | -   | -                        | -   | 117,245                                 | 117,245                  |
| Support services                       | -  | -   | -   | -                        | -   | 4,104                                   | 4,104                    |
| Extracurricular activities             | 1,910                                    | 198,095                                     | 662,980                                   | -                        | -   | -                                       | 862,985                  |
| Professional contracted services       | -  | -   | -   | 238                      | -   | 29,009                                  | 29,247                   |
| Purchased property services            | -  | -   | -   | -                        | -   | 4,902                                   | 4,902                    |
| Scholarships                           | -  | -   | -   | 500                      | -   | -                                       | 500                      |
|  | <hr/>                                    | <hr/>                                       | <hr/>                                     | <hr/>                    | <hr/>                                     | <hr/>                                   | <hr/>                    |
| <b>Total deductions</b>                | <hr/> 1,910 <hr/>                        | <hr/> 198,095 <hr/>                         | <hr/> 662,980 <hr/>                       | <hr/> 738 <hr/>          | <hr/> - <hr/>                             | <hr/> 226,586 <hr/>                     | <hr/> 1,090,309 <hr/>    |
| <b>Changes in net position</b>         | (1,910)                                  | 1,589                                       | 23,083                                    | (738)                    | 9,566                                     | 1,097,889                               | 1,129,479                |
| <b>Net position, beginning of year</b> | <hr/> 1,910 <hr/>                        | <hr/> 100,901 <hr/>                         | <hr/> 182,807 <hr/>                       | <hr/> 31,252 <hr/>       | <hr/> 653,219 <hr/>                       | <hr/> 2,873,822 <hr/>                   | <hr/> 3,843,911 <hr/>    |
| <b>Net position, end of year</b>       | <hr/> \$ - <hr/>                         | <hr/> \$ 102,490 <hr/>                      | <hr/> \$ 205,890 <hr/>                    | <hr/> \$ 30,514 <hr/>    | <hr/> \$ 662,785 <hr/>                    | <hr/> \$ 3,971,711 <hr/>                | <hr/> \$ 4,973,390 <hr/> |





**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 SOURCE<sup>1</sup>**  
**JUNE 30, 2016**

|  | <u>2016</u>                      | <u>2015</u>                      |
|--|----------------------------------|----------------------------------|
| <u>Governmental funds capital assets:</u>                      |                                  |                                  |
| Land and improvements  | \$ 20,876,523                    | \$ 19,864,518                    |
| Buildings and improvements                                     | 136,618,683                      | 131,696,552                      |
| Machinery and equipment  | 5,451,878                        | 5,298,641                        |
| Construction in progress                                       | <u>2,553,327</u>                 | <u>4,471,356</u>                 |
| <br>Total governmental funds capital assets                    | <br><u>\$ 165,500,411</u>        | <br><u>\$ 161,331,067</u>        |
| <br><u>Investments in governmental funds assets by source:</u> |                                  |                                  |
| General fund   | \$ 14,316,625                    | \$ 14,327,228                    |
| Special revenue funds  | 7,210,352                        | 7,017,027                        |
| Capital projects funds   | 143,254,120                      | 139,273,906                      |
| Donations  | <u>719,314</u>                   | <u>712,906</u>                   |
| <br>Total governmental funds capital assets                    | <br><u><u>\$ 165,500,411</u></u> | <br><u><u>\$ 161,331,067</u></u> |

<sup>1</sup>This 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 position.

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY<sup>1</sup>**  
**AS OF JUNE 30, 2016**

| <u>Function and Activity</u>               | <u>Land and<br/>Improvements</u> | <u>Buildings and<br/>Improvements</u> | <u>Machinery and<br/>Equipment</u> | <u>Construction<br/>In Progress</u> | <u>Total</u>          |
|--|----------------------------------|---------------------------------------|------------------------------------|-------------------------------------|-----------------------|
| Instruction                                | \$ -                             | \$ -                                  | \$ 1,532,216                       | \$ -                                | \$ 1,532,216          |
| Support services                           | -                                | -                                     | 248,858                            | -                                   | 248,858               |
| General administration                     | -                                | -                                     | 781,305                            | -                                   | 781,305               |
| Operations and maintenance                 | -                                | -                                     | 1,127,375                          | -                                   | 1,127,375             |
| Student transportation                     | -                                | -                                     | 12,745                             | -                                   | 12,745                |
| Food service                               | -                                | -                                     | 1,563,954                          | -                                   | 1,563,954             |
| Extracurricular activities                 | -                                | -                                     | 185,425                            | -                                   | 185,425               |
| Facilities – capital outlay                | <u>20,876,523</u>                | <u>136,618,683</u>                    | <u>-</u>                           | <u>2,553,327</u>                    | <u>160,048,533</u>    |
| Total governmental funds<br>capital assets | <u>\$ 20,876,523</u>             | <u>\$ 136,618,683</u>                 | <u>\$ 5,451,878</u>                | <u>\$ 2,553,327</u>                 | <u>\$ 165,500,411</u> |

<sup>1</sup>This 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 position.

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGE BY FUNCTION AND ACTIVITY<sup>1</sup>**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| <b>Function and Activity</b>               | <b>Governmental<br/>Funds Capital<br/>Assets<br/>July 1, 2015</b> | <b>Additions</b>    | <b>Deletions</b>      | <b>Governmental<br/>Funds Capital<br/>Assets<br/>June 30, 2016</b> |
|--|---|---------------------|-----------------------|--|
| Instruction                                | \$ 1,504,938  | \$ 27,278           | \$ -                  | \$ 1,532,216   |
| Support services                           | 264,358   | -                   | (15,500)              | 248,858  |
| General administration                     | 692,688   | 88,617              | -                     | 781,305  |
| Operations and maintenance                 | 1,072,013   | 79,348              | (23,986)              | 1,127,375  |
| Student transportation                     | 12,745  | -                   | -                     | 12,745   |
| Food service                               | 1,566,474   | 15,275              | (17,795)              | 1,563,954  |
| Extracurricular activities                 | 185,425   | -                   | -                     | 185,425  |
| Facilities – capital outlay                | <u>156,032,426</u>  | <u>8,346,645</u>    | <u>(4,330,538)</u>    | <u>160,048,533</u>   |
| Total governmental funds<br>capital assets | <u>\$ 161,331,067</u>   | <u>\$ 8,557,163</u> | <u>\$ (4,387,819)</u> | <u>\$ 165,500,411</u>  |

<sup>1</sup>This 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 position.

### **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, 2016**

| Activity                         | Net Position at<br>7/01/15 | Additions   | Deductions         | Net Position at<br>6/30/16 |
|----------------------------------|----------------------------|-------------|--------------------|----------------------------|
| Irving Climbing Club             | \$ 138.10                  | \$ -        | \$ 138.10          | \$ -                       |
| Morning Star School Store        | 256.53                     | -           | 256.53             | -                          |
| School Sponsored Extracurricular | 1,515.17                   | -           | 1,515.17           | -                          |
| Total                            | <u>\$ 1,909.80</u>         | <u>\$ -</u> | <u>\$ 1,909.80</u> | <u>\$ -</u>                |

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**CHIEF JOSEPH MIDDLE SCHOOL STUDENT EXTRACURRICULAR FUND**  
**ACTIVITY DETAIL**  
**YEAR ENDED JUNE 30, 2016**

| Activity                      | Net Position at<br>7/01/15 | Additions            | Deductions          | Net Position at<br>6/30/16 |
|-------------------------------|----------------------------|----------------------|---------------------|----------------------------|
| Computer Club                 | \$ 33.00                   | \$ -                 | \$ -                | \$ 33.00                   |
| Pennies for Past              | 4.96                       | 4,120.75             | 3,834.75            | 290.96                     |
| Lego Robotics                 | 238.71                     | 170.00               | -                   | 408.71                     |
| Art Club                      | 255.48                     | 200.00               | 26.94               | 428.54                     |
| Foreign Language Club         | 30.00                      | 1,150.00             | 593.15              | 586.85                     |
| Foreign Language Scholarships | 269.31                     | 2,828.69             | 3,098.00            | -                          |
| Yearbook                      | 4,591.28                   | 4,210.00             | 2,357.11            | 6,444.17                   |
| Drama Club                    | 1,092.84                   | 747.00               | 529.83              | 1,310.01                   |
| One Million Ways              | 275.77                     | -                    | -                   | 275.77                     |
| Music                         | 9,098.98                   | 22,488.75            | 16,996.05           | 14,591.68                  |
| CJ Rocks                      | 38.04                      | -                    | -                   | 38.04                      |
| Breakfast Club                | 781.46                     | 590.00               | 1,171.46            | 200.00                     |
| Horizons                      | 1,366.70                   | 784.25               | 294.60              | 1,856.35                   |
| MBI                           | 662.63                     | 6,000.00             | 620.80              | 6,041.83                   |
| Leo                           | 539.67                     | 1,978.76             | 1,312.51            | 1,205.92                   |
| Forensics                     | -                          | 150.00               | 149.99              | 0.01                       |
| Knitting Corner               | -                          | 1,325.48             | 995.57              | 329.91                     |
| After School Club             | -                          | 170.60               | 42.56               | 128.04                     |
| Peer Mediation                | 931.29                     | 466.20               | 453.47              | 944.02                     |
| Student Aid                   | 4,798.13                   | 1,546.42             | 1,995.95            | 4,348.60                   |
| Student Council - 6th Grade   | 3,587.34                   | 2,629.66             | 2,546.98            | 3,670.02                   |
| Student Council - 7th Grade   | 2,192.66                   | 1,550.66             | 1,130.75            | 2,612.57                   |
| Student Council - 8th Grade   | 762.14                     | 2,049.80             | 1,784.38            | 1,027.56                   |
| Student Projects              | 616.89                     | 255.18               | 91.00               | 781.07                     |
| Team 6A                       | 862.57                     | 6,709.00             | 6,420.49            | 1,151.08                   |
| Team 6B                       | 1,589.49                   | 7,177.00             | 6,251.82            | 2,514.67                   |
| Team 7A                       | 3,564.33                   | 5,278.00             | 3,402.67            | 5,439.66                   |
| Team 7B                       | -                          | 6,713.00             | 5,610.91            | 1,102.09                   |
| Team 8A                       | 1,379.22                   | 7,774.00             | 6,897.59            | 2,255.63                   |
| Team 8B                       | 490.76                     | 10,852.20            | 9,810.91            | 1,532.05                   |
| Science Club - Pierce         | 129.77                     | -                    | -                   | 129.77                     |
| Science Club - Johaneson      | 115.97                     | -                    | -                   | 115.97                     |
| Science Club - McCabe/Woidtke | 175.00                     | 550.00               | 514.83              | 210.17                     |
| Science Club - Hannula        | 63.53                      | -                    | -                   | 63.53                      |
| Science Club - VanDyk         | 39.83                      | -                    | -                   | 39.83                      |
| Science Club - Ham Radio      | -                          | 128.75               | 128.75              | -                          |
| Tech. Ed Club - Mathews       | 1,131.76                   | 474.00               | 1,000.00            | 605.76                     |
| Bird/Science                  | 2,522.32                   | 4,421.00             | 4,500.94            | 2,442.38                   |
| Friends of Reading Club       | 2,296.27                   | 1,558.66             | 1,146.25            | 2,708.68                   |
| Total                         | <u>\$ 46,528.10</u>        | <u>\$ 107,047.81</u> | <u>\$ 85,711.01</u> | <u>\$ 67,864.90</u>        |

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**SACAJAWEA MIDDLE SCHOOL STUDENT EXTRACURRICULAR FUND**  
**ACTIVITY DETAIL**  
**YEAR ENDED JUNE 30, 2016**

| Activity              | Net Position at<br>7/01/15 | Additions    | Deductions    | Net Position at<br>6/30/16 |
|-----------------------|----------------------------|--------------|---------------|----------------------------|
| Music                 | \$ 26,456.66               | \$ -         | \$ 26,456.66  | \$ -                       |
| Drama Club            | 114.38                     | -            | -             | 114.38                     |
| Newspaper             | 42.00                      | -            | -             | 42.00                      |
| Computer Club         | 80.75                      | -            | -             | 80.75                      |
| Knitting Club         | 410.40                     | -            | 213.99        | 196.41                     |
| Lego Robotics         | 347.50                     | -            | -             | 347.50                     |
| Photo Lab Club        | 360.37                     | -            | -             | 360.37                     |
| Foreign Language      | 2,099.42                   | 1,165.00     | 1,283.76      | 1,980.66                   |
| Humanitarian Club     | 40.00                      | -            | -             | 40.00                      |
| MBI                   | 330.63                     | 422.45       | 289.02        | 464.06                     |
| Peer Mediation        | 2,335.95                   | 304.75       | 933.21        | 1,707.49                   |
| Art Club              | 1,265.36                   | -            | 451.67        | 813.69                     |
| Student Aid           | 3,665.49                   | 1,703.00     | 2,640.14      | 2,728.35                   |
| Yearbook              | 2,062.71                   | 8,864.95     | 8,907.38      | 2,020.28                   |
| Student Council       | 3,214.67                   | 3,539.48     | 1,139.09      | 5,615.06                   |
| Select Choir          | (834.40)                   | 8,689.90     | 6,800.09      | 1,055.41                   |
| 6A Team               | 1,376.25                   | 9,997.25     | 9,087.64      | 2,285.86                   |
| 6B Team               | 524.83                     | 9,840.00     | 8,791.35      | 1,573.48                   |
| 7A Team               | 3,932.02                   | 2,954.05     | 5,458.25      | 1,427.82                   |
| 7B Team               | 8.28                       | 4,727.00     | 2,831.12      | 1,904.16                   |
| 8A Team               | 3,061.63                   | 11,002.50    | 9,923.77      | 4,140.36                   |
| 8B Team               | 704.00                     | 17,656.75    | 17,181.83     | 1,178.92                   |
| Outdoor Club          | 19.42                      | 1,232.00     | 1,219.53      | 31.89                      |
| Science Olympiad Club | 2,455.80                   | -            | 399.95        | 2,055.85                   |
| Science Club          | 288.31                     | -            | 68.41         | 219.90                     |
| Book Buddy            | -                          | 10,537.31    | 8,307.04      | 2,230.27                   |
| Maintenance Account   | 10.63                      | -            | -             | 10.63                      |
| Total                 | \$ 54,373.06               | \$ 92,636.39 | \$ 112,383.90 | \$ 34,625.55               |



**BOZEMAN SCHOOL DISTRICT NO. 7**  
**HIGH SCHOOL STUDENT EXTRACURRICULAR FUND**  
**ACTIVITY DETAIL**  
**YEAR ENDED JUNE 30, 2016**

| Activity               | Net Position at<br>7/01/15 | Additions     | Deductions    | Net Position at<br>6/30/16 |
|------------------------|----------------------------|---------------|---------------|----------------------------|
| Backboard BB-Ball      | \$ 13,521.42               | \$ 40,326.29  | \$ 51,612.05  | \$ 2,235.66                |
| Cheerleading           | 4,096.86                   | 11,708.25     | 13,360.10     | 2,445.01                   |
| Fastpitch              | 1,994.94                   | 15,237.90     | 12,411.55     | 4,821.29                   |
| Football Club          | 3,846.27                   | 27,693.00     | 28,510.17     | 3,029.10                   |
| Golf Club              | 2,830.85                   | 11,181.25     | 5,613.83      | 8,398.27                   |
| Hawk Stat Crew         | 1,060.72                   | 860.00        | 1,392.42      | 528.30                     |
| Lady Hawk B-Ball       | 3,933.74                   | 31,019.61     | 29,612.05     | 5,341.30                   |
| Soccer - Boys          | 12,742.41                  | 19,255.47     | 17,241.92     | 14,755.96                  |
| Soccer - Girls         | 3,765.15                   | 12,997.13     | 9,218.17      | 7,544.11                   |
| Speech Club            | 11,842.05                  | 29,616.30     | 25,433.69     | 16,024.66                  |
| Spikers VB             | 1,284.99                   | 12,510.50     | 12,183.55     | 1,611.94                   |
| Swimming               | 349.75                     | 4,195.90      | 3,867.04      | 678.61                     |
| Tennis                 | 6,796.19                   | 2,015.42      | 4,995.07      | 3,816.54                   |
| Track Club             | 8,677.68                   | 14,865.25     | 14,589.42     | 8,953.51                   |
| Wrestling Club         | 423.17                     | 18,146.86     | 16,588.62     | 1,981.41                   |
| Cross Country Club     | 2,020.65                   | 22,132.32     | 16,610.40     | 7,542.57                   |
| Business Professionals | 137.50                     | 79.82         | -             | 217.32                     |
| Cad Club               | 2,028.07                   | 3,698.60      | 4,411.85      | 1,314.82                   |
| Construction Club      | 1,060.71                   | 587.89        | 1,044.37      | 604.23                     |
| Deca                   | 3,891.15                   | 11,984.74     | 4,858.67      | 11,017.22                  |
| Photo Club             | -                          | 200.00        | 200.00        | -                          |
| Jewelry Guild Club     | 688.17                     | 2,662.00      | 2,509.38      | 840.79                     |
| Pro Start Club         | 2,597.07                   | 1,555.53      | 850.79        | 3,301.81                   |
| Robotics Club          | 3,728.38                   | -             | 557.03        | 3,171.35                   |
| Skills USA             | 1,829.74                   | 2,038.00      | 3,787.73      | 80.01                      |
| Art Club               | 2,478.78                   | 7,436.00      | 5,169.54      | 4,745.24                   |
| Drama Club             | 3,371.37                   | 32,295.88     | 32,902.72     | 2,764.53                   |
| Ecuador/Montana        | 44.95                      | -             | -             | 44.95                      |
| FCCLA                  | 177.46                     | -             | 75.00         | 102.46                     |
| French Club            | 525.74                     | 376.00        | 57.26         | 844.48                     |
| German Club            | 3,231.21                   | 25,431.34     | 30,545.75     | (1,883.20)                 |
| Galapagos Club         | 4.09                       | -             | -             | 4.09                       |
| HOSA                   | 222.38                     | 16,815.73     | 16,380.01     | 658.10                     |
| Total                  | \$ 105,203.61              | \$ 378,922.98 | \$ 366,590.15 | \$ 117,536.44              |

(Continued)

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**HIGH SCHOOL STUDENT EXTRACURRICULAR FUND**  
**ACTIVITY DETAIL**  
**YEAR ENDED JUNE 30, 2016**

| Activity               | Net Position at<br>7/01/15 | Additions            | Deductions           | Net Position at<br>6/30/16 |
|------------------------|----------------------------|----------------------|----------------------|----------------------------|
| Latin Club             | \$ 471.03                  | \$ 4,413.42          | \$ 1,689.15          | \$ 3,195.30                |
| MUN Club               | 81.75                      | 2,421.83             | 1,701.27             | 802.31                     |
| Native American Club   | -                          | 442.31               | 242.65               | 199.66                     |
| Project Excel          | 4,203.26                   | 79.00                | 1,353.00             | 2,929.26                   |
| Science Olympiad       | 369.34                     | 500.00               | 325.00               | 544.34                     |
| Spanish Club           | 697.86                     | 524.35               | 793.19               | 429.02                     |
| Youth Leg. Club        | 192.23                     | 2,730.00             | 2,791.22             | 131.01                     |
| Wildlife Biology Club  | 294.05                     | 185.00               | 86.73                | 392.32                     |
| Cap & Gowns            | 26.27                      | 94.00                | -                    | 120.27                     |
| Class of 2015          | 2,085.00                   | -                    | 2,085.00             | -                          |
| Class of 2016          | -                          | 7,382.78             | 7,382.78             | -                          |
| Class of 2017          | -                          | 7,904.68             | -                    | 7,904.68                   |
| Girls & Boys State     | 335.00                     | 1,425.00             | 1,760.00             | -                          |
| Prom                   | 8,472.03                   | 4,199.32             | 11,671.35            | 1,000.00                   |
| Student Council        | 20,783.14                  | 20,915.38            | 21,915.64            | 19,782.88                  |
| Bridger Alternative    | 961.04                     | 519.50               | 52.08                | 1,428.46                   |
| MTI                    | 1,396.43                   | -                    | -                    | 1,396.43                   |
| Amnesty International  | 674.28                     | -                    | -                    | 674.28                     |
| The B Club             | 361.17                     | -                    | -                    | 361.17                     |
| Key Club               | 1,039.48                   | 775.76               | 226.36               | 1,588.88                   |
| Leo Club               | 1,795.61                   | 3,143.30             | 2,995.17             | 1,943.74                   |
| National Honor Society | 320.10                     | 3,609.08             | 2,555.00             | 1,374.18                   |
| Project X2             | 1,560.93                   | 4,706.25             | 5,400.10             | 867.08                     |
| Recycle                | 133.83                     | 44.50                | 77.14                | 101.19                     |
| Special Ed Concessions | 5,030.29                   | 1,364.19             | 87.50                | 6,306.98                   |
| SAGA                   | 475.30                     | 2,920.00             | 3,194.80             | 200.50                     |
| Interact Club          | 3,524.96                   | 2,878.55             | 4,884.40             | 1,519.11                   |
| Band                   | 2,622.12                   | 96,245.87            | 93,791.94            | 5,076.05                   |
| Choir                  | 438.73                     | 96,898.00            | 91,182.53            | 6,154.20                   |
| Orchestra              | 11,172.12                  | 12,067.00            | 11,123.42            | 12,115.70                  |
| Aerie                  | 5,638.46                   | 18,235.00            | 17,882.89            | 5,990.57                   |
| Hawk Tawk              | 841.03                     | 5,937.75             | 6,228.37             | 550.41                     |
| Hawk TV Club           | 84.80                      | 886.00               | -                    | 970.80                     |
| Scribblings            | 457.29                     | -                    | -                    | 457.29                     |
| General                | 1,064.70                   | 3,692.00             | 2,911.57             | 1,845.13                   |
| Total                  | <u>\$ 182,807.24</u>       | <u>\$ 686,062.80</u> | <u>\$ 662,980.40</u> | <u>\$ 205,889.64</u>       |

(Concluded)

**BOZEMAN SCHOOL DISTRICT NO. 7  
SCHEDULE OF ENROLLMENT  
FOR THE YEAR ENDED JUNE 30, 2016**

| <u>Enrollment</u>  | <u>As<br/>Reported</u> | <u>Audit Per<br/>District Records</u> | <u>Difference</u> |
|--|------------------------|---------------------------------------|-------------------|
| <b>Fall Enrollment - October 5, 2015</b>                                     |                        |                                       |                   |
| <b>Elementary School District</b>  |                        |                                       |                   |
| Pre K-6:   |                        |                                       |                   |
| (a.) Pre-Kindergarten *  | 29                     | 29                                    | 0                 |
| (b.) Kindergarten  | 525                    | 525                                   | 0                 |
| (c.) Grades 1 - 6  | 3000                   | 3000                                  | 0                 |
| (d.) Part-Time (number of part-time students included on line b and c above) | 6                      | 6                                     | 0                 |
| 7-8:   |                        |                                       |                   |
| (e.) Grade 7-8   | 983                    | 983                                   | 0                 |
| (f.) Part-Time (number of part-time students included on line e above)       | 7                      | 7                                     | 0                 |
| (g.) Total (add lines a, b, c and e)   | 4537                   | 4537                                  | 0                 |
| <b>High School District</b>  |                        |                                       |                   |
| 9-12:  |                        |                                       |                   |
| (h.) Grades 9-12   | 1996                   | 1996                                  | 0                 |
| (i.) Part-Time (number of part-time students included on line h above)       | 13                     | 13                                    | 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                 |
| <b>Spring Enrollment - February 1, 2016</b>                                  |                        |                                       |                   |
| <b>Elementary School District</b>  |                        |                                       |                   |
| Pre K-6:   |                        |                                       |                   |
| (l.) Pre-Kindergarten *  | 29                     | 29                                    | 0                 |
| (m.) Kindergarten  | 545                    | 545                                   | 0                 |
| (n.) Grades 1 - 6  | 3005                   | 3005                                  | 0                 |
| (o.) Part-Time (number of part-time students included on line l and m above) | 5                      | 5                                     | 0                 |
| 7-8:   |                        |                                       |                   |
| (p.) Grade 7-8   | 981                    | 981                                   | 0                 |
| (q.) Part-Time (number of part-time students included on line o above)       | 10                     | 10                                    | 0                 |
| (r.) Total (add lines k, l, m and o)   | 4560                   | 4560                                  | 0                 |
| <b>High School District</b>  |                        |                                       |                   |
| 9-12:  |                        |                                       |                   |
| (s.) Grades 9-12   | 1973                   | 1973                                  | 0                 |
| (t.) Part-Time (number of part-time students included on line r above)       | 19                     | 19                                    | 0                 |
| (u.) 19 year-olds included on line r   | 1                      | 1                                     | 0                 |
| (v.) Early Graduates   | 17                     | 17                                    | 0                 |
| (w.) Montana Youth Challenge Academy students included on line s             | 2                      | 2                                     | 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 2015.



# 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.

| <b>Contents</b>   | <b>Page</b> |
|---|-------------|
| <b>Financial Trends</b>   | <b>148</b>  |
| These schedules contain trend information to help the reader understand how the District's financial performance and position have changed over time.   |             |
| <b>Revenue Capacity</b>   | <b>153</b>  |
| These schedules contain information to help the reader assess the District's most significant local revenue source – the property tax.  |             |
| <b>Debt Capacity</b>  | <b>160</b>  |
| 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.               |             |
| <b>Demographic and Economic Information</b>   | <b>164</b>  |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activity takes place.   |             |
| <b>Operating Information</b>  | <b>166</b>  |
| 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>2007</u>         | <u>2008</u>         | <u>2009</u>         | <u>2010</u>         | <u>2011</u>         | <u>2012</u>         | <u>2013</u>         | <u>2014</u>         | <u>2015</u>         | <u>2016</u>         |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Governmental activities:                   |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Net investment in capital assets           | \$25,142,399        | \$29,295,503        | \$32,116,906        | \$33,258,003        | \$35,512,140        | \$38,752,077        | \$41,859,235        | \$44,554,505        | \$50,406,598        | \$53,028,385        |
| Restricted                                 | 3,987,403           | 4,279,556           | 6,904,765           | 9,741,156           | 8,779,717           | 9,586,558           | 12,475,447          | 10,415,989          | 9,898,371           | 10,916,375          |
| Unrestricted                               | <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>    | <u>4,360,299</u>    | <u>(39,754,030)</u> | <u>(38,114,429)</u> |
| Total governmental activities net position | <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> | <u>\$59,330,793</u> | <u>\$20,550,939</u> | <u>\$25,830,331</u> |

**Note:** The Bozeman School District implemented the new standards for reporting pension activity required by GASB Statement 68 and 71 in fiscal year 2015.

Table 2

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

| <b>Expenses</b>  | <b>2007</b>            | <b>2008</b>            | <b>2009</b>            | <b>2010</b>            | <b>2011</b>            | <b>2012</b>            | <b>2013</b>            | <b>2014</b>            | <b>2015</b>            | <b>2016</b>            |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Governmental activities:                                     |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Instruction  | \$ 25,568,496          | \$ 27,118,400          | \$ 28,152,194          | \$ 30,604,653          | \$ 30,254,885          | \$ 31,164,999          | \$ 31,716,354          | \$ 35,618,686          | \$ 35,354,198          | \$ 37,265,828          |
| Support services   | 4,975,685              | 5,457,545              | 5,592,822              | 6,705,443              | 6,506,964              | 6,903,108              | 7,412,715              | 8,887,042              | 9,941,072              | 10,288,823             |
| General administration                                       | 2,116,552              | 2,331,788              | 2,334,476              | 2,408,966              | 2,427,344              | 2,728,377              | 2,563,815              | 2,815,439              | 3,413,430              | 3,329,484              |
| Building administration                                      | 3,163,125              | 3,267,924              | 3,508,649              | 3,379,725              | 3,506,951              | 3,568,685              | 3,310,381              | 3,614,781              | 4,085,993              | 4,001,440              |
| Operations and maintenance                                   | 3,663,019              | 4,038,663              | 4,624,960              | 4,785,116              | 5,887,349              | 5,852,700              | 5,055,062              | 6,443,041              | 6,311,684              | 5,673,633              |
| Student transportation                                       | 1,433,032              | 1,531,760              | 1,663,428              | 1,578,194              | 1,751,558              | 1,844,503              | 1,801,699              | 2,193,615              | 2,339,489              | 2,434,259              |
| Food services  | 1,835,040              | 1,843,131              | 1,705,634              | 1,627,069              | 1,686,356              | 1,808,610              | 1,868,641              | 2,148,983              | 1,906,087              | 2,005,265              |
| Extracurricular activities                                   | 885,231                | 941,072                | 915,870                | 911,863                | 928,880                | 897,486                | 932,725                | 1,170,210              | 1,507,974              | 1,465,920              |
| Unallocated depreciation                                     | 960,431                | 985,952                | 1,217,973              | 1,670,495              | 2,277,029              | 2,734,240              | 2,851,136              | 3,387,281              | 3,643,476              | 3,919,169              |
| Interest and fiscal charges                                  | 1,574,466              | 2,428,542              | 3,510,039              | 3,005,401              | 2,849,464              | 2,705,910              | 3,003,231              | 3,517,576              | 2,683,339              | 2,934,288              |
| Total governmental activities expenses                       | <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>   | <u>\$ 69,796,654</u>   | <u>\$ 71,186,742</u>   | <u>\$ 73,318,109</u>   |
| <b>Program Revenues</b>                                      |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental activities:                                     |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Charges for services:  |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Instruction  | \$ 586,576             | \$ 618,855             | \$ 620,755             | \$ 753,021             | \$ 749,691             | \$ 707,919             | \$ 835,292             | \$ 859,372             | \$ 700,800             | \$ 710,250             |
| Food services  | 1,379,861              | 1,250,448              | 1,176,105              | 1,114,078              | 1,090,682              | 1,172,420              | 1,174,689              | 1,180,670              | 1,042,607              | 1,253,628              |
| Other functional activities                                  | 516,807                | 531,477                | 543,383                | 704,901                | 782,544                | 949,140                | 684,405                | 711,686                | 1,025,050              | 798,034                |
| Operating grants and contributions                           | 6,580,610              | 7,365,898              | 8,463,278              | 9,639,736              | 10,701,409             | 9,053,281              | 9,657,240              | 11,039,331             | 10,441,288             | 10,884,477             |
| Capital grants and contributions                             | 810,146                | 1,112,116              | 307,076                | 1,001,944              | 537,755                | 934,990                | 2,216,427              | 27,358                 | 2,326,971              | 133,064                |
| Total governmental activities program revenues               | <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>   | <u>\$ 13,818,417</u>   | <u>\$ 15,536,716</u>   | <u>\$ 13,779,453</u>   |
| Total governmental activities net expense                    | <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> | <u>\$ (55,978,237)</u> | <u>\$ (55,650,026)</u> | <u>\$ (59,538,656)</u> |
| <b>General Revenues and Transfers</b>                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental activities:                                     |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| General Revenues:  |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| District property taxes                                      | \$ 19,928,795          | \$ 21,716,571          | \$ 24,919,224          | \$ 25,517,907          | \$ 26,005,786          | \$ 25,901,455          | \$ 27,624,361          | \$ 30,291,040          | \$ 30,381,590          | \$ 31,161,445          |
| Investment earnings  | 1,839,432              | 2,023,195              | 1,437,886              | 404,319                | 212,450                | 196,015                | 173,809                | 164,158                | 171,422                | 228,192                |
| Unrestricted county distribution - retirement                | 3,872,500              | 4,115,000              | 4,685,689              | 4,319,087              | 4,628,599              | 4,677,674              | 5,107,947              | 5,770,760              | 5,759,010              | 6,625,912              |
| Unrestricted state equalization                              | 11,695,502             | 12,329,569             | 13,069,595             | 12,631,646             | 11,651,621             | 14,168,581             | 14,847,712             | 16,080,262             | 16,757,156             | 17,734,527             |
| Unrestricted state guaranteed tax base subsidy               | 443,964                | 965,909                | 1,334,192              | 1,489,387              | 1,619,235              | 1,730,896              | 2,296,582              | 2,734,398              | 3,138,561              | 3,469,015              |
| Unrestricted state motor vehicle fee reimbursement           | 1,579,896              | 1,591,893              | 1,603,991              | 1,616,183              | 1,628,465              | 1,628,465              | 1,773,347              | 1,773,347              | 1,969,511              | 1,969,511              |
| Unrestricted state quality educator                          | 778,808                | 1,216,152              | 1,231,076              | 1,247,959              | 1,264,058              | 1,257,904              | 1,266,515              | 1,302,442              | 1,399,168              | 1,453,177              |
| Unrestricted state on-behalf pension                         | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | 1,571,377              | 1,622,924              |
| Unrestricted other state revenue                             | 222,322                | 202,718                | 184,689                | 85,836                 | 86,488                 | 183,766                | 438,003                | 256,841                | 754,681                | 582,126                |
| Gain(loss) on sale of capital assets                         | 545                    | 1,282                  | (1,042,207)            | -                      | -                      | -                      | -                      | -                      | -                      | (28,781)               |
| Transfers  | -                      | -                      | -                      | -                      | -                      | -                      | -                      | (2,006,200)            | -                      | -                      |
| Total governmental activities general revenues and transfers | <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>   | <u>\$ 56,367,048</u>   | <u>\$ 61,902,476</u>   | <u>\$ 64,818,048</u>   |
| <b>Change in Net Position</b>                                |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental activities                                      | <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>    | <u>\$ 388,811</u>      | <u>\$ 6,252,450</u>    | <u>\$ 5,279,392</u>    |

Table 3

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

|                                    | 2007                 | 2008                 | 2009                 | 2010                 | 2011                 | 2012                 | 2013                 | 2014                 | 2015                 | 2016                 |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General fund                       |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Reserved                           | \$ 156,283           | \$ 68,169            | \$ 101,278           | \$ 339,845           |                      |                      |                      |                      |                      |                      |
| Unreserved                         | 2,210,022            | 1,617,590            | 2,269,075            | 1,621,285            |                      |                      |                      |                      |                      |                      |
| Nonspendable                       |                      |                      |                      |                      | \$ 4,388             | \$ 4,623             | \$ 5,421             | \$ 36,085            | \$ 8,986             | \$ 7,729             |
| Restricted                         |                      |                      |                      |                      | -                    | -                    | -                    | -                    | -                    | -                    |
| Committed                          |                      |                      |                      |                      | -                    | -                    | -                    | -                    | -                    | -                    |
| Assigned                           |                      |                      |                      |                      | 429,580              | 365,306              | 465,196              | 353,134              | 443,846              | 291,534              |
| Unassigned                         |                      |                      |                      |                      | 2,341,289            | 2,504,519            | 2,926,355            | 3,109,044            | 4,244,719            | 4,569,984            |
| Total general fund                 | <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>  | <u>\$ 3,498,263</u>  | <u>\$ 4,697,551</u>  | <u>\$ 4,869,247</u>  |
| All other governmental funds       |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Reserved                           | \$ (96,886)          | \$ (236,463)         | \$ (80,945)          | \$ 1,007,568         |                      |                      |                      |                      |                      |                      |
| Unreserved, reported in:           |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Special revenue funds              | 5,285,646            | 6,409,696            | 6,549,846            | 6,884,962            |                      |                      |                      |                      |                      |                      |
| Capital projects funds             | 42,644,504           | 50,993,882           | 22,218,476           | 8,820,311            |                      |                      |                      |                      |                      |                      |
| Nonspendable                       |                      |                      |                      |                      | \$ 28,589            | \$ 37,592            | \$ 50,525            | \$ 291,698           | \$ 57,346            | \$ 99,959            |
| Restricted                         |                      |                      |                      |                      | 12,546,192           | 9,831,486            | 23,560,751           | 13,443,730           | 10,378,732           | 33,785,649           |
| Committed                          |                      |                      |                      |                      | -                    | 1,463,593            | 1,743,226            | 1,613,722            | 1,966,790            | 2,116,211            |
| Assigned                           |                      |                      |                      |                      | 241,168              | -                    | -                    | -                    | -                    | -                    |
| Unassigned                         |                      |                      |                      |                      | (57,451)             | (130,307)            | (7,901)              | (3,883)              | -                    | (183,186)            |
| Total all other governmental funds | <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> | <u>\$ 15,345,267</u> | <u>\$ 12,402,868</u> | <u>\$ 35,818,633</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)**

|  | 2007          | 2008          | 2009            | 2010            | 2011           | 2012           | 2013          | 2014           | 2015           | 2016          |
|--|---------------|---------------|-----------------|-----------------|----------------|----------------|---------------|----------------|----------------|---------------|
| <b>Revenues</b>  |               |               |                 |                 |                |                |               |                |                |               |
| District property taxes                                    | \$ 19,391,531 | \$ 20,428,699 | \$ 25,038,979   | \$ 24,883,053   | \$ 26,545,666  | \$ 26,751,318  | \$ 27,590,997 | \$ 29,992,132  | \$ 31,562,546  | \$ 31,443,349 |
| Tuition and fees   | 1,568,319     | 1,433,802     | 1,312,340       | 1,309,338       | 1,269,001      | 1,407,899      | 1,353,370     | 1,349,404      | 1,223,051      | 1,423,480     |
| Interest   | 1,795,207     | 1,958,196     | 1,388,484       | 340,176         | 146,501        | 115,677        | 133,505       | 120,319        | 118,700        | 187,590       |
| Other district revenue                                     | 482,394       | 820,270       | 1,337,136       | 1,013,307       | 966,899        | 1,619,654      | 1,374,732     | 2,054,037      | 4,045,874      | 2,699,956     |
| Gallatin County  | 4,213,172     | 4,442,764     | 5,033,862       | 4,643,079       | 4,962,871      | 5,026,254      | 5,442,341     | 6,147,312      | 6,136,520      | 7,018,606     |
| State of Montana   | 18,419,447    | 19,835,311    | 20,515,634      | 20,989,422      | 19,909,687     | 23,001,183     | 24,899,502    | 26,625,282     | 28,718,705     | 29,537,088    |
| Federal  | 3,116,050     | 3,429,823     | 3,575,590       | 5,104,214       | 5,984,544      | 3,421,088      | 3,505,205     | 3,862,088      | 3,902,080      | 4,162,866     |
| Total revenues   | 48,986,120    | 52,348,865    | 58,202,025      | 58,282,589      | 59,785,169     | 61,343,073     | 64,299,652    | 70,150,574     | 75,707,476     | 76,472,935    |
| <b>Expenditures</b>  |               |               |                 |                 |                |                |               |                |                |               |
| Instruction  | 24,569,060    | 25,840,900    | 27,198,581      | 29,183,083      | 29,186,027     | 29,973,733     | 30,815,248    | 34,059,897     | 33,944,215     | 36,098,615    |
| Support services   | 4,909,200     | 5,331,933     | 5,535,648       | 6,574,898       | 6,414,239      | 6,818,826      | 7,407,391     | 8,726,400      | 9,703,778      | 10,166,405    |
| General administration                                     | 1,996,421     | 2,200,858     | 2,228,618       | 2,266,440       | 2,315,573      | 2,625,336      | 2,490,089     | 2,615,520      | 3,119,659      | 3,268,472     |
| Building administration                                    | 3,014,613     | 3,078,574     | 3,335,098       | 3,163,077       | 3,260,330      | 3,337,108      | 3,247,724     | 3,471,766      | 3,863,551      | 3,906,172     |
| Operations and maintenance                                 | 3,567,525     | 3,929,421     | 4,570,270       | 4,700,440       | 5,240,989      | 5,420,379      | 4,971,441     | 6,308,007      | 6,050,416      | 5,827,721     |
| Student transportation                                     | 1,432,484     | 1,531,216     | 1,661,872       | 1,575,172       | 1,748,225      | 1,841,957      | 1,799,240     | 2,191,740      | 2,334,829      | 2,438,768     |
| Food services  | 1,769,280     | 1,777,468     | 1,672,348       | 1,603,425       | 1,671,841      | 1,785,246      | 1,838,621     | 2,093,596      | 1,744,875      | 1,980,927     |
| Extracurricular activities                                 | 871,909       | 925,698       | 908,091         | 901,574         | 917,404        | 889,182        | 928,333       | 1,150,819      | 1,476,615      | 1,460,130     |
| Capital outlay   | 7,623,511     | 20,737,577    | 31,158,167      | 13,768,914      | 5,342,833      | 3,668,987      | 17,606,813    | 9,666,273      | 7,804,643      | 4,220,217     |
| Debt service   |               |               |                 |                 |                |                |               |                |                |               |
| Principal  | 2,216,506     | 3,577,059     | 3,634,728       | 3,982,059       | 4,092,059      | 4,247,059      | 5,488,708     | 4,565,554      | 5,110,554      | 4,970,554     |
| Interest and fiscal charges                                | 1,748,732     | 2,212,528     | 4,094,281       | 2,954,436       | 2,835,865      | 2,692,203      | 2,970,582     | 3,194,845      | 2,511,325      | 2,893,377     |
| Bond issuance costs  | 142,254       | 79,175        | -               | 56,742          | -              | -              | 260,334       | -              | 357,643        | 191,730       |
| Total expenditures   | 53,861,495    | 71,222,407    | 85,997,702      | 70,730,260      | 63,025,385     | 63,300,016     | 79,824,524    | 78,044,417     | 78,022,103     | 77,423,088    |
| Excess of revenues<br>over (under) expenditures            | (4,875,375)   | (18,873,542)  | (27,795,677)    | (12,447,671)    | (3,240,216)    | (1,956,943)    | (15,524,872)  | (7,893,843)    | (2,314,627)    | (950,153)     |
| <b>Other financing sources (uses)</b>                      |               |               |                 |                 |                |                |               |                |                |               |
| Sale of capital assets                                     | 545           | 1,282         | 533             | -               | -              | -              | -             | -              | -              | -             |
| Transfers in   | 23,344        | 145,429       | 3,366,639       | 1,281,921       | 631,395        | -              | -             | -              | -              | -             |
| Transfers out  | (23,344)      | (145,429)     | (3,366,639)     | (1,281,921)     | (631,395)      | -              | -             | (2,006,200)    | -              | -             |
| Property damage insurance proceeds                         | -             | -             | -               | -               | 100,000        | 500,000        | 2,093,038     | -              | 201,127        | -             |
| General obligation bonds issued                            | 20,725,000    | 27,500,000    | -               | -               | -              | -              | 26,375,000    | -              | -              | 21,500,000    |
| Limited obligation bonds issued                            | 1,459,250     | -             | -               | -               | -              | -              | -             | -              | -              | -             |
| Refunding bonds issued                                     | -             | -             | -               | 3,275,000       | -              | -              | -             | -              | 36,335,000     | -             |
| Premium on bonds issued                                    | -             | 25,565        | -               | 110,840         | -              | -              | 1,723,595     | -              | 3,331,744      | 3,037,614     |
| Payments to refunded bond escrow agent                     | -             | -             | -               | (3,321,928)     | -              | -              | -             | -              | (39,296,355)   | -             |
| Total other financing sources (uses)                       | 22,184,795    | 27,526,847    | 533             | 63,912          | 100,000        | 500,000        | 30,191,633    | (2,006,200)    | 571,516        | 24,537,614    |
| Net change in fund balances                                | \$ 17,309,420 | \$ 8,653,305  | \$ (27,795,144) | \$ (12,383,759) | \$ (3,140,216) | \$ (1,456,943) | \$ 14,666,761 | \$ (9,900,043) | \$ (1,743,111) | \$ 23,587,461 |
| Debt service as a percentage of<br>noncapital expenditures | 8.6%          | 11.5%         | 14.1%           | 12.3%           | 12.0%          | 11.6%          | 13.6%         | 11.3%          | 11.4%          | 11.0%         |

Table 5

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

| Year | Instruction   | Support Services | General Administration | Building Administration | Operations & Maintenance | Student Transportation | Food Services | Extracurricular Activities | Capital Outlay | Principal Retirement & Interest | Total         |
|------|---------------|------------------|------------------------|-------------------------|--------------------------|------------------------|---------------|----------------------------|----------------|---------------------------------|---------------|
| 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    |
| 2014 | 25,877,250    | 4,605,511        | 1,887,071              | 2,822,409               | 4,085,732                | -                      | -             | 996,363                    | 12,420         | 1,249                           | 40,288,005    |
| 2015 | 26,902,203    | 5,481,348        | 2,213,111              | 3,085,660               | 4,326,685                | 6,706                  | 401           | 961,267                    | -              | -                               | 42,977,381    |
| 2016 | \$ 28,757,525 | \$ 5,667,972     | \$ 2,383,801           | \$ 3,180,616            | \$ 4,130,151             | \$ -                   | \$ 2,556      | \$ 1,027,165               | \$ 10,329      | \$ -                            | \$ 45,160,115 |

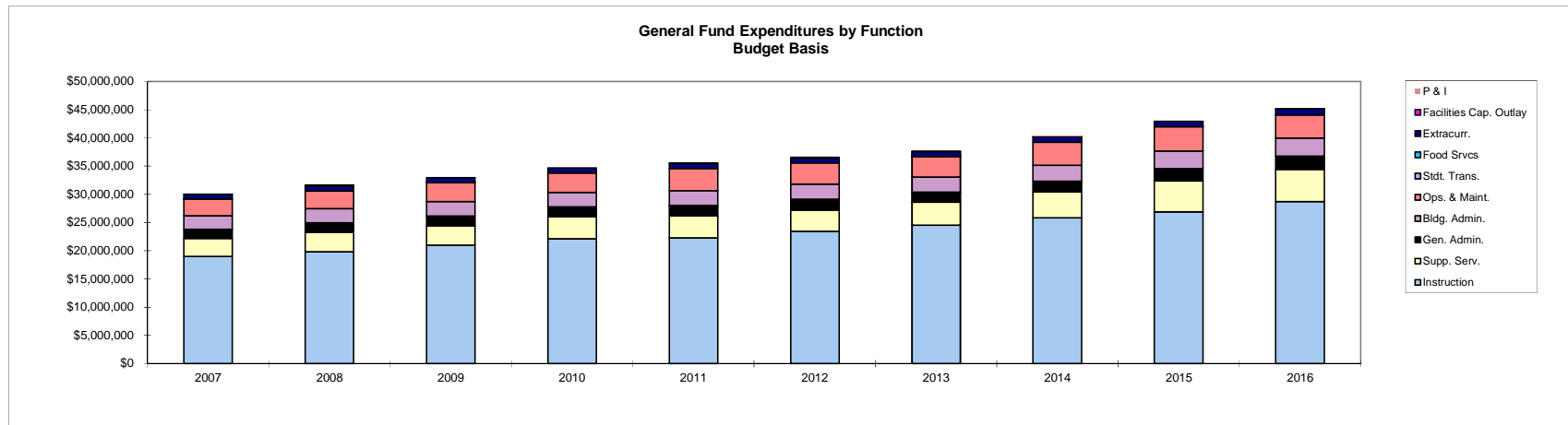


Table 6

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

| Fiscal Year                  | Assessed Valuation <sup>1</sup> | Estimated Actual Value | Percent of Assessed Value to Estimated Actual Value | Mill Levy | Direct Rate to be Applied against Assessed Value (Mill Levy / 1,000) | Taxes Levied <sup>3</sup> | 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 |
|------------------------------|---------------------------------|------------------------|---|-----------|--|---------------------------|-----------------------------------|--|--------------------------------------|----------------------------------|--|
| <b>Elementary District:</b>  |                                 |                        |   |           |  |                           |                                   |  |                                      |                                  |  |
| 2007                         | \$ 97,593,808                   | \$ 2,922,699,201       | 3.3%  | 120.32    | 0.12032  | \$ 11,742,487             | \$ 11,383,815                     | 96.95%                                       | \$ 317,284                           | \$ 11,701,099                    | 99.65%   |
| 2008                         | 104,361,792                     | 3,223,076,430          | 3.2%  | 118.51    | 0.11851  | 12,553,495                | 11,695,683                        | 93.17%                                       | 781,610                              | 12,477,293                       | 99.39%   |
| 2009                         | 111,162,065                     | 3,542,469,947          | 3.1%  | 141.13    | 0.14113  | 15,794,516                | 14,558,640                        | 92.18%                                       | 1,195,998                            | 15,754,638                       | 99.75% <sup>2</sup>                              |
| 2010                         | 117,329,369                     | 3,888,212,136          | 3.0%  | 130.49    | 0.13049  | 15,432,743                | 14,194,814                        | 91.98%                                       | 1,204,848                            | 15,399,662                       | 99.79% <sup>2</sup>                              |
| 2011                         | 121,072,738                     | 4,135,670,271          | 2.9%  | 121.55    | 0.12155  | 14,619,619                | 13,975,603                        | 95.59%                                       | 551,135                              | 14,526,738                       | 99.36%   |
| 2012                         | 122,688,282                     | 4,375,448,618          | 2.8%  | 123.38    | 0.12338  | 15,000,166                | 14,264,897                        | 95.10%                                       | 686,277                              | 14,951,174                       | 99.67%   |
| 2013                         | 124,859,611                     | 4,633,513,028          | 2.7%  | 131.45    | 0.13145  | 16,419,994                | 15,743,823                        | 95.88%                                       | 582,148                              | 16,325,971                       | 99.43%   |
| 2014                         | 128,394,150                     | 4,931,149,202          | 2.6%  | 145.25    | 0.14525  | 18,477,949                | 17,897,333                        | 96.86%                                       | 499,025                              | 18,396,358                       | 99.56%   |
| 2015                         | 131,762,887                     | 5,231,028,932          | 2.5%  | 143.70    | 0.14370  | 18,910,738                | 18,374,140                        | 97.16%                                       | 528,398                              | 18,902,538                       | 99.96%   |
| 2016                         | \$ 127,702,815                  | \$ 8,302,361,471       | 1.5%  | 151.15    | 0.15115  | \$ 19,139,054             | \$ 18,753,331                     | 97.98%                                       | \$ -                                 | \$ 18,753,331                    | 97.98%   |
| <b>High School District:</b> |                                 |                        |   |           |  |                           |                                   |  |                                      |                                  |  |
| 2007                         | \$ 130,732,377                  | \$ 3,946,654,848       | 3.3%  | 62.42     | 0.06242  | \$ 8,160,315              | \$ 7,879,151                      | 96.55%                                       | \$ 259,389                           | \$ 8,138,540                     | 99.73%   |
| 2008                         | 140,147,897                     | 4,381,850,279          | 3.2%  | 65.34     | 0.06534  | 9,346,202                 | 8,673,645                         | 92.80%                                       | 616,753                              | 9,290,398                        | 99.40%   |
| 2009                         | 130,543,804                     | 4,170,386,822          | 3.1%  | 71.40     | 0.07140  | 9,384,507                 | 8,573,226                         | 91.36%                                       | 781,376                              | 9,354,602                        | 99.68% <sup>2</sup>                              |
| 2010                         | 138,744,445                     | 4,593,821,578          | 3.0%  | 69.05     | 0.06905  | 10,460,314                | 9,463,193                         | 90.47%                                       | 986,127                              | 10,449,320                       | 99.89% <sup>2</sup>                              |
| 2011                         | 143,508,070                     | 4,898,411,705          | 2.9%  | 75.34     | 0.07534  | 11,148,142                | 10,579,367                        | 94.90%                                       | 509,688                              | 11,089,055                       | 99.47%   |
| 2012                         | 145,618,673                     | 5,189,061,038          | 2.8%  | 73.48     | 0.07348  | 11,027,493                | 10,430,413                        | 94.59%                                       | 564,097                              | 10,994,510                       | 99.70%   |
| 2013                         | 148,311,838                     | 5,501,565,981          | 2.7%  | 71.81     | 0.07181  | 11,088,494                | 10,601,483                        | 95.61%                                       | 432,982                              | 11,034,465                       | 99.51%   |
| 2014                         | 152,997,133                     | 5,873,324,071          | 2.6%  | 73.16     | 0.07316  | 11,512,340                | 11,135,267                        | 96.72%                                       | 332,778                              | 11,468,045                       | 99.62%   |
| 2015                         | 157,393,739                     | 6,240,141,982          | 2.5%  | 72.97     | 0.07297  | 11,900,498                | 11,541,757                        | 96.99%                                       | 351,837                              | 11,893,594                       | 99.94%   |
| 2016                         | \$ 152,115,661                  | \$ 9,866,466,343       | 1.5%  | 76.76     | 0.07676  | \$ 11,912,121             | \$ 11,648,459                     | 97.79%                                       | \$ -                                 | \$ 11,648,459                    | 97.79%   |
| <b>Total District:</b>       |                                 |                        |   |           |  |                           |                                   |  |                                      |                                  |  |
| 2007                         | \$ 130,732,377                  | \$ 3,946,654,848       | 3.3%  | 182.74    | 0.18274  | \$ 19,902,802             | \$ 19,262,966                     | 96.79%                                       | \$ 576,673                           | \$ 19,839,639                    | 99.68%   |
| 2008                         | 140,147,897                     | 4,381,850,279          | 3.2%  | 183.85    | 0.18385  | 21,899,697                | 20,369,328                        | 93.01%                                       | 1,398,363                            | 21,767,691                       | 99.40%   |
| 2009                         | 130,543,804                     | 4,170,386,822          | 3.1%  | 212.53    | 0.21253  | 25,179,023                | 23,131,866                        | 91.87%                                       | 1,977,374                            | 25,109,240                       | 99.72% <sup>2</sup>                              |
| 2010                         | 138,744,445                     | 4,593,821,578          | 3.0%  | 199.54    | 0.19954  | 25,893,057                | 23,658,007                        | 91.37%                                       | 2,190,975                            | 25,848,982                       | 99.83% <sup>2</sup>                              |
| 2011                         | 143,508,070                     | 4,898,411,705          | 2.9%  | 196.89    | 0.19689  | 25,767,761                | 24,554,970                        | 95.29%                                       | 1,060,823                            | 25,615,793                       | 99.41%   |
| 2012                         | 145,618,673                     | 5,189,061,038          | 2.8%  | 196.86    | 0.19686  | 26,027,659                | 24,695,310                        | 94.88%                                       | 1,250,374                            | 25,945,684                       | 99.69%   |
| 2013                         | 148,311,838                     | 5,501,565,981          | 2.7%  | 203.26    | 0.20326  | 27,508,488                | 26,345,306                        | 95.77%                                       | 1,015,130                            | 27,360,436                       | 99.46%   |
| 2014                         | 152,997,133                     | 5,873,324,071          | 2.6%  | 218.41    | 0.21841  | 29,990,289                | 29,032,600                        | 96.81%                                       | 831,803                              | 29,864,403                       | 99.58%   |
| 2015                         | 157,393,739                     | 6,240,141,982          | 2.5%  | 216.67    | 0.21667  | 30,811,236                | 29,915,897                        | 97.09%                                       | 880,235                              | 30,796,132                       | 99.95%   |
| 2016                         | \$ 152,115,661                  | \$ 9,866,466,343       | 1.5%  | 227.91    | 0.22791  | \$ 31,051,175             | \$ 30,401,790                     | 97.91%                                       | \$ -                                 | \$ 30,401,790                    | 97.91%   |

<sup>1</sup> Assessed valuation is per the Montana Department of Revenue and calculated as of January (i.e. assess value used for 2006-07 fiscal year is calculated as of January 2006)

<sup>2</sup> 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.

<sup>3</sup> 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.

**Note:** Because the High School District's boundaries encompasses the Elementary's, the Total District subsection only presents the High School assessed and estimated actual value. Mill levies and all taxes collected are a combination of the Elementary and High School District activity.

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 |                 |                 |                  |        |
| 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 |
| 2014                                     | 145.25   | 73.16                        | 173.08          | 221.00          | 46.00            | 658.49 |
| 2015                                     | 143.70   | 72.97                        | 187.73          | 224.58          | 46.00            | 674.98 |
| 2016                                     | 151.15   | 76.76                        | 210.16          | 245.58          | 46.00            | 729.65 |

| Tax Levies  |                             |                              |                 |                 |                  |                |
|-------------|-----------------------------|------------------------------|-----------------|-----------------|------------------|----------------|
| Fiscal Year | Bozeman Elementary District | Bozeman High School District | City of Bozeman | Gallatin County | State of Montana | Total          |
| 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    |
| 2014        | 18,477,949                  | 11,512,340                   | 15,525,281      | 55,391,002      | 11,529,349       | 112,435,921    |
| 2015        | 18,910,738                  | 11,900,498                   | 17,289,871      | 57,717,285      | 11,822,046       | 117,640,438    |
| 2016        | \$ 19,139,054               | \$ 11,912,121                | \$ 19,056,912   | \$ 59,586,541   | \$ 11,161,255    | \$ 120,855,883 |

Source: Montana Tax Foundation  
Montana Property Tax Mill Levies 2015-16  
 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  | 2016                   |      |  | 2007                   |      |  |
|---|------------------------|------|--|------------------------|------|--|
|   | 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 | \$ 8,993,003           | 1    | 7.04%  | \$ 7,090,476           | 1    | 7.34%  |
| Centurylink, Inc.                               | 1,013,196              | 2    | 0.79%  | 1,532,806              | 2    | 1.59%  |
| Bresnan Communications, LLC                     | 948,197                | 3    | 0.74%  | -                      |      | -  |
| Verizon Wireless                                | 687,236                | 4    | 0.54%  | -                      |      | -  |
| Harry Daum (Gallatin Mall)                      | 444,051                | 5    | 0.35%  | 518,025                | 3    | 0.54%  |
| Stone Ridge Partners LLC                        | 417,262                | 6    | 0.33%  | -                      |      | -  |
| Mitchell Development & Investment LLC           | 390,752                | 7    | 0.31%  | -                      |      | -  |
| First Security Bank of Bozeman                  | 362,625                | 8    | 0.28%  | -                      |      | -  |
| J & D Family Limited Partnership                | 349,579                | 9    | 0.27%  | -                      |      | -  |
| Bridger Peaks Holdings LLC                      | 348,926                | 10   | 0.27%  | -                      |      | -  |
| Bozeman Deaconess Foundation                    | -                      |      | -  | 422,509                | 4    | 0.44%  |
| Machinery Power and Equipment Company           | -                      |      | -  | 394,125                | 5    | 0.41%  |
| Wal-Mart Stores                                 | -                      |      | -  | 389,417                | 6    | 0.40%  |
| Lowes HIW Inc                                   | -                      |      | -  | 318,663                | 7    | 0.33%  |
| Highgate Bozeman, LLC                           | -                      |      | -  | 317,174                | 8    | 0.33%  |
| BOMONT LLC                                      | -                      |      | -  | 294,798                | 9    | 0.31%  |
| Costco Wholesale Corporation                    | -                      |      | -  | 283,730                | 10   | 0.29%  |
| <b>Total</b>                                    | <b>\$ 13,954,827</b>   |      | <b>10.92%</b>  | <b>\$ 11,561,723</b>   |      | <b>11.98%</b>  |

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  | 2016                   |      |   | 2007                   |      |   |
|---|------------------------|------|---|------------------------|------|---|
|   | 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 | \$ 10,664,715          | 1    | 7.01%   | \$ 9,370,390           | 1    | 7.24%   |
| Centurylink, Inc.                               | 1,054,489              | 2    | 0.69%   | 1,735,836              | 2    | 1.34%   |
| Bresnan Communications, LLC                     | 948,197                | 3    | 0.62%   | -                      |      | -   |
| Verizon Wireless                                | 717,631                | 4    | 0.47%   | -                      |      | -   |
| Zoot Properties LLC                             | 470,114                | 5    | 0.31%   | 591,772                | 3    | 0.46%   |
| Black Bull Owner LLC                            | 454,214                | 6    | 0.30%   |                        |      |   |
| Harry Daum (Gallatin Mall)                      | 444,051                | 7    | 0.29%   | 518,025                | 4    | 0.40%   |
| Stone Ridge Partners LLC                        | 417,262                | 8    | 0.27%   | -                      |      | -   |
| Mitchell Development & Investment LLC           | 390,752                | 9    | 0.26%   | -                      |      | -   |
| First Security Bank of Bozeman                  | 362,625                | 10   | 0.24%   |                        |      |   |
| Bozeman Deaconess Foundation                    | -                      |      | -   | 422,509                | 5    | 0.33%   |
| Machinery Power and Equipment Company           | -                      |      | -   | 394,125                | 6    | 0.30%   |
| Wal-Mart Stores                                 | -                      |      | -   | 389,417                | 7    | 0.30%   |
| Lowes HIW Inc                                   | -                      |      | -   | 318,663                | 8    | 0.25%   |
| Highgate Bozeman LLC                            | -                      |      | -   | 317,174                | 9    | 0.24%   |
| Genesis Partners LLC                            | -                      |      | -   | 289,185                | 10   | 0.22%   |
| <b>Total</b>                                    | <b>\$ 15,924,050</b>   |      | <b>10.46%</b>   | <b>\$ 14,347,096</b>   |      | <b>11.08%</b>   |

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, 2016**  
**(modified accrual basis of accounting)**

| Source   | Actual<br>Revenue          | Percent of<br>Total Revenue |
|--|----------------------------|-----------------------------|
| Revenue from local and intermediate source:          |                            |                             |
| District taxes                                       | \$31,443,349               | 41.10%                      |
| Tuition and fees                                     | 1,423,480                  | 1.86%                       |
| Interest   | 187,590                    | 0.25%                       |
| Other district revenue                               | 2,699,956                  | 3.53%                       |
| County retirement                                    | 6,625,912                  | 8.66%                       |
| County transportation                                | 392,694                    | 0.51%                       |
| Total revenue from local and<br>intermediate sources | <u>42,772,981</u>          | <u>55.91%</u>               |
| Revenue from State sources:                          |                            |                             |
| State equalization                                   | 17,734,527                 | 23.19%                      |
| State special education allowable costs              | 1,839,278                  | 2.41%                       |
| State guarantee tax base subsidy                     | 3,469,015                  | 4.54%                       |
| State transportation                                 | 457,949                    | 0.60%                       |
| State motor vehicle fee reimbursement                | 1,969,511                  | 2.58%                       |
| State quality educator                               | 1,453,177                  | 1.90%                       |
| State medicaid, medicaid admin, CSCT                 | 1,495,097                  | 1.96%                       |
| Other State revenue                                  | 1,118,534                  | 1.46%                       |
| Total revenue from State sources                     | <u>29,537,088</u>          | <u>38.64%</u>               |
| Revenue from Federal sources:                        |                            |                             |
| Other Federal Grants                                 | 372,538                    | 0.49%                       |
| Federal SAFE-TI                                      | 599,536                    | 0.78%                       |
| Federal Title I and Title I Schoolwide               | 755,099                    | 0.99%                       |
| Federal IDEA Part B and Preschool                    | 1,284,965                  | 1.68%                       |
| Federal Title IIA                                    | 279,988                    | 0.37%                       |
| Federal Title IIB                                    | 344,484                    | 0.45%                       |
| Federal food service                                 | 526,256                    | 0.69%                       |
| Total revenue from Federal sources                   | <u>4,162,866</u>           | <u>5.45%</u>                |
| <b>Total governmental funds revenue</b>              | <b><u>\$76,472,935</u></b> | <b><u>100.00%</u></b>       |

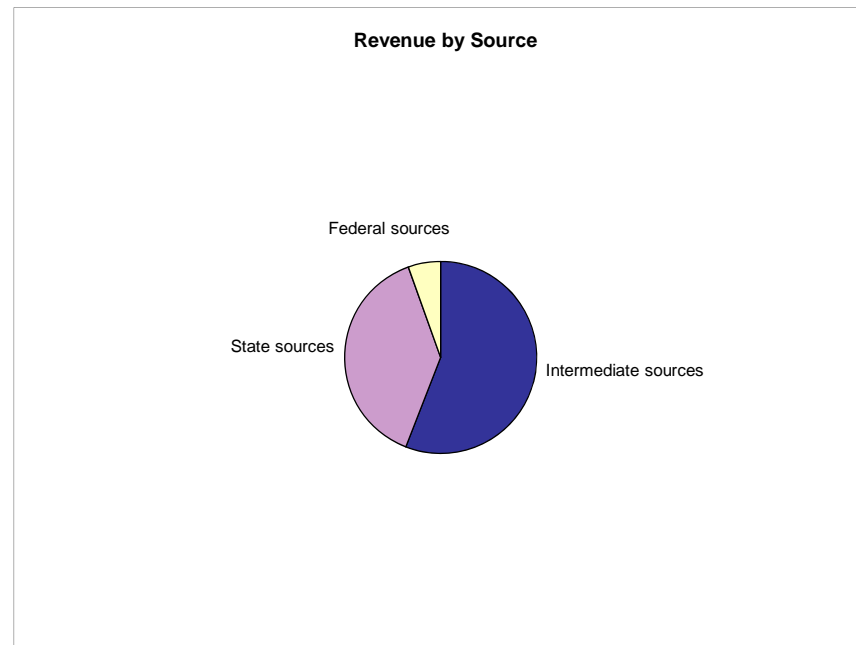


Table 11

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

| Year | District<br>Tax Levies | Tuition<br>& Fees | Interest   | Other District<br>Revenue | State of<br>Montana | Federal   | Total         |
|------|------------------------|-------------------|------------|---------------------------|---------------------|-----------|---------------|
| 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    |
| 2014 | 16,750,875             | 28,495            | 38,395     | 2,801                     | 24,025,992          | -         | 40,846,558    |
| 2015 | 17,884,890             | 30,838            | 41,870     | 524,057                   | 25,684,302          | -         | 44,165,957    |
| 2016 | \$ 18,170,793          | \$ 32,546         | \$ 55,443  | \$ 222,660                | \$ 27,002,682       | \$ -      | \$ 45,484,124 |

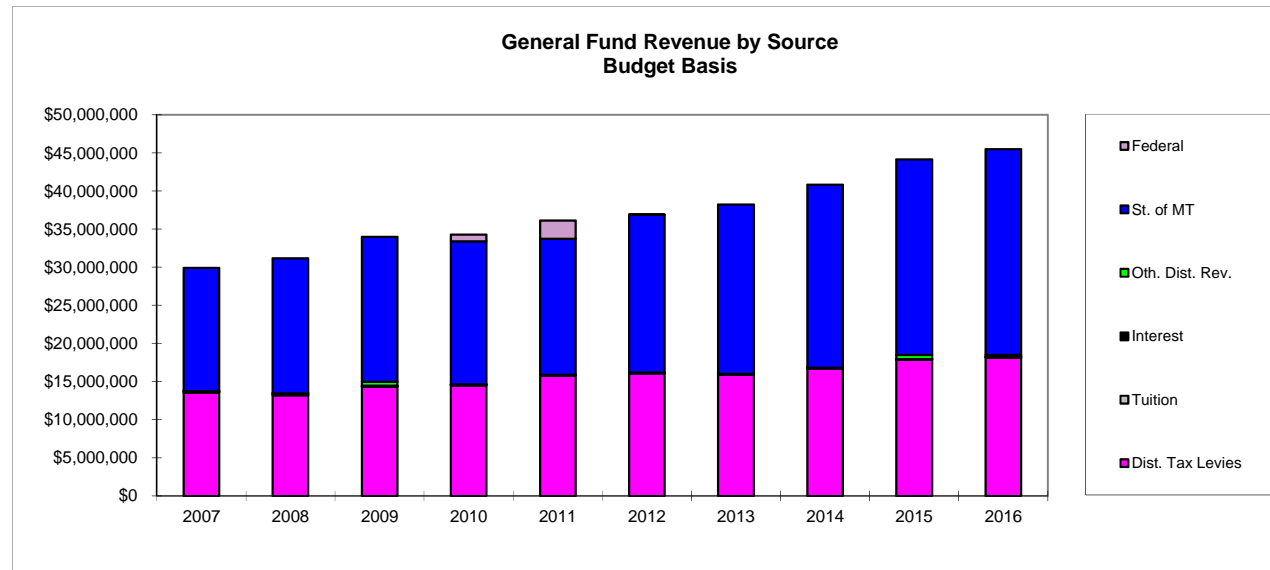




Table 12

**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    |
| 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    |
| 2014 | 16,820,566       | 24,025,992    | -               | 40,846,558    | 6,213              | 2,707               | 3,867    | -       | 6,574    |
| 2015 | 18,481,655       | 25,684,302    | -               | 44,165,957    | 6,326              | 2,922               | 4,060    | -       | 6,982    |
| 2016 | \$ 18,481,442    | \$ 27,002,682 | \$ -            | \$ 45,484,124 | 6,533              | \$ 2,829            | \$ 4,133 | \$ -    | \$ 6,962 |

Source: District Records

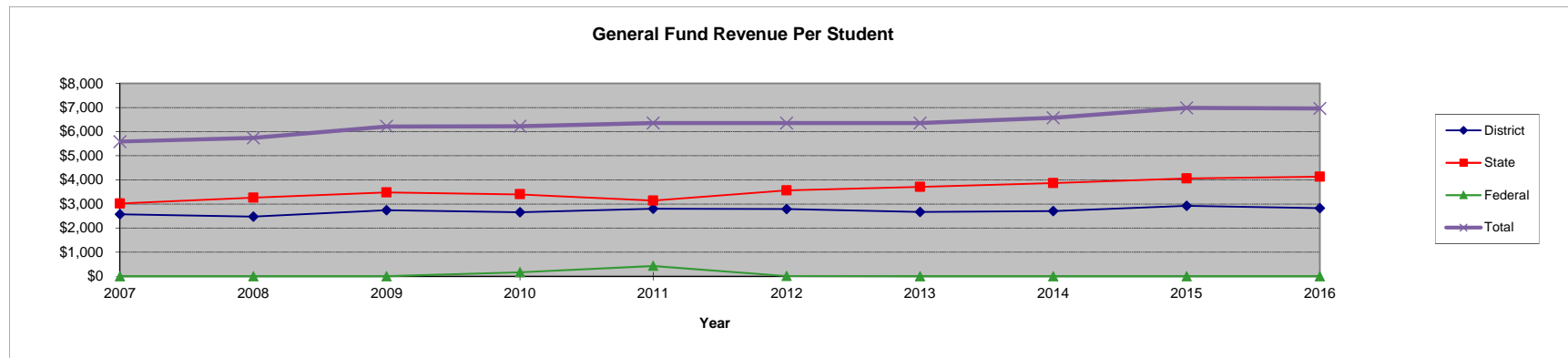


Table 13

**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 <sup>(1)</sup> | Assessed Value <sup>(2)</sup> | 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 |
|------------------------------|---------------------------|-------------------------------|--------------------------------|--------------------------------|-------------------|---|------------------------------|---|
| <b>Elementary District:</b>  |                           |                               |                                |                                |                   |   |                              |   |
| 2007                         | 45,495                    | \$ 97,593,808                 | \$ 25,525,083                  | \$ 2,564,823                   | \$ 28,089,906     | 28.78%  | \$ 617                       | 1.65%   |
| 2008                         | 46,632                    | 104,361,792                   | 41,016,402                     | 2,249,561                      | 43,265,963        | 41.46%  | 928                          | 2.53%   |
| 2009                         | 47,798                    | 111,162,065                   | 38,607,378                     | 1,922,819                      | 40,530,197        | 36.46%  | 848                          | 2.41%   |
| 2010                         | 48,993                    | 117,329,369                   | 36,497,427                     | 1,584,178                      | 38,081,605        | 32.46%  | 777                          | 2.16%   |
| 2011                         | 50,217                    | 121,072,738                   | 34,269,931                     | 1,233,206                      | 35,503,137        | 29.32%  | 707                          | 1.86%   |
| 2012                         | 51,472                    | 122,688,282                   | 31,957,435                     | 869,451                        | 32,826,886        | 26.76%  | 638                          | 1.59%   |
| 2013                         | 51,729                    | 124,859,611                   | 56,546,615                     | 521,791                        | 57,068,406        | 45.71%  | 1,103                        | 2.71%   |
| 2014                         | 52,246                    | 128,394,150                   | 53,831,523                     | 345,687                        | 54,177,210        | 42.20%  | 1,037                        | 2.45%   |
| 2015                         | 52,507                    | 131,762,887                   | 52,486,972                     | 163,367                        | 52,650,339        | 39.96%  | 1,003                        | Not Available                                 |
| 2016                         | 53,032                    | \$ 127,702,815                | \$ 73,878,829                  | \$ -                           | \$ 73,878,829     | 57.85%  | \$ 1,393                     | Not Available                                 |
| <b>High School District:</b> |                           |                               |                                |                                |                   |   |                              |   |
| 2007                         | 56,350                    | \$ 130,732,377                | \$ 29,553,437                  | \$ -                           | \$ 29,553,437     | 22.61%  | \$ 524                       | 1.40%   |
| 2008                         | 56,913                    | 141,147,897                   | 38,322,373                     | -                              | 38,322,373        | 27.15%  | 673                          | 1.90%   |
| 2009                         | 57,198                    | 130,543,804                   | 36,810,325                     | -                              | 36,810,325        | 28.20%  | 644                          | 1.80%   |
| 2010                         | 59,097                    | 138,744,445                   | 35,279,106                     | -                              | 35,279,106        | 25.43%  | 597                          | 1.66%   |
| 2011                         | 60,574                    | 143,508,070                   | 33,687,887                     | -                              | 33,687,887        | 23.47%  | 556                          | 1.47%   |
| 2012                         | 62,088                    | 145,618,673                   | 32,026,668                     | -                              | 32,026,668        | 21.99%  | 516                          | 1.29%   |
| 2013                         | 62,398                    | 148,311,838                   | 30,295,449                     | -                              | 30,295,449        | 20.43%  | 486                          | 1.19%   |
| 2014                         | 63,022                    | 152,997,133                   | 28,494,230                     | -                              | 28,494,230        | 18.62%  | 452                          | 1.07%   |
| 2015                         | 63,337                    | 157,393,739                   | 27,891,801                     | -                              | 27,891,801        | 17.72%  | 440                          | Not Available                                 |
| 2016                         | 63,970                    | \$ 152,115,661                | \$ 25,727,015                  | \$ -                           | \$ 25,727,015     | 16.91%  | \$ 402                       | Not Available                                 |

<sup>(1)</sup> **2007-2016** The 2006 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.

<sup>(2)</sup> **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 their own K-12 district effective July 1, 2009. At that time, the tax base of Ophir Elementary represented approximately 13% of the Bozeman High School. The large High School 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. Since the legal debt margin is legally calculated for each district (Elementary and High School), presenting the total debt responsible by Elementary taxpayers above would give the appearance that they have used up more of the Elementary District legal debt margin. This would be inaccurate as their Elementary-only debt still falls within legal standards.

**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, 2016**

| Elementary District:  |               |               |                        |                         |               |               |               |               |               |                |
|---|---------------|---------------|------------------------|-------------------------|---------------|---------------|---------------|---------------|---------------|----------------|
|   | 2007          | 2008          | 2009                   | 2010                    | 2011          | 2012          | 2013          | 2014          | 2015          | 2016           |
| Debt limit  | \$ 43,442,825 | \$ 52,180,896 | \$ 55,581,033          | \$ 58,664,685           | \$ 60,536,369 | \$ 61,855,448 | \$ 65,771,565 | \$ 69,895,920 | \$ 74,647,850 | \$ 151,568,800 |
| Total net debt applicable to limit                                      | 30,172,341    | 50,054,561    | 45,432,874             | 36,792,190              | 34,681,679    | 59,086,735    | 55,371,791    | 52,554,788    | 49,445,071    | 68,070,655     |
| Legal debt margin   | \$ 13,270,484 | \$ 2,126,335  | \$ 10,148,159          | \$ 21,872,495           | \$ 25,854,690 | \$ 2,768,713  | \$ 10,399,774 | \$ 17,341,132 | \$ 25,202,779 | \$ 83,498,145  |
| Total net debt applicable to the limit<br>as a percentage of debt limit | 69.45%        | 95.93%        | 81.74%                 | 62.72%                  | 57.29%        | 95.52%        | 84.19%        | 75.19%        | 66.24%        | 44.91%         |
| High School District:   |               |               |                        |                         |               |               |               |               |               |                |
| Debt limit  | \$ 58,279,834 | \$ 70,573,949 | \$ 65,271,902          | \$ 69,372,223           | \$ 71,754,035 | \$ 72,809,337 | \$ 74,155,919 | \$ 76,498,567 | \$ 78,876,700 | \$ 159,526,080 |
| Total net debt applicable to limit                                      | 42,010,000    | 38,665,000    | 36,970,000             | 35,260,000              | 33,670,000    | 31,984,546    | 30,245,931    | 28,465,004    | 26,116,526    | 24,230,021     |
| Legal debt margin   | \$ 16,269,834 | \$ 31,908,949 | \$ 28,301,902          | \$ 34,112,223           | \$ 38,084,035 | \$ 40,824,791 | \$ 43,909,988 | \$ 48,033,563 | \$ 52,760,174 | \$ 135,296,059 |
| Total net debt applicable to the limit<br>as a percentage of debt limit | 72.08%        | 54.79%        | 56.64%                 | 50.83%                  | 46.92%        | 43.93%        | 40.79%        | 37.21%        | 33.11%        | 15.19%         |
|   |               |               | Elementary<br>District | High School<br>District |               |               |               |               |               |                |
| Legal Debt Margin Calculation for Fiscal Year 2016                      |               |               |                        |                         |               |               |               |               |               |                |
| District taxable valuation  |               |               | \$ 127,702,815         | \$ 152,115,661          |               |               |               |               |               |                |
| Times: 100%   |               |               | 1.00                   | 1.00                    |               |               |               |               |               |                |
| District taxable valuation legal debt service limit                     |               |               | 127,702,815            | 152,115,661             |               |               |               |               |               |                |
| Facility guaranteed mill value per ANB X 1,000                          |               |               | \$ 32,800              | \$ 79,130               |               |               |               |               |               |                |
| Times: Student ANB  |               |               | 4,621                  | 2,016                   |               |               |               |               |               |                |
| Times: 100%   |               |               | 1.00                   | 1.00                    |               |               |               |               |               |                |
| Facility guaranteed mill taxable valuation debt service limit           |               |               | 151,568,800            | 159,526,080             |               |               |               |               |               |                |
| Legal Debt Service Limit *  |               |               | \$ 151,568,800         | \$ 159,526,080          |               |               |               |               |               |                |
| General Obligation Bonds Payable  |               |               | 68,125,000             | 24,255,000              |               |               |               |               |               |                |
| Less: Cash Available for Retirement of Bonds                            |               |               | 54,345                 | 24,979                  |               |               |               |               |               |                |
| Net Amount of Bonds Payable Applicable to Limit                         |               |               | 68,070,655             | 24,230,021              |               |               |               |               |               |                |
| Margin Above Bonds Payable  |               |               | 83,498,145             | 135,296,059             |               |               |               |               |               |                |
| Less: General Obligation Bonds Authorized but Unused                    |               |               | -                      | -                       |               |               |               |               |               |                |
| Legal Debt Margin   |               |               | \$ 83,498,145          | \$ 135,296,059          |               |               |               |               |               |                |

\* Montana Codes Annotated Section 20-9-406 provides for the issuance of bonds to an amount not to exceed the greater of 1) 100% of the latest available taxable valuation of property which is subject to taxation within the District or 2) the facility guaranteed mill valuation per ANB multiplied by the average number of students belonging in a particular district multiplied by 100%. The state legislature changed the percentage used in item 1 and 2 above to 100% from 50% effective for fiscal years 2016 and beyond. It was previously changed from 45% to 50% effective for fiscal years 2008 through 2015. The District taxable valuations for August 2015 are used in the above calculation. In the 2016 fiscal year, the Elementary and High School District both utilized the Facility guaranteed mill taxable valuation method to calculate their respective legal debt service limits. 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.

The legal debt margins presented above have to be calculated for each District that comprises the reporting entity. The results are not subtotaled together as that would present a legal debt margin for the entity as a whole that would be inaccurate since all debt is either issued for the Elementary or High School District - but never for a bond issue covering both districts.

Table 15

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**Computation of Direct and Overlapping Governmental Activities Total Bonded Debt**  
**For the Fiscal Year Ended June 30, 2016**

| Governmental Unit                         | Debt                 | Applicable to<br>Elementary District |                       | Applicable to Portion<br>of High School District<br>Lying Outside Elementary<br>District |                      |
|---|----------------------|--------------------------------------|-----------------------|--|----------------------|
|   |                      | Percent                              | Amount                | Percent  | Amount               |
| Bozeman Elementary District:              |                      |                                      |                       |  |                      |
| G.O. Issue 2008 (originally \$17,500,000) | \$ 6,295,000         | 100.0%                               | \$ 6,295,000          | 0.0%   | \$ -                 |
| G.O. Issue 2012 (originally \$10,000,000) | 8,535,963            | 100.0%                               | 8,535,963             | 0.0%   | -                    |
| G.O. Issue 2013 (originally \$16,375,000) | 15,028,687           | 100.0%                               | 15,028,687            | 0.0%   | -                    |
| G.O. Issue 2014 (originally \$ 9,500,000) | 9,749,645            | 100.0%                               | 9,749,645             | 0.0%   | -                    |
| G.O. Issue 2015 (originally \$8,935,000)  | 9,801,532            | 100.0%                               | 9,801,532             | 0.0%   | -                    |
| G.O. Issue 2016 (originally \$21,500,000) | 24,468,002           | 100.0%                               | 24,468,002            | 0.0%   | -                    |
| Bozeman High School District:             |                      |                                      |                       |  |                      |
| G.O. Issue 2008 (originally \$10,000,000) | 6,533,086            | 74.1%                                | 4,841,017             | 25.9%  | 1,692,069            |
| G.O. Issue 2014 (originally \$ 9,150,000) | 9,775,797            | 74.1%                                | 7,243,866             | 25.9%  | 2,531,931            |
| G.O. Issue 2015 (originally \$8,750,000)  | <u>9,418,132</u>     | 74.1%                                | <u>6,978,836</u>      | 25.9%  | <u>2,439,296</u>     |
| Total Direct Debt                         | <u>\$ 99,605,844</u> |                                      | <u>\$ 92,942,548</u>  |  | <u>\$ 6,663,296</u>  |
| OVERLAPPING BONDED INDEBTEDNESS           |                      |                                      |                       |  |                      |
| Gallatin County:                          |                      |                                      |                       |  |                      |
| Various Issues                            | \$ 48,637,635        | 52.8%                                | \$ 25,680,671         | 10.1%  | \$ 4,912,401         |
| City of Bozeman:                          |                      |                                      |                       |  |                      |
| Various Issues                            | <u>21,996,842</u>    | 100%                                 | <u>21,996,842</u>     | 0.0%   | <u>-</u>             |
| Total Overlapping Debt                    | <u>\$ 70,634,477</u> |                                      | <u>\$ 47,677,513</u>  |  | <u>\$ 4,912,401</u>  |
| Total Direct and Overlapping debt         |                      |                                      | <u>\$ 140,620,061</u> |  | <u>\$ 11,575,697</u> |

**Note:** Overlapping debt percentages are calculated using a pro rata share of taxable values of all entities involved. This enable 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. Almost all taxpayers are treated as living in either the Elementary School District or in the portion of the High School District that falls outside of the Elementary District. Totalling the Elementary and Outlying High School direct and overlapping debt calculated above would be impractical since the typical taxpayer would never be responsible for a share of both of the final two columns listed above.

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:  |              |                             |                     |                                    |  |
| 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%   |
| 2014         | 2,625,000    | 1,977,999                   | 4,602,999           | 26,253,876                         | 17.53%   |
| 2015         | 2,930,000    | 1,609,552                   | 4,539,552           | 28,177,334                         | 16.11%   |
| 2016         | \$ 2,865,000 | \$ 1,633,550                | \$ 4,498,550        | \$ 29,910,514                      | 15.04%   |
| High School: |              |                             |                     |                                    |  |
| 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%   |
| 2014         | 1,800,000    | 1,216,296                   | 3,016,296           | 14,034,129                         | 21.49%   |
| 2015         | 2,040,000    | 901,223                     | 2,941,223           | 14,800,047                         | 19.87%   |
| 2016         | \$ 1,965,000 | \$ 955,781                  | \$ 2,920,781        | \$ 15,249,601                      | 19.15%   |

Source: District Records

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

Table 17

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

| Year | Elementary<br>District<br>Population (1) | High School<br>District<br>Population (1) | Per Capita<br>Personal<br>Income (2) | Total<br>Elementary<br>District<br>Personal Income (3) | Total<br>High School<br>District<br>Personal Income (3) | Unemployment<br>Rate (4) |
|------|--|---|--------------------------------------|--|---|--------------------------|
| 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                                    | 40,000                               | 2,058,880,000  | 2,483,520,000   | 6.3%                     |
| 2013 | 51,729                                   | 62,398                                    | 41,137                               | 2,127,975,873  | 2,566,866,526   | 4.5%                     |
| 2014 | 52,246                                   | 63,022                                    | \$ 42,350                            | \$ 2,212,618,100                                       | \$ 2,668,981,700  | 3.6%                     |
| 2015 | 52,507                                   | 63,337                                    | Not available                        | Not available  | Not available   | 2.8%                     |
| 2016 | 53,032                                   | 63,970                                    | Not available                        | Not available  | Not available   | 2.7%                     |

**Sources and other information:**

- (1) 2007 - 2016 : The 2007-2016 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 FOR GALLATIN COUNTY  
Current Year and Nine Years Ago**

| June 2016   |                                    | June 2007   |                                    |
|---|------------------------------------|---|------------------------------------|
| <b>Private<br/>Employers<br/>By Class, Alphabetically</b> | <b>Employer<br/>Class<br/>Size</b> | <b>Private<br/>Employers<br/>By Class, Alphabetically</b> | <b>Employer<br/>Class<br/>Size</b> |
| Bozeman Deaconess Hospital                                | 9                                  | Bozeman Deaconess Hospital                                | 8                                  |
| Oracle America  | 7                                  | Home Care Services  | 8                                  |
| Town Pump Convenience Stores                              | 7                                  | Kenyon Noble Lumber & Hardware                            | 7                                  |
| Wal-Mart  | 7                                  | Right Now Technologies                                    | 7                                  |
| Albertson's   | 6                                  | Wal-Mart  | 7                                  |
| Barnard Contruction                                       | 6                                  | Albertson's   | 6                                  |
| Best Western Gran Tree Inn                                | 6                                  | Bozeman Daily Chronicle                                   | 6                                  |
| Bridger Bowl  | 6                                  | Community Food Coop                                       | 6                                  |
| Community Food Co-Op                                      | 6                                  | Costco  | 6                                  |
| Costco  | 6                                  | First Security Bank                                       | 6                                  |
| First Student   | 6                                  | JTL Group Inc - Belgrade                                  | 6                                  |
| JC Billion  | 6                                  | Laidlaw Transit   | 6                                  |
| Kenyon Noble Lumber & Hardware                            | 6                                  | Martel Construction                                       | 6                                  |
| Korman Marketing Group                                    | 6                                  | Murdoch's Ranch & Home Supply                             | 6                                  |
| Martel Construction                                       | 6                                  | Ressler Motor Co  | 6                                  |
| McDonald's  | 6                                  | Simkins Hallin Lumber                                     | 6                                  |
| Murdoch's Ranch & Home Supply                             | 6                                  | Town & Country Foods                                      | 6                                  |
| Ressler Motor   | 6                                  | Williams Plumbing and Heating                             | 6                                  |
| Rosauers Supermarkets                                     | 6                                  | Zoot Enterprises  | 6                                  |
| Target  | 6                                  |   |                                    |
| Town & Country Foods                                      | 6                                  |   |                                    |
| Zoot Enterprises  | 6                                  |   |                                    |
| <b>Public<br/>Employers<br/>By Class, Alphabetically</b>  | <b>Employer<br/>Class<br/>Size</b> | <b>Public<br/>Employers<br/>By Class, Alphabetically</b>  | <b>Employer<br/>Class<br/>Size</b> |
| Montana State University                                  | 9                                  | Montana State University                                  | 9                                  |
| Bozeman School District #7                                | 9                                  | Bozeman School District #7                                | 8                                  |
| Belgrade School District # 44                             | 8                                  | Belgrade School District # 44                             | 7                                  |
| City of Bozeman   | 7                                  | City of Bozeman   | 7                                  |
| Gallatin County   | 7                                  | Gallatin County   | 7                                  |
| U.S. Department of Agriculture                            | 7                                  |   |                                    |

*Class 5 - 50 to 99 Employees*

*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)

Table 19

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

| <b>Fiscal<br/>Year</b> | <b>Expenses</b> <sup>(1)</sup> | <b>Enrollment</b> | <b>Cost<br/>per<br/>Pupil</b> | <b>Percentage<br/>Change</b> | <b>Certified<br/>Staff<br/>(FTE)</b> <sup>(2)</sup> | <b>Pupil/<br/>Certified<br/>Staff<br/>Ratio</b> |
|------------------------|--------------------------------|-------------------|-------------------------------|------------------------------|---|---|
| 2007                   | \$ 46,175,077                  | 5,356             | \$ 8,621                      | 9.07%                        | 362.8   | 14.8  |
| 2008                   | 49,944,777                     | 5,413             | 9,227                         | 7.03%                        | 360.6   | 15.0  |
| 2009                   | 53,226,045                     | 5,463             | 9,743                         | 5.59%                        | 376.4   | 14.5  |
| 2010                   | 56,676,925                     | 5,509             | 10,288                        | 5.59%                        | 385.0   | 14.3  |
| 2011                   | 57,513,286                     | 5,679             | 10,127                        | -1.57%                       | 382.2   | 14.9  |
| 2012                   | 60,208,618                     | 5,810             | 10,363                        | 2.33%                        | 390.7   | 14.9  |
| 2013                   | 60,515,759                     | 5,993             | 10,098                        | -2.56%                       | 399.9   | 15.0  |
| 2014                   | 69,796,654                     | 6,213             | 11,234                        | 11.20%                       | 428.6   | 14.5  |
| 2015                   | 71,186,742                     | 6,326             | 11,253                        | 0.20%                        | 429.8   | 14.7  |
| 2016                   | \$ 73,318,109                  | 6,533             | \$ 11,223                     | -0.30%                       | 444.2   | 14.7  |

<sup>(1)</sup> Expenses are from Statement of Activities.

<sup>(2)</sup> Certified Staff is comprised of Teachers, Librarians, Counselors, and Psychologists.

Source: District records



Table 20

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

|                              | <u>2007</u>  | <u>2008</u>  | <u>2009</u>  | <u>2010</u>  | <u>2011</u>  | <u>2012</u>  | <u>2013</u>  | <u>2014</u>  | <u>2015</u>  | <u>2016</u>  |  |  |  |  |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|--|--|--|
| Instruction                  |              |              |              |              |              |              |              |              |              |              |  |  |  |  |
| Certified Teaching Staff     | 333.0        | 330.4        | 345.8        | 343.5        | 343.0        | 357.9        | 355.4        | 383.4        | 385.1        | 395.3        |  |  |  |  |
| Classified & Prof. Employees | 61.4         | 64.3         | 84.7         | 90.3         | 100.5        | 98.8         | 88.7         | 102.9        | 72.5         | 82.9         |  |  |  |  |
| Support Services             |              |              |              |              |              |              |              |              |              |              |  |  |  |  |
| Administrators               | -            | -            | -            | -            | -            | -            | -            | -            | 1.0          | 1.0          |  |  |  |  |
| Certified Teaching Staff     | 29.8         | 30.2         | 30.6         | 41.5         | 39.2         | 32.8         | 44.5         | 45.2         | 44.7         | 48.0         |  |  |  |  |
| Classified & Prof. Employees | 47.7         | 44.5         | 42.7         | 46.1         | 54.1         | 53.4         | 54.8         | 63.3         | 85.7         | 90.6         |  |  |  |  |
| General Administration       |              |              |              |              |              |              |              |              |              |              |  |  |  |  |
| Administrators               | 5.0          | 5.0          | 5.0          | 5.0          | 4.5          | 4.0          | 6.0          | 6.0          | 5.0          | 5.0          |  |  |  |  |
| Certified Teaching Staff     | -            | -            | -            | -            | 0.5          | -            | -            | -            | -            | -            |  |  |  |  |
| Classified & Prof. Employees | 24.1         | 29.3         | 31.4         | 31.2         | 29.1         | 30.2         | 24.5         | 23.5         | 26.3         | 25.5         |  |  |  |  |
| Building Administration      |              |              |              |              |              |              |              |              |              |              |  |  |  |  |
| Administrators               | 18.0         | 18.0         | 18.0         | 17.0         | 17.0         | 17.0         | 15.0         | 17.0         | 17.0         | 18.0         |  |  |  |  |
| Certified Teaching Staff     | -            | -            | -            | -            | -            | -            | -            | -            | 0.5          | 0.5          |  |  |  |  |
| Classified & Prof. Employees | 26.5         | 25.9         | 24.3         | 29.9         | 30.1         | 29.8         | 26.3         | 29.0         | 29.4         | 29.1         |  |  |  |  |
| Operations and Maintenance   |              |              |              |              |              |              |              |              |              |              |  |  |  |  |
| Administrators               | 2.0          | 2.0          | 1.0          | 1.0          | 1.0          | 1.0          | 1.0          | 1.0          | 1.0          | 1.0          |  |  |  |  |
| Classified & Prof. Employees | 41.5         | 44.1         | 43.6         | 53.1         | 54.6         | 54.9         | 55.4         | 57.1         | 55.6         | 53.9         |  |  |  |  |
| Student Transportation       |              |              |              |              |              |              |              |              |              |              |  |  |  |  |
| Classified & Prof. Employees | 3.1          | 3.6          | 3.6          | 4.2          | 3.8          | 3.9          | 4.5          | 4.8          | 4.8          | 4.5          |  |  |  |  |
| Food Services                |              |              |              |              |              |              |              |              |              |              |  |  |  |  |
| Classified & Prof. Employees | 32.0         | 30.7         | 32.0         | 30.5         | 31.3         | 31.0         | 32.1         | 33.3         | 29.9         | 33.9         |  |  |  |  |
| Extracurricular Activities   |              |              |              |              |              |              |              |              |              |              |  |  |  |  |
| Administrators               | 1.0          | 1.0          | 1.0          | 1.0          | 1.0          | 1.0          | 1.0          | 1.0          | 1.0          | 1.0          |  |  |  |  |
| Certified Teaching Staff     | -            | -            | -            | -            | -            | -            | 0.4          | 0.4          | 0.5          | 0.4          |  |  |  |  |
| Classified & Prof. Employees | 4.0          | 4.0          | 4.0          | 4.0          | 4.0          | 4.0          | 3.0          | 3.0          | 3.0          | 3.0          |  |  |  |  |
| Total                        | <u>629.1</u> | <u>633.0</u> | <u>667.7</u> | <u>698.3</u> | <u>713.7</u> | <u>719.7</u> | <u>712.6</u> | <u>770.9</u> | <u>763.0</u> | <u>793.6</u> |  |  |  |  |

| <u>Fiscal 2014 Summary</u> | <u>Admin.</u> | <u>Certified Staff</u> | <u>Classified &amp; Professional Employees</u> | <u>Total FTE</u> |
|----------------------------|---------------|------------------------|--|------------------|
| Instruction                | -             | 395.3                  | 82.9   | 478.2            |
| Support Services           | 1.0           | 48.0                   | 90.6   | 139.6            |
| General Administration     | 5.0           | -                      | 25.5   | 30.5             |
| Building Administration    | 18.0          | 0.5                    | 29.1   | 47.6             |
| Operations and Maintenance | 1.0           | -                      | 53.9   | 54.9             |
| Student Transportation     | -             | -                      | 4.5  | 4.5              |
| Food Services              | -             | -                      | 33.9   | 33.9             |
| Extracurricular Activities | 1.0           | 0.4                    | 3.0  | 4.4              |
| Total                      | <u>26.0</u>   | <u>444.2</u>           | <u>323.4</u>                                   | <u>793.6</u>     |

Source: District Records

Table 21

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**Certified Staff Education and Experience**  
**January 2016**

| Educational Attainment           | Full Time Equivalent | Percent of Total |       |
|----------------------------------|----------------------|------------------|-------|
| Bachelor's Degree                | 54.7                 | 12.3%            | 32.8% |
| Bachelor's Degree + 15 Credits   | 20.3                 | 4.6%             |       |
| Bachelor's Degree + 30 Credits   | 14.3                 | 3.2%             |       |
| Bachelor's Degree + 45 Credits   | 21.3                 | 4.8%             |       |
| Bachelor's Degree + 60 Credits   | 13.0                 | 2.9%             |       |
| Bachelor's Degree + 75 Credits   | 12.0                 | 2.7%             |       |
| Bachelor's Degree + 90 Credits   | 10.0                 | 2.3%             | 67.2% |
| Master's Degree BA + 45 Credits  | 33.3                 | 7.5%             |       |
| Master's Degree BA + 60 Credits  | 46.5                 | 10.5%            |       |
| Master's Degree BA + 75 Credits  | 40.9                 | 9.2%             |       |
| Master's Degree BA + 90 Credits  | 22.4                 | 5.0%             |       |
| Master's Degree BA + 105 Credits | 155.5                | 35.0%            |       |
| <b>Total</b>                     | <u>444.2</u>         | <u>100.0%</u>    |       |

| Years of Experience | Full Time Equivalent | Percent of Total |
|---------------------|----------------------|------------------|
| 0 - 5               | 119.9                | 27.0%            |
| 6 - 10              | 132.6                | 29.8%            |
| 11 - 15             | 61.0                 | 13.7%            |
| 16 - 20             | 60.3                 | 13.6%            |
| 21 - 25             | 32.8                 | 7.4%             |
| 26 and Over         | 37.6                 | 8.5%             |
| <b>Total</b>        | <u>444.2</u>         | <u>100.0%</u>    |

Source: District Records

Table 22

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**Educational Building Data**  
**For the Fiscal Year Ended June 30, 2016**

|                            | <u>Year<br/>Built</u> | <u>Square<br/>Footage</u> | <u>Functional<br/>Capacity</u> | <u>Enrollment</u>  | <u>Percentage<br/>of Capacity<br/>Used</u> |
|----------------------------|-----------------------|---------------------------|--------------------------------|--------------------|--|
| <b>Elementary Schools:</b> |                       |                           |                                |                    |  |
| <b><u>K-5 Schools</u></b>  |                       |                           |                                |                    |  |
| Longfellow                 | 1939                  | 39,086                    | 332                            | 335                | 100.9%                                     |
| Irving                     | 1939                  | 33,893                    | 312                            | 275                | 88.1%                                      |
| Whittier                   | 1958                  | 34,700                    | 286                            | 282                | 98.6%                                      |
| Hawthorne                  | 1939                  | 38,094                    | 332                            | 338                | 101.8%                                     |
| Morning Star               | 1992                  | 56,010                    | 534                            | 494                | 92.5%                                      |
| Emily Dickinson            | 1992                  | 56,012                    | 498                            | 452                | 90.8%                                      |
| Hyalite                    | 2009                  | 66,000                    | 534                            | 454 <sup>(2)</sup> | 85.0%                                      |
| Meadowlark                 | 2013                  | 71,719                    | 554                            | 435                | 78.5%                                      |
| <b><u>6-8 Schools</u></b>  |                       |                           |                                |                    |  |
| Chief Joseph               | 2008                  | 129,500                   | 780                            | 769                | 98.6%                                      |
| Sacajawea                  | 1996                  | 97,456                    | 690                            | 703                | 101.9%                                     |
| <b>High School:</b>        |                       |                           |                                |                    |  |
| Bozeman High School        | 1957                  | 404,386 <sup>(1)</sup>    | 2,400 <sup>(1)</sup>           | 1,996              | 83.2%                                      |

<sup>(1)</sup> 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.

<sup>(2)</sup> All 29 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>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Elementary Schools:</b> |             |             |             |             |             |             |             |             |             |             |
| <b><u>K-5 Schools</u></b>  |             |             |             |             |             |             |             |             |             |             |
| Longfellow                 | 14%         | 14%         | 16%         | 15%         | 17%         | 20%         | 19%         | 18%         | 15%         | 14%         |
| Irving                     | 35%         | 37%         | 36%         | 42%         | 43%         | 47%         | 55%         | 46%         | 41%         | 44%         |
| Whittier                   | 46%         | 47%         | 45%         | 56%         | 52%         | 53%         | 48%         | 47%         | 50%         | 43%         |
| Hawthorne                  | 16%         | 15%         | 16%         | 24%         | 26%         | 22%         | 26%         | 23%         | 15%         | 15%         |
| Morning Star               | 9%          | 8%          | 9%          | 11%         | 10%         | 10%         | 10%         | 8%          | 6%          | 6%          |
| Emily Dickinson            | 22%         | 24%         | 24%         | 27%         | 29%         | 25%         | 24%         | 23%         | 16%         | 16%         |
| Hyalite                    | N/A         | N/A         | N/A         | 39%         | 44%         | 46%         | 45%         | 46%         | 39%         | 42%         |
| Meadowlark                 | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 14%         | 15%         | 13%         |
| <b><u>6-8 Schools</u></b>  |             |             |             |             |             |             |             |             |             |             |
| Chief Jospheh              | 21%         | 31%         | 23%         | 28%         | 31%         | 33%         | 37%         | 31%         | 27%         | 24%         |
| Sacajawea                  | 11%         | 13%         | 13%         | 19%         | 20%         | 24%         | 23%         | 23%         | 21%         | 20%         |
| <b>High School</b>         |             |             |             |             |             |             |             |             |             |             |
|                            | 15%         | 12%         | 18%         | 24%         | 15%         | 19%         | 23%         | 21%         | 20%         | 20%         |

Source: Title I portion of ESEA consolidated applications

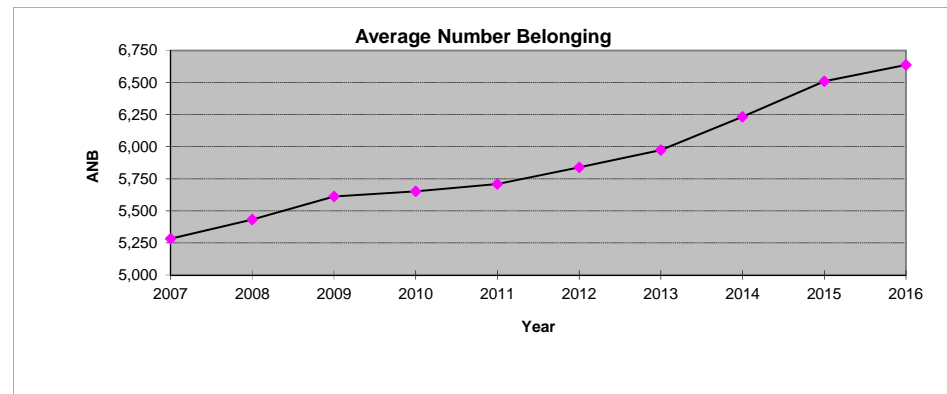
Table 24

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

| Year Ended<br>June 30 | October<br>Enrollment | Percent<br>Increase<br>(Decrease) | Average Number Belonging (ANB) |                                   |  |
|-----------------------|-----------------------|-----------------------------------|--------------------------------|-----------------------------------|--|
|                       |                       |                                   | Amount                         | Percent<br>Increase<br>(Decrease) | Percent of<br>Prior Year's<br>Enrollment |
| 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                                    |
| 2014                  | 6,213                 | 3.7                               | 6,232                          | 4.3                               | 104.0                                    |
| 2015                  | 6,326                 | 1.8                               | 6,510                          | 4.5                               | 104.8                                    |
| 2016                  | 6,533                 | 3.3                               | 6,637                          | 2.0                               | 104.9                                    |

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-0000007-09
- B. Carrier: Princeton Excess & Surplus Lines Insurance Company
- C. Policy Period: 7/1/15- 7/1/16
- 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 #: WC-1611-042
- B. Carrier: Workers' Compensation Risk Retention Program
- C. Policy Period: 7/1/15 - 7/1/16

III. Boiler and Machinery Policy

- A. Policy #: BAJ-BME 1-8156L884-TIL-15
- B. Carrier: Travelers Boiler
- C. Policy Period: 7/1/15 - 7/1/16
- D. Limits: \$100,000,000 per occurrence

IV. Excess Liability

- A. Policy #: 64-A3-EX-000000709
- B. Carrier: Princeton Excess & Surplus Lines Insurance Company
- C. Policy Period: 7/1/15 - 7/1/16
- D. Limits: \$10,000,000

V. Commercial Employee Blanket Bond

- A. Policy #: ALA-64-A3-EX-0000007-09
- B. Carrier: Princeton Excess & Surplus Lines Insurance Company
- C. Policy Period: 7/1/15 - 7/1/16
- D. Limits: \$500,000 All Employees

VI. Excess Property

- A. Policy #: KTK-CMB-545D496-9-15
- B. Carrier: Travelers Insurance
- C. Policy Period: 7/1/15 - 7/1/16
- D. Limits: \$100,000,000 per occurrence

## **SINGLE AUDIT SECTION**





**BOZEMAN SCHOOL DISTRICT NO. 7**  
**Schedule of Federal Award Expenditures**  
**For the Fiscal Year Ended June 30, 2016**

| <b>Federal Grantor/Pass-Through<br/>Grantor/Program Title</b>  | <b>Federal<br/>CFDA<br/>Number</b> | <b>Pass-through<br/>Grantors<br/>Number</b> | <b>Program or<br/>Award<br/>Amount</b> | <b>Revenues</b>     | <b>Expenditures</b> |
|--|------------------------------------|---|--|---------------------|---------------------|
| <b>U.S. Department of Education</b>  |                                    |   |  |                     |                     |
| Pass-through Montana Office of Public Instruction:   |                                    |   |  |                     |                     |
| Title I, Part A  | 84.010A                            | 16-0350-31-16                               | \$ 460,005                             | \$ 445,617          | \$ 445,617          |
| Title I, Part A - Schoolwide   | 84.010A                            | 16-0350-32-16                               | 320,000                                | 309,482             | 309,482             |
| Subtotal Title I, Part A   | 84.010A                            |   | <u>780,005</u>                         | <u>755,099</u>      | <u>755,099</u>      |
| Adult Basic Education and Literacy   | 84.002                             | 16-0351-56-16-BG                            | 89,395                                 | 89,395              | 89,395              |
| EL/Civics  | 84.002                             | 16-0351-56-16-EL                            | 12,245                                 | 12,245              | 12,245              |
| Subtotal ABLE and EL/Civics  | 84.002                             |   | <u>101,640</u>                         | <u>101,640</u>      | <u>101,640</u>      |
| Title II, Part A   | 84.367                             | 16-0350-14-16                               | 273,893                                | 259,988             | 259,988             |
| Title II, Part A - State Levels  | 84.367A                            | 16-0350-14-16-SLA                           | 20,000                                 | 20,000              | 20,000              |
| Subtotal Title II, Part A  | 84.367                             |   | <u>293,893</u>                         | <u>279,988</u>      | <u>279,988</u>      |
| Title II, Part B   | 84.366B                            | 16-0350-15-15-MSP                           | 407,470                                | 21,869              | 21,869              |
| Title II, Part B   | 84.366B                            | 16-0350-15-16-MSP                           | 458,125                                | 344,484             | 344,484             |
| Subtotal Title II, Part B  | 84.366B                            |   | <u>865,595</u>                         | <u>366,353</u>      | <u>366,353</u>      |
| Title I, Part D - Neglected and Delinquent   | 84.013A                            | 16-0351-42-15                               | 8,615                                  | 4,250               | 4,250               |
| Title I, Part D - Neglected and Delinquent   | 84.013A                            | 16-0351-42-16                               | 7,874                                  | 510                 | 510                 |
| Title III, Part A  | 84.365A                            | 16-0350-41-16I                              | 11,869                                 | 11,869              | 11,869              |
| IDEA-B   | 84.027A                            | 16-0350-77-16                               | 1,258,604                              | 1,258,604           | 1,258,604           |
| IDEA-B Preschool   | 84.173A                            | 16-0350-79-16                               | 26,361                                 | 26,361              | 26,361              |
| Carl Perkins - Basic   | 84.048A                            | 16-0351-81-16                               | 89,388                                 | 89,388              | 89,388              |
| Title X  | 84.196                             | 16-0350-57-16                               | 6,563                                  | 6,563               | 6,563               |
| Pass-through Montana Dept. of Health & Human Services:<br>Pre-Employment Transition Services           | 84.126A                            | 16-01-175-0008-0                            | 53,625                                 | 53,625              | 35,513              |
| <b>Total U.S. Department of Education Pass-Through</b>   |                                    |   | <u>\$ 3,504,032</u>                    | <u>\$ 2,954,250</u> | <u>\$ 2,936,138</u> |
| <b>U.S. Department of Education Direct Programs:</b>   |                                    |   |  |                     |                     |
| Title VII Indian Education   | 84.060A                            | S060A150430                                 | \$ 24,318                              | \$ 24,318           | \$ 24,318           |
| <b>Total U.S. Department of Education Direct</b>   |                                    |   | <u>\$ 24,318</u>                       | <u>\$ 24,318</u>    | <u>\$ 24,318</u>    |
| <b>U.S. Department of Justice:</b>   |                                    |   |  |                     |                     |
| Pass-through National Institute of Justice<br>School and Family Engagement - Trauma Informed (SAFE-TI) | 16.560                             | 2014-MU-MU-0017                             | \$ 3,319,810                           | \$ 599,536          | \$ 599,536          |
| <b>Total U.S. Federal Highway Administration</b>   |                                    |   | <u>\$ 3,319,810</u>                    | <u>\$ 599,536</u>   | <u>\$ 599,536</u>   |
| <b>U.S. Federal Highway Administration:</b>  |                                    |   |  |                     |                     |
| Pass-through Montana Department of Transportation<br>Safe Routes to School - Infrastructure            | 20.205                             | SRTS 1299(31)                               | \$ 74,116                              | \$ 40,702           | \$ 40,702           |
| <b>Total U.S. Federal Highway Administration</b>   |                                    |   | <u>\$ 74,116</u>                       | <u>\$ 40,702</u>    | <u>\$ 40,702</u>    |
| <b>U.S. Department of Agriculture:</b>   |                                    |   |  |                     |                     |
| Pass-through Montana Office of Public Instruction:   |                                    |   |  |                     |                     |
| National School Lunch Program  | 10.555                             | N/A   | \$ 512,689                             | \$ 512,689          | \$ 512,689          |
| School Wellness - MT Team Nutrition  | 10.555                             | 16-0350-2015-SWIA                           | 2,000                                  | 882                 | 882                 |
| National School Lunch Program - Commodities  | 10.555                             | N/A   | 175,486                                | 175,486             | 175,486             |
| Subtotal 10.555 School Lunch Related Funding   | 10.555                             |   | <u>690,175</u>                         | <u>689,057</u>      | <u>689,057</u>      |
| Fresh Fruit and Vegetable  | 10.582                             |   | 13,567                                 | 13,567              | 13,567              |
| <b>Total U.S. Department of Agriculture</b>  |                                    |   | <u>\$ 703,742</u>                      | <u>\$ 702,624</u>   | <u>\$ 702,624</u>   |
| <b>U.S. Department of Health &amp; Human Services:</b>   |                                    |   |  |                     |                     |
| Pass-through Dept. of Health & Human Services - MT:<br>TANF (Education Support)                        | 93.558                             | 16-02261003-0                               | \$ 16,922                              | \$ 16,922           | \$ 16,922           |
| <b>Total U.S. Department of Health &amp; Human Services</b>  |                                    |   | <u>\$ 16,922</u>                       | <u>\$ 16,922</u>    | <u>\$ 16,922</u>    |
| <b>TOTAL FEDERAL ASSISTANCE</b>  |                                    |   | <u>\$ 7,642,940</u>                    | <u>\$ 4,338,352</u> | <u>\$ 4,320,240</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. 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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 28, 2016.

**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  
December 28, 2016

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 Compliance Supplement* that could have a direct and material effect on each of the Districts major federal programs for the year ended June 30, 2016. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

**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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Anderson Zurmuehlen & Co, P.C.*

Bozeman, Montana  
December 28, 2016

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2016**

**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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative  
 Requirements, Cost Principles, and Audit Requirements for Federal Awards  
 (Uniform Guidance)?

No

**Identification of major programs**

|        |   |
|--------|---|
| 84.010 | Title 1 Grants to Local Educational Agencies              |
| 16.560 | School and Family Engagement – Trauma Informed (SAFE –TI) |

|  |           |
|--|-----------|
| Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
|--|-----------|

|  |     |
|--|-----|
| Auditee qualified as low-risk auditee? | Yes |
|--|-----|

**BOZEMAN SCHOOL DISTRICT NO. 7  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016**

**Financial Statement Findings**

**None Reported**

**Federal Award Findings and Questioned Costs:**

**None Reported**

**Prior Year Financial Statement Findings**

**None Reported**

**Prior Year Federal Award Findings and Questioned Costs:**

**None Reported**