

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**



**BOZEMAN SCHOOL DISTRICT NUMBER 7**

**For the year ended June 30, 2018**

**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, 2018

**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

[www.bsd7.org](http://www.bsd7.org)

Phone: (406) 522-6042



## Table of Contents

### INTRODUCTORY SECTION

Letter of Transmittal .....	1
Certificate of Achievement for Excellence in Financial Reporting .....	7
Administrative Organization Chart .....	8
Board of Trustees .....	9
Map of City of Bozeman denoting school locations .....	10

### FINANCIAL SECTION

Independent Auditor's Report .....	12
Management's Discussion and Analysis .....	15

#### BASIC FINANCIAL STATEMENTS

##### Government-Wide Financial Statements

Statement of Net Position .....	28
Statement of Activities .....	29

##### Fund Financial Statements

##### Governmental Fund Financial Statements

Balance Sheet - Governmental Funds .....	32
Reconciliation of the Balance Sheet of Governmental Funds to Statement of Net Position .....	33
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	34
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	35
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund .....	36

##### Proprietary Fund Financial Statements

Statement of Net Position - Proprietary Funds .....	37
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds .....	38
Statement of Cash Flows - Proprietary Funds .....	39

Fiduciary Fund Financial Statements

Statement of Net Position - Fiduciary Funds.....	40
Statement of Changes in Net Position - Fiduciary Funds.....	41

Notes to the Financial Statements .....	43
---	----

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT DISCUSSION AND ANALYSIS**

Schedule of Changes in the District's Net OPEB Liability and Related Ratios .....	98
Schedule of Proportionate Share of Net Pension Liability and Schedule of Contribution - TRS .....	99
Schedule of Proportionate Share of Net Pension Liability and Schedule of Contribution - PERS .....	100
Notes to the Required Supplementary Information .....	101

**SUPPLEMENTAL INFORMATION**

Combining Financial Statements

Combining Balance Sheet - All General Subfunds .....	114
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - All General Subfunds .....	115
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - All General Subfunds .....	116

Nonmajor Governmental Funds - By Fund Type

Combining Balance Sheet - All Nonmajor Governmental Funds - By Fund Type .....	118
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - All Nonmajor Governmental Funds - By Fund Type .....	119

Nonmajor Special Revenue Funds

Combining Balance Sheet .....	122
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	124
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Elementary Transportation and Elementary Bus Depreciation .....	126
Elementary Tuition and Elementary Retirement .....	127
Elementary Technology Acquisition and Elementary Flexibility .....	128
High School Transportation and High School Bus Depreciation .....	129
High School Tuition and High School Retirement .....	130
High School Adult Education and High School Technology Acquisition .....	131
High School Flexibility .....	132

## Nonmajor Debt Service Funds

Combining Balance Sheet .....	134
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	135
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Nonmajor Elementary and Nonmajor High School Debt Service Funds .....	136

## Nonmajor Capital Projects Funds

Combining Balance Sheet .....	138
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	139
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Nonmajor Elementary Building Reserve and Nonmajor High School Building Reserve .....	140

## Proprietary Funds

Combining Statement of Net Position - All Internal Service Funds .....	142
Combining Statement of Revenues, Expenses, and Changes in Net Position - All Internal Service Funds .....	143
Combining Statement of Cash Flows - All Internal Service Funds .....	144

## Fiduciary Funds

Combining Statement of Net Position - All Private-Purpose Trust Funds .....	146
Combining Statement of Changes in Net Position - All Private-Purpose Trust Funds .....	147

## Capital Assets Used in the Operation of Governmental Funds

Capital Assets Used in the Operation of Governmental Funds - Schedule by Source .....	150
Capital Assets Used in the Operation of Governmental Funds - Schedule by Function and Activity .....	151
Capital Assets Used in the Operation of Governmental Funds - Schedule of Change by Function and Activity .....	152

**SUPPLEMENTAL INFORMATION MANDATED BY MONTANA OFFICE OF PUBLIC INSTRUCTION**

## Extracurricular Fund Activity Detail

Chief Joseph Middle School Student Extracurricular Fund .....	154
Sacajawea Middle School Student Extracurricular Fund .....	155
High School Student Extracurricular Fund .....	156

Schedule of Enrollment .....	158
------------------------------	-----

## STATISTICAL SECTION

Table 1 - Net Position .....	160
Table 2 - Changes in Net Position .....	161
Table 3 - Fund Balances of Governmental Funds .....	162
Table 4 - Changes in Fund Balances of Governmental Funds .....	163
Table 5 - General Fund Expenditures by Function .....	164
Table 6 - Property Tax Assessments and Collections .....	165
Table 7 - Property Tax Rates and Tax Levies - Direct and Overlapping Governments .....	166
Table 8 - Principal Property Tax Payers in the Bozeman Elementary District .....	167
Table 9 - Principal Property Tax Payers in the Bozeman High School District .....	168
Table 10 - Revenue by Source - All Governmental Fund Types .....	169
Table 11 - General Fund Revenue by Source .....	170
Table 12 - General Fund Revenue per Student .....	171
Table 13 - Ratio of Total Bonded Debt to Assessed Value and Total Bonded Debt Per Capita .....	172
Table 14 - Computation of Legal Debt Margin .....	173
Table 15 - Computation of Direct and Overlapping Governmental Activities Debt .....	174
Table 16 - Ratio of Annual Debt Service for General Obligation Bonded Debt to Total General Subfund Expenditures .....	175
Table 17 - Demographic Statistics .....	176
Table 18 - Principal Employers for Gallatin County .....	177
Table 19 - Operating Statistics .....	178
Table 20 - Employee Full Time Equivalency (FTE) by Function .....	179
Table 21 - Certified Staff Education and Experience .....	180
Table 22 - Educational Building Data .....	181
Table 23 - Percentage of Students Who Qualified for Free and Reduced Lunch .....	182
Table 24 - Enrollment Data .....	183
Table 25 - Schedule of Insurance in Force .....	184

## SINGLE AUDIT SECTION

Schedule of Federal Award Expenditures .....	187
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 .....	188
Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by OMB Circular A-133 .....	190
Schedule of Findings and Questioned Costs .....	193



# **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 22, 2018

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, 2018.

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, 2018, 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 53,756. The high school district covers approximately 700 square miles, and encompasses eight elementary districts (kindergarten through 8th grade (K-8) - Bozeman, Anderson, Cottonwood, Gallatin

Gateway, LaMotte, Malmborg, Monforton, and Sedan-Wilsall). The estimated population of the high school district is 64,933. 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 6,908 students and provides a full range of educational services appropriate to grade levels Pre-K through 12, as well as Adult Education. These include regular and enriched academic education, special education for students with disabilities and occupational education. These basic programs are supplemented by a wide variety of offerings in fine arts and athletics. The Bozeman Schools Foundation, Bozeman Hawk Booster Club, Bozeman Schools Friends of Music and the various parent organizations are separate legal entities. The impacts of these individual entities is considered immaterial to the overall financial status of the District and, as such, are not included in these financial statements.

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

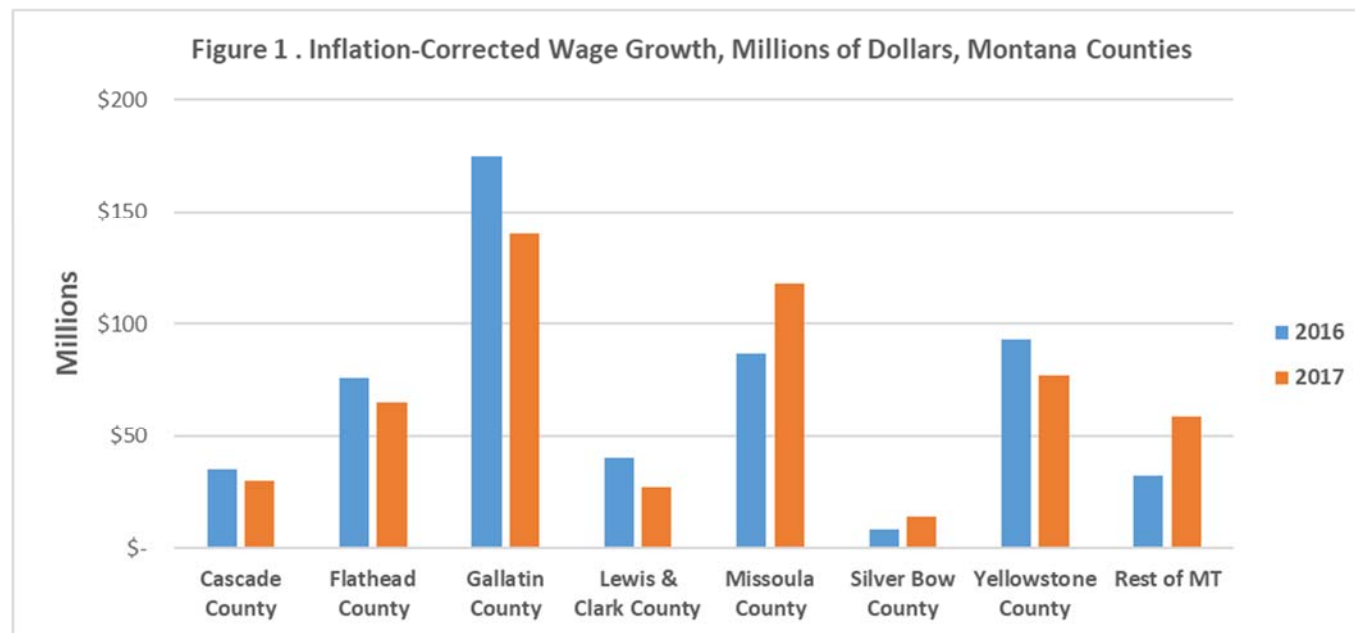
Montana State University - Bozeman (M.S.U.) represents a major economic activity in the District. M.S.U., with a fiscal year 2017-2018 annual budget of approximately \$466,182,127, employs approximately 4,082 employees (2,476 full time, 857 part-time, and 749 graduate teaching and research assistants). With a student enrollment of 16,703(Fall 2017), 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 analysis

contained in the *2018 Montana Economic Report* related to Montana and Gallatin County, are restated in the following paragraphs.

2017 was a year of reasonably good wage growth and continued gains in employment for the state as a whole. Wages paid to payroll workers in fiscal year 2017, which ended on June 30, were more than \$800 million higher than in the previous fiscal year. On an inflation-corrected basis, wage growth has remained between 3.2 and 3.5 percent for each of the past three years. This is a very respectable performance. But wages only make up about two-thirds of total earnings and the other pieces that make up the total – most notably business owner income – have not fared as well. This business proprietor income – the production-related income of sole proprietorships, partnerships and tax-exempt cooperatives – sharply contracted by 6.6 percent in calendar year 2016 (data for 2017 was not yet available). With income from royalties, interest and rent also posting a disappointing 0.2 percent growth in 2016, the overall income performance in the state was less robust than wage growth.

Gallatin County continues to be the growth leader by a large margin with steady, inflation-corrected wage growth in the neighborhood of 7.5 percent in recent years (as partially illustrated in Figure 1 below derived from the U.S. Bureau of Labor Statistics). The boom is perhaps best exemplified in construction industries, which are growing payrolls at almost twice that rate. Gallatin has still enjoyed robust expansions in tech-related services and manufacturing which have added fuel to the growth engine. Congestion and affordability have emerged as pressing issues for the community, but many other parts of the state would wish to have those problems.



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.

In 2015, the District was awarded a three-year, \$3 million research grant from the US Department of Justice. The grant provided funding to study the effectiveness of interventions for students experiencing traumatic events in their lives. The District currently employs 10 FTE--mostly mental health professionals--at a cost of about \$550,000 per year as a part of this grant. Although the results are still being analyzed, the District feels the program was very successful. With the grant set to expire, the District is working with the legislature to create a structure for funding operational costs of school safety--including mental health services.

### **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.

In the fall of 2020, the District will open its second high school. The second high school will have a significant impact on operating budgets, and as a result, it figures predominately in its Operations and Capacity Building Goal. The current one-high school model allows for significant efficiencies of scale that will be lost when our second high school opens. Administration currently estimates opening a second high school will require between \$1.3 million and \$1.5 million per year in additional operating costs in

today's dollars—roughly 8% of our annual High School operating budget. The State of Montana's funding formula sets maximum spending levels in an attempt to equalize per-student spending across the state. The Bozeman School District is at the cap, so no additional funds will become available when the second high school opens its doors. As a result, the District is considering several alternate plans to address this looming issue.

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 6-year and permanent durations, respectively. The Building Reserve levies are helping the District tackle current and expected facilities maintenance costs, while the Technology levy has helped the District keep up with the ever changing technology needs, replacing and modernizing as needed.

## **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, 2017. 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-ninth 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,

A handwritten signature in black ink, appearing to read 'S.D. Johnson'.

Steven D. Johnson, CPA  
Deputy Superintendent Operations

A handwritten signature in black ink, appearing to read 'Robert J. Watson'.

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**

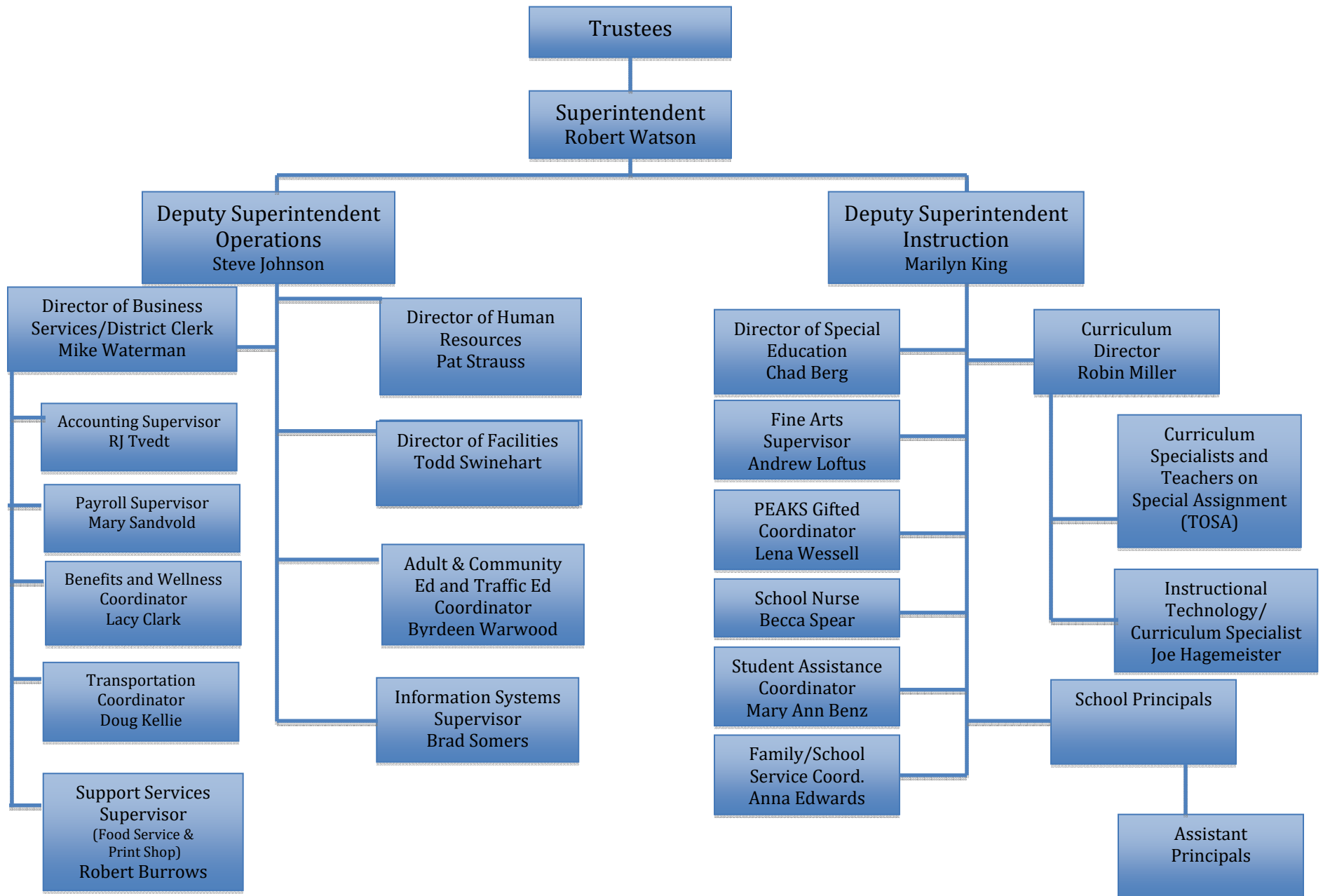
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO

## Bozeman School District 7 Administrative Organization



## BOZEMAN SCHOOL DISTRICT NO. 7

Elected Officials  
Board of Trustees

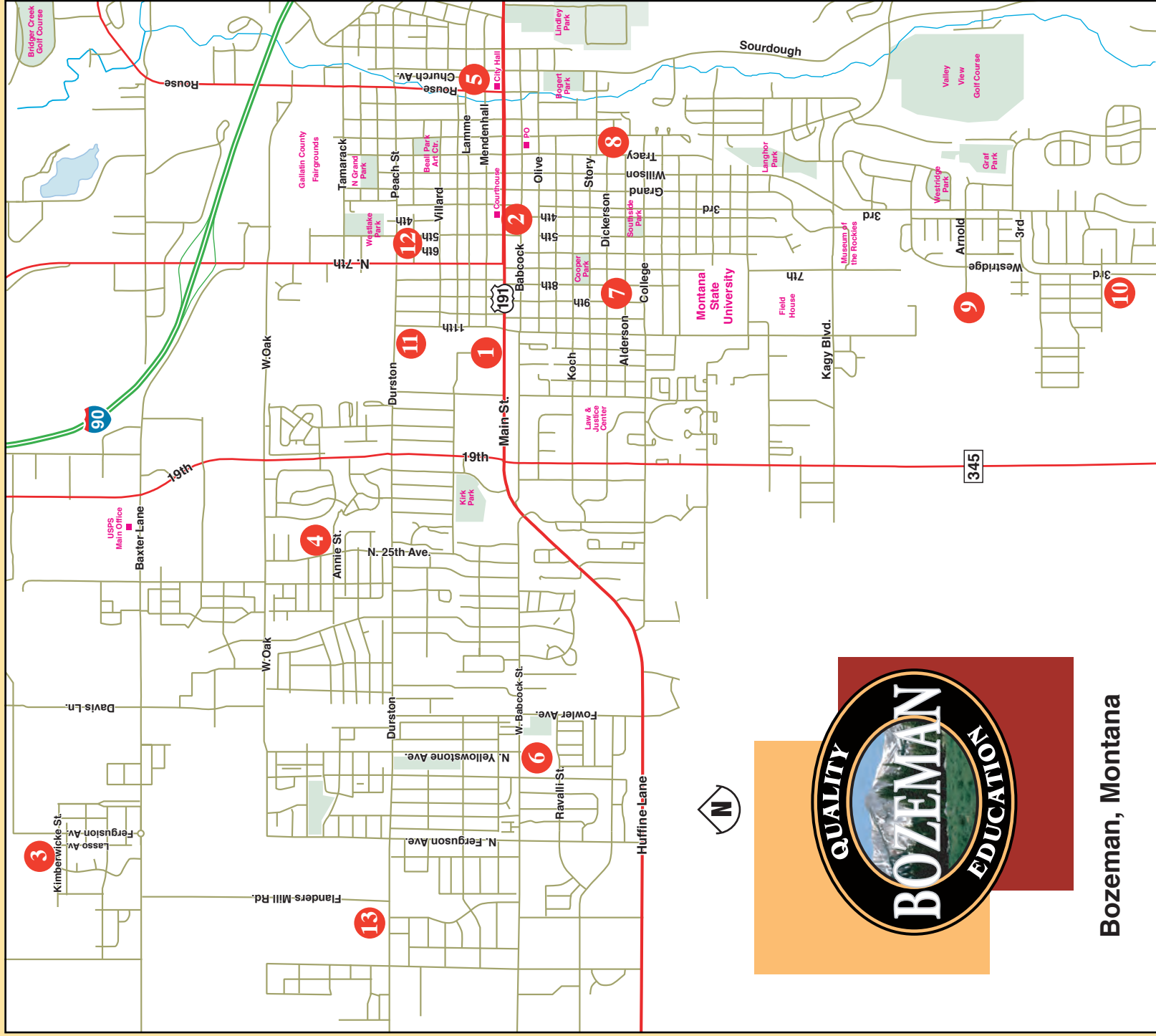
	Term Expires <u>April</u>
Andy Willett . . . . .Chair	2019
Sandra Wilson . . . . .Vice Chair	2021
Heide Arneson . . . . .Trustee	2020
Douglas Fischer . . . . .Trustee	2021
Gary Lusin . . . . .Trustee	2021
Greg Neil . . . . .Trustee	2020
Tanya Reinhardt . . . . .Trustee	2019
Wendy Tage . . . . .Trustee	2021

Appointed

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

Board Meetings Held During Fiscal Year 2017-18

Regular 12  
Special 21



<b>1</b>	<b>Bozeman High School</b> 205 North 11th 522-6200	<b>4</b>	<b>Emily Dickinson Elementary</b> 2435 Annie Street 522-6650	<b>8</b>	<b>Longfellow Elementary</b> 516 South Tracy 522-6150	<b>12</b>	<b>Whittier Elementary</b> 511 North 5th 522-6750
<b>1</b>	<b>Bridger Charter Academy</b> 205 North 11th 522-6100	<b>5</b>	<b>Hawthorne Elementary</b> 405 East Mendenhall Street 522-6700	<b>9</b>	<b>Morning Star Elementary</b> 830 Arnold Street 522-6500	<b>13</b>	<b>Meadowlark Elementary</b> 4415 Durston Road 582-6860
<b>2</b>	<b>Central Administration Offices</b> 404 West Main Street 522-6000	<b>6</b>	<b>Hyalite Elementary School</b> 3600 West Babcock 582-6800	<b>10</b>	<b>Sacajawea Middle School</b> 3525 South 3rd 522-6400		
<b>3</b>	<b>Chief Joseph Middle School</b> 4255 Kimberwicke 522-6300	<b>7</b>	<b>Irving Elementary</b> 811 West Alderson Street 522-6600	<b>11</b>	<b>Support Services</b> 501 North 11th 522-6380		

## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Bozeman School District No. 7

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bozeman School District No. 7 (the District), as of and for the year ended June 30, 2018, 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, 2018, 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.

### ***Emphasis of a Matter***

#### ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, Bozeman School District No. 7. has adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which has resulted in a restatement of the net position as of July 1, 2017. Our opinions are not modified with respect to this matter.

### ***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 changes in the net other postemployment healthcare benefits (OPEB) liability and related ratios, 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 20, 2018, 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.

*Andersen Zuercher + Co, P.C.*

Bozeman, Montana  
December 20, 2018



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

**BOZEMAN SCHOOL DISTRICT NO. 7  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

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, 2018. 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 and 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 2018". 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 and High School Building Funds, which are considered to be major funds. Data from the other twenty-two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* and *schedules* elsewhere in this report.

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

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

The two internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of

*combining statements* on pages 141-144 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 145-147. The District uses the fiduciary funds to account for extracurricular student activities, Worthy Student Scholarships nonexpendable endowment, High School expendable 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. The District's net position decreased by approximately \$1.1 million this year as compared to an almost \$3.7 million increase last year due in large part to a prior period adjustment booked per newly implemented GASB Statement 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" which resulted in a \$2.7 million reduction in the District's beginning net position for the year. The restatement was netted against what would have otherwise been an approximate \$1.6 million increase in the year, due mainly to an increase in conserving money in the building and building reserve restricted net positions to fund future projects. On subsequent pages, *Table 1* presents a comparative summary of the District's net position for the fiscal years ended June 30, 2018 and 2017. *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 \$18.0 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 (\$41,542,617) which was a 10.9% decline over the prior year. The origin of this large negative component of the net position resides in the past 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 current implementation of the aforementioned GASB Statement 75 related to postemployment benefits other than pensions.

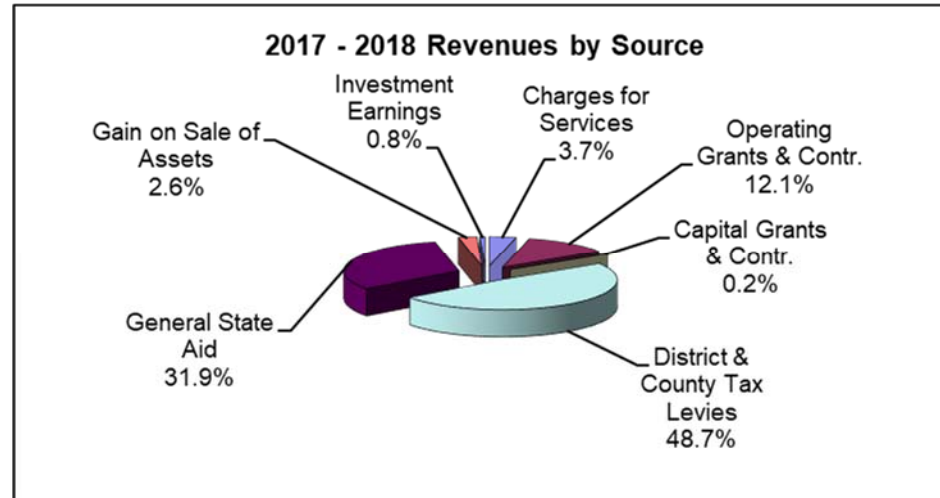
**Table 1**  
**BOZEMAN SCHOOL DISTRICT NO. 7**  
**Net Position**

	<b>Governmental Activities</b>	
	<u>2018</u>	<u>2017</u>
Current assets	\$ 131,567,803	\$ 33,846,374
Capital assets	<u>153,120,440</u>	<u>140,411,299</u>
Total assets	284,688,243	174,257,673
Deferred outflows of resources	<u>9,608,465</u>	<u>11,883,658</u>
Total assets and deferred outflows of resources	<u>294,296,708</u>	<u>186,141,331</u>
Current liabilities	18,099,999	11,749,372
Noncurrent bonds payable	187,111,849	86,568,846
Other noncurrent liabilities	7,380,229	4,367,130
Net pension liability	<u>52,628,350</u>	<u>53,399,793</u>
Total liabilities	265,220,427	156,085,141
Deferred inflows of resources	<u>671,412</u>	<u>538,969</u>
Total liabilities and deferred inflows of resources	<u>265,891,839</u>	<u>156,624,110</u>
Net position:		
Net investment in capital assets	51,973,114	52,358,871
Restricted	17,974,372	14,626,706
Unrestricted	<u>(41,542,617)</u>	<u>(37,468,356)</u>
Total net position	<u><u>\$ 28,404,869</u></u>	<u><u>\$ 29,517,221</u></u>

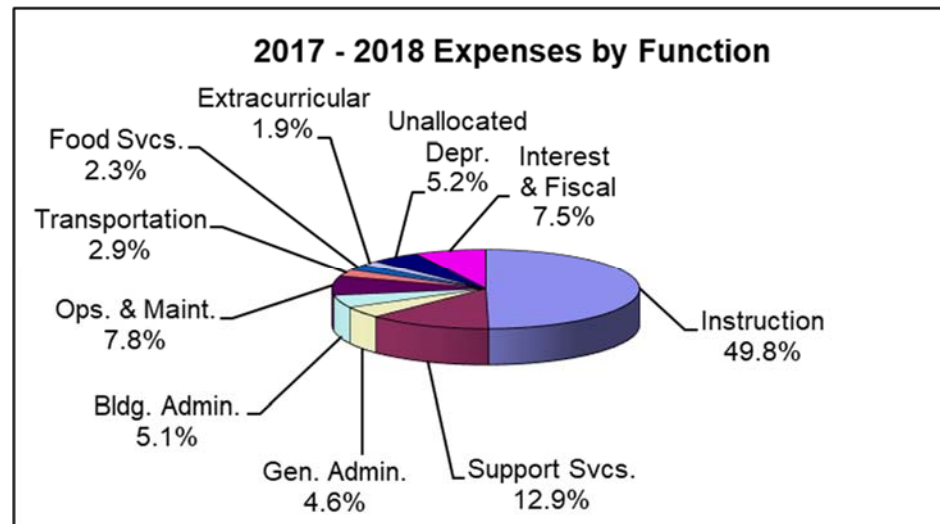
**Table 2**  
**BOZEMAN SCHOOL DISTRICT NO. 7**  
**Changes in Net Position**

	<b>Governmental Activities</b>	
	<b>2018</b>	<b>2017</b>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 3,303,743	\$ 3,334,115
Operating grants and contributions	10,669,076	10,572,999
Capital grants and contributions	156,003	231,315
General revenues		
District property taxes	35,963,449	33,008,907
Investment earnings	665,974	378,296
Gain on sale of asset	2,273,272	-
Unrestricted county distribution - retirement	7,018,292	6,814,815
Unrestricted state equalization	19,163,278	18,795,297
Unrestricted state guaranteed tax base subsidy	4,947,869	4,201,145
Unrestricted state motor vehicle fee reimbursement	65,255	1,969,511
Unrestricted quality educator	1,591,226	1,489,151
Unrestricted on-behalf pension	2,083,447	2,277,460
Unrestricted other state revenue	242,837	718,249
Total revenues	<u>88,143,721</u>	<u>83,791,260</u>
<b>Program Expenses</b>		
Instruction	43,026,874	42,124,323
Support services	11,168,070	10,761,333
General administration	3,955,888	3,672,373
Building administration	4,427,837	4,286,364
Operations and maintenance	6,745,515	6,246,085
Student transportation	2,486,481	2,319,235
Food services	2,022,080	2,179,268
Extracurricular activities	1,652,681	1,560,728
Unallocated depreciation	4,530,430	4,056,661
Interest and fiscal charges	6,531,974	2,898,000
Total expenses	<u>86,547,830</u>	<u>80,104,370</u>
Change in net position	<u>1,595,891</u>	<u>3,686,890</u>
Net position, beginning of year	29,517,221	25,830,331
Restatement, other postemployment health benefits	(2,708,243)	N/A
Net position, beginning of year, as restated	<u>26,808,978</u>	<u>N/A</u>
<b>Net position, end of year</b>	<b><u>\$ 28,404,869</u></b>	<b><u>\$ 29,517,221</u></b>

District revenues for fiscal year 2018 on *Table 2* experienced a net increase of \$4,352,461. This increase was largely attributable to a growing student population which generated an overall increase in state funding and local district property taxes as well as a sizeable gain on the sale of a long held piece of land. The following chart illustrates the breakout of revenue by source.



Total expenses on *Table 2* increased by \$6,443,460 (8.0%) and were largely attributable to the increase in the cost of salary, benefit and staffing to keep up with demand for services as well as the pension liability reporting requirement, and increased debt service responsibilities. 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 \$122,182,326, an enormous increase of approximately \$95 million due to unspent bond proceeds related to the high school 2017 \$100 million issuance.

The major high school building fund had a \$96,893,227 increase in fund balance solely due to bond issuance referenced above. This high school building fund balance will decline significantly when the unspent bond proceeds are liquidated during construction of the second high school and renovation of the existing high school. The other major fund, the General Fund, is the main operating fund of the Bozeman School District. Its fund balance experienced a \$306,479 (6.1%) increase primarily due to nonbudgeted tax increment proceeds received from the City of Bozeman and an increase in investment earnings due to rapidly climbing interest rates.

### General fund budgetary highlights

The ending budgeted general fund balance reserves increased 0.7% to 9.6% of the 2018-2019 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 \$166,270 (0.34%) 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 and are therefore not a budgeted revenue source).

General fund expenditures utilized 100.0% of the general fund budget. The operations and maintenance functional line item experienced a favorable 13.2% budget variance due to unspent utility contingency budget and annual repairs and maintenance expenditures coming in below budget. The extracurricular activities line item faced a 10.9% negative budget variance due to wages exceeding the adopted budget. There were no other significant functional variances in the budgeted general fund 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). The October 2017 enrollment count revealed that the District had experienced a more modest single year enrollment increase of 138 students. 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 continues to apply for anticipated enrollment increase funding as allowed by state law to help cope with the increasing student enrollment.



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### *Capital Assets*

As of June 30, 2018, the District had invested roughly \$201.4 million in capital assets, including school land, buildings, construction in progress, and machinery and equipment. This amount represents an approximate increase prior to depreciation of \$17.6 million over 2017. Total depreciation expense for the year was \$4,863,151. The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2018.

	Amount
Land	\$ 9,996,148
Land improvements	9,456,674
Buildings and improvements	120,078,763
Machinery and equipment	1,381,711
Construction in progress	13,319,190
Total	<u>\$154,232,486</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 \$257,986,944 in general obligation bonds and other long-term debt outstanding, of which \$10,866,516 is due within one year. A summary of the District's outstanding long-term debt for the year ended June 30, 2018, is presented below:

	Amount
General obligation bonds	\$ 197,531,849
Compensated absences	4,111,128
Voluntary termination benefits	12,000
Net pension liability	52,628,350
Other postemployment benefits	3,703,617
Total	<u>\$ 257,986,944</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, 2018, the current elementary legal debt margin is \$108,297,588 and the high school legal debt margin is \$44,206,414 (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 2018-2019 budget. The primary factors were the District's student population, collective bargaining agreements, inflation rates, and the local economy. Budgeted expenditures in the General Fund increased by 6.7% to \$51,043,843 in fiscal year 2018-2019. Increased payroll and employee benefit costs for an expanding workforce educating a growing student body are the primary reason for the increase.

Inflation for fiscal year 2018 (June to June) was 2.90% which was significantly higher than the twelve month 1.63% rate as of June 2017, which is higher than the historical average since June 2000 of 2.23%. The annual inflation rate has fell to 2.2% during the July through November 2018 timeframe. 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, 2018**

	Governmental Activities		Governmental Activities
<b><u>ASSETS</u></b>		<b><u>LIABILITIES</u></b>	
Current assets:		Current liabilities:	
Cash and cash equivalents	\$ 53,944,947	Accounts payable	\$ 5,177,730
Investments	74,688,170	Accrued interest payable	580,473
Property taxes receivable (net of allowances for uncollectibles)	689,238	Retainages payable	164,510
Due from other governments	1,846,357	Unearned revenue	1,310,770
Accounts receivable	184,155	Bonds payable - due within one year	10,420,000
Inventory, at cost	68,705	Compensated absences - due within one year	443,516
Prepaid items	110,175	Voluntary termination benefits - due within one year	3,000
Flexible accounts deposit	36,056	Total current liabilities	18,099,999
Total current assets	131,567,803		
Noncurrent assets:		Noncurrent liabilities:	
Land	8,884,102	Bonds payable	187,111,849
Land improvements	14,488,642	Compensated absences	3,667,612
Buildings and improvements	157,643,332	Voluntary termination benefits	9,000
Machinery and equipment	5,934,965	Net pension liability	52,628,350
Construction in progress	13,319,190	Other postemployment health benefits	3,703,617
Less accumulated depreciation	(47,149,791)	Total noncurrent liabilities	247,120,428
Total noncurrent assets	153,120,440	<b>Total liabilities</b>	265,220,427
<b>Total assets</b>	284,688,243		
		<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		Other postemployment health benefits assumption changes	176,622
Other postemployment health benefits deferred contributions	210,219	Pension deferrals	494,790
Contribution to pension plans in current fiscal year	7,161,024	<b>Total deferred inflows of resources</b>	671,412
Excess reacquisition costs due to bond refunding	2,237,222		
<b>Total deferred outflows of resources</b>	9,608,465	<b><u>NET POSITION</u></b>	
		Net investment in capital assets	51,973,114
<b>Total assets and deferred outflows of resources</b>	\$ 294,296,708	Restricted for:	
		Building	4,629,978
		Building reserve	6,085,630
		Debt service	1,095,948
		Bus depreciation	585,287
		Retirement	2,533,865
		Technology acquisition	1,085,216
		Transportation	950,900
		Tuition	408,618
		Grant purposes	404,943
		Adult education	190,900
		Flexibility	3,087
		Unrestricted	(41,542,617)
		<b>Total net position</b>	28,404,869
		<b>Total liabilities, deferred inflows of resources and net position</b>	\$ 294,296,708

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, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction	\$ 43,026,874	\$ 703,800	\$ 4,459,651	\$ -	\$ (37,863,423)
Support services	11,168,070	467,476	3,786,289	-	(6,914,305)
General administration	3,955,888	60,385	149,501	-	(3,746,002)
Building administration	4,427,837	139,763	168,144	-	(4,119,930)
Operations and maintenance	6,745,515	285,748	588,009	156,003	(5,715,755)
Student transportation	2,486,481	8,056	639,548	-	(1,838,877)
Food services	2,022,080	1,346,085	454,918	-	(221,077)
Extracurricular activities	1,652,681	292,430	48,670	-	(1,311,581)
Unallocated depreciation *	4,530,430	-	-	-	(4,530,430)
Interest and fiscal charges	6,531,974	-	374,346	-	(6,157,628)
<b>Total governmental activities</b>	<b>\$ 86,547,830</b>	<b>\$ 3,303,743</b>	<b>\$ 10,669,076</b>	<b>\$ 156,003</b>	<b>\$ (72,419,008)</b>
General revenues:					
District property taxes					35,963,449
Investment earnings					665,974
Gain on sale of asset					2,273,272
Intergovernmental revenue					
Unrestricted:					
County distribution - retirement					7,018,292
State equalization					19,163,278
State guaranteed tax base subsidy					4,947,869
State motor vehicle fee reimbursement					65,255
State quality educator					1,591,226
State on-behalf pension					2,083,447
Other state revenue					242,837
<b>Total general revenues</b>					<b>74,014,899</b>
<b>Change in net position</b>					<b>1,595,891</b>
<b>Net position, beginning of year</b>					<b>29,517,221</b>
<b>Restatement of net position due to other postemployment health benefits</b>					<b>(2,708,243)</b>
<b>Net position, end of year</b>					<b>\$ 28,404,869</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, 2018**

	General	High School Building	Nonmajor Governmental Funds	Total Governmental Funds
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 5,206,686	\$ 25,429,190	\$ 19,329,429	\$ 49,965,305
Investments	-	74,688,170	-	74,688,170
Property taxes receivable	403,791	-	297,005	700,796
Due from other funds	-	-	1,044	1,044
Due from other governments	212,750	-	1,633,607	1,846,357
Accounts receivable	6,181	-	177,974	184,155
Inventory, at cost	-	-	68,010	68,010
Prepaid items	46,382	-	38,626	85,008
<b>Total assets</b>	<b>\$ 5,875,790</b>	<b>\$ 100,117,360</b>	<b>\$ 21,545,695</b>	<b>\$ 127,538,845</b>
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ 112,506	\$ 3,594,656	\$ 701,779	\$ 4,408,941
Retainages payable	-	138,181	26,329	164,510
Unearned revenue	-	-	81,228	81,228
Due to other funds	-	-	1,044	1,044
<b>Total liabilities</b>	<b>112,506</b>	<b>3,732,837</b>	<b>810,380</b>	<b>4,655,723</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Unavailable revenue - property taxes	403,791	-	297,005	700,796
<b>Total deferred inflows of resources</b>	<b>403,791</b>	<b>-</b>	<b>297,005</b>	<b>700,796</b>
<b><u>FUND BALANCES</u></b>				
Nonspendable	46,382	-	106,636	153,018
Restricted	-	96,384,523	18,024,975	114,409,498
Committed	-	-	2,306,699	2,306,699
Assigned	485,825	-	-	485,825
Unassigned	4,827,286	-	-	4,827,286
<b>Total fund balances</b>	<b>5,359,493</b>	<b>96,384,523</b>	<b>20,438,310</b>	<b>122,182,326</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 5,875,790</b>	<b>\$ 100,117,360</b>	<b>\$ 21,545,695</b>	<b>\$ 127,538,845</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, 2018**

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

<b>Fund balances - total governmental funds</b>	\$ 122,182,326
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$200,009,119 and the accumulated depreciation is \$46,905,851.	153,103,268
Deferred inflows of resources (unavailable property taxes) are not available to pay for current period expenditures, and therefore are deferred in the governmental funds.	700,796
Pension and OPEB 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.	8,868,447
Property taxes receivable is reported "net of the allowances for uncollectibles" on the statement of net position.	(11,558)
Accrued interest payable on bonds is reported on the statement of net position.	(580,473)
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	\$ 197,531,849
Compensated absences	4,111,128
Voluntary termination benefits	12,000
Net pension liability	52,465,317
	(254,120,294)
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.	(1,737,643)
<b>Net position - governmental activities</b>	<b>\$ 28,404,869</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, 2018**

	General	High School Building	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
District property taxes	\$ 20,901,867	\$ -	\$ 15,157,205	\$ 36,059,072
Tuition and fees	54,241	-	1,497,646	1,551,887
Interest	154,350	184,379	281,420	620,149
Other district revenue	212,500	-	2,777,857	2,990,357
Gallatin County	-	-	7,384,452	7,384,452
State of Montana	28,005,171	-	4,289,552	32,294,723
Federal	-	-	4,264,635	4,264,635
<b>Total revenues</b>	<u>49,328,129</u>	<u>184,379</u>	<u>35,652,767</u>	<u>85,165,275</u>
<b>Expenditures:</b>				
Current -				
Instruction	31,312,623	-	10,268,428	41,581,051
Support services	6,088,884	-	4,841,594	10,930,478
General administration	2,717,724	-	977,568	3,695,292
Building administration	3,335,506	-	887,385	4,222,891
Operations and maintenance	4,456,845	87,968	1,941,002	6,485,815
Student transportation	6,046	-	2,473,621	2,479,667
Food services	4,449	-	1,851,135	1,855,584
Extracurricular activities	1,099,573	-	519,776	1,619,349
Capital outlay	-	11,324,248	6,245,642	17,569,890
Debt service -				
Principal retirement	-	-	7,125,000	7,125,000
Interest and fiscal charges	-	-	6,509,382	6,509,382
Bond issuance costs	-	589,540	-	589,540
<b>Total expenditures</b>	<u>49,021,650</u>	<u>12,001,756</u>	<u>43,640,533</u>	<u>104,663,939</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>306,479</u>	<u>(11,817,377)</u>	<u>(7,987,766)</u>	<u>(19,498,664)</u>
<b>Other financing sources (uses):</b>				
Transfer in	-	-	677,521	677,521
Transfer out	-	-	(677,521)	(677,521)
Proceeds from sale of asset	-	-	2,274,779	2,274,779
General obligation bonds issued	-	100,000,000	-	100,000,000
Premium on general obligation debt	-	8,710,604	3,484,986	12,195,590
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>108,710,604</u>	<u>5,759,765</u>	<u>114,470,369</u>
<b>Net changes in fund balances</b>	<u>306,479</u>	<u>96,893,227</u>	<u>(2,228,001)</u>	<u>94,971,705</u>
<b>Fund balances, beginning of year</b>	<u>5,053,014</u>	<u>(508,704)</u>	<u>22,666,311</u>	<u>27,210,621</u>
<b>Fund balances, end of year</b>	<u>\$ 5,359,493</u>	<u>\$ 96,384,523</u>	<u>\$ 20,438,310</u>	<u>\$ 122,182,326</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, 2018**

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

<b>Net change in fund balances - total governmental funds</b>	<b>\$</b>	<b>94,971,705</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 (\$17,569,890) exceeded depreciation (\$4,856,151) in the current period.		12,711,344
--	--	------------

Governmental funds report the proceeds from sale of assets. However, in the statement of activities a gain on sale of asset is recorded. This is the amount by which the proceeds from sale of assets (\$2,274,779) exceeded the gain on sale of assets (\$2,273,272) in the current period.		(1,507)
--	--	---------

Deferred inflows of resources in the governmental funds are reported on the full accrual method in the government-wide financial statements.		(94,702)
--	--	----------

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.		(1,313,004)
---	--	-------------

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.		(104,503,641)
--	--	---------------

The current period net decrease in compensated absences, voluntary termination benefits payable, and the allowance for doubtful accounts did not require the use of current financial resources.		(114,992)
--	--	-----------

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.		(59,312)
---	--	----------

<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>1,595,891</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, 2018**

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
District property taxes	\$ 20,907,681	\$ 20,901,867	\$ (5,814)
Tuition and fees	8,941	54,241	45,300
Interest	94,665	149,892	55,227
Other district revenue	34	212,500	212,466
State of Montana	28,146,080	28,005,171	(140,909)
<b>Total revenues</b>	<u>49,157,401</u>	<u>49,323,671</u>	<u>166,270</u>
<b>Expenditures:</b>			
Current -			
Instruction	30,741,633	31,280,215	(538,582)
Support services	6,145,063	6,057,086	87,977
General administration	2,601,255	2,717,236	(115,981)
Building administration	3,310,799	3,310,466	333
Operations and maintenance	5,126,142	4,447,031	679,111
Student transportation	-	3,954	(3,954)
Food services	-	1,168	(1,168)
Extracurricular activities	991,837	1,099,573	(107,736)
<b>Total expenditures</b>	<u>48,916,729</u>	<u>48,916,729</u>	<u>-</u>
<b>Net change in fund balances</b>	240,672	406,942	166,270
<b>Fund balances, beginning of year</b>	<u>4,705,741</u>	<u>4,705,741</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u><u>\$ 4,946,413</u></u>	<u><u>\$ 5,112,683</u></u>	<u><u>\$ 166,270</u></u>

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

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2018**

	Governmental Activities: Internal Service Funds
<b><u>ASSETS</u></b>	
Current assets:	
Cash and cash equivalents	\$ 3,979,641
Inventory, at cost	694
Prepaid expenses	25,167
Flexible accounts deposit	36,056
Total current assets	<u>4,041,558</u>
Noncurrent assets:	
Capital assets:	
Machinery and equipment	261,112
Less accumulated depreciation	<u>(243,940)</u>
Net capital assets	<u>17,172</u>
<b>Total assets</b>	<b><u>4,058,730</u></b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	
Other postemployment health benefits deferred contributions	\$ 210,219
Contribution to pension plans in current fiscal year	<u>36,340</u>
<b>Total deferred outflows of resources</b>	<b><u>246,559</u></b>
<b>Total assets and deferred outflows of resources</b>	<b><u>\$ 4,305,289</u></b>
<b><u>LIABILITIES</u></b>	
Current liabilities:	
Accounts payable	\$ 768,787
Unearned revenue	<u>1,229,542</u>
Total current liabilities	<u>1,998,329</u>
Noncurrent liabilities:	
Net pension liability	163,033
Other postemployment health benefits	<u>3,703,617</u>
Total noncurrent liabilities	<u>3,866,650</u>
<b>Total liabilities</b>	<b><u>5,864,979</u></b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Other postemployment health benefits assumption changes	176,622
Pension deferrals	<u>1,331</u>
<b>Total deferred inflows of resources</b>	<b><u>177,953</u></b>
<b><u>NET POSITION</u></b>	
Net investment in capital assets	17,172
Unrestricted	<u>(1,754,815)</u>
<b>Total net position</b>	<b><u>(1,737,643)</u></b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b><u>\$ 4,305,289</u></b>

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, 2018**

	Governmental Activities: Internal Service Funds
<b>Operating revenues:</b>	
Charges for services	\$ 8,034,902
Charges for Wellness services	114,592
<b>Total operating revenues</b>	<u>8,149,494</u>
<b>Operating expenses:</b>	
Administrative expenses	267,499
Communications	27,095
Contracted Medicare supplement	268,008
Depreciation	7,000
Excess risk insurance	309,173
Facilities and equipment rental	99,936
Health, dental and vision claims	6,660,875
Materials and supplies	1,299
Minor equipment	16,353
Minor technology equipment	11,916
Other expenses	3,883
Other postemployment health benefits	154,662
Repairs and maintenance	53,753
Salaries and benefits	80,533
Wellness	292,645
<b>Total operating expenses</b>	<u>8,254,630</u>
<b>Operating income (loss)</b>	<u>(105,136)</u>
<b>Nonoperating revenues (expenses):</b>	
Interest	45,824
<b>Total nonoperating revenues (expenses)</b>	<u>45,824</u>
<b>Change in net position</b>	(59,312)
<b>Net position, beginning of year as originally reported</b>	1,029,912
<b>Beginning net position restatement due to other postemployment health benefits</b>	<u>(2,708,243)</u>
<b>Net position, end of year</b>	<u><u>\$ (1,737,643)</u></u>

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



**BOZEMAN SCHOOL DISTRICT NO. 7**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Governmental Activities: Internal Service Funds
<b>Cash flows from operating activities:</b>	
Receipts from users	\$ 8,271,918
Payments for insurance claims	(6,660,875)
Payments to employees	(80,533)
Payments to suppliers	(1,317,368)
<b>Net cash flow from operating activities</b>	<b>213,142</b>
 <b>Cash flows from investing activities:</b>	
Interest received	45,824
<b>Net cash flow from investing activities</b>	<b>45,824</b>
 <b>Cash flows from capital and related financing activities:</b>	
Purchases of capital assets	(8,422)
<b>Net cash flow from capital and related financing activities</b>	<b>(8,422)</b>
 <b>Net change in cash and cash equivalents</b>	<b>250,544</b>
<b>Cash and cash equivalents - 7/01/17</b>	<b>3,729,097</b>
<b>Cash and cash equivalents - 6/30/18</b>	<b>\$ 3,979,641</b>
 <b>Reconciliation of operating income(loss) to net cash flow from operating activities:</b>	
Operating income (loss)	\$ (105,136)
<b>Adjustments to reconcile operating income(loss) to net cash flow from operating activities:</b>	
Depreciation	7,000
Loss on sale of assets	2,119
(Increase) decrease in accounts receivable	48,101
(Increase) decrease in inventories	815
(Increase) decrease in prepaid items	(25,167)
Increase (decrease) in accounts payable	39,541
Increase (decrease) in other postemployment benefits	154,662
Increase (decrease) in pension related deferred inflows, deferred outflows and net pension liability	16,884
Increase (decrease) in unearned insurance premiums	74,323
<b>Total adjustments</b>	<b>318,278</b>
<b>Net cash from operating activities</b>	<b>\$ 213,142</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, 2018**

	Private-Purpose Trust
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 5,418,864
Investments	773,640
Prepaid expenses	101,600
Land	1,112,046
<b>Total assets</b>	<b>7,406,150</b>
<b><u>LIABILITIES</u></b>	
Accounts payable	93,800
<b>Total liabilities</b>	<b>93,800</b>
<b><u>NET POSITION</u></b>	
Net position held in trust	<b>\$ 7,312,350</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, 2018**

	Private-Purpose Trust Funds
<b>Additions:</b>	
Payments from member districts	\$ 1,252,822
Extracurricular receipts and fees	1,252,172
Other trust revenue	10,358
State of Montana	74,914
Total noninvestment trust additions	<u>2,590,266</u>
Investment earnings:	
Interest	<u>107,842</u>
<b>Total additions</b>	<u>2,698,108</u>
<b>Deductions:</b>	
Administrative expenses	46,838
Salaries and benefits	78,190
Instruction	152,658
Extracurricular activities	1,297,735
Professional contracted services	7,600
Purchased property services	13,249
<b>Total deductions</b>	<u>1,596,270</u>
<b>Change in net position</b>	1,101,838
<b>Net position, beginning of year</b>	<u>6,210,512</u>
<b>Net position, end of year</b>	<u><u>\$ 7,312,350</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, 2018**

**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.

**New Accounting Pronouncements**

The Government implemented the provisions of the following GASB pronouncements for the year ended June 30, 2018:

- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces GASB Statement No. 45. It requires the government to recognize the unfunded OPEB obligation as a liability and more comprehensively and comparably measure the annual costs of OPEB benefits. The statement enhances the accountability and transparency through revised note disclosures and required supplemental information (RSI). This Statement is effective for fiscal years beginning after June 15, 2017.
- Statement No. 85 - *Omnibus 2017*. The objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Specifically, it requires the District to recognize on-behalf payments for pensions and/or OPEB in employer fund financial statements. This Statement is effective for fiscal years beginning after June 15, 2017.
- Statement No. 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest costs incurred before the end of a construction period. This Statement is effective for fiscal years beginning after December 15, 2019 but earlier application is encouraged. The District elected to early implement this pronouncement in fiscal year 2018.

### **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. Generally, the effect of interfund activity has been removed from these statements with the exception of interfund services provided and used.

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 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 *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. Cash and investments**

The District's cash consists primarily of amounts held by the County Treasurer and pooled in the Gallatin County external investment pool. The District also maintains two checking accounts that hold amounts for the Middle and High School Student Extracurricular Funds (which are Private-Purpose Trust Funds). In addition, a portion of the District's investments are held in interest bearing bank insured deposit accounts.

Montana State statutes authorize the District to invest in interest-bearing savings accounts, certificates of deposits, and time deposits insured up to \$250,000 by the Federal Deposit Insurance Corporation or fully collateralized, U.S. government and U.S. agency obligations and repurchase agreements where there is a master repurchase agreement and collateral held by a third party.

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, 2018, 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, an \$11,558 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, donated works of art and similar items are recorded at acquisition 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 and other postemployment health benefits (OPEB) 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, 2018. 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 and OPEB related activities. Please refer to the Other Information section of the notes for a more in-depth discussion of the pension and OPEB activity that the District participates in.

## **J. 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 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).

## **K. 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, 2018, this voluntary termination benefit cost the District \$3,000 and had only 1 past employee participating as of that year end date.

### **L. 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. On-behalf payments for fringe benefits are direct payments made by one entity to a third-party recipient for the employees of another legally separate entity. On-behalf payments for the District include pension plan contributions. The State's pension contribution is recorded as intergovernmental revenue with an offsetting expenditure in the related funds. These contributions have been recorded at the fund level using fiscal year 2017 contribution amounts rather than the current fiscal year 2018 amounts, as the difference is not considered to be material. See Note IV B for a more in-depth discussion of this liability and related elements.

### **M. 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. 75. See Note IV C for more details of this liability.

### **N. 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.

## **O. 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 anticipated enrollment over levy 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, 2018, fund balances are comprised of the following:

	General	High School Building	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Inventories	\$ -	\$ -	\$ 68,010	\$ 68,010
Prepaid Items	46,382	-	38,626	85,008
Restricted:				
Federal, State, & Local Grants	-	-	404,943	404,943
Building consr.				
Repair & renov.	-	96,384,523	10,728,764	107,113,287
Debt Service	-	-	1,129,808	1,129,808
Student Transport.	-	-	959,348	959,348
Replacing Buses	-	-	585,376	585,376
Student Tuition	-	-	401,890	401,890
Retirement taxes	-	-	2,533,865	2,533,865
Tech acquisition	-	-	1,086,907	1,086,907
Flexibility uses	-	-	3,087	3,087
Adult Education	-	-	190,987	190,987
Committed:				
Food Services	-	-	289,002	289,002
Special services	-	-	1,120,949	1,120,949
Business services	-	-	272,710	272,710
Drivers education	-	-	274,424	274,424
Misc. district ops	-	-	349,614	349,614
Assigned:				
Comp. absences	246,810	-	-	246,810
Other	239,015	-	-	239,015
Unassigned	4,827,286	-	-	4,827,286
Total fund balances	\$5,359,493	\$96,384,523	\$20,438,310	\$122,182,326



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

**P. 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.

**Q. 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.

**R. Prior Period Restatement**

For the year ended June 30, 2018, the District has implemented GASB Statement 75, regarding the accounting and financial reporting of for postemployment benefits other than pension (OPEB). Accordingly, beginning net position for the governmental activities has been restated to reflect the increase in the OPEB liability as follows:

Beginning net position, as originally reported	\$	29,517,221
OPEB liability, June 30, 2017		(2,896,041)
Employer implicit contributions		187,798
Net restatement		<u>(2,708,243)</u>
Beginning net position, as restated	\$	<u>26,808,978</u>

## 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:

- Elementary and High School Transportation Funds
- Elementary and High School Bus Depreciation Funds
- Elementary and High School Tuition Funds
- Elementary and High School Retirement Funds
- Elementary and High School Technology Acquisition Funds
- Elementary and High School Flexibility Funds
- High School Adult Education Fund

Debt Service:

- Elementary and High School Debt Service Funds

Capital Projects:

- Elementary and High School Building Reserve Funds

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 is one major difference between the budget basis and GAAP basis in presenting the general fund. This difference is that on a budget basis, compensated absence liability funds are tracked separately but for GAAP purposes, their activity is consolidated back into the general fund which originally supplied it with its full source of revenue.

**B. Budgetary/GAAP reconciliation**

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

Net Change in Fund Balance	
Major General Fund	
GAAP Basis	\$ 306,479
Consolidating compensated absence liability fund activity	100,463
Budget Basis	<u>\$ 406,942</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 District had no deficit fund equity to report in the fund financial statements.

### III. DETAILED NOTES ON ALL FUNDS

#### A. Cash 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	\$ 5,822
County Treasurer's Investment Pool	59,012,032
Cash in checking	343,323
Cash in Cetera bank insured deposits	113
Cash in D.A. Davidson bank insured deposits	2,520
Total	<u>\$ 59,363,810</u>

Investments consist of:

	Investment Mkt		Credit Risk	Fair
	Value	Maturities	Standard & Poor's Corporate Bond Rating	Value Measure ment
Government Bonds	\$ 74,688,170	2018-2020	AA+	Level 2
Mutual Funds	773,640	N/A	N/A	Level 1
	<u>\$ 75,461,810</u>			

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.

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 two checking accounts totaling \$343,323 and are covered by the Federal Depository Insurance Corporation (FDIC) up to \$250,000 per bank, per depositor. Uninsured, uncollateralized amounts at June 30, 2018, amounted to \$125,860.

The District participates in a cooperative investment program with Gallatin County and the other 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 position as cash and cash equivalents.

The fiduciary Nonexpendable High School Endowment fund had cash held at Wells Fargo, 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 High School Building fund had cash held within its Cetera investment account. The government bonds listed above are also held within this fund, and have a credit rating of AA+ by Standard and Poor's Corporation (S&P). These investments are holding a portion of the proceeds of the 2018 High School G.O. Bond that was issued to construct a second high school for the District and to renovate the existing high school.

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 other investments, credit and interest rate risks are detailed earlier in this note. The District investment policy is written to follow Montana School Investment law (MCA 7-7-202). This law states that Districts may invest in direct obligations of the U.S. Government or accounts collateralized by the direct obligation of the U.S. Government. If savings or time deposits are used, they must be insured by FDIC or NCUA. The District is complying with this law and accepts the inherent credit and interest rate risks. The District investment policy does not explicitly refer to credit rate risks, however, all of its investments have an AA+ rating.

## **B. Receivables**

Receivables as of June 30, 2018, 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:

	High			
	General	School Building	Nonmajor and Other Funds	Total
Receivables:				
Accounts	\$ 6,181	\$ -	\$ 177,974	\$184,155
Property taxes	403,791	-	297,005	700,796
Gross receivables	409,972	-	474,979	884,951
Less: allowance for				
Uncollectibles	(6,950)	-	(4,608)	(11,558)
Net total receivables	\$403,022	\$ -	\$ 470,371	\$873,393

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 deferred inflows and unearned revenue reported in governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$ 403,791	\$ -
Delinquent property taxes receivable (Nonmajor governmental funds)	297,005	-
Food Services & High School grants (nonmajor gov'tl funds)	-	81,228
	<u>\$ 700,796</u>	<u>\$ 81,228</u>

The Self-Insurance internal service fund had unearned revenue of \$1,229,542 of June 30, 2018, 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, 2018 follows:

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 8,885,609	\$ -	\$ (1,507)	\$ 8,884,102
Construction in progress	18,452,062	12,345,882	(17,478,754)	13,319,190
Total capital assets, not being	<u>27,337,671</u>	<u>12,345,882</u>	<u>(17,480,261)</u>	<u>22,203,292</u>
Capital assets, being depreciated:				
Land improvements	12,434,087	2,054,555	-	14,488,642
Buildings and improvements	137,101,424	20,541,908	-	157,643,332
Machinery and equipment	5,836,762	112,327	(14,124)	5,934,965
Total capital assets being depreciated	<u>155,372,273</u>	<u>22,708,790</u>	<u>(14,124)</u>	<u>178,066,939</u>
Less accumulated depreciation for:				
Land improvements	(4,392,311)	(639,657)	-	(5,031,968)
Buildings and improvements	(33,673,795)	(3,890,774)	-	(37,564,569)
Machinery and equipment	(4,232,539)	(332,720)	12,005	(4,553,254)
Total accumulated depreciation	<u>(42,298,645)</u>	<u>(4,863,151)</u>	<u>12,005</u>	<u>(47,149,791)</u>
Total capital assets, being depreciated, net	<u>113,073,628</u>	<u>17,845,639</u>	<u>(2,119)</u>	<u>130,917,148</u>
Governmental activities capital assets, net	<u>\$ 140,411,299</u>	<u>\$ 30,191,521</u>	<u>\$ (17,482,380)</u>	<u>\$ 153,120,440</u>

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

Governmental Activities:	
Instruction	\$ 46,997
Support services	15,617
General administration	88,438
Operations and maintenance	73,548
Food services	92,987
Extracurricular activities	8,134
Unallocated depreciation (buildings and land improvements)	4,530,430
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	7,000
Total depreciation expense - governmental activities	<u>\$ 4,863,151</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 for the fiscal year ended June 30, 2018.

**Construction commitments** - The District has active construction projects as of June 30, 2018. At year-end the District's commitments with contractors were as follows:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Constr. & Architect contracts for Willson Window Repl. Phase #2	\$ 131,263	\$ 322,907
Constr. & Architect contracts for Willson Exterior Stabilization	91,985	745,355
Constr. & Architect contracts for Irving ADA Elevator and Renov.	354,296	524,814
Construction contract for Longfellow Entry Plaza remodel	68,500	136,393
Constr. & Architect contracts for Morning Star Shade Structure	13,435	120,750
Architect contract for Van Winkle Stadium	410,911	76,590
Constr. & Architect contracts for 2nd High School	9,657,369	74,651,022
<b>Total</b>	<u>\$10,727,759</u>	<u>\$76,577,831</u>



The elementary building reserve fund is paying for the Irving ADA elevator project, Longfellow entry remodel, and a portion of the Morning Star shade structure (remainder of that project funded by special revenue funds). The elementary and high school building reserve funds are funding the Willson window phase # 2 and exterior stabilization projects. The high school building fund (bond monies) is funding the construction of the second high school and the design and upcoming construction of the new Van Winkle Stadium.

#### **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. In the current fiscal year, there were transfers of \$677,521 out of the Elementary Building Fund into the Elementary Debt Service Fund. This was an allowable transfer of unused G.O. 2016 bonds proceeds to help service the 2016 Elementary General Obligation debt.

Flows of cash from one fund to another with a requirement for repayment are reported as due from and due to other funds. Amounts between governmental funds are eliminated in the statement of net position whereas in the fund financial statements, they are reported as receivables and payables. At June 30, 2018 the District reported amounts due from the Elementary Grants Fund to the Elementary Tuition Fund for \$1,044. This amount was an operational transfer to help fund a tuition related expense.

#### **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 \$94,720,000. During the current fiscal year, general obligation bonds totaling \$100,000,000 were issued to construct a second high school for the District and to renovate the existing high 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 Amount	Term	Interest Rate	Outstanding Principal June 30, 2018	Due Within One Year
2012 Elementary	10,000,000	20	1.00 - 3.00%	\$ 7,395,000	\$ 445,000
2013 Elementary	16,375,000	20	3.00 - 4.00%	12,520,000	710,000
2014 Elementary	9,500,000	11	1.00 - 4.00%	9,215,000	240,000
2015 Elementary	8,935,000	13	2.00 - 5.00%	6,820,000	900,000
2016 Elementary	21,500,000	20	2.00 - 5.00%	19,865,000	845,000
2017 Elementary	4,610,000	4	4.00%	3,545,000	1,545,000
Subtotal				<u>59,360,000</u>	<u>4,685,000</u>
2014 High School	9,150,000	11	1.00 - 4.00%	9,035,000	15,000
2015 High School	8,750,000	7	2.00 - 5.00%	5,690,000	1,570,000
2017 High School	5,900,000	9	2.00 - 3.00%	5,265,000	665,000
2017 High School	100,000,000	20	3.00 - 5.00%	100,000,000	3,485,000
Subtotal				<u>119,990,000</u>	<u>5,735,000</u>
Total				<u>\$179,350,000</u>	<u>\$10,420,000</u>

Annual debt service requirements to maturity on general obligation bonds at June 30, 2018, are summarized as follows:

Year ending June 30:	Governmental Activities		
	Principal	Interest	Total
2019	\$ 10,420,000	\$ 6,933,421	\$ 17,353,421
2020	10,165,000	6,584,809	16,749,809
2021	10,500,000	6,257,269	16,757,269
2022	9,740,000	5,890,706	15,630,706
2023	10,240,000	5,564,206	15,804,206
2024-2028	54,360,000	20,715,381	75,075,381
2029-2033	42,535,000	10,797,963	53,332,963
2034-2037	31,390,000	2,803,850	34,193,850
Total	<u>\$179,350,000</u>	<u>\$65,547,605</u>	<u>\$244,897,605</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 were to 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 were considered to be defeased and the liability was 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 is being 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.

On March 5, 2015, the District 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 were considered to be defeased and the related liability was 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 is being 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 advance refunding, total debt service payments of these refunded portions of debt will be reduced by \$1,132,842 over a period of 7 to 13 years and resulted in an economic gain of \$1,032,856.

On April 20, 2017, The District issued \$10,510,000 of general obligation bonds (\$4,610,000 elementary, \$5,900,000 high school) with the proceeds placed in an irrevocable escrow account that will service all future debt service payments of \$10,640,000 of 2008 general obligation bonds (\$4,650,000 elementary, \$5,990,000 high school). These advance refunded bonds were considered to be defeased and the related liability was been removed from the statement of net position. The reacquisition price of these issued bonds exceeded the net carrying amount of the old debt by \$334,298. This amount is included in deferred outflows and is being 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 advanced refunding, the total debt service payments of these refunded portions of debt will be reduced by \$990,740 over a period of 4 to 9 years which will garner the District an economic gain of \$833,842.

**Changes in long-term liabilities**

Long-term liability activity for the year ended June 30, 2018, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
General obligations bonds	\$ 86,475,000	\$ 100,000,000	\$ (7,125,000)	\$ 179,350,000	\$10,420,000
Amortized amounts:					
Bond premiums	7,218,846	12,195,590	(1,232,587)	18,181,849	-
Total bonds payable	93,693,846	112,195,590	(8,357,587)	197,531,849	10,420,000
Compensated absences	3,994,057	578,883	(461,812)	4,111,128	443,516
Voluntary termination benefits	15,000	-	(3,000)	12,000	3,000
Net pension liability	53,399,793	-	(771,443)	52,628,350	-
Other postemployment benefits	3,703,156	461	-	3,703,617	-
Total governmental activity					
Long-term liabilities	\$ 154,805,852	\$ 112,774,934	\$ (9,593,842)	\$ 257,986,944	\$ 10,866,516

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, 2018, legal debt limitations were as follows:

	Taxing District	
	Elementary	High School
Legal Debt Service Limitation	\$ 166,941,000	\$ 189,157,540

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 were expanded and renovated with the issued 2016 Elementary G.O. Bonds. The 2017 Elementary and High School G.O. Bonds were issued to partially refund the 2008 Elementary and High School General Obligation Bonds and also take advantage of favorable interest rates. The 2017 High School G.O. Bond was issued to construct a second high school for the District and to renovate the existing high school.

***F. Restricted fund balance***

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, 2018 are as follows:

Fund Name	Fund Type	Amount
Elementary building reserve	Capital Projects	\$ 1,630,235
High School building reserve	Capital Projects	4,468,551
Elementary building	Capital Projects	4,629,978
High school building	Capital Projects	96,384,523
Elementary debt service	Debt Service	1,090,934
High School debt service	Debt Service	38,874
Elementary bus depreciation	Special Revenue	292,565
High School bus depreciation	Special Revenue	292,811
Elementary flexibility	Special Revenue	1,567
High School flexibility	Special Revenue	1,520
Elementary retirement	Special Revenue	1,382,809
High School retirement	Special Revenue	1,151,056
Elementary technology acquisition	Special Revenue	414,064
High School technology acquisition	Special Revenue	672,843
Elementary transportation	Special Revenue	630,855
High School transportation	Special Revenue	328,493
Elementary tuition	Special Revenue	1,385
High School tuition	Special Revenue	400,505
Elementary grants	Special Revenue	206,500
High School grants	Special Revenue	198,443
Adult education	Special Revenue	190,987
Total restricted fund balances		<u>\$114,409,498</u>

### **G. Leases**

In June, 2016, the District approved a four year cancellable operating photocopier lease arrangement which began on July 1, 2016. The arrangement involved 35 photocopiers with no guaranteed minimum copies per year. The total cost of this lease for the fiscal year ended June 30, 2018, was \$88,900. There are no guaranteed future minimum lease payments for this arrangement.

In September 2016, the District approved a 36 month lease for 5 vehicles. Monthly payments due under this lease are \$1,420. The total cost of this lease for the fiscal year ended June 30, 2018, was \$17,036. Future minimum lease payments for these vehicles are \$17,036 in 2019 and \$4,259 in 2020.

## 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 and 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 \$500 to \$5,000 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 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:

Fiscal Year	Beginning Liability	Current Claims and Changes in Estimates	Claim Payments	Ending Liability
2016	\$542,151	\$ 5,510,279	\$5,501,993	\$550,437
2017	550,437	6,444,873	6,375,909	619,401
2018	619,401	6,732,014	6,660,874	690,541

As of June 30, 2018, the District contracted with Blue Cross Blue Shield of Montana (via the BCBS Advantage Plan) 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, 2017, and a reporting date of June 30, 2018. The following table presents the District's (Employer) proportion of TRS and PERS pension amounts.

	The employer's proportionate share associated with TRS	The employer's proportionate share associated with PERS	The employer's Total Pension Amounts
Net Pension Liability	\$44,335,923	\$ 8,292,427	\$52,628,350
Deferred Outflows of Resources	5,312,654	\$1,848,370	7,161,024
Deferred Inflows of Resources	427,094	\$67,696	494,790



**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, 2018 and June 30, 2017 (reporting dates).

	<b>Net Pension Liability as of 6/30/2018</b>	<b>Net Pension Liability as of 6/30/2017</b>	<b>Percent of Collective NPL as of 6/30/2018</b>	<b>Percent of Collective NPL as of 6/30/2017</b>	<b>Change in Percent of Collective NPL</b>
BOZEMAN SCHOOL DISTRICT NO. 7					
Proportionate Share	\$44,335,923	\$46,283,916	2.6295%	2.5335%	0.0960%
State of Montana					
Proportionate Share					
associated with employer	28,142,575	30,154,266	1.6691%	1.6506%	0.0185%
Total	<u>\$72,478,498</u>	<u>\$76,438,182</u>	<u>4.2986%</u>	<u>4.1841%</u>	<u>0.1145%</u>

At June 30, 2018, the employer recorded a liability of \$44,335,923 for its proportionate share of the Net Pension Liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of TRS' participating employers. At June 30, 2018, the employer's proportion was 2.6295 percent.

**Changes in actuarial assumptions and other inputs:** There have been no changes in actuarial assumptions and other inputs since the previous measurement date.

**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 reporting date. However, each employer may have unique circumstances that will impact the employer's proportionate share of the collective net pension liability. If there were changes that are expected to have an impact on the net pension liability, the employer should disclose the amount of the expected resultant change in the employer's proportionate share of the collective net pension liability, if known.

**Pension Expense**

	<b>Pension Expense as of 6/30/2018</b>
Bozeman School District No. 7 Proportionate Share	\$ 4,379,823
State of Montana Proportionate Share associated with the Employer	1,941,628
Total	<u>\$ 6,321,451</u>

At June 30, 2018, the employer recognized a Pension Expense of \$6,321,451 for its proportionate share of the TRS' pension expense. The employer also recognized grant revenue of \$1,941,628 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, 2018, the employer reported its proportionate share of TRS' deferred outflows of resources and deferred inflows of resources related to TRS from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 163,051	\$ 66,285
Changes in actuarial assumptions	-	185,354
Differences between projected and actual investment earnings	-	175,455
Changes in proportion & Differences between actual and expected contributions	1,702,904	-
*Contributions paid to TRS subsequent to the measurement date - FY 2018 Contributions	3,446,699	-
Total	<u>\$ 5,312,654</u>	<u>\$ 427,094</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, 2019.

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	Deferred Outflows of Resources (a)	Deferred Inflows of Resources (b)	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense (a) - (b)
2019	\$ 989,875	\$ 792,756	\$ 197,119
2020	1,493,868	102,708	1,391,160
2021	633,113	-	633,113
2022	-	782,532	(782,532)
2023	-	-	-
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 &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 &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, 2017, is based on the results of an actuarial valuation date of July 1, 2017. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2017 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 2122. 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	Real Rate of Return Arithmetic Basis (b)	Long-Term Expected Portfolio Real Rate of Return (a) x (b)
Broad US Equity	36.00%	4.80%	1.72800%
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	4.00%	7.50%	0.30%
	100.00%		4.75%
		Inflation	3.25%
	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 2009 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, 2017, is summarized in the above table.

### **Sensitivity Analysis**

	<b><u>1.0% Decrease (6.75%)</u></b>	<b><u>Current Discount Rate</u></b>	<b><u>1.0% Increase (8.75%)</u></b>
Bozeman School District No. 7 portion of Net Position Liability	\$61,096,284	\$ 44,335,923	\$ 30,220,183

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)**

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 participation in the Public Employees' Retirement System Defined Benefit Retirement Plan (the Plan). Employers are required to record and report their proportionate share of the collective Net Pension Liability; Pension Expense; and Deferred Outflows and Deferred Inflows of Resources associated with pensions.

This report provides information for employers who are using a June 30, 2017 measurement date for the 2018 reporting. If an employer's fiscal year end is after June 30th, the employer will not use the measurements shown in this report but will need to wait for the measurement date as of June 30, 2018.

### **Pension Amount Totals**

Employers are provided guidance in GASB Statement 68, paragraph 74, that pension amounts must be combined as a total or aggregate for reporting. This is true when employees are provided benefits through more than one pension, whether cost-sharing, single-employer, or agent plans.

### **Net Pension Liability**

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). As GASB Statement 68 allows, a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2018, was determined by taking the results of the June 30, 2017, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

### **Special Funding**

The state of Montana, as the non-employer contributing entity, paid to the Plan additional contributions that qualify as *special funding*. Those employers who received *special funding* are counties; cities & towns; school districts & high schools; and other governmental agencies.

### **Not Special Funding**

Per Montana law, state agencies and universities paid their own additional contributions. These employer paid contributions are *not* accounted for as special funding for state agencies and universities but are reported as employer contributions. The state of Montana, as the non-employer contributing entity, also paid to the Plan coal tax contributions that are *not* accounted for as special funding for all participating employers.

The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2018, and 2017, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate

share for a particular employer equals the ratio of the contributions for a particular employer to the total state contributions paid. The employer recorded a liability of \$8,292,427 and the employer's proportionate share was 0.4258 percent.

	Net Pension Liability as of 6/30/2018	Net Pension Liability as of 6/30/2017	Percent of Collective NPL as of 6/30/2018	Percent of Collective NPL as of 6/30/2017	Change in Percent of Collective NPL
Bozeman School District No. 7 Proportionate Share	\$ 8,292,427	\$ 7,115,877	0.4258%	0.4178%	0.0080%
State of Montana Proportionate Share associated with employer	435,070	332,565	2.2173%	2.0419%	0.1754%
Total	\$ 8,727,497	\$ 7,448,442	2.6431%	2.4597%	0.1834%

**Changes in actuarial assumptions and methods:**

Effective July 1, 2017, the following assumption changes were used:

- Lowered the interest rate from 7.75% to 7.65%.
- Lowered the inflation rate from 3.00% to 2.75%.
- Updated non-disabled mortality to the RP-2000 Combined Employee and Annuitant Mortality Table projected to 2020 using scale BB, males set back 1 year.
- Increased rates of withdrawal.
- Lowered the merit component of the total salary increase.
- Lowered the wage base component of the total salary increase from 4.00% to 3.50%.
- Decreased the administrative expense load from 0.27% to 0.26%.

Effective July 1, 2017, the following method changes were used:

- Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount will vary from year to year based on the prior year's actual administrative expenses.
- To be consistent with the wage base growth change, the payroll growth assumption for amortization as a level percent of pay was reduced from 4.00% to 3.50%.

**Changes in benefit terms:**

Effective July 1, 2017, the following benefit changes were:

- The interest rate credited to member accounts increased from 0.25% to 0.77%.
- Lump sum payouts in all systems are limited to the member's accumulated contributions rather than the present value of the member's benefit.

***Changes in proportionate share:***

Between the measurement date of the collective NPL and the employer's reporting date there were no changes in proportion that would have an effect on the employer's proportionate share of the collective NPL.

**Pension Expense**

<b><u>As of measurement date</u></b>	<b><u>Pension Expense as of 6/30/2018</u></b>
Bozeman School District No. 7 Proportionate Share	\$ 855,226
Grant Revenue - State of Montana Proportionate Share for employer	23,195
Grant Revenue - State of Montana Coal Tax for employer	118,625
Total	<u>\$ 997,046</u>

At June 30, 2018, the employer recognized \$855,226 for its proportionate share of the Plan's pension expense and recognized grant revenue of \$23,195 for the state of Montana proportionate share of the pension expense associated with the employer. Additionally, the employer recognized grant revenue of \$118,625 from the Coal Severance Tax fund.

**Recognition of Deferred Inflows and Outflows**

At June 30, 2018, the employer reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. Actual Experience	\$ 204,216	\$ 12,003
Projected Investment Earnings vs. Actual Investment Earnings	-	55,693
Changes in Assumptions	1,133,488	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	51,585	-
Employer contributions subsequent to the measurement date.	459,081	-
Total	\$ 1,848,370	\$ 67,696

\* the employer's contributions subsequent to the measurement date must be entered by the employer. These are the FY2018 contributions paid to the Plan

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

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in future years as an increase or (decrease) to Pension Expense
2019	\$ 293,738
2020	\$ 648,432
2021	\$ 504,339
2022	\$ (176,500)
2023	\$ -
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 Defined Contribution Retirement Plan (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, 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.

##### **Second Retirement** (requires returning to PERS-covered employer or PERS service):

- 1) Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:
  - a. A refund of member's contributions plus return interest (currently .77% effective July 1, 2017).
  - b. No service credit for second employment;
  - c. Start the same benefit amount the month following termination; and
  - d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
- 2) Retire before January 1, 2016 and accumulate at least 2 years of additional service credit;
  - a. A recalculated retirement benefit based on provisions in effect after the initial retirement; and

b. GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.

3) Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:

- a. The same retirement as prior to the return to service;
- b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
- c. GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

#### **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:

- a) Less than 25 years of membership service - 1.785% of HAC per year of service credit
- b) 25 years of membership service or more - 2% of HAC per year of service credit

2) Members hired on or after July 1, 2011:

- a) Less than 10 years of membership service - 1.5% of HAC per year of service credit
- b) 10 years or more, but less than 30 years of membership service - 1.785% of HAC per year of service credit
- c) 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

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

Fiscal Year			<u>State &amp; Universities</u>	<u>Local Government</u>		<u>School Districts</u>	
	Member		Employer	Employer	State	Employer	State
	Hired <07/01/11	Hired >07/01/11					
2018	7.9000%	7.9000%	8.570%	8.470%	0.100%	8.200%	0.370%
2017	7.9000%	7.9000%	8.470%	8.370%	0.100%	8.100%	0.370%
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%

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 actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional 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.
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.

### **Stand-Alone Statements**

The financial statements of the Montana Public Employees Retirement Board (PERB) *Comprehensive Annual Financial Report* (CAFR) and the GASB 68 Report disclose the Plan's fiduciary net position. The reports are available from the PERB at PO Box 200131, Helena MT 59620-0131, (406) 444-3154 or the MPERA website at <http://mpera.mt.gov/index.shtml>

### **Actuarial Assumptions**

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2016, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2017. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2018, valuation were based on the results of the last actuarial experience study, dated May 2017, for the six-year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

- Investment Return (net of admin expense) 7.65%
- Admin Expense as % of Payroll 0.26%
- General Wage Growth\* 3.50%
- \*includes Inflation at 2.75%
- Merit Increases 0% to 4.8%
- 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, service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among disabled members were based on RP 2000 Combined Mortality Tables with no projections.



**Discount Rate**

The discount rate used to measure the TPL was 7.65%. 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. 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 was contributed monthly and the severance tax was contributed quarterly. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2121. 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 was reviewed as part of the regular experience study prepared for the Plan. The most recent analysis, performed for the period of July 1, 2010 to July 30, 2016, was outlined in a report dated May 2017 and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public sector systems, and by using 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 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 by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018, are summarized below.

Asset Class	Target Asset Allocation	Real Rate of Return Arithmetic Basis (b)	Long-Term Expected Portfolio Real Rate of Return (a) x (b)
Cash Equivalents	2.60%	4.00%	0.10%
Domestic Equity	36.00%	4.55%	1.64%
Foreign Equity	18.00%	6.35%	1.14%
Fixed Income	23.40%	1.00%	0.23%
Private Equity	12.00%	7.75%	0.93%
Real Estate	8.00%	4.00%	0.32%
	100.00%		4.37%
Inflation			2.75%
Expected arithmetic nominal return			7.12%

The long-term expected nominal rate of return above of 7.12% is an expected portfolio rate of return provided by Board of Investments (BOI), which differs from the total long-term assumed rate of return of 7.65% in the experience study. The assumed investment rate is comprised of a 2.75% inflation rate and a real rate of return of 4.90%.

### Sensitivity Analysis

The sensitivity of the NPL to the discount rate is shown in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.65%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

As of measurement date	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
Bozeman School District No. 7 proportion of Net Pension Liability	\$ 12,077,211	\$ 8,292,427	\$ 5,115,387

### Summary of Significant Accounting Policies

MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and Additions to or Deductions from Fiduciary Net Position. 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 in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

#### **PERS Disclosure for the defined contribution plan**

Bozeman School District contributed to the state of Montana Public Employee Retirement System Defined Contribution Retirement Plan (PERS-DCRP) for employees that have elected the DCRP. The PERS-DCRP is administered by the PERB and is reported as a multiple-employer plan established July 1, 2002, and governed by Title 19, chapters 2 & 3, MCA.

All new PERS 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.

Member and employer contribution rates are specified by state law 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.

Benefits are dependent upon eligibility and individual account balances. Participants are vested immediately in their own contributions and attributable income. Participants are vested after 5 years of membership service for the employer's contributions to individual accounts and the attributable income. Non-vested contributions are forfeited upon termination of employment per 19-3-2117(5), MCA. Such forfeitures are used to cover the administrative expenses of the PERS-DCRP.

At the plan level for the measurement period ended June 30, 2017, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 300 employers that have participants in the PERS-DCRP totaled \$396,650.

### **C. Other Postemployment Benefits (OPEB)**

#### **Other Postemployment Benefits (OPEB)**

As required by Governmental Accounting Standards Board (GASB) Statement No. 75 Other Postemployment Benefits, the District has calculated and included a postemployment benefit liability for the fiscal year ended June 30, 2018.

#### **Plan Description and Benefits Provided**

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, and includes medical, dental, and vision benefits. The plan is reported as an internal service fund on the District's financial statements and is administered by Blue Cross and Blue Shield of Montana. Benefit provisions are set annually by the Board of Trustees. Terminated employees may remain on the District's health insurance plan for up to 18 months if they pay the monthly premiums, as required under the federal COBRA law. A retiree is considered eligible for coverage under this plan only if the retiree was covered under this plan as a participant on his or her last day of active service for the employer prior to retirement. Retirees may remain on the District's health plan, provided they pay the monthly premiums. A retiree's dependent(s), upon the death of the retiree, is also eligible if the retiree was eligible for coverage and covered under this plan. Normal retirement eligibility is age 65 or age 60 and 5 years of service, or 30 years of service. Early retirement eligibility is age 50 and 5 years of service or 25 years of service. The plan also has options for pre Medicare insurance benefits. 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. There is no separate, audited GAAP-basis postemployment benefit plan report available for the self-insured medical defined benefit plan.

#### **Funding Policy**

The District's other post-employment benefit (OPEB) consists of the above described post-employment healthcare benefits. The District has accounted for this OPEB cost on a pay-as-you-go basis. The District has utilized the Self-Insurance internal service fund to liquidate these obligations. The District's annual OPEB cost consists of an implied rate subsidy since retirees and current employees are in the same plan as well as a cost for future benefits of current employees. The District's policy at this time is to not fund the OPEB obligation.

**Employees Covered by Benefit Terms**

At June 30, 2018, the following employees were covered by the benefit terms:

Category	Count
Active employees	652
Inactive employees entitled to but not yet receiving benefit payment	193
Inactive employees or beneficiaries currently receiving benefit payments	49
Total	894

**Contributions**

Benefit contributions are paid by the District as they come due.

**Total OPEB Liability (TOL)**

The District's total OPEB liability of \$3,703,617 was measured as of June 30, 2017, and was determined by an actuarial valuation as of September 1, 2016.

Changes in the TOL for the year ended June 30, 2018 are as follows:

Service cost	\$ 277,808
Interest	110,781
Changes in assumptions	(200,330)
Benefit payments	(187,798)
Net change in total OPEB liability	461
Total OPEB liability, beginning of year	3,703,156
Total OPEB liability, end of year	<u>\$ 3,703,617</u>

There is sensitivity of the total OPEB liability to changes in the discount rate. The total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.53%) or one percentage point higher (4.53%) follows:

	1% Decrease 2.53%	Discount Rate 3.53%	1% Increase 4.53%
Total OPEB liability	\$ 4,002,032	\$ 3,703,617	\$ 3,428,915

There is also sensitivity of the TOL to changes in the healthcare cost trend rates. The total OPEB liability of the District as well as what the District's total OPEB liability would be if it were recalculated using healthcare cost trend rates that are one percentage point lower (7.00%) or one percentage point higher (9.00%) than the current healthcare cost trend rate follows:

	1% Decrease 7.00% decreasing to 4.00%	Trend Rate 8.00% decreasing to 5.00%	1% Increase 9.00% decreasing to 6.00%
Total OPEB liability	\$ 3,212,136	\$ 3,703,617	\$ 4,662,569

For the year ended June 30, 2018, the District recognized OPEB expense of \$461. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ -	\$ 176,622
Deferred contributions	210,219	-
Total	<u>\$ 210,219</u>	<u>\$ 176,622</u>

The amount reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date of \$210,219 will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Fiscal Year ending June 30:	Recognized Net Deferred Outflows (Inflows) of Resources
2019	\$ (23,708)
2020	(23,708)
2021	(23,708)
2022	(23,708)
2023	(23,708)
Thereafter	(58,082)

#### **Actuarial Methods and Assumptions**

The District's actuarial valuation is completed on a biennial frequency, provided no significant events have occurred warranting new measurement. The District completed the valuation with a measurement date of June 30, 2017 for fiscal year end June 30, 2018 financial reporting. This valuation was derived based on the 2016 actual costs and participants. As of September 1, 2016, the most recent valuation date, the District's total OPEB liability was determined using the following significant actuarial assumptions:

1. Asset Valuation Method: Market value of assets (\$0; plan is not yet funded)
2. Discount Rate: 3.53% as of June 30, 2017; 2.85% as of June 30, 2016
3. Participants Valued: Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in the valuation.
4. Salary Increase: 1.0% per year; since benefits do not depend on salary, this is used only to allocate the cost of benefits between service years
5. Assumed Wage Inflation: 3.0% per year; a component of assumed salary increases
6. General Inflation Rate: 2.75% per year
7. Medicare Eligibility: Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at age 65.

8. Healthcare Trend: District plan premiums are assumed to increase annually at the following rates

2017:	8.50%	2021:	6.50%
2018:	8.00%	2022:	6.00%
2019:	7.50%	2023:	5.50%
2020:	7.00%	2024 & later:	5.00%

9. Participation Rate: For active participants currently covered, 60% are assumed to continue their current District medical plan coverage in retirement until reaching age 65. For active participants currently waiving coverage, 5% are assumed to elect coverage in the District's High Plan in retirement. All current retirees are assumed to continue their existing election until death. At age 65, all current and future retirees are assumed to move to the separately rated Medicare Advantage plan offered by the District.
10. Spouse Coverage: For current active employees, 70% of those assumed to elect coverage in retirement are assumed to be married participants and 70% of the married participants are assumed to elect coverage for their spouse in retirement. Husbands are assumed to be 3 years older than their wives. For current retired employees, existing elections for spouse coverage are assumed to continue until the spouse's death. Actual spouse information is used where available; otherwise husbands are assumed to be 3 years older than their wives.
11. Excise tax on high-cost plans: The expected value of excise taxes for high cost plan coverage for retirees is expected to be effective in the year 2022. A 40% excise tax rate was applied to the portion of premiums projected to exceed the threshold amounts under the Affordable Care Act (ACA). The actual limits may be higher, depending on cost increases prior to the effective date. The thresholds are scheduled to increase by CPI plus 1% in 2019 and by CPI annually thereafter. This report assumes that 100% of any excise tax liability for high cost retiree coverage will be borne by the District.

The discount rate was based on the published change in return for the applicable 20-year municipal bond index.

For PERS members, mortality rates were based on the RP-2014 White Collar Employee mortality (before retirement) and White Collar Health Annuitant mortality (after retirement), male and female tables, and base rates as of 2006. For TRS members, mortality rates were based on the RP-2014 Employee mortality (no collar) before retirement and Healthy Annuitant mortality (no collar) after retirement, male and female tables, and base rates as of 2006. Mortality rates applied before and after retirement were projected by applying MacLeod Watts Scale 2017 on a fully generational basis from 2006 forward.



#### **D. Tax Abatements**

The District's property tax revenue is subject to tax abatement agreements entered into by Gallatin County (the County). Under the Montana Code Annotated, Title 15, Chapter 24, Part 14, the County approves tax incentives for qualified new or expanding industries located in Gallatin County. The tax incentives are for real and personal property taxes. To be eligible for the benefit, the taxpayer must apply and be approved by the County. In order to qualify, the taxpayer must invest a minimum of \$50,000 worth of qualifying improvements or modernized processes within the first 5 years after a construction permit is issued. Generally, the taxpayer commits to invest the statutory minimum and often includes a proposal to hire a certain number of additional employees in response to the entity's expansion. The County has not made any commitments as part of the agreements other than to reduce taxes.

The taxpayer receives a credit against property taxes in the form of a certain percentage reduction. The County manually applies the applicable credit amount to reduce the property tax bill. If property taxes were abated, but the taxpayer did not meet the eligibility requirements, the recapture amount is equal to the amount of taxes avoided, plus interest and penalties for nonpayment of property taxes.

For the fiscal year ended June 30, 2018, the District portion of the property taxes abated by Gallatin County totaled \$2,718 under this program, reducing property tax revenue for the District.

#### **E. Contingencies**

As of June 30, 2018, the District was not involved in any lawsuits.



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

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

<b>Total OPEB Liability</b>	<u>2018</u>
Service cost	\$ 277,808
Interest	110,781
Change of assumptions	(200,330)
Benefit payments	<u>(187,798)</u>
Net changes in total OPEB liability	461
Total OPEB liability, beginning of year	<u>3,703,156</u>
Total OPEB liability, end of year	<u><u>\$ 3,703,617</u></u>
 <b>Plan Fiduciary Net Position</b>	
Contributions - employer	\$ 187,798
Benefit payments	<u>(187,798)</u>
Net change in plan fiduciary net position	-
Plan fiduciary net position, beginning of year	<u>-</u>
Plan fiduciary net position, end of year	<u><u>\$ -</u></u>
 Net OPEB liability, end of year	<u><u>\$ 3,703,617</u></u>
Covered employee payroll	<u><u>\$ 38,468,195</u></u>
District's total OPEB liability as a percentage of covered-employee payroll	<u><u>9.63%</u></u>

*See Note IV C for additional information on the significant assumptions used in calculating the total OPEB liability.*

*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**  
**TEACHERS' RETIREMENT SYSTEM OF MONTANA (TRS)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

	6/30/2018		6/30/2017		6/30/2016		6/30/2015
Employer's proportion of the net pension liability	2.62950%		2.53350%		2.46410%		2.36670%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 44,335,923		\$ 46,283,916		\$ 40,485,638		\$ 36,419,973
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 28,142,575		\$ 30,154,266		\$ 27,107,547		\$ 24,945,157
<b>Total</b>	<b>\$ 72,478,498</b>		<b>\$ 76,438,182</b>		<b>\$ 67,593,185</b>		<b>\$ 61,365,130</b>
Employer's covered payroll	\$ 34,682,649		\$ 32,886,005		\$ 31,446,361		\$ 29,846,019
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	127.83%		140.74%		128.75%		122.03%
Plan fiduciary net position as a percentage of the total pension liability	70.09%		66.69%		69.30%		70.36%

**Schedule of Contributions:**

	6/30/2018		6/30/2017		6/30/2016		6/30/2015
Contractually required contributions	\$ 3,446,699		\$ 3,267,549		\$ 3,008,409		\$ 2,947,769
Contributions in relation to the contractually required contributions	\$ 3,446,699		\$ 3,267,549		\$ 3,008,409		\$ 2,947,769
Contribution deficiency (excess)	\$ -		\$ -		\$ -		\$ -
Employer's covered-employee payroll	\$ 36,125,172		\$ 34,682,649		\$ 32,886,005		\$ 31,446,361
Contributions of covered-employee payroll (as a percentage)	9.54000%		9.42000%		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, 2018**

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

	6/30/2018		6/30/2017		6/30/2016		6/30/2015
Employer's proportionate share of the net pension liability (percentage)	0.4258%		0.4178%		0.4064%		0.4404%
Employer's proportion of the net pension liability (amount)	\$ 8,292,427		\$ 7,115,877		\$ 5,681,072		\$ 5,487,123
State of Montana's proportionate share of the net pension liability (amount)	\$ 435,070		\$ 332,565		\$ 266,953		\$ 256,505
<b>Total</b>	<b>\$ 8,727,497</b>		<b>\$ 7,448,442</b>		<b>\$ 5,948,025</b>		<b>\$ 5,743,628</b>
Employer's covered payroll	\$ 5,457,905		\$ 5,172,904		\$ 4,903,746		\$ 5,157,599
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	151.93%		137.56%		115.85%		106.39%
Plan fiduciary net position as a percentage of the total pension liability	73.75%		74.71%		78.40%		79.90%

**Schedule of Contributions:**

	6/30/2018		6/30/2017		6/30/2016		6/30/2015
Contractually required defined benefit contributions	\$ 459,081		\$ 442,706		\$ 418,263		\$ 390,832
Plan Choice Rate Required Contributions	\$ -		\$ -		\$ 18,924		\$ 31,348
Contributions in relation to the contractually required contributions	\$ 459,081		\$ 442,706		\$ 437,187		\$ 422,180
Contribution deficiency (excess)	\$ -		\$ -		\$ -		\$ -
Employer's covered-employee payroll	\$ 5,598,453		\$ 5,465,641		\$ 5,172,904		\$ 4,903,746
Contributions of covered-employee payroll (as a percentage)	8.20%		8.10%		8.45%		8.61%

*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, 2018**

**Teacher's 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 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 2016:

- The normal cost method has been updated to align the calculation of the projected compensation and the total present value of plan benefits so that the normal cost rate reflects the most appropriate allocation of plan costs over future compensation.

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	22 years
Asset valuation method	4-year smoothed market
Inflation	3.25 percent
	4.00 to 8.51 percent, including inflation for
	Non-University Members and 5.00% for
Salary increase	University Members;
	7.75 percent, net of pension plan investment
Investment rate of return	expense, and including inflation

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

**Changes of Benefit Terms**

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

**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.

**2017 Legislative Changes:**

General Revisions -House Bill 101, effective July 1, 2017

**Working Retiree Limitations** -for PERS

If a PERS retiree returns as an independent contractor to what would otherwise be PERS-covered employment, general contractor overhead costs are excluded from PERS working retiree limitations.

**Terminating Employers - Recovery of actuary costs** -for PERS

Employers who terminate participation in PERS must pay the actuarial liability associated with that termination. Starting July 1, 2017, the terminating employer must also pay for the cost of the actuarial study used to determine that liability.

**Refunds**

- 1) Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
- 2) Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so within 90 days of termination of service.
- 3) Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

**Family Law Orders**

If a Family Law Order (FLO) is silent regarding the apportionment of post-retirement benefit adjustments such as the Guaranteed Annual Benefit Adjustment (GABA), the FLO is presumed to require apportionment of the post-retirement benefit adjustment in the same percentage as the monthly retirement benefit is apportioned.

**Disabled PERS Defined Contribution (DC) Members**

PERS members hired after July 1, 2011 have a normal retirement age of 65. PERS DC members hired after July 1, 2011 who became disabled were previously only eligible for a disability benefit until age 65. Effective July 1, 2017, these individuals will be eligible for a disability benefit until they reach 70, thus ensuring

the same 5-year time period available to PERS DC disabled members hired prior to July 1, 2011 who have a normal retirement age of 60 and are eligible for a disability benefit until age 65.

**PERS Statutory Appropriation - House Bill 648, effective July 1, 2017**

Revenue from coal severance taxes and interest income from the coal severance tax permanent fund previously statutorily-appropriated to the PERS defined benefit trust fund will be replaced with the following statutory appropriations:

1. FY2018 - \$31.386 million
2. FY2019 - \$31.958 million
3. Beginning July 1, 2019 through at least June 30, 2025, 101 % of the contribution from the previous year from the general fund to the PERS defined benefit trust fund, as follows:
  - a. FY2020 - \$32.277 million
  - b. FY2021 - \$32.6 million
  - c. FY2022 - \$32.926 million
  - d. FY2023 - \$33.255 million
  - e. FY2024 - \$33.588 million
  - f. FY2025 - \$33.924 million

**Changes in Actuarial Assumptions and Methods**

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

The following Actuarial Assumptions were adopted from the June 30, 2017 actuarial valuation:

General wage growth	3.50%
Investment rate of return*	7.65%
*includes inflation at	2.75%
Merit salary increases	0% to 6.30%
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
	For males and females: RP 2000 Combined
	Employee and Annuitant Mortality Table
	projected to 2020 using Scale BB, males set
Mortality (healthy members)	back 1 year.
	For Males and Females: RP 2000 Combined
Mortality (disabled members)	Mortality Table
Admin Expense as % of Payroll	0.26%

Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. The amount varies from year to year based on the prior year's actual administrative expenses.



## **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 two 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, 2018**

	Elementary General Subfund	High School General Subfund	Totals
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 3,228,465	\$ 1,978,221	\$ 5,206,686
Property taxes receivable	246,320	157,471	403,791
Due from other governments	170,250	42,500	212,750
Accounts receivable	1,833	4,348	6,181
Prepaid items	24,440	21,942	46,382
<b>Total assets</b>	<b>\$ 3,671,308</b>	<b>\$ 2,204,482</b>	<b>\$ 5,875,790</b>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 85,512	\$ 26,994	\$ 112,506
<b>Total liabilities</b>	<b>85,512</b>	<b>26,994</b>	<b>112,506</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Unavailable revenue - property taxes	246,320	157,471	403,791
<b>Total deferred inflows of resources</b>	<b>246,320</b>	<b>157,471</b>	<b>403,791</b>
<b><u>FUND BALANCES</u></b>			
Nonspendable	24,440	21,942	46,382
Assigned	228,796	257,029	485,825
Unassigned	3,086,240	1,741,046	4,827,286
<b>Total fund balances</b>	<b>3,339,476</b>	<b>2,020,017</b>	<b>5,359,493</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 3,671,308</b>	<b>\$ 2,204,482</b>	<b>\$ 5,875,790</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, 2018**

	Elementary General Subfund	High School General Subfund	Totals
<b>Revenues:</b>			
District property taxes	\$ 13,238,638	\$ 7,663,229	\$ 20,901,867
Tuition and fees	33,433	20,808	54,241
Interest	83,908	70,442	154,350
Other district revenue	170,000	42,500	212,500
State of Montana	18,688,206	9,316,965	28,005,171
<b>Total revenues</b>	<u>32,214,185</u>	<u>17,113,944</u>	<u>49,328,129</u>
<b>Expenditures:</b>			
Current -			
Instruction	21,099,682	10,212,941	31,312,623
Support services	4,367,516	1,721,368	6,088,884
General administration	1,427,229	1,290,495	2,717,724
Building administration	2,387,347	948,159	3,335,506
Operations and maintenance	2,557,057	1,899,788	4,456,845
Student transportation	5,235	811	6,046
Food services	-	4,449	4,449
Extracurricular activities	233,384	866,189	1,099,573
<b>Total expenditures</b>	<u>32,077,450</u>	<u>16,944,200</u>	<u>49,021,650</u>
<b>Net change in fund balances</b>	136,735	169,744	306,479
<b>Fund balances, beginning of year</b>	<u>3,202,741</u>	<u>1,850,273</u>	<u>5,053,014</u>
<b>Fund balances, end of year</b>	<u><u>\$ 3,339,476</u></u>	<u><u>\$ 2,020,017</u></u>	<u><u>\$ 5,359,493</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, 2018**

	Elementary General Subfund			High School General Subfund		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>						
District property taxes	\$ 13,244,023	\$ 13,238,638	\$ (5,385)	\$ 7,663,658	\$ 7,663,229	\$ (429)
Tuition and fees	651	33,433	32,782	8,290	20,808	12,518
Interest	65,454	81,324	15,870	29,211	68,568	39,357
Other district revenue	34	170,000	169,966	-	42,500	42,500
State of Montana	18,786,273	18,688,206	(98,067)	9,359,807	9,316,965	(42,842)
<b>Total revenues</b>	<u>32,096,435</u>	<u>32,211,601</u>	<u>115,166</u>	<u>17,060,966</u>	<u>17,112,070</u>	<u>51,104</u>
<b>Expenditures:</b>						
Current -						
Instruction	20,778,909	21,069,515	(290,606)	9,962,724	10,210,700	(247,976)
Support services	4,267,523	4,343,477	(75,954)	1,877,540	1,713,609	163,931
General administration	1,354,540	1,426,985	(72,445)	1,246,715	1,290,251	(43,536)
Building administration	2,321,861	2,368,373	(46,512)	988,938	942,093	46,845
Operations and maintenance	3,008,247	2,551,143	457,104	2,117,895	1,895,888	222,007
Student transportation	-	3,954	(3,954)	-	-	-
Food services	-	-	-	-	1,168	(1,168)
Extracurricular activities	265,752	233,384	32,368	726,085	866,189	(140,104)
<b>Total expenditures</b>	<u>31,996,832</u>	<u>31,996,831</u>	<u>1</u>	<u>16,919,897</u>	<u>16,919,898</u>	<u>(1)</u>
<b>Net change in fund balances</b>	99,603	214,770	115,167	141,069	192,172	51,103
<b>Fund balances, beginning of year</b>	<u>2,994,697</u>	<u>2,994,697</u>	<u>-</u>	<u>1,711,044</u>	<u>1,711,044</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 3,094,300</u>	<u>\$ 3,209,467</u>	<u>\$ 115,167</u>	<u>\$ 1,852,113</u>	<u>\$ 1,903,216</u>	<u>\$ 51,103</u>

**Nonmajor Governmental Funds – By Fund Type**

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**COMBINING BALANCE SHEET**  
**ALL NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE**  
**JUNE 30, 2018**

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 7,650,307	\$ 755,462	\$ 10,923,660	\$ 19,329,429
Property taxes receivable	67,226	167,635	62,144	297,005
Due from other funds	1,044	-	-	1,044
Due from other governments	942,114	374,346	317,147	1,633,607
Accounts receivable	124,231	-	53,743	177,974
Inventory, at cost	68,010	-	-	68,010
Prepaid items	38,626	-	-	38,626
<b>Total assets</b>	<b>\$ 8,891,558</b>	<b>\$ 1,297,443</b>	<b>\$ 11,356,694</b>	<b>\$ 21,545,695</b>
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ 162,322	\$ -	\$ 539,457	\$ 701,779
Due to other funds	1,044	-	-	1,044
Retainages payable	-	-	26,329	26,329
Unearned revenue	81,228	-	-	81,228
<b>Total liabilities</b>	<b>244,594</b>	<b>-</b>	<b>565,786</b>	<b>810,380</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Unavailable revenue - property taxes	67,226	167,635	62,144	297,005
<b>Total deferred inflows of resources</b>	<b>67,226</b>	<b>167,635</b>	<b>62,144</b>	<b>297,005</b>
<b><u>FUND BALANCES</u></b>				
Nonspendable	106,636	-	-	106,636
Restricted	6,166,403	1,129,808	10,728,764	18,024,975
Committed	2,306,699	-	-	2,306,699
<b>Total fund balances</b>	<b>8,579,738</b>	<b>1,129,808</b>	<b>10,728,764</b>	<b>20,438,310</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 8,891,558</b>	<b>\$ 1,297,443</b>	<b>\$ 11,356,694</b>	<b>\$ 21,545,695</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, 2018**

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
<b>Revenues:</b>				
District property taxes	\$ 3,495,272	\$ 8,504,897	\$ 3,157,036	\$ 15,157,205
Tuition and fees	1,497,646	-	-	1,497,646
Interest	79,113	66,380	135,927	281,420
Other district revenue	1,518,606	374,345	884,906	2,777,857
Gallatin County	7,384,452	-	-	7,384,452
State of Montana	4,289,552	-	-	4,289,552
Federal	4,264,635	-	-	4,264,635
<b>Total revenues</b>	<u>22,529,276</u>	<u>8,945,622</u>	<u>4,177,869</u>	<u>35,652,767</u>
<b>Expenditures:</b>				
Current -				
Instruction	10,154,305	-	114,123	10,268,428
Support services	4,841,594	-	-	4,841,594
General administration	977,568	-	-	977,568
Building administration	884,836	-	2,549	887,385
Operations and maintenance	459,251	15,832	1,465,919	1,941,002
Student transportation	2,473,621	-	-	2,473,621
Food services	1,851,135	-	-	1,851,135
Extracurricular activities	519,776	-	-	519,776
Capital outlay	84,817	-	6,160,825	6,245,642
Debt service -				
Principal retirement	-	7,125,000	-	7,125,000
Interest and fiscal charges	-	6,509,382	-	6,509,382
<b>Total expenditures</b>	<u>22,246,903</u>	<u>13,650,214</u>	<u>7,743,416</u>	<u>43,640,533</u>
<b>Excess (deficiency) of revenues over expenditures</b>	282,373	(4,704,592)	(3,565,547)	(7,987,766)
Transfers in	-	677,521	-	677,521
Transfers out	-	-	(677,521)	(677,521)
Proceeds from sale of asset	-	-	2,274,779	2,274,779
Premium on general obligation debt	-	3,484,986	-	3,484,986
<b>Total other financing sources (uses)</b>	-	4,162,507	1,597,258	5,759,765
<b>Net changes in fund balances</b>	282,373	(542,085)	(1,968,289)	(2,228,001)
<b>Fund balances, beginning of year</b>	<u>8,297,365</u>	<u>1,671,893</u>	<u>12,697,053</u>	<u>22,666,311</u>
<b>Fund balances, end of year</b>	<u>\$ 8,579,738</u>	<u>\$ 1,129,808</u>	<u>\$ 10,728,764</u>	<u>\$ 20,438,310</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, 2018**

	Elementary Transportation	Elementary Bus Depreciation	Elementary Tuition	Elementary Retirement	Elementary Grants	Elementary Technology Acquisition	Elementary Flexibility	High School Transportation	High School Bus Depreciation
<b><u>ASSETS</u></b>									
Cash and cash equivalents	\$ 631,167	\$ 292,565	\$ 341	\$ 1,375,715	\$ 1,014,758	\$ 454,038	\$ 1,567	\$ 328,805	\$ 292,811
Property taxes receivable	22,467	53	4,619	-	-	8,340	-	10,552	66
Due from other funds	-	-	1,044	-	-	-	-	-	-
Due from other governments	-	-	-	7,094	567,292	-	-	-	-
Accounts receivable	-	-	-	-	121,825	-	-	-	-
Inventory, at cost	-	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	1,133	11,641	-	-	-
<b>Total assets</b>	<b>\$ 653,634</b>	<b>\$ 292,618</b>	<b>\$ 6,004</b>	<b>\$ 1,382,809</b>	<b>\$ 1,705,008</b>	<b>\$ 474,019</b>	<b>\$ 1,567</b>	<b>\$ 339,357</b>	<b>\$ 292,877</b>
<b><u>LIABILITIES</u></b>									
Accounts payable	\$ 312	\$ -	\$ -	\$ -	\$ 106,569	\$ 39,974	\$ -	\$ 312	\$ -
Due to other funds	-	-	-	-	1,044	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>312</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>107,613</b>	<b>39,974</b>	<b>-</b>	<b>312</b>	<b>-</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>									
Unavailable revenue - property taxes	22,467	53	4,619	-	-	8,340	-	10,552	66
<b>Total deferred inflows of resources</b>	<b>22,467</b>	<b>53</b>	<b>4,619</b>	<b>-</b>	<b>-</b>	<b>8,340</b>	<b>-</b>	<b>10,552</b>	<b>66</b>
<b><u>FUND BALANCES</u></b>									
Nonspendable	-	-	-	-	1,133	11,641	-	-	-
Restricted	630,855	292,565	1,385	1,382,809	206,500	414,064	1,567	328,493	292,811
Committed	-	-	-	-	1,389,762	-	-	-	-
<b>Total fund balances</b>	<b>630,855</b>	<b>292,565</b>	<b>1,385</b>	<b>1,382,809</b>	<b>1,597,395</b>	<b>425,705</b>	<b>1,567</b>	<b>328,493</b>	<b>292,811</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 653,634</b>	<b>\$ 292,618</b>	<b>\$ 6,004</b>	<b>\$ 1,382,809</b>	<b>\$ 1,705,008</b>	<b>\$ 474,019</b>	<b>\$ 1,567</b>	<b>\$ 339,357</b>	<b>\$ 292,877</b>

(Continued)

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2018**

	High School Food	High School Tuition	High School Retirement	High School Grants	High School Adult Education	High School Drivers Education	High School Technology Acquisition	High School Flexibility	Totals
<b><u>ASSETS</u></b>									
Cash and cash equivalents	\$ 371,195	\$ 400,505	\$ 1,139,121	\$ 240,478	\$ 192,443	\$ 230,836	\$ 682,442	\$ 1,520	\$ 7,650,307
Property taxes receivable	-	11,219	-	-	5,674	-	4,236	-	67,226
Due from other funds	-	-	-	-	-	-	-	-	1,044
Due from other governments	-	-	11,935	312,205	-	43,588	-	-	942,114
Accounts receivable	2,374	-	-	32	-	-	-	-	124,231
Inventory, at cost	68,010	-	-	-	-	-	-	-	68,010
Prepaid items	1,844	-	-	12,368	-	-	11,640	-	38,626
<b>Total assets</b>	<b>\$ 443,423</b>	<b>\$ 411,724</b>	<b>\$ 1,151,056</b>	<b>\$ 565,083</b>	<b>\$ 198,117</b>	<b>\$ 274,424</b>	<b>\$ 698,318</b>	<b>\$ 1,520</b>	<b>\$ 8,891,558</b>
<b><u>LIABILITIES</u></b>									
Accounts payable	\$ 3,339	\$ -	\$ -	\$ 761	\$ 1,456	\$ -	\$ 9,599	\$ -	\$ 162,322
Due to other funds	-	-	-	-	-	-	-	-	1,044
Unearned revenue	81,228	-	-	-	-	-	-	-	81,228
<b>Total liabilities</b>	<b>84,567</b>	<b>-</b>	<b>-</b>	<b>761</b>	<b>1,456</b>	<b>-</b>	<b>9,599</b>	<b>-</b>	<b>244,594</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>									
Unavailable revenue - property taxes	-	11,219	-	-	5,674	-	4,236	-	67,226
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>11,219</b>	<b>-</b>	<b>-</b>	<b>5,674</b>	<b>-</b>	<b>4,236</b>	<b>-</b>	<b>67,226</b>
<b><u>FUND BALANCES</u></b>									
Nonspendable	69,854	-	-	12,368	-	-	11,640	-	106,636
Restricted	-	400,505	1,151,056	198,443	190,987	-	672,843	1,520	6,166,403
Committed	289,002	-	-	353,511	-	274,424	-	-	2,306,699
<b>Total fund balances</b>	<b>358,856</b>	<b>400,505</b>	<b>1,151,056</b>	<b>564,322</b>	<b>190,987</b>	<b>274,424</b>	<b>684,483</b>	<b>1,520</b>	<b>8,579,738</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 443,423</b>	<b>\$ 411,724</b>	<b>\$ 1,151,056</b>	<b>\$ 565,083</b>	<b>\$ 198,117</b>	<b>\$ 274,424</b>	<b>\$ 698,318</b>	<b>\$ 1,520</b>	<b>\$ 8,891,558</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, 2018**

	Elementary Transportation	Elementary Bus Depreciation	Elementary Tuition	Elementary Retirement	Elementary Grants	Elementary Technology Acquisition	Elementary Flexibility	High School Transportation	High School Bus Depreciation
<b>Revenues:</b>									
District property taxes	\$ 1,200,234	\$ 20	\$ 259,983	\$ -	\$ -	\$ 455,664	\$ -	\$ 498,034	\$ 36
Tuition and fees	2,465	-	-	-	1,370	-	-	3,473	-
Interest	6,808	4,426	1,039	16,934	1,122	3,125	-	4,331	4,395
Other district revenue	2,724	-	-	-	1,060,139	-	1,567	-	-
Gallatin County	246,660	-	-	4,524,088	-	-	-	119,500	-
State of Montana	254,688	-	-	1,299,197	1,648,727	76,578	-	122,632	-
Federal	-	-	-	-	2,863,984	-	-	-	-
<b>Total revenues</b>	<u>1,713,579</u>	<u>4,446</u>	<u>261,022</u>	<u>5,840,219</u>	<u>5,575,342</u>	<u>535,367</u>	<u>1,567</u>	<u>747,970</u>	<u>4,431</u>
<b>Expenditures:</b>									
Current -									
Instruction	-	-	252,660	3,890,844	2,787,670	437,258	713	-	-
Support services	-	-	7,077	927,116	2,516,266	13,111	-	-	-
General administration	83,662	-	-	232,337	174,198	125,415	-	83,658	-
Building administration	-	-	-	434,208	13,013	-	-	-	-
Operations and maintenance	4,050	-	-	266,527	6,372	-	-	3,080	-
Student transportation	1,660,311	-	-	21,579	5,372	-	-	781,329	-
Food services	-	-	-	-	-	-	-	-	-
Extracurricular activities	-	-	-	39,211	74,001	-	-	-	-
Capital outlay	-	-	-	-	84,817	-	-	-	-
<b>Total expenditures</b>	<u>1,748,023</u>	<u>-</u>	<u>259,737</u>	<u>5,811,822</u>	<u>5,661,709</u>	<u>575,784</u>	<u>713</u>	<u>868,067</u>	<u>-</u>
<b>Net change in fund balances</b>	(34,444)	4,446	1,285	28,397	(86,367)	(40,417)	854	(120,097)	4,431
<b>Fund balances, beginning of year</b>	<u>665,299</u>	<u>288,119</u>	<u>100</u>	<u>1,354,412</u>	<u>1,683,762</u>	<u>466,122</u>	<u>713</u>	<u>448,590</u>	<u>288,380</u>
<b>Fund balances, end of year</b>	<u>\$ 630,855</u>	<u>\$ 292,565</u>	<u>\$ 1,385</u>	<u>\$ 1,382,809</u>	<u>\$ 1,597,395</u>	<u>\$ 425,705</u>	<u>\$ 1,567</u>	<u>\$ 328,493</u>	<u>\$ 292,811</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, 2018**

	High School Food	High School Tuition	High School Retirement	High School Grants	High School Adult Education	High School Drivers Education	High School Technology Acquisition	High School Flexibility	Totals
<b>Revenues:</b>									
District property taxes	\$ -	\$ 599,292	\$ -	\$ -	\$ 280,701	\$ -	\$ 201,308	\$ -	\$ 3,495,272
Tuition and fees	1,328,720	-	-	-	25,983	135,635	-	-	1,497,646
Interest	5,022	2,043	11,803	3,762	2,700	3,206	8,397	-	79,113
Other district revenue	98	-	-	449,266	3,292	-	-	1,520	1,518,606
Gallatin County	-	-	2,494,204	-	-	-	-	-	7,384,452
State of Montana	3,664	-	666,902	101,217	-	45,366	70,581	-	4,289,552
Federal	451,156	-	-	949,495	-	-	-	-	4,264,635
<b>Total revenues</b>	<u>1,788,660</u>	<u>601,335</u>	<u>3,172,909</u>	<u>1,503,740</u>	<u>312,676</u>	<u>184,207</u>	<u>280,286</u>	<u>1,520</u>	<u>22,529,276</u>
<b>Expenditures:</b>									
Current -									
Instruction	-	193,853	1,794,210	209,786	136,644	128,215	322,024	428	10,154,305
Support services	-	7,077	315,254	1,048,561	3,352	-	3,780	-	4,841,594
General administration	-	-	171,001	7,099	966	3,539	95,693	-	977,568
Building administration	-	-	216,172	-	182,488	38,955	-	-	884,836
Operations and maintenance	-	-	176,037	3,185	-	-	-	-	459,251
Student transportation	-	-	5,030	-	-	-	-	-	2,473,621
Food services	1,708,873	-	142,262	-	-	-	-	-	1,851,135
Extracurricular activities	-	-	125,683	280,881	-	-	-	-	519,776
Capital outlay	-	-	-	-	-	-	-	-	84,817
<b>Total expenditures</b>	<u>1,708,873</u>	<u>200,930</u>	<u>2,945,649</u>	<u>1,549,512</u>	<u>323,450</u>	<u>170,709</u>	<u>421,497</u>	<u>428</u>	<u>22,246,903</u>
<b>Net change in fund balances</b>	79,787	400,405	227,260	(45,772)	(10,774)	13,498	(141,211)	1,092	282,373
<b>Fund balances, beginning of year</b>	<u>279,069</u>	<u>100</u>	<u>923,796</u>	<u>610,094</u>	<u>201,761</u>	<u>260,926</u>	<u>825,694</u>	<u>428</u>	<u>8,297,365</u>
<b>Fund balances, end of year</b>	<u>\$ 358,856</u>	<u>\$ 400,505</u>	<u>\$ 1,151,056</u>	<u>\$ 564,322</u>	<u>\$ 190,987</u>	<u>\$ 274,424</u>	<u>\$ 684,483</u>	<u>\$ 1,520</u>	<u>\$ 8,579,738</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, 2018**

	Elementary Transportation			Elementary Bus Depreciation		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>						
District property taxes	\$ 1,200,740	\$ 1,200,234	\$ (506)	\$ -	\$ 20	\$ 20
Tuition and fees	2,500	2,465	(35)	-	-	-
Interest	1,500	6,808	5,308	500	4,426	3,926
Other district revenue	-	2,724	2,724	-	-	-
Gallatin County	289,997	246,660	(43,337)	-	-	-
State of Montana	334,926	254,688	(80,238)	-	-	-
<b>Total revenues</b>	<u>1,829,663</u>	<u>1,713,579</u>	<u>(116,084)</u>	<u>500</u>	<u>4,446</u>	<u>3,946</u>
<b>Expenditures:</b>						
Current -						
General administration	83,223	83,662	(439)	-	-	-
Operations and maintenance	-	4,050	(4,050)	-	-	-
Student transportation	1,995,912	1,660,311	335,601	-	-	-
Capital outlay	-	-	-	288,620	-	288,620
<b>Total expenditures</b>	<u>2,079,135</u>	<u>1,748,023</u>	<u>331,112</u>	<u>288,620</u>	<u>-</u>	<u>288,620</u>
<b>Net change in fund balances</b>	(249,472)	(34,444)	215,028	(288,120)	4,446	292,566
<b>Fund balances, beginning of year</b>	<u>665,299</u>	<u>665,299</u>	<u>-</u>	<u>288,119</u>	<u>288,119</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 415,827</u>	<u>\$ 630,855</u>	<u>\$ 215,028</u>	<u>\$ (1)</u>	<u>\$ 292,565</u>	<u>\$ 292,566</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, 2018**

	Elementary Tuition			Elementary Retirement		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>						
District property taxes	\$ 259,637	\$ 259,983	\$ 346	\$ -	\$ -	\$ -
Interest	-	1,039	1,039	1,500	16,934	15,434
Gallatin County	-	-	-	4,524,088	4,524,088	-
<b>Total revenues</b>	<u>259,637</u>	<u>261,022</u>	<u>1,385</u>	<u>4,525,588</u>	<u>4,541,022</u>	<u>15,434</u>
<b>Expenditures:</b>						
Current -						
Instruction	259,737	252,660	7,077	3,200,185	2,956,452	243,733
Support services	-	7,077	(7,077)	558,602	739,695	(181,093)
General administration	-	-	-	286,160	193,601	92,559
Building administration	-	-	-	391,020	341,610	49,410
Operations and maintenance	-	-	-	268,031	232,244	35,787
Student transportation	-	-	-	17,640	17,163	477
Food Services	-	-	-	97,020	-	97,020
Extracurricular activities	-	-	-	81,342	31,860	49,482
<b>Total expenditures</b>	<u>259,737</u>	<u>259,737</u>	<u>-</u>	<u>4,900,000</u>	<u>4,512,625</u>	<u>387,375</u>
<b>Net change in fund balances</b>	(100)	1,285	1,385	(374,412)	28,397	402,809
<b>Fund balances, beginning of year</b>	<u>100</u>	<u>100</u>	<u>-</u>	<u>1,354,412</u>	<u>1,354,412</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ 1,385</u>	<u>\$ 1,385</u>	<u>\$ 980,000</u>	<u>\$ 1,382,809</u>	<u>\$ 402,809</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, 2018**

	Elementary Technology Acquisition			Elementary Flexibility		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>						
District property taxes	\$ 455,985	\$ 455,664	\$ (321)	\$ -	\$ -	\$ -
Interest	750	3,125	2,375	-	-	-
Other district revenue	-	-	-	-	1,567	1,567
State of Montana	146,355	76,578	(69,777)	-	-	-
<b>Total revenues</b>	<u>603,090</u>	<u>535,367</u>	<u>(67,723)</u>	<u>-</u>	<u>1,567</u>	<u>1,567</u>
<b>Expenditures:</b>						
Current -						
Instruction	1,069,213	437,258	631,955	713	713	-
Support services	-	13,111	(13,111)	-	-	-
General administration	-	125,415	(125,415)	-	-	-
<b>Total expenditures</b>	<u>1,069,213</u>	<u>575,784</u>	<u>493,429</u>	<u>713</u>	<u>713</u>	<u>-</u>
<b>Net change in fund balances</b>	(466,123)	(40,417)	425,706	(713)	854	1,567
<b>Fund balances, beginning of year</b>	<u>466,122</u>	<u>466,122</u>	<u>-</u>	<u>713</u>	<u>713</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ (1)</u>	<u>\$ 425,705</u>	<u>\$ 425,706</u>	<u>\$ -</u>	<u>\$ 1,567</u>	<u>\$ 1,567</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, 2018**

	High Transportation			High Bus Depreciation		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>						
District property taxes	\$ 492,251	\$ 498,034	\$ 5,783	\$ -	\$ 36	\$ 36
Tuition and fees	1,000	3,473	2,473	-	-	-
Interest	500	4,331	3,831	500	4,395	3,895
Gallatin County	133,291	119,500	(13,791)	-	-	-
State of Montana	133,291	122,632	(10,659)	-	-	-
<b>Total revenues</b>	<u>760,333</u>	<u>747,970</u>	<u>(12,363)</u>	<u>500</u>	<u>4,431</u>	<u>3,931</u>
<b>Expenditures:</b>						
Current -						
General administration	83,223	83,658	(435)	-	-	-
Operations and maintenance	-	3,080	(3,080)	-	-	-
Student transportation	941,153	781,329	120,821	-	-	-
Capital outlay	-	-	-	288,880	-	288,880
<b>Total expenditures</b>	<u>1,024,376</u>	<u>868,067</u>	<u>117,306</u>	<u>288,880</u>	<u>-</u>	<u>288,880</u>
<b>Net change in fund balances</b>	(264,043)	(120,097)	104,943	(288,380)	4,431	292,811
<b>Fund balances, beginning of year</b>	<u>448,590</u>	<u>448,590</u>	<u>-</u>	<u>288,380</u>	<u>288,380</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 184,547</u>	<u>\$ 328,493</u>	<u>\$ 104,943</u>	<u>\$ -</u>	<u>\$ 292,811</u>	<u>\$ 292,811</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, 2018**

	High School Tuition			High School Retirement		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>						
District property taxes	\$ 607,662	\$ 599,292	\$ (8,370)	\$ -	\$ -	\$ -
Interest	-	2,043	2,043	2,000	11,803	9,803
Gallatin County	-	-	-	2,494,204	2,494,204	-
<b>Total revenues</b>	<u>607,662</u>	<u>601,335</u>	<u>(6,327)</u>	<u>2,496,204</u>	<u>2,506,007</u>	<u>9,803</u>
<b>Expenditures:</b>						
Current -						
Instruction	607,762	193,853	413,909	1,861,329	1,336,637	524,692
Support services	-	7,077	(7,077)	324,901	240,978	83,923
General administration	-	-	-	166,442	144,141	22,301
Building administration	-	-	-	227,431	171,214	56,217
Operations and maintenance	-	-	-	155,896	157,160	(1,264)
Student transportation	-	-	-	10,260	4,361	5,899
Food services	-	-	-	56,431	122,986	(66,555)
Extracurricular activities	-	-	-	47,310	101,270	(53,960)
<b>Total expenditures</b>	<u>607,762</u>	<u>200,930</u>	<u>406,832</u>	<u>2,850,000</u>	<u>2,278,747</u>	<u>571,253</u>
<b>Net change in fund balances</b>	(100)	400,405	400,505	(353,796)	227,260	581,056
<b>Fund balances, beginning of year</b>	<u>100</u>	<u>100</u>	<u>-</u>	<u>923,796</u>	<u>923,796</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ 400,505</u>	<u>\$ 400,505</u>	<u>\$ 570,000</u>	<u>\$ 1,151,056</u>	<u>\$ 581,056</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, 2018**

	High School Adult Education			High School Technology Acquisition		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>						
District property taxes	\$ 281,197	\$ 280,701	\$ (496)	\$ 200,000	\$ 201,308	\$ 1,308
Tuition and fees	27,000	25,983	(1,017)	-	-	-
Interest	500	2,700	2,200	1,500	8,397	6,897
Other district revenue	4,000	3,292	(708)	-	-	-
State of Montana	-	-	-	134,895	70,581	(64,314)
<b>Total revenues</b>	<u>312,697</u>	<u>312,676</u>	<u>(21)</u>	<u>336,395</u>	<u>280,286</u>	<u>(56,109)</u>
<b>Expenditures:</b>						
Current -						
Instruction	134,800	136,644	(1,844)	1,162,090	322,024	840,066
Support services	4,530	3,352	1,178	-	3,780	(3,780)
General administration	2,500	966	1,534	-	95,693	(95,693)
Building administration	239,250	182,488	56,762	-	-	-
<b>Total expenditures</b>	<u>381,080</u>	<u>323,450</u>	<u>57,630</u>	<u>1,162,090</u>	<u>421,497</u>	<u>740,593</u>
<b>Net change in fund balances</b>	(68,383)	(10,774)	57,609	(825,695)	(141,211)	684,484
<b>Fund balances, beginning of year</b>	<u>201,761</u>	<u>201,761</u>	<u>-</u>	<u>825,694</u>	<u>825,694</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 133,378</u>	<u>\$ 190,987</u>	<u>\$ 57,609</u>	<u>\$ (1)</u>	<u>\$ 684,483</u>	<u>\$ 684,484</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, 2018**

	High School Flexibility		
	Original and Final Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Other district revenue	\$ -	\$ 1,520	\$ 1,520
<b>Total revenues</b>	-	1,520	1,520
<b>Expenditures:</b>			
Current -			
Instruction	428	428	-
<b>Total expenditures</b>	428	428	-
<b>Net change in fund balances</b>	(428)	1,092	1,520
<b>Fund balances, beginning of year</b>	428	428	-
<b>Fund balances, end of year</b>	\$ -	\$ 1,520	\$ 1,520

## **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, 2018**

	Elementary Debt Service	High School Debt Service	Totals
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 716,588	\$ 38,874	\$ 755,462
Property taxes receivable	105,446	62,189	167,635
Due from other governments	374,346	-	374,346
<b>Total assets</b>	<b>\$ 1,196,380</b>	<b>\$ 101,063</b>	<b>\$ 1,297,443</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Unavailable revenue - property taxes	\$ 105,446	\$ 62,189	\$ 167,635
<b>Total deferred inflows of resources</b>	<b>105,446</b>	<b>62,189</b>	<b>167,635</b>
<b><u>FUND BALANCE</u></b>			
Restricted	1,090,934	38,874	1,129,808
<b>Total fund balance</b>	<b>1,090,934</b>	<b>38,874</b>	<b>1,129,808</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,196,380</b>	<b>\$ 101,063</b>	<b>\$ 1,297,443</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, 2018**

	Elementary Debt Service	High School Debt Service	Totals
<b>Revenues:</b>			
District property taxes	\$ 5,681,270	\$ 2,823,627	\$ 8,504,897
Interest	29,337	37,043	66,380
Other district revenue	374,345	-	374,345
<b>Total revenues</b>	<u>6,084,952</u>	<u>2,860,670</u>	<u>8,945,622</u>
<b>Expenditures:</b>			
Current -			
Operations and maintenance	5,832	10,000	15,832
Debt service -			
Principal retirement	4,950,000	2,175,000	7,125,000
Interest and fiscal charges	2,296,875	4,212,507	6,509,382
<b>Total expenditures</b>	<u>7,252,707</u>	<u>6,397,507</u>	<u>13,650,214</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,167,755)</u>	<u>(3,536,837)</u>	<u>(4,704,592)</u>
<b>Other financing sources (uses):</b>			
Transfers in	677,521	-	677,521
Premium on general obligation debt	-	3,484,986	3,484,986
<b>Total other financing sources (uses)</b>	<u>677,521</u>	<u>3,484,986</u>	<u>4,162,507</u>
<b>Net changes in fund balances</b>	(490,234)	(51,851)	(542,085)
<b>Fund balances, beginning of year</b>	<u>1,581,168</u>	<u>90,725</u>	<u>1,671,893</u>
<b>Fund balances, end of year</b>	<u><u>\$ 1,090,934</u></u>	<u><u>\$ 38,874</u></u>	<u><u>\$ 1,129,808</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, 2018**

	Elementary Debt Service			High School Debt Service		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>						
District property taxes	\$ 5,670,390	\$ 5,681,270	\$ 10,880	\$ 2,820,046	\$ 2,823,627	\$ 3,581
Interest	4,000	29,337	25,337	3,000	37,043	34,043
Other district revenue	-	374,345	374,345	-	-	-
<b>Total revenues</b>	<u>5,674,390</u>	<u>6,084,952</u>	<u>410,562</u>	<u>2,823,046</u>	<u>2,860,670</u>	<u>37,624</u>
<b>Expenditures:</b>						
Current -						
Operations and maintenance	-	5,832	(5,832)	-	10,000	(10,000)
Debt service -						
Principal retirement	4,950,000	4,950,000	-	2,175,000	2,175,000	-
Interest and fiscal charges	2,305,558	2,296,875	8,683	4,223,757	4,212,507	11,250
<b>Total expenditures</b>	<u>7,255,558</u>	<u>7,252,707</u>	<u>2,851</u>	<u>6,398,757</u>	<u>6,397,507</u>	<u>1,250</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(1,581,168)	(1,167,755)	413,413	(3,575,711)	(3,536,837)	38,874
<b>Other financing sources (uses):</b>						
Transfers in	-	677,521	677,521	-	-	-
Premium on general obligation debt	-	-	-	3,484,986	3,484,986	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>677,521</u>	<u>677,521</u>	<u>3,484,986</u>	<u>3,484,986</u>	<u>-</u>
<b>Net changes in fund balances</b>	(1,581,168)	(490,234)	1,090,934	(90,725)	(51,851)	38,874
<b>Fund balances, beginning of year</b>	<u>1,581,168</u>	<u>1,581,168</u>	<u>-</u>	<u>90,725</u>	<u>90,725</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ 1,090,934</u>	<u>\$ 1,090,934</u>	<u>\$ -</u>	<u>\$ 38,874</u>	<u>\$ 38,874</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.

### **Non-budgeted:**

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

**BOZEMAN SCHOOL DISTRICT NO. 7  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUND  
JUNE 30, 2018**

	Elementary Building	Elementary Building Reserve	High School Building Reserve	Totals
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 4,547,438	\$ 2,015,877	\$ 4,360,345	\$ 10,923,660
Property taxes receivable	-	28,678	33,466	62,144
Accounts receivable	53,633	110	-	53,743
Due from other governments	77,203	60,000	179,944	317,147
<b>Total assets</b>	<b>\$ 4,678,274</b>	<b>\$ 2,104,665</b>	<b>\$ 4,573,755</b>	<b>\$ 11,356,694</b>
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ 48,296	\$ 426,768	\$ 64,393	\$ 539,457
Retainages payable	-	18,984	7,345	26,329
<b>Total liabilities</b>	<b>48,296</b>	<b>445,752</b>	<b>71,738</b>	<b>565,786</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Unavailable revenue - property taxes	-	28,678	33,466	62,144
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>28,678</b>	<b>33,466</b>	<b>62,144</b>
<b><u>FUND BALANCES</u></b>				
Restricted	4,629,978	1,630,235	4,468,551	10,728,764
<b>Total fund balances</b>	<b>4,629,978</b>	<b>1,630,235</b>	<b>4,468,551</b>	<b>10,728,764</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 4,678,274</b>	<b>\$ 2,104,665</b>	<b>\$ 4,573,755</b>	<b>\$ 11,356,694</b>

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Elementary Building	Elementary Building Reserve	High School Building Reserve	Totals
<b>Revenues:</b>				
District property taxes	\$ -	\$ 1,503,239	\$ 1,653,797	\$ 3,157,036
Interest	64,666	23,290	47,971	135,927
Other district revenue	644,962	60,000	179,944	884,906
<b>Total revenues</b>	<u>709,628</u>	<u>1,586,529</u>	<u>1,881,712</u>	<u>4,177,869</u>
<b>Expenditures:</b>				
Current -				
Instruction	71,727	8,363	34,033	114,123
Building administration	-	2,549	-	2,549
Operations and maintenance	435,797	718,303	311,819	1,465,919
Capital outlay	4,769,694	1,015,613	375,518	6,160,825
<b>Total expenditures</b>	<u>5,277,218</u>	<u>1,744,828</u>	<u>721,370</u>	<u>7,743,416</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(4,567,590)</u>	<u>(158,299)</u>	<u>1,160,342</u>	<u>(3,565,547)</u>
<b>Other financing sources (uses):</b>				
Proceeds from sale of asset	2,274,779	-	-	2,274,779
Transfer out	(677,521)	-	-	(677,521)
<b>Total other financing sources (uses)</b>	<u>1,597,258</u>	<u>-</u>	<u>-</u>	<u>1,597,258</u>
<b>Net changes in fund balances</b>	(2,970,332)	(158,299)	1,160,342	(1,968,289)
<b>Fund balances, beginning of year</b>	<u>7,600,310</u>	<u>1,788,534</u>	<u>3,308,209</u>	<u>12,697,053</u>
<b>Fund balances, end of year</b>	<u>\$ 4,629,978</u>	<u>\$ 1,630,235</u>	<u>\$ 4,468,551</u>	<u>\$ 10,728,764</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, 2018**

	Elementary Building Reserve			High School Building Reserve		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>						
District property taxes	\$ 1,500,000	\$ 1,503,239	\$ 3,239	\$ 1,650,000	\$ 1,653,797	\$ 3,797
Interest	7,500	23,290	15,790	12,500	47,971	35,471
Other district revenue		60,000	60,000	-	179,944	179,944
<b>Total revenues</b>	<u>1,507,500</u>	<u>1,586,529</u>	<u>79,029</u>	<u>1,662,500</u>	<u>1,881,712</u>	<u>219,212</u>
<b>Expenditures:</b>						
Current -						
Instruction	-	8,363	(8,363)	-	34,033	(34,033)
Building administration	-	2,549	(2,549)	4,970,709	-	4,970,709
Operations and maintenance	-	718,303	(2,549)	-	311,819	(311,819)
Capital outlay	3,296,034	1,015,613	2,577,731		375,518	(375,518)
<b>Total expenditures</b>	<u>3,296,034</u>	<u>1,744,828</u>	<u>2,564,270</u>	<u>4,970,709</u>	<u>721,370</u>	<u>4,249,339</u>
<b>Net change in fund balances</b>	(1,788,534)	(158,299)	2,643,299	(3,308,209)	1,160,342	4,468,551
<b>Fund balances, beginning of year</b>	<u>1,788,534</u>	<u>1,788,534</u>	<u>-</u>	<u>3,308,209</u>	<u>3,308,209</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ 1,630,235</u>	<u>\$ 2,643,299</u>	<u>\$ -</u>	<u>\$ 4,468,551</u>	<u>\$ 4,468,551</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, 2018**

	Purchasing	Self-Insurance	Totals
<b><u>ASSETS</u></b>			
Current assets:			
Cash and cash equivalents	\$ 400,356	\$ 3,579,285	\$ 3,979,641
Inventory, at cost	694	-	694
Prepaid expenses	-	25,167	25,167
Flexible accounts deposit	-	36,056	36,056
Total current assets	401,050	3,640,508	4,041,558
Noncurrent assets:			
Capital assets:			
Machinery and equipment	236,182	24,930	261,112
Less accumulated depreciation	(219,010)	(24,930)	(243,940)
Net capital assets	17,172	-	17,172
<b>Total assets</b>	418,222	3,640,508	4,058,730
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Other postemployment health benefits deferred contributions	-	210,219	210,219
Contribution to pension plans in current fiscal year	-	36,340	36,340
<b>Total deferred outflows of resources</b>	-	246,559	246,559
<b>Total asset and deferred outflows of resources</b>	<u>\$ 418,222</u>	<u>\$ 3,887,067</u>	<u>\$ 4,305,289</u>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	\$ 2,005	\$ 766,782	\$ 768,787
Unearned revenue	-	1,229,542	1,229,542
Total current liabilities	2,005	1,996,324	1,998,329
Noncurrent liabilities:			
Net pension liability	-	163,033	163,033
Other postemployment health benefits	-	3,703,617	3,703,617
Total noncurrent liabilities	-	3,866,650	3,866,650
<b>Total liabilities</b>	2,005	5,862,974	5,864,979
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Other postemployment health benefits assumption changes	-	176,622	176,622
Pension deferrals	-	1,331	1,331
<b>Total deferred inflows of resources</b>	-	177,953	177,953
<b><u>NET POSITION</u></b>			
Net investment in capital assets	17,172	-	17,172
Unrestricted	399,045	(2,153,860)	(1,754,815)
<b>Total net position</b>	416,217	(2,153,860)	(1,737,643)
<b>Total liabilities, deferred inflows of resources, and net position</b>	<u>\$ 418,222</u>	<u>\$ 3,887,067</u>	<u>\$ 4,305,289</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, 2018**

	<u>Purchasing</u>	<u>Self-Insurance</u>	<u>Totals</u>
<b>Operating revenues:</b>			
Charges for services	\$ 217,603	\$ 7,817,299	\$ 8,034,902
Charges for Wellness services	-	114,592	114,592
<b>Total operating revenues</b>	<u>217,603</u>	<u>7,931,891</u>	<u>8,149,494</u>
<b>Operating expenses:</b>			
Administrative expenses	-	267,499	267,499
Communications	24,412	2,683	27,095
Contracted Medicare supplement	-	268,008	268,008
Depreciation	2,845	4,155	7,000
Excess risk insurance	-	309,173	309,173
Facilities and equipment rental	99,936	-	99,936
Health, dental and vision claims	-	6,660,875	6,660,875
Materials and supplies	1,279	20	1,299
Minor equipment	15,147	1,206	16,353
Minor technology equipment	9,570	2,346	11,916
Other expenses	3,883	-	3,883
Other postemployment health benefits	-	154,662	154,662
Repairs and maintenance	30,271	23,482	53,753
Salaries and benefits	-	80,533	80,533
Wellness	-	292,645	292,645
<b>Total operating expenses</b>	<u>187,343</u>	<u>8,067,287</u>	<u>8,254,630</u>
<b>Operating income (loss)</b>	<u>30,260</u>	<u>(135,396)</u>	<u>(105,136)</u>
<b>Nonoperating revenues (expenses):</b>			
Interest	4,679	41,145	45,824
<b>Total nonoperating revenues (expenses)</b>	<u>4,679</u>	<u>41,145</u>	<u>45,824</u>
<b>Change in net position</b>	34,939	(94,251)	(59,312)
<b>Net position, beginning of year as originally reported</b>	381,278	648,634	1,029,912
<b>Beginning net position restatement due to other postemployment health benefits</b>	<u>-</u>	<u>(2,708,243)</u>	<u>(2,708,243)</u>
<b>Net position, end of year</b>	<u><u>\$ 416,217</u></u>	<u><u>\$ (2,153,860)</u></u>	<u><u>\$ (1,737,643)</u></u>

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**COMBINING STATEMENT OF CASH FLOWS - ALL INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Purchasing</u>	<u>Self-Insurance</u>	<u>Totals</u>
<b>Cash flows from operating activities:</b>			
Receipts from users	\$ 217,710	\$ 8,054,208	\$ 8,271,918
Payments for insurance claims	-	(6,660,875)	(6,660,875)
Payments to employees	-	(80,533)	(80,533)
Payments to suppliers	(181,080)	(1,136,288)	(1,317,368)
<b>Net cash flows from operating activities</b>	<u>36,630</u>	<u>176,512</u>	<u>213,142</u>
<b>Cash flows from investing activities:</b>			
Interest received	4,679	41,145	45,824
<b>Net cash flows from investing activities</b>	<u>4,679</u>	<u>41,145</u>	<u>45,824</u>
<b>Cash flows from capital and related financing activities:</b>			
Purchases of capital assets	(8,422)	-	(8,422)
<b>Net cash flows from capital and related financing activities</b>	<u>(8,422)</u>	<u>-</u>	<u>(8,422)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	32,887	217,657	250,544
<b>Cash and cash equivalents - 7/01/17</b>	<u>367,469</u>	<u>3,361,628</u>	<u>3,729,097</u>
<b>Cash and cash equivalents - 6/30/18</b>	<u><u>\$ 400,356</u></u>	<u><u>\$ 3,579,285</u></u>	<u><u>\$ 3,979,641</u></u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>			
Operating income (loss)	\$ 30,260	\$ (135,396)	\$ (105,136)
<b>Adjustments to reconcile operating income (loss) to net cash flows from operating activities:</b>			
Depreciation	2,845	4,155	7,000
Loss on sale of assets	2,119	-	2,119
(Increase) decrease in accounts receivable	107	47,994	48,101
(Increase) decrease in inventories	815	-	815
(Increase) decrease in prepaid items	-	(25,167)	(25,167)
Increase (decrease) in accounts payable	484	39,057	39,541
Increase (decrease) in other postemployment benefits	-	154,662	154,662
Net increase (decrease) in pension related deferred inflows, deferred outflows and net pension liability	-	16,884	16,884
Increase (decrease) in unearned insurance premiums	-	74,323	74,323
<b>Total adjustments</b>	<u>6,370</u>	<u>311,908</u>	<u>318,278</u>
<b>Net cash from operating activities</b>	<u><u>\$ 36,630</u></u>	<u><u>\$ 176,512</u></u>	<u><u>\$ 213,142</u></u>

## **Fiduciary Funds**

### **Private-Purpose Trust Funds:**

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 small interlocal agreement with Lincoln School District 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, 2018**

	Middle School Student Extracurricular	High School Student Extracurricular	High School Endowment	Nonexpendable High School Endowment	High School Interlocal Agreements	Totals
<b><u>ASSETS</u></b>						
Cash and cash equivalents	\$ 113,647	\$ 229,676	\$ 30,230	\$ 2,520	\$ 5,042,791	\$ 5,418,864
Investments	-	-	-	773,640	-	773,640
Prepaid expenses	-	-	-	-	101,600	101,600
Land	-	-	-	-	1,112,046	1,112,046
<b>Total assets</b>	<u>113,647</u>	<u>229,676</u>	<u>30,230</u>	<u>776,160</u>	<u>6,256,437</u>	<u>7,406,150</u>
<b><u>LIABILITIES</u></b>						
Accounts payable	-	-	-	-	93,800	93,800
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,800</u>	<u>93,800</u>
<b><u>NET POSITION</u></b>						
Net position held in trust	<u>\$ 113,647</u>	<u>\$ 229,676</u>	<u>\$ 30,230</u>	<u>\$ 776,160</u>	<u>\$ 6,162,637</u>	<u>\$ 7,312,350</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, 2018**

	Middle School Student Extracurricular	High School Student Extracurricular	High School Endowment	Nonexpendable High School Endowment	High School Interlocal Agreements	Totals
<b>Additions:</b>						
Payments from member districts	\$ -	\$ -	\$ -	\$ -	\$ 1,252,822	\$ 1,252,822
Extracurricular receipts and fees	278,225	973,947	-	-	-	1,252,172
Other trust revenue	-	-	5,358	-	5,000	10,358
State of Montana	-	-	-	-	74,914	74,914
	<u>278,225</u>	<u>973,947</u>	<u>5,358</u>	<u>-</u>	<u>1,332,736</u>	<u>2,590,266</u>
Total noninvestment trust additions	278,225	973,947	5,358	-	1,332,736	2,590,266
Investment earnings:						
Interest	-	-	65	47,238	60,539	107,842
	<u>-</u>	<u>-</u>	<u>65</u>	<u>47,238</u>	<u>60,539</u>	<u>107,842</u>
<b>Total additions</b>	<u>278,225</u>	<u>973,947</u>	<u>5,423</u>	<u>47,238</u>	<u>1,393,275</u>	<u>2,698,108</u>
<b>Deductions:</b>						
Administrative expenses	-	-	-	-	46,838	46,838
Salaries and benefits	-	-	-	-	78,190	78,190
Instruction	-	-	826	-	151,832	152,658
Extracurricular activities	263,762	1,033,973	-	-	-	1,297,735
Professional contracted services	-	-	-	-	7,600	7,600
Purchased property services	-	-	-	-	13,249	13,249
<b>Total deductions</b>	<u>263,762</u>	<u>1,033,973</u>	<u>826</u>	<u>-</u>	<u>297,709</u>	<u>1,596,270</u>
<b>Changes in net position</b>	14,463	(60,026)	4,597	47,238	1,095,566	1,101,838
<b>Net position, beginning of year</b>	99,184	289,702	25,633	728,922	5,067,071	6,210,512
<b>Net position, end of year</b>	<u>\$ 113,647</u>	<u>\$ 229,676</u>	<u>\$ 30,230</u>	<u>\$ 776,160</u>	<u>\$ 6,162,637</u>	<u>\$ 7,312,350</u>



**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY SOURCE<sup>1</sup>**  
**JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>
<u>Governmental funds capital assets:</u>		
Land and improvements	\$ 23,372,744	\$ 21,319,696
Buildings and improvements	157,643,332	137,101,424
Machinery and equipment	5,673,853	5,569,948
Construction in progress	<u>13,319,190</u>	<u>18,452,062</u>
 Total governmental funds capital assets	 <u>\$ 200,009,119</u>	 <u>\$ 182,443,130</u>
 <u>Investments in governmental funds assets by source:</u>		
General fund	\$ 14,315,118	\$ 14,316,625
Special revenue funds	7,253,168	7,168,351
Capital projects funds	177,654,019	160,171,340
Donations	<u>786,814</u>	<u>786,814</u>
 Total governmental funds capital assets	 <u><u>\$ 200,009,119</u></u>	 <u><u>\$ 165,500,411</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, 2018**

<u>Function and Activity</u>	<u>Land and Improvements</u>	<u>Buildings and Improvements</u>	<u>Machinery and Equipment</u>	<u>Construction In Progress</u>	<u>Total</u>
Instruction	\$ -	\$ -	\$ 1,528,278	\$ -	\$ 1,528,278
Support services	-	-	326,266	-	326,266
General administration	-	-	845,591	-	845,591
Operations and maintenance	-	-	1,197,565	-	1,197,565
Student transportation	-	-	12,745	-	12,745
Food service	-	-	1,577,983	-	1,577,983
Extracurricular activities	-	-	185,425	-	185,425
Facilities – capital outlay	<u>23,372,744</u>	<u>157,643,332</u>	<u>-</u>	<u>13,319,190</u>	<u>194,335,266</u>
Total governmental funds capital assets	<u>\$ 23,372,744</u>	<u>\$ 157,643,332</u>	<u>\$ 5,673,853</u>	<u>\$ 13,319,190</u>	<u>\$ 200,009,119</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, 2018**

<b>Function and Activity</b>	<b>Governmental Funds Capital Assets July 1, 2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>Governmental Funds Capital Assets June 30, 2018</b>
Instruction	\$ 1,528,278	\$ -	\$ -	\$ 1,528,278
Support services	326,266	-	-	326,266
General administration	781,304	64,287	-	845,591
Operations and maintenance	1,157,947	39,618	-	1,197,565
Student transportation	12,745	-	-	12,745
Food service	1,577,983	-	-	1,577,983
Extracurricular activities	185,425	-	-	185,425
Facilities – capital outlay	<u>176,873,182</u>	<u>34,942,345</u>	<u>(17,480,261)</u>	<u>194,335,266</u>
Total governmental funds capital assets	<u>\$ 182,443,130</u>	<u>\$ 35,046,250</u>	<u>\$ (17,480,261)</u>	<u>\$ 200,009,119</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**  
**CHIEF JOSEPH MIDDLE SCHOOL STUDENT EXTRACURRICULAR FUND**  
**ACTIVITY DETAIL**  
**YEAR ENDED JUNE 30, 2018**

Activity	Net Position at 7/01/17	Additions	Deductions	Net Position at 6/30/18
Computer Club	\$ 33.00	\$ -	\$ 33.00	\$ -
Pennies for Past	264.96	-	-	264.96
Lego Robotics	408.71	-	408.71	-
Art Club	859.44	859.16	259.82	1,458.78
Foreign Language Club	642.85	39,822.41	33,903.52	6,561.74
Yearbook	4,006.34	4,570.00	3,698.74	4,877.60
Drama Club	1,733.27	265.00	363.37	1,634.90
One Million Ways	275.77	-	275.77	-
Music	15,322.95	64,854.11	63,665.58	16,511.48
CJ Rocks	38.04	-	-	38.04
Breakfast Club	450.00	130.40	-	580.40
Horizons	2,226.70	1,022.25	-	3,248.95
MBI	622.75	709.46	74.27	1,257.94
Leo	2,037.56	2,283.85	2,184.85	2,136.56
Forensics	0.01	1,000.00	97.22	902.79
Knitting Corner	284.46	1,208.20	1,157.41	335.25
After School Club	128.04	-	-	128.04
Peer Mediation	1,291.28	266.00	219.06	1,338.22
Student Aid	3,105.17	1,107.17	221.52	3,990.82
Student Council - 6th Grade	2,435.36	3,996.42	2,717.58	3,714.20
Student Council - 7th Grade	3,264.08	1,767.61	1,200.28	3,831.41
Student Council - 8th Grade	2,988.68	1,697.62	1,517.12	3,169.18
Student Projects	249.60	5,716.00	5,461.04	504.56
Team 6A	2,138.72	8,719.69	10,336.28	522.13
Team 6B	2,404.95	10,025.47	10,987.70	1,442.72
Team 7A	3,747.49	9,115.95	9,712.71	3,150.73
Team 7B	1,023.51	3,372.07	2,978.44	1,417.14
Team 8A	2,870.03	7,795.22	6,830.77	3,834.48
Team 8B	827.34	6,859.24	5,709.66	1,976.92
Science Club - Pierce	129.77	-	-	129.77
Science Club - Johaneson	115.97	-	-	115.97
Science Club - McCabe/Woidtke	250.00	-	250.00	-
Science Club - Hannula	63.53	250.09	132.12	181.50
Tech. Ed Club - Mathews	522.56	135.00	214.98	442.58
Bird/Science	2,450.63	3,133.80	2,767.60	2,816.83
Friends of Reading Club	3,788.99	1,956.42	860.99	4,884.42
Total	\$ 63,002.51	\$ 182,638.61	\$ 168,240.11	\$ 77,401.01

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**SACAJAWEA MIDDLE SCHOOL STUDENT EXTRACURRICULAR FUND**  
**ACTIVITY DETAIL**  
**YEAR ENDED JUNE 30, 2018**

Activity	Net Position at 7/01/17	Additions	Deductions	Net Position at 6/30/18
Drama Club	\$ 263.46	\$ -	\$ -	\$ 263.46
Newspaper	42.00	-	-	42.00
Computer Club	80.75	91.00	-	171.75
Knitting Club	196.41	-	38.45	157.96
Lego Robotics	347.50	-	-	347.50
Photo Lab Club	444.36	500.00	937.22	7.14
Foreign Language	2,005.66	2,385.00	3,097.43	1,293.23
Humanitarian Club	1,439.33	-	-	1,439.33
MBI	942.01	255.00	428.96	768.05
Speech and Debate Club	-	1,000.00	36.47	963.53
Peer Mediation	1,637.53	-	84.20	1,553.33
Art Club	813.69	-	176.70	636.99
Student Aid	555.72	1,269.89	837.45	988.16
Yearbook	2,094.72	10,285.00	10,107.77	2,271.95
Student Council	4,005.97	5,110.49	3,081.36	6,035.10
Select Choir	1,196.11	2,476.50	766.84	2,905.77
Eclectic String Orchestra	261.50	803.00	771.79	292.71
Team Bison	2,011.35	9,471.00	9,579.53	1,902.82
Team Elk	2,823.01	8,421.00	8,845.85	2,398.16
Team Absaroka	3,791.25	4,324.00	3,870.66	4,244.59
Team Bridger	1,866.54	4,022.00	3,682.43	2,206.11
Team Madison	4,642.30	7,215.00	10,573.14	1,284.16
Team Jefferson	1,341.19	11,091.41	11,886.29	546.31
Team Antelope	-	5,160.75	4,113.29	1,047.46
Team Yellowstone	-	9,348.00	9,078.85	269.15
Outdoor Club	355.57	1,883.50	1,168.51	1,070.56
Science Olympiad Club	2,055.85	690.75	1,952.50	794.10
Science Club	18.03	2,102.00	2,092.67	27.36
Book Buddy	939.07	6,875.00	7,769.85	44.22
Archery Club	-	222.50	42.00	180.50
Bike Club	-	584.25	502.00	82.25
Maintenance Account	10.63	-	-	10.63
Total	<u>\$ 36,181.51</u>	<u>\$ 95,587.04</u>	<u>\$ 95,522.21</u>	<u>\$ 36,246.34</u>

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**HIGH SCHOOL STUDENT EXTRACURRICULAR FUND**  
**ACTIVITY DETAIL**  
**YEAR ENDED JUNE 30, 2018**

Activity	Net Position at 7/01/17	Additions	Deductions	Net Position at 6/30/18
Backboard BB-Ball	\$ 2,769.32	\$ 44,985.70	\$ 43,430.21	\$ 4,324.81
Cheerleading	1,522.94	12,617.80	8,282.57	5,858.17
Dance Club	675.79	13,191.97	9,574.23	4,293.53
Fastpitch	6,207.51	9,623.00	11,364.22	4,466.29
Football Club	6,358.04	59,140.56	62,879.60	2,619.00
Golf Club	6,684.33	15,004.00	10,785.77	10,902.56
Hawk Stat Crew	176.38	-	-	176.38
Lady Hawk B-Ball	18,340.41	27,457.00	32,498.60	13,298.81
Soccer - Boys	11,468.60	13,502.44	21,207.11	3,763.93
Soccer - Girls	9,274.92	13,346.60	15,483.43	7,138.09
Speech Club	42,231.82	41,803.91	71,360.12	12,675.61
Spikers VB	5,034.67	10,442.75	11,217.30	4,260.12
Swimming	554.72	3,692.08	3,585.27	661.53
Tennis	6,925.74	5,192.00	9,597.22	2,520.52
Track Club	9,179.39	27,099.85	23,083.55	13,195.69
Wrestling Club	543.34	24,509.56	25,033.68	19.22
Cross Country Club	13,890.22	15,296.00	24,225.23	4,960.99
Business Professionals	217.32	-	-	217.32
Cad Club	1,127.99	1,970.81	3,089.70	9.10
Construction Club	746.65	354.75	357.21	744.19
Deca	10,667.41	64,862.16	65,343.06	10,186.51
Photo Club	544.94	1,066.00	742.72	868.22
Jewelry Guild Club	868.01	821.25	1,036.17	653.09
Pro Start Club	5,603.27	1,699.00	2,821.77	4,480.50
Robotics Club	1,811.08	38,147.16	34,112.05	5,846.19
Shop Fund Club	3,500.00	(500.00)	-	3,000.00
Skills USA	1,406.40	1,675.00	2,828.10	253.30
Art Club	5,386.69	3,108.80	3,562.73	4,932.76
Drama Club	2,886.53	6,094.30	6,050.68	2,930.15
Costa Rica Science Trip Fund	30.00	1,134.09	-	1,164.09
FCCLA	42.46	1,035.00	1,006.00	71.46
French Club	789.75	300.00	426.53	663.22
German Club	1,117.65	23,910.50	24,269.46	758.69
Galapagos Club	4.09	-	4.09	-
HOSA	2,605.58	5,464.62	4,668.93	3,401.27
Total	\$ 181,193.96	\$ 488,048.66	\$ 533,927.31	\$ 135,315.31

(Continued)

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**HIGH SCHOOL STUDENT EXTRACURRICULAR FUND**  
**ACTIVITY DETAIL**  
**YEAR ENDED JUNE 30, 2018**

Activity	Net Position at 7/01/17	Additions	Deductions	Net Position at 6/30/18
Latin Club	\$ 2,086.10	\$ 3,110.60	\$ 5,160.24	\$ 36.46
MUN Club	480.91	2,693.55	2,981.03	193.43
Native American Club	33.80	536.25	59.00	511.05
Project Excel	3,429.26	521.31	103.25	3,847.32
Science Olympiad	219.34	325.00	325.00	219.34
Spanish Club	555.22	20.75	196.50	379.47
Youth Leg. Club	737.48	6,556.62	5,594.57	1,699.53
Wildlife Biology Club	351.98	705.00	562.28	494.70
Cap & Gowns	120.27	-	-	120.27
Class of 2018	13,506.19	-	8,450.00	5,056.19
Class of 2019	-	10,121.76	-	10,121.76
Girls & Boys State	-	-	-	-
Prom	1,000.00	4,638.24	4,639.24	999.00
Student Council	20,242.19	18,418.00	17,471.19	21,189.00
Bridger Alternative	1,263.84	-	-	1,263.84
MTI	1,396.43	-	1,396.43	-
Amnesty International	674.28	-	-	674.28
The B Club	361.17	-	361.17	-
Key Club	1,929.27	1,032.77	1,324.99	1,637.05
Leo Club	1,957.42	1,054.20	1,046.68	1,964.94
National Honor Society	2,676.93	1,880.70	3,318.60	1,239.03
Project X2	4,144.06	6,298.25	4,743.08	5,699.23
Recycle	101.19	-	101.19	-
Special Ed Concessions	5,760.59	559.75	975.56	5,344.78
SAGA	200.50	1,717.00	832.91	1,084.59
Interact Club	1,193.69	677.08	1,262.91	607.86
Band	1,213.61	63,756.89	60,176.59	4,793.91
Choir	687.05	34,424.25	32,602.66	2,508.64
Orchestra	15,490.36	300,427.84	309,275.43	6,642.77
Aerie	24,080.50	18,574.00	29,467.16	13,187.34
Hawk Tawk	236.87	5,035.25	4,870.03	402.09
Hawk TV Club	713.45	615.50	823.10	505.85
Scribblings	457.29	1,034.00	729.26	762.03
General	1,206.36	1,163.80	1,195.16	1,175.00
Total	<u>\$ 289,701.56</u>	<u>\$ 973,947.02</u>	<u>\$ 1,033,972.52</u>	<u>\$ 229,676.06</u>

(Concluded)

**BOZEMAN SCHOOL DISTRICT NO. 7  
SCHEDULE OF ENROLLMENT  
FOR THE YEAR ENDED JUNE 30, 2018**

Enrollment	As Reported	Audit Per District Records	Difference
<b>Fall Enrollment - October 2, 2017</b>			
<b>Elementary School District</b>			
Pre K-6:			
(a.) Pre-Kindergarten *	57	57	0
(b.) Kindergarten	497	497	0
(c.) Grades 1 - 6	3203	3203	0
(d.) Part-Time (number of part-time students included on line b and c above)	4	4	0
7-8:			
(e.) Grade 7-8	984	984	0
(f.) Part-Time (number of part-time students included on line e above)	5	5	0
(g.) Total (add lines a, b, c and e)	4741	4741	0
<b>High School District</b>			
9-12:			
(h.) Grades 9-12	2167	2167	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	2	2	0
(k.) Montana Youth Challenge Academy and Job Corps students included on line h	3	3	0
<b>Spring Enrollment - February 5, 2018</b>			
<b>Elementary School District</b>			
Pre K-6:			
(l.) Pre-Kindergarten *	57	57	0
(m.) Kindergarten	494	494	0
(n.) Grades 1 - 6	3181	3181	0
(o.) Part-Time (number of part-time students included on line l and m above)	2	2	0
7-8:			
(p.) Grade 7-8	982	982	0
(q.) Part-Time (number of part-time students included on line o above)	6	6	0
(r.) Total (add lines k, l, m and o)	4714	4714	0
<b>High School District</b>			
9-12:			
(s.) Grades 9-12	2110	2110	0
(t.) Part-Time (number of part-time students included on line r above)	10	10	0
(u.) 19 year-olds included on line r	1	1	0
(v.) Early Graduates	26	26	0
(w.) Montana Youth Challenge Academy students included on line s	4	4	0

\* The Pre-Kindergarten amounts above are not required to be audited.



# 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>160</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>165</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>172</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>176</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>178</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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Governmental activities:										
Net investment in capital assets	\$32,116,906	\$33,258,003	\$35,512,140	\$38,752,077	\$41,859,235	\$44,554,505	\$50,406,598	\$53,028,385	\$52,358,871	\$51,973,114
Restricted	6,904,765	9,741,156	8,779,717	9,586,558	12,475,447	10,415,989	9,898,371	10,916,375	14,626,706	17,974,372
Unrestricted	<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>	<u>(37,468,356)</u>	<u>(41,542,617)</u>
Total governmental activities net position	<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>	<u>\$29,517,221</u>	<u>\$28,404,869</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, and the new standard for other postemployment benefits activity required by GASB Statement 75 in fiscal year 2018.

Table 2

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

<b>Expenses</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>	<b>2017</b>	<b>2018</b>
Governmental activities:										
Instruction	\$ 28,152,194	\$ 30,604,653	\$ 30,254,885	\$ 31,164,999	\$ 31,716,354	\$ 35,618,686	\$ 35,354,198	\$ 37,265,828	\$ 42,124,323	\$ 43,026,874
Support services	5,592,822	6,705,443	6,506,964	6,903,108	7,412,715	8,887,042	9,941,072	10,288,823	10,761,333	11,168,070
General administration	2,334,476	2,408,966	2,427,344	2,728,377	2,563,815	2,815,439	3,413,430	3,329,484	3,672,373	3,955,888
Building administration	3,508,649	3,379,725	3,506,951	3,568,685	3,310,381	3,614,781	4,085,993	4,001,440	4,286,364	4,427,837
Operations and maintenance	4,624,960	4,785,116	5,887,349	5,852,700	5,055,062	6,443,041	6,311,684	5,673,633	6,246,085	6,745,515
Student transportation	1,663,428	1,578,194	1,751,558	1,844,503	1,801,699	2,193,615	2,339,489	2,434,259	2,319,235	2,486,481
Food services	1,705,634	1,627,069	1,686,356	1,808,610	1,868,641	2,148,983	1,906,087	2,005,265	2,179,268	2,022,080
Extracurricular activities	915,870	911,863	928,880	897,486	932,725	1,170,210	1,507,974	1,465,920	1,560,728	1,652,681
Unallocated depreciation	1,217,973	1,670,495	2,277,029	2,734,240	2,851,136	3,387,281	3,643,476	3,919,169	4,056,661	4,530,430
Interest and fiscal charges	3,510,039	3,005,401	2,849,464	2,705,910	3,003,231	3,517,576	2,683,339	2,934,288	2,898,000	6,531,974
Total governmental activities expenses	<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>	<u>\$ 80,104,370</u>	<u>\$ 86,547,830</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Instruction	\$ 620,755	\$ 753,021	\$ 749,691	\$ 707,919	\$ 835,292	\$ 859,372	\$ 700,800	\$ 710,250	\$ 688,342	\$ 703,800
Food services	1,176,105	1,114,078	1,090,682	1,172,420	1,174,689	1,180,670	1,042,607	1,253,628	1,402,986	1,346,085
Other functional activities	543,383	704,901	782,544	949,140	684,405	711,686	1,025,050	798,034	1,242,787	1,253,858
Operating grants and contributions	8,463,278	9,639,736	10,701,409	9,053,281	9,657,240	11,039,331	10,441,288	10,884,477	10,572,999	10,669,076
Capital grants and contributions	307,076	1,001,944	537,755	934,990	2,216,427	27,358	2,326,971	133,064	231,315	156,003
Total governmental activities program revenues	<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>	<u>\$ 14,138,429</u>	<u>\$ 14,128,822</u>
Total governmental activities net expense	<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>	<u>\$ (65,965,941)</u>	<u>\$ (72,419,008)</u>
<b>General Revenues and Transfers</b>										
Governmental activities:										
General Revenues:										
District property taxes	\$ 24,919,224	\$ 25,517,907	\$ 26,005,786	\$ 25,901,455	\$ 27,624,361	\$ 30,291,040	\$ 30,381,590	\$ 31,161,445	\$ 33,008,907	\$ 35,963,449
Investment earnings	1,437,886	404,319	212,450	196,015	173,809	164,158	171,422	228,192	378,296	665,974
Unrestricted county distribution - retirement	4,685,689	4,319,087	4,628,599	4,677,674	5,107,947	5,770,760	5,759,010	6,625,912	6,814,815	7,018,292
Unrestricted state equalization	13,069,595	12,631,646	11,651,621	14,168,581	14,847,712	16,080,262	16,757,156	17,734,527	18,795,297	19,163,278
Unrestricted state guaranteed tax base subsidy	1,334,192	1,489,387	1,619,235	1,730,896	2,296,582	2,734,398	3,138,561	3,469,015	4,201,145	4,947,869
Unrestricted state motor vehicle fee reimbursement	1,603,991	1,616,183	1,628,465	1,628,465	1,773,347	1,773,347	1,969,511	1,969,511	1,969,511	65,255
Unrestricted state quality educator	1,231,076	1,247,959	1,264,058	1,257,904	1,266,515	1,302,442	1,399,168	1,453,177	1,489,151	1,591,226
Unrestricted state on-behalf pension	-	-	-	-	-	-	1,571,377	1,622,924	2,277,460	2,083,447
Unrestricted other state revenue	184,689	85,836	86,488	183,766	438,003	256,841	754,681	582,126	718,249	242,837
Gain(loss) on sale of capital assets	(1,042,207)	-	-	-	-	-	-	(28,781)	-	2,273,272
Transfers	-	-	-	-	-	(2,006,200)	-	-	-	-
Total governmental activities general revenues and transfers	<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>	<u>\$ 69,652,831</u>	<u>\$ 74,014,899</u>
<b>Change in Net Position</b>										
Governmental activities	<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>	<u>\$ 3,686,890</u>	<u>\$ 1,595,891</u>

Table 3

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General fund										
Reserved	\$ 101,278	\$ 339,845								
Unreserved	2,269,075	1,621,285								
Nonspendable			\$ 4,388	\$ 4,623	\$ 5,421	\$ 36,085	\$ 8,986	\$ 7,729	\$ 54,643	\$ 46,382
Restricted			-	-	-	-	-	-	-	-
Committed			-	-	-	-	-	-	-	-
Assigned			429,580	365,306	465,196	353,134	443,846	291,534	347,273	485,825
Unassigned			2,341,289	2,504,519	2,926,355	3,109,044	4,244,719	4,569,984	4,651,098	4,827,286
Total general fund	<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>	<u>\$ 5,053,014</u>	<u>\$ 5,359,493</u>
All other governmental funds										
Reserved	\$ (80,945)	\$ 1,007,568								
Unreserved, reported in:										
Special revenue funds	6,549,846	6,884,962								
Capital projects funds	22,218,476	8,820,311								
Nonspendable			\$ 28,589	\$ 37,592	\$ 50,525	\$ 291,698	\$ 57,346	\$ 99,959	\$ 122,183	\$ 106,636
Restricted			12,546,192	9,831,486	23,560,751	13,443,730	10,378,732	33,785,649	20,232,153	114,409,498
Committed			-	1,463,593	1,743,226	1,613,722	1,966,790	2,116,211	2,311,975	2,306,699
Assigned			241,168	-	-	-	-	-	-	-
Unassigned			(57,451)	(130,307)	(7,901)	(3,883)	-	(183,186)	(508,704)	-
Total all other governmental funds	<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>	<u>\$ 22,157,607</u>	<u>\$ 116,822,833</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)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues</b>										
District property taxes	\$ 25,038,979	\$ 24,883,053	\$ 26,545,666	\$ 26,751,318	\$ 27,590,997	\$ 29,992,132	\$ 31,562,546	\$ 31,443,349	\$ 32,950,899	\$ 36,059,072
Tuition and fees	1,312,340	1,309,338	1,269,001	1,407,899	1,353,370	1,349,404	1,223,051	1,423,480	1,588,411	1,551,887
Interest	1,388,484	340,176	146,501	115,677	133,505	120,319	118,700	187,590	350,335	620,149
Other district revenue	1,337,136	1,013,307	966,899	1,619,654	1,374,732	2,054,037	4,045,874	2,699,956	2,840,115	2,990,357
Gallatin County	5,033,862	4,643,079	4,962,871	5,026,254	5,442,341	6,147,312	6,136,520	7,018,606	7,182,241	7,384,452
State of Montana	20,515,634	20,989,422	19,909,687	23,001,183	24,899,502	26,625,282	28,718,705	29,537,088	31,496,426	32,294,723
Federal	3,575,590	5,104,214	5,984,544	3,421,088	3,505,205	3,862,088	3,902,080	4,162,866	4,239,056	4,264,635
Total revenues	58,202,025	58,282,589	59,785,169	61,343,073	64,299,652	70,150,574	75,707,476	76,472,935	80,647,483	85,165,275
<b>Expenditures</b>										
Instruction	27,198,581	29,183,083	29,186,027	29,973,733	30,815,248	34,059,897	33,944,215	36,098,615	38,847,417	41,581,051
Support services	5,535,648	6,574,898	6,414,239	6,818,826	7,407,391	8,726,400	9,703,778	10,166,405	10,158,534	10,930,478
General administration	2,228,618	2,266,440	2,315,573	2,625,336	2,490,089	2,615,520	3,119,659	3,268,472	3,391,852	3,695,292
Building administration	3,335,098	3,163,077	3,260,330	3,337,108	3,247,724	3,471,766	3,863,551	3,906,172	3,958,140	4,222,891
Operations and maintenance	4,570,270	4,700,440	5,240,989	5,420,379	4,971,441	6,308,007	6,050,416	5,827,721	6,084,807	6,485,815
Student transportation	1,661,872	1,575,172	1,748,225	1,841,957	1,799,240	2,191,740	2,334,829	2,438,768	2,309,299	2,479,667
Food services	1,672,348	1,603,425	1,671,841	1,785,246	1,838,621	2,093,596	1,744,875	1,980,927	2,042,167	1,855,584
Extracurricular activities	908,091	901,574	917,404	889,182	928,333	1,150,819	1,476,615	1,460,130	1,500,949	1,619,349
Capital outlay	31,158,167	13,768,914	5,342,833	3,668,987	17,606,813	9,666,273	7,804,643	4,220,217	16,959,674	17,569,890
Debt service										
Principal	3,634,728	3,982,059	4,092,059	4,247,059	5,488,708	4,565,554	5,110,554	4,970,554	5,775,000	7,125,000
Interest and fiscal charges	4,094,281	2,954,436	2,835,865	2,692,203	2,970,582	3,194,845	2,511,325	2,893,377	3,107,109	6,509,382
Bond issuance costs	-	56,742	-	-	260,334	-	357,643	191,730	101,814	589,540
Total expenditures	85,997,702	70,730,260	63,025,385	63,300,016	79,824,524	78,044,417	78,022,103	77,423,088	94,236,762	104,663,939
Excess of revenues over (under) expenditures	(27,795,677)	(12,447,671)	(3,240,216)	(1,956,943)	(15,524,872)	(7,893,843)	(2,314,627)	(950,153)	(13,589,279)	(19,498,664)
<b>Other financing sources (uses)</b>										
Sale of capital assets	533	-	-	-	-	-	-	-	-	2,274,779
Transfers in	3,366,639	1,281,921	631,395	-	-	-	-	-	1,082,176	677,521
Transfers out	(3,366,639)	(1,281,921)	(631,395)	-	-	(2,006,200)	-	-	(1,082,176)	(677,521)
Property damage insurance proceeds	-	-	100,000	500,000	2,093,038	-	201,127	-	-	-
General obligation bonds issued	-	-	-	-	26,375,000	-	-	21,500,000	-	100,000,000
Limited obligation bonds issued	-	-	-	-	-	-	-	-	-	-
Refunding bonds issued	-	3,275,000	-	-	-	-	36,335,000	-	10,510,000	-
Premium on bonds issued	-	110,840	-	-	1,723,595	-	3,331,744	3,037,614	576,318	12,195,590
Payments to refunded bond escrow agent	-	(3,321,928)	-	-	-	-	(39,296,355)	-	(10,974,298)	-
Total other financing sources (uses)	533	63,912	100,000	500,000	30,191,633	(2,006,200)	571,516	24,537,614	112,020	114,470,369
Net change in fund balances	<u>\$ (27,795,144)</u>	<u>\$ (12,383,759)</u>	<u>\$ (3,140,216)</u>	<u>\$ (1,456,943)</u>	<u>\$ 14,666,761</u>	<u>\$ (9,900,043)</u>	<u>\$ (1,743,111)</u>	<u>\$ 23,587,461</u>	<u>\$ (13,477,259)</u>	<u>\$ 94,971,705</u>
Debt service as a percentage of noncapital expenditures	14.1%	12.2%	12.0%	11.6%	13.6%	11.3%	10.9%	10.7%	11.5%	15.7%

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
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
2017	30,717,087	5,874,044	2,452,863	3,226,003	4,557,683	5,477	2,123	1,027,406	-	-	47,862,686
2018	\$ 31,280,215	\$ 6,057,086	\$ 2,717,236	\$ 3,310,466	\$ 4,447,031	\$ 3,954	\$ 1,168	\$ 1,099,573	\$ -	\$ -	\$ 48,916,729

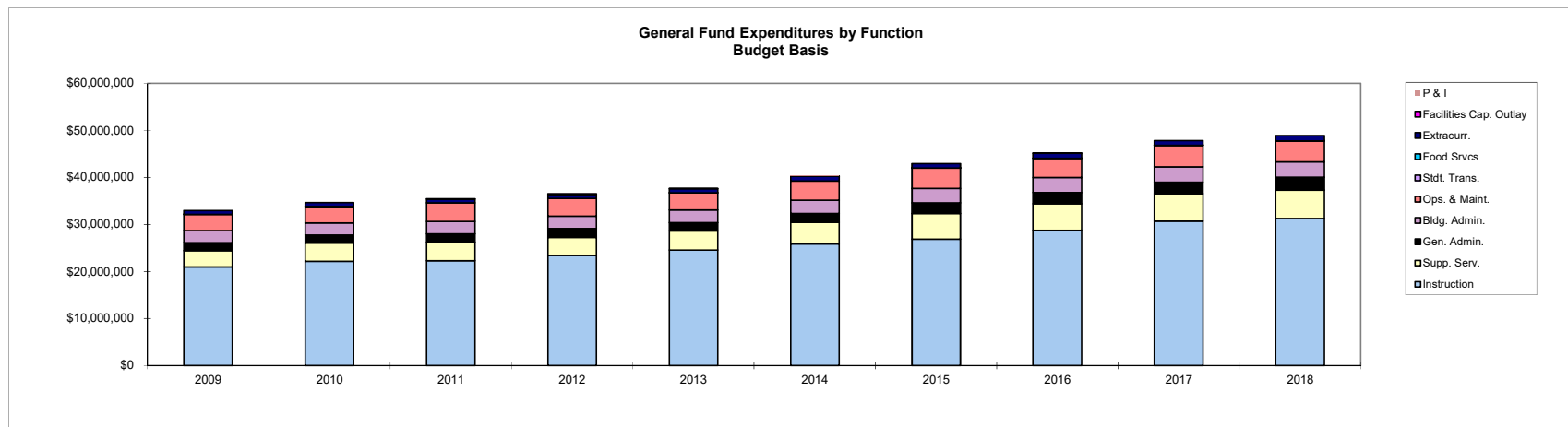


Table 6

**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>											
2009	\$ 111,162,065	\$ 3,542,469,947	3.1%	141.13	0.14113	\$ 15,794,516	\$ 14,558,640	92.18%	\$ 1,235,876	\$ 15,794,516	100.00% <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%	1,237,929	15,432,743	100.00% <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%	608,953	14,584,556	99.76%
2012	122,688,282	4,375,448,618	2.8%	123.38	0.12338	15,000,166	14,264,897	95.10%	725,992	14,990,889	99.94%
2013	124,859,611	4,633,513,028	2.7%	131.45	0.13145	16,419,994	15,743,823	95.88%	616,844	16,360,667	99.64%
2014	128,394,150	4,931,149,202	2.6%	145.25	0.14525	18,477,949	17,897,333	96.86%	531,093	18,428,426	99.73%
2015	131,762,887	5,231,028,932	2.5%	143.70	0.14370	18,910,738	18,374,140	97.16%	536,598	18,910,738	100.00%
2016	127,702,815	8,302,361,471	1.5%	151.15	0.15115	19,139,054	18,753,331	97.98%	385,723	19,139,054	100.00%
2017	133,379,457	8,558,370,042	1.6%	154.81	0.15481	20,431,673	20,016,059	97.97%	415,614	20,431,673	100.00%
2018	\$ 151,994,908	\$ 9,949,720,141	1.5%	146.92	0.14692	\$ 22,244,388	\$ 21,898,102	98.44%	\$ -	\$ 21,898,102	98.44%
<b>High School District:</b>											
2009	\$ 130,543,804	\$ 4,170,386,822	3.1%	71.40	0.07140	\$ 9,384,507	\$ 8,573,226	91.36%	\$ 811,281	\$ 9,384,507	100.00% <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%	997,121	10,460,314	100.00% <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%	563,854	11,143,221	99.96%
2012	145,618,673	5,189,061,038	2.8%	73.48	0.07348	11,027,493	10,430,413	94.59%	597,080	11,027,493	100.00%
2013	148,311,838	5,501,565,981	2.7%	71.81	0.07181	11,088,494	10,601,483	95.61%	458,628	11,060,111	99.74%
2014	152,997,133	5,873,324,071	2.6%	73.16	0.07316	11,512,340	11,135,267	96.72%	357,640	11,492,907	99.83%
2015	157,393,739	6,240,141,982	2.5%	72.97	0.07297	11,900,498	11,541,757	96.99%	358,741	11,900,498	100.00%
2016	152,115,661	9,866,466,343	1.5%	76.76	0.07676	11,912,121	11,648,459	97.79%	263,662	11,912,121	100.00%
2017	159,327,210	10,195,548,038	1.6%	77.25	0.07725	12,519,614	12,258,917	97.92%	260,697	12,519,614	100.00%
2018	\$ 182,556,412	\$ 11,883,420,029	1.5%	73.10	0.07310	\$ 13,668,444	\$ 13,432,253	98.27%	\$ -	\$ 13,432,253	98.27%
<b>Total District:</b>											
2009	\$ 130,543,804	\$ 4,170,386,822	3.1%	212.53	0.21253	\$ 25,179,023	\$ 23,131,866	91.87%	\$ 2,047,157	\$ 25,179,023	100.00% <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%	2,235,050	25,893,057	100.00% <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%	1,172,807	25,727,777	99.84%
2012	145,618,673	5,189,061,038	2.8%	196.86	0.19686	26,027,659	24,695,310	94.88%	1,323,072	26,018,382	99.96%
2013	148,311,838	5,501,565,981	2.7%	203.26	0.20326	27,508,488	26,345,306	95.77%	1,075,472	27,420,778	99.68%
2014	152,997,133	5,873,324,071	2.6%	218.41	0.21841	29,990,289	29,032,600	96.81%	888,733	29,921,333	99.77%
2015	157,393,739	6,240,141,982	2.5%	216.67	0.21667	30,811,236	29,915,897	97.09%	895,339	30,811,236	100.00%
2016	152,115,661	9,866,466,343	1.5%	227.91	0.22791	31,051,175	30,401,790	97.91%	649,385	31,051,175	100.00%
2017	159,237,210	10,195,548,038	1.6%	232.06	0.23206	32,951,287	32,274,976	97.95%	676,311	32,951,287	100.00%
2018	\$ 182,556,412	\$ 11,883,420,029	1.5%	220.02	0.22002	\$ 35,912,832	\$ 35,330,355	98.38%	\$ -	\$ 35,330,355	98.38%

<sup>1</sup> Assessed valuation is per the Montana Department of Revenue and calculated as of January (i.e. assess value used for 2008-09 fiscal year is calculated as of January 2008)

<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				
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	188.76	224.58	46.00	676.01
2016	151.15	76.76	210.16	245.58	46.00	729.65
2017	154.81	77.25	205.30	240.00	46.00	723.36
2018	146.92	73.10	187.33	224.83	46.00	678.18

Tax Levies						
Fiscal Year	Bozeman Elementary District	Bozeman High School District	City of Bozeman	Gallatin County	State of Montana	Total
2009	\$ 15,794,516	\$ 9,384,507	\$ 12,696,306	\$ 44,279,401	\$ 9,692,835	\$ 91,847,565
2010	15,432,743	10,460,314	13,324,175	47,389,128	10,368,133	96,974,493
2011	14,619,619	11,148,142	13,567,611	50,835,661	10,765,805	100,936,838
2012	15,000,166	11,027,493	13,683,839	51,333,428	10,943,772	101,988,698
2013	16,419,994	11,088,494	13,878,293	52,310,804	11,186,876	104,884,461
2014	18,477,949	11,512,340	14,821,724	55,391,002	11,529,349	111,732,364
2015	18,910,738	11,900,498	16,590,871	57,717,285	11,822,046	116,941,438
2016	19,139,054	11,912,121	18,191,892	59,586,541	11,161,255	119,990,863
2017	20,431,673	12,519,614	18,338,501	61,070,983	11,705,252	124,066,023
2018	\$ 22,244,388	\$ 13,668,444	\$ 18,956,357	\$ 64,517,928	\$ 13,200,306	\$ 132,587,423

Source: Montana Tax Foundation  
Montana Property Tax Mill Levies 2017-18  
 Gallatin County Treasurer  
 City of Bozeman



Table 8

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

Taxpayer	2018			2009		
	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	\$ 11,420,932	1	7.51%	\$ 6,670,251	1	6.00%
Centurylink, Inc.	893,679	2	0.59%	1,466,164	2	1.32%
Verizon Wireless	796,026	3	0.52%	-		-
Charter Communications Inc	672,846	4	0.44%	-		-
NB Stadium View Dst	460,554	5	0.30%	-		-
Harry Daum (Gallatin Mall)	446,722	6	0.29%	533,461	3	0.48%
Stone Ridge Partners LLC	423,820	7	0.28%	357,325	7	0.32%
Genesis Partners LLC	405,250	8	0.27%	-		-
Mitchell Development & Investment LLC	376,921	9	0.25%	326,043	10	0.29%
Bridger Peaks Holdings LLC	375,052	10	0.25%	-		-
Bozeman Deaconess Foundation	-		-	504,584	4	0.45%
BVI/HJSI Bozeman LLC	-		-	402,806	5	0.36%
Wal-Mart Stores	-		-	377,391	6	0.34%
Cellco Partnership	-		-	344,823	8	0.31%
Lowes HIW Inc	-		-	340,678	9	0.31%
<b>Total</b>	<b>\$ 16,271,802</b>		<b>10.70%</b>	<b>\$ 11,323,526</b>		<b>10.18%</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	2018			2009		
	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	\$ 13,977,033	1	7.66%	\$ 7,835,389	1	6.00%
Centurylink, Inc.	932,600	2	0.51%	1,627,951	2	1.25%
Verizon Wireless	825,370	3	0.45%	-	-	-
Charter Communications Inc	672,846	4	0.37%	-	-	-
NB Stadium View Dst	460,554	5	0.25%	-	-	-
Harry Daum (Gallatin Mall)	446,722	6	0.24%	533,461	4	0.41%
Stone Ridge Partners LLC	423,820	7	0.23%	357,325	9	0.27%
Genesis Partners LLC	405,250	8	0.22%	-	-	-
Black Bull Run Development LLC	381,772	9	0.21%	490,690	7	0.38%
Zoot Properties LLC	378,043	10	0.21%	595,393	3	0.46%
Bozeman Deaconess Foundation	-	-	-	504,584	5	0.39%
BVI/HJSI Bozeman LLC	-	-	-	402,806	6	0.31%
Wal-Mart Stores	-	-	-	377,391	8	0.29%
Cellco Partnership	-	-	-	347,565	10	0.27%
<b>Total</b>	<b>\$ 18,904,010</b>		<b>10.35%</b>	<b>\$ 13,072,555</b>		<b>10.03%</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, 2018**  
**(modified accrual basis of accounting)**

Source	Actual Revenue	Percent of Total Revenue
Revenue from local and intermediate source:		
District taxes	\$36,059,072	42.32%
Tuition and fees	1,551,887	1.82%
Interest	620,149	0.73%
Other district revenue	2,990,357	3.51%
County retirement	7,018,292	8.24%
County transportation	366,160	0.43%
Total revenue from local and intermediate sources	48,605,917	57.05%
Revenue from State sources:		
State equalization	19,163,278	22.50%
State special education allowable costs	2,002,077	2.35%
State guarantee tax base subsidy	4,947,869	5.81%
State transportation	312,065	0.37%
State on-behalf pension revenue	2,083,447	2.45%
State quality educator	1,591,226	1.87%
State medicaid, medicaid admin, CSCT	1,533,114	1.80%
Other State revenue	661,647	0.78%
Total revenue from State sources	32,294,723	37.93%
Revenue from Federal sources:		
Other Federal Grants	448,618	0.53%
Federal SAFE-TI	780,007	0.92%
Federal Title I Part A, Schoolwide and School Support	825,046	0.97%
Federal IDEA Part B and Preschool	1,298,959	1.53%
Federal Title IIA	283,335	0.33%
Federal Title IIB	177,514	0.21%
Federal food service	451,156	0.53%
Total revenue from Federal sources	4,264,635	5.02%
<b>Total governmental funds revenue</b>	<b>\$85,165,275</b>	<b>100.00%</b>

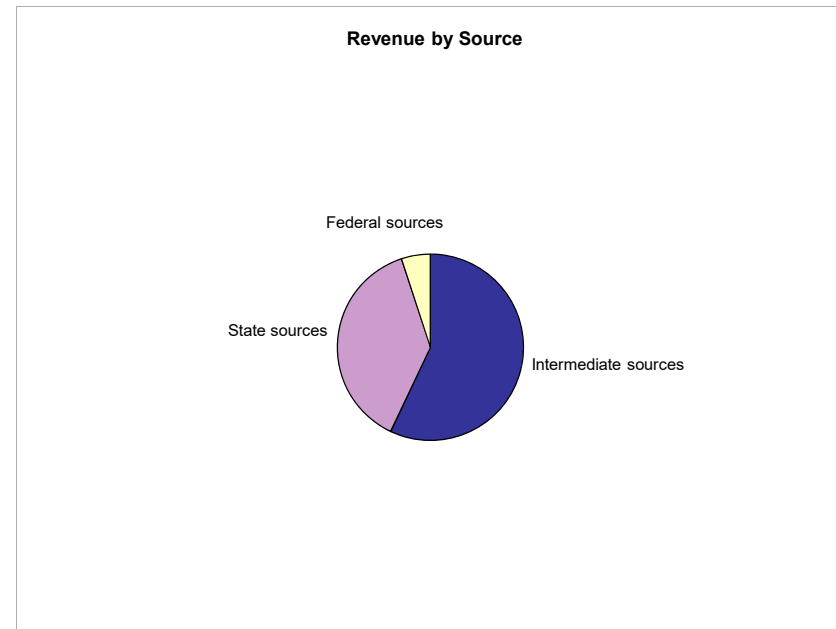


Table 11

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

Year	District Tax Levies	Tuition & Fees	Interest	Other District Revenue	State of Montana	Federal	Total
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
2017	18,464,582	46,339	94,664	222,048	29,163,080	-	47,990,713
2018	\$ 20,901,867	\$ 54,241	\$ 149,892	\$ 212,500	\$ 28,005,171	\$ -	\$ 49,323,671

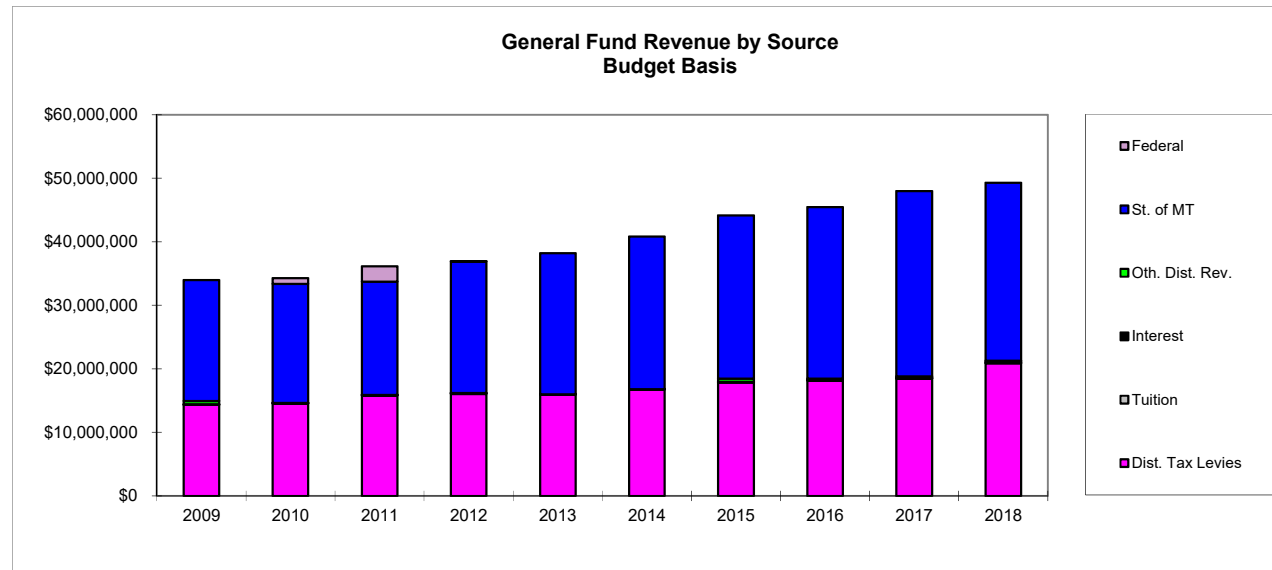


Table 12

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

<u>Year</u>	<u>District</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>	<u>October</u>	<u>Revenue Per Student</u>			
	<u>Revenue</u>	<u>Revenue</u>	<u>Revenue</u>	<u>Revenue</u>	<u>Enrollment</u>	<u>District</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>
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
2017	18,827,633	29,163,080	-	47,990,713	6,770	2,781	4,308	-	7,089
2018	\$ 21,318,500	\$ 28,005,171	\$ -	\$ 49,323,671	6,908	\$ 3,086	\$ 4,054	\$ -	\$ 7,140

Source: District Records

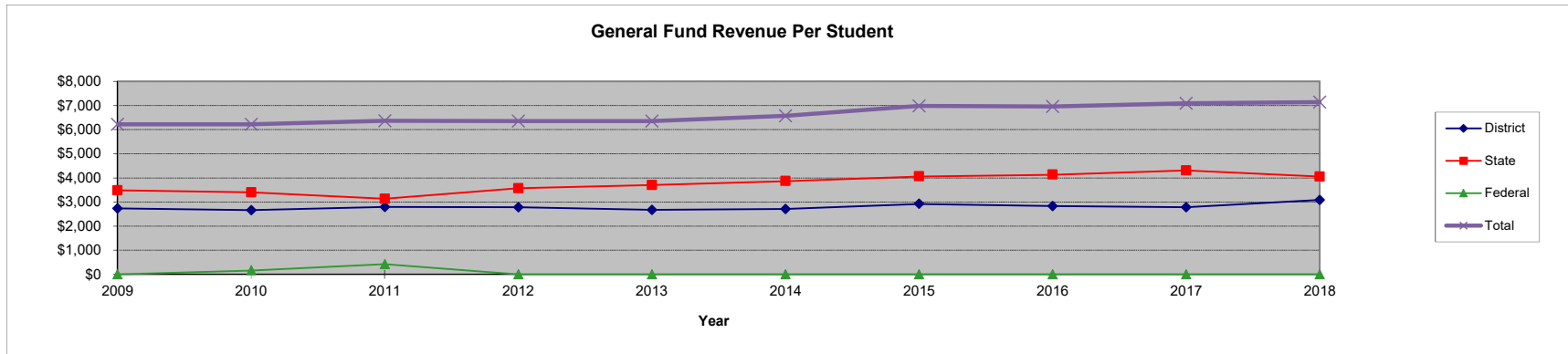


Table 13

**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	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>								
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	2.33%
2015	52,507	131,762,887	52,486,972	163,367	52,650,339	39.96%	1,003	2.14%
2016	53,032	127,702,815	73,878,829	-	73,878,829	57.85%	1,393	2.91%
2017	53,430	133,379,457	70,006,667	-	70,006,667	52.49%	1,310	Not Available
2018	53,756	\$ 151,994,908	\$ 64,615,548	\$ -	\$ 64,615,548	42.51%	\$ 1,202	Not Available
<b>High School District:</b>								
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	1.01%
2015	63,337	157,393,739	27,891,801	-	27,891,801	17.72%	440	0.94%
2016	63,970	152,115,661	25,727,015	-	25,727,015	16.91%	402	0.84%
2017	64,450	159,327,210	23,687,179	-	23,687,179	14.87%	368	Not Available
2018	64,933	\$ 182,556,412	\$ 132,916,301	\$ -	\$ 132,916,301	72.81%	\$ 2,047	Not Available

<sup>(1)</sup> **2009-2018** The 2009 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.

**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, 2018**

<b>Elementary District:</b>										
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Debt limit	\$ 55,581,033	\$ 58,664,685	\$ 60,536,369	\$ 61,855,448	\$ 65,771,565	\$ 69,895,920	\$ 74,647,850	\$ 151,568,800	\$ 159,292,770	\$ 166,941,000
Total net debt applicable to limit	<u>45,432,874</u>	<u>36,792,190</u>	<u>34,681,679</u>	<u>59,086,735</u>	<u>55,371,791</u>	<u>52,554,788</u>	<u>49,445,071</u>	<u>68,070,655</u>	<u>63,203,682</u>	<u>58,643,412</u>
Legal debt margin	<u>\$ 10,148,159</u>	<u>\$ 21,872,495</u>	<u>\$ 25,854,690</u>	<u>\$ 2,768,713</u>	<u>\$ 10,399,774</u>	<u>\$ 17,341,132</u>	<u>\$ 25,202,779</u>	<u>\$ 83,498,145</u>	<u>\$ 96,089,088</u>	<u>\$ 108,297,588</u>
Total net debt applicable to the limit as a percentage of debt limit	81.74%	62.72%	57.29%	95.52%	84.19%	75.19%	66.24%	44.91%	39.68%	35.13%
<b>High School District:</b>										
Debt limit	\$ 65,271,902	\$ 69,372,223	\$ 71,754,035	\$ 72,809,337	\$ 74,155,919	\$ 76,498,567	\$ 78,876,700	\$ 159,526,080	\$ 177,962,400	\$ 189,157,540
Total net debt applicable to limit	<u>36,970,000</u>	<u>35,260,000</u>	<u>33,670,000</u>	<u>31,984,546</u>	<u>30,245,931</u>	<u>28,465,004</u>	<u>26,116,526</u>	<u>24,230,021</u>	<u>147,074,275</u>	<u>144,951,126</u>
Legal debt margin	<u>\$ 28,301,902</u>	<u>\$ 34,112,223</u>	<u>\$ 38,084,035</u>	<u>\$ 40,824,791</u>	<u>\$ 43,909,988</u>	<u>\$ 48,033,563</u>	<u>\$ 52,760,174</u>	<u>\$ 135,296,059</u>	<u>\$ 30,888,125</u>	<u>\$ 44,206,414</u>
Total net debt applicable to the limit as a percentage of debt limit	56.64%	50.83%	46.92%	43.93%	40.79%	37.21%	33.11%	15.19%	82.64%	76.63%
			<b>Elementary District</b>	<b>High School District</b>						
<b>Legal Debt Margin Calculation for Fiscal Year 2018</b>										
District taxable valuation			\$ 151,994,908	\$ 182,556,412						
Times: 100%			<u>1.00</u>	<u>1.00</u>						
District taxable valuation legal debt service limit			<u>151,994,908</u>	<u>182,556,412</u>						
Facility guaranteed mill value per ANB X 1,000			\$ 34,350	\$ 84,370						
Times: Student ANB			<u>4,860</u>	<u>2,242</u>						
Times: 100%			<u>1.00</u>	<u>1.00</u>						
Facility guaranteed mill taxable valuation debt service limit			<u>166,941,000</u>	<u>189,157,540</u>						
<b>Legal Debt Service Limit *</b>			<b><u>\$ 166,941,000</u></b>	<b><u>\$ 189,157,540</u></b>						
General Obligation Bonds Payable			59,360,000	119,990,000						
Less: Cash Available for Retirement of Bonds			<u>716,588</u>	<u>38,874</u>						
Net Amount of Bonds Payable Applicable to Limit			<u>58,643,412</u>	<u>119,951,126</u>						
Margin Above Bonds Payable			108,297,588	69,206,414						
Less: General Obligation Bonds Authorized but Unused			<u>-</u>	<u>25,000,000</u>						
<b>Legal Debt Margin</b>			<b><u>\$ 108,297,588</u></b>	<b><u>\$ 44,206,414</u></b>						

\* 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 2009 through 2015. The District taxable valuations for August 2017 are used in the above calculation. In the 2018 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, 2018**

Governmental Unit	Debt	Applicable to Elementary District		Applicable to Portion of High School District Lying Outside Elementary District	
		Percent	Amount	Percent	Amount
Bozeman Elementary District:					
G.O. Issue 2012 (originally \$10,000,000)	\$ 7,627,543	100.0%	\$ 7,627,543	0.0%	\$ -
G.O. Issue 2013 (originally \$16,375,000)	13,519,977	100.0%	13,519,977	0.0%	-
G.O. Issue 2014 (originally \$ 9,500,000)	9,550,021	100.0%	9,550,021	0.0%	-
G.O. Issue 2015 (originally \$8,935,000)	7,615,996	100.0%	7,615,996	0.0%	-
G.O. Issue 2016 (originally \$21,500,000)	22,529,240	100.0%	22,529,240	0.0%	-
G.O. Issue 2017 (originally \$4,610,000)	3,772,771	100.0%	3,772,771	0.0%	-
Bozeman High School District:					
G.O. Issue 2014 (originally \$ 9,150,000)	9,606,437	83.3%	8,002,162	16.7%	1,604,275
G.O. Issue 2015 (originally \$8,750,000)	6,188,564	83.3%	5,155,074	16.7%	1,033,490
G.O. Issue 2017 (originally \$5,900,000)	5,489,372	83.3%	4,572,647	16.7%	916,725
G.O. Issue 2017 (originally \$100,000,000)	111,631,928	83.3%	92,989,396	16.7%	18,642,532
Total Direct Debt	\$ 197,531,849		\$ 175,334,827		\$ 22,197,022
OVERLAPPING BONDED INDEBTEDNESS					
Gallatin County:					
Various Issues	\$ 33,270,000	53.0%	\$ 17,633,100	10.7%	\$ 3,559,890
City of Bozeman:					
Various Issues	20,843,993	100%	20,843,993	0.0%	-
Total Overlapping Debt	\$ 54,113,993		\$ 38,477,093		\$ 3,559,890
Total Direct and Overlapping debt			\$ 213,811,920		\$ 25,756,912

**Note:** Overlapping debt percentages are calculated using a pro rata share of taxable values of all entities involved. This enables a presentation of debt responsibility for Bozeman School District taxpayers living in the Bozeman Elementary District and the taxpayers that live in the portion of the High School District that lies outside of the Elementary District boundaries. 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:					
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%
2017	3,775,000	2,278,319	6,053,319	31,322,896	19.33%
2018	\$ 4,950,000	\$ 2,292,707	\$ 7,242,707	\$ 31,996,831	22.64%
High School:					
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%
2017	2,000,000	770,770	2,770,770	16,539,790	16.75%
2018	\$ 2,175,000	\$ 4,212,507	\$ 6,387,507	\$ 16,919,898	37.75%

Source: District Records

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

Table 17

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

Year	Elementary District Population (1)	High School District Population (1)	Per Capita Personal Income (2)	Total Elementary District Personal Income (3)	Total High School District Personal Income (3)	Unemployment Rate (4)
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	44,553	2,327,716,038	2,807,819,166	3.6%
2015	52,507	63,337	46,958	2,465,623,706	2,974,178,846	2.8%
2016	53,032	63,970	\$ 47,959	\$ 2,543,361,688	\$ 3,067,937,230	2.7%
2017	53,430	64,450	Not available	Not available	Not available	2.5%
2018	53,756	64,933	Not available	Not available	Not available	2.3%

**Sources and other information:**

- (1) 2009 - 2018 : The 2009-2018 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 (presenting the "not seasonally adjusted" unemployment rate)

Table 18

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

June 2018		June 2009	
<b>Private Employers By Class, Alphabetically</b>	<b>Employer Class Size</b>	<b>Private Employers By Class, Alphabetically</b>	<b>Employer Class Size</b>
Bozeman Deaconess Hospital	9	Bozeman Deaconess Hospital	9
Oracle America	8	Right Now Technologies	7
Kenyon Noble Lumber & Hardware	7	Wal-Mart	7
Town Pump Convenience Stores	7	Albertsons	6
Wal Mart	7	Bozeman Daily Chronicle	6
Albertson's	6	Community Food Coop	6
Blackhawk Industries	6	Costco	6
Bridger Bowl	6	First Security Bank	6
Community Food Co-Op	6	Kenyon Noble Lumber & Hardware	6
Costco	6	Lowes	6
First Security Bank	6	Martel Construction	6
First Student	6	McDonald's	6
JC Billion	6	Murdoch's Ranch & Home Supply	6
McDonalds	6	Ressler Motor Co	6
Murdoch's Ranch & Home Supply	6	Ridge Athletic Club	6
Ressler Motor	6	Riverside Country Club	6
Simms Fishing Products	6	Rosauers Supermarket	6
Town & Country Foods	6	Simkins Hallin Lumber	6
Williams Plumbing & Heating	6	Town Pump	6
Zoot Enterprises	6	Zoot Enterprises	6
<b>Public Employers By Class, Alphabetically</b>	<b>Employer Class Size</b>	<b>Public Employers By Class, Alphabetically</b>	<b>Employer Class Size</b>
Montana State University	9	Montana State University	9
Belgrade School District # 44	8	Bozeman School District #7	8
Bozeman School District #7	8	City of Bozeman	7
Gallatin County	8	Gallatin County	7
City of Bozeman	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 Year</b>	<b>Expenses</b> <sup>(1)</sup>	<b>Enrollment</b>	<b>Cost per Pupil</b>	<b>Percentage Change</b>	<b>Certified Staff (FTE)</b> <sup>(2)</sup>	<b>Pupil/ Certified Staff Ratio</b>
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
2017	80,104,370	6,770	11,832	5.43%	464.8	14.6
2018	\$ 86,547,830	6,908	\$ 12,529	5.89%	473.5	14.6

<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**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018				
Instruction														
Certified Teaching Staff	345.8	343.5	343.0	357.9	355.4	383.4	385.1	395.3	413.0	421.7				
Classified & Prof. Employees	84.7	90.3	100.5	98.8	88.7	102.9	72.5	82.9	84.7	85.5				
Support Services														
Administrators	-	-	-	-	-	-	1.0	1.0	1.0	1.0				
Certified Teaching Staff	30.6	41.5	39.2	32.8	44.5	45.2	44.7	48.0	51.4	51.4				
Classified & Prof. Employees	42.7	46.1	54.1	53.4	54.8	63.3	85.7	90.6	89.7	86.4				
General Administration														
Administrators	5.0	5.0	4.5	4.0	6.0	6.0	5.0	5.0	5.0	5.0				
Certified Teaching Staff	-	-	0.5	-	-	-	-	-	-	-				
Classified & Prof. Employees	31.4	31.2	29.1	30.2	24.5	23.5	26.3	25.5	26.5	27.9				
Building Administration														
Administrators	18.0	17.0	17.0	17.0	15.0	17.0	17.0	18.0	18.0	18.0				
Certified Teaching Staff	-	-	-	-	-	-	0.5	0.5	-	-				
Classified & Prof. Employees	24.3	29.9	30.1	29.8	26.3	29.0	29.4	29.1	28.3	28.3				
Operations and Maintenance														
Administrators	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0				
Classified & Prof. Employees	43.6	53.1	54.6	54.9	55.4	57.1	55.6	53.9	54.4	58.4				
Student Transportation														
Classified & Prof. Employees	3.6	4.2	3.8	3.9	4.5	4.8	4.8	4.5	5.1	5.1				
Food Services														
Classified & Prof. Employees	32.0	30.5	31.3	31.0	32.1	33.3	29.9	33.9	34.5	31.9				
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	0.4	0.4				
Classified & Prof. Employees	4.0	4.0	4.0	4.0	3.0	3.0	3.0	3.0	3.0	3.0				
Total	667.7	698.3	713.7	719.7	712.6	770.9	763.0	793.6	817.0	826.0				

<b>Fiscal 2018 Summary</b>	<b>Admin.</b>	<b>Certified Staff</b>	<b>Classified &amp; Professional Employees</b>	<b>Total FTE</b>
Instruction	-	421.7	85.5	507.2
Support Services	1.0	51.4	86.4	138.8
General Administration	5.0	-	27.9	32.9
Building Administration	18.0	-	28.3	46.3
Operations and Maintenance	1.0	-	58.4	59.4
Student Transportation	-	-	5.1	5.1
Food Services	-	-	31.9	31.9
Extracurricular Activities	1.0	0.4	3.0	4.4
Total	26.0	473.5	326.5	826.0

Source: District Records

Table 21

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**Certified Staff Education and Experience**  
**November 2017**

Educational Attainment	Full Time Equivalent	Percent of Total	
Bachelor's Degree	62.4	13.2%	34.2%
Bachelor's Degree + 15 Credits	24.2	5.1%	
Bachelor's Degree + 30 Credits	15.8	3.3%	
Bachelor's Degree + 45 Credits	20.0	4.2%	
Bachelor's Degree + 60 Credits	14.6	3.1%	
Bachelor's Degree + 75 Credits	10.8	2.3%	
Bachelor's Degree + 90 Credits	14.0	3.0%	65.8%
Master's Degree BA + 45 Credits	39.1	8.3%	
Master's Degree BA + 60 Credits	50.9	10.7%	
Master's Degree BA + 75 Credits	40.0	8.4%	
Master's Degree BA + 90 Credits	30.5	6.4%	
Master's Degree BA + 105 Credits	151.2	32.0%	
<b>Total</b>	<b>473.5</b>	<b>100.0%</b>	

Years of Experience	Full Time Equivalent	Percent of Total	
0 - 5	111.4	23.6%	
6 - 10	98.7	20.8%	
11 - 15	91.5	19.3%	
16 - 20	61.5	13.0%	
21 - 25	57.8	12.2%	
26 and Over	52.6	11.1%	
<b>Total</b>	<b>473.5</b>	<b>100.0%</b>	

Source: District Records

Table 22

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**Educational Building Data**  
**For the Fiscal Year Ended June 30, 2018**

	<u>Year Built</u>	<u>Square Footage</u>	<u>Functional Capacity</u>	<u>Enrollment</u>	<u>Percentage of Capacity Used</u>
<b>Elementary Schools:</b>					
<b><u>K-5 Schools</u></b>					
Longfellow	1939	39,086	332	319	96.1%
Irving	1939	33,893	284	272	95.8%
Whittier	1958	34,700	264	258	97.7%
Hawthorne	1939	46,622	362	355	98.1%
Morning Star	1992	56,010	498	499	100.2%
Emily Dickinson	1992	56,012	518	478	92.3%
Hyalite	2009	66,000	470	439	93.4%
Meadowlark	2013	71,719	546	529	96.9%
<b><u>6-8 Schools</u></b>					
Chief Joseph	2008	129,500	780	786	100.8%
Sacajawea	1996	134,857	1,023	749	73.2%
<b>High School:</b>					
Bozeman High School	1957	404,386 <sup>(1)</sup>	2,400 <sup>(1)</sup>	2,167	90.3%

<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. The District is in the construction phase of building a second high school and further renovation of the existing high school is funded and presently in the planning phase.

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Elementary Schools:</b>										
<b><u>K-5 Schools</u></b>										
Longfellow	16%	15%	17%	20%	19%	18%	15%	14%	11%	8%
Irving	36%	42%	43%	47%	55%	46%	41%	44%	41%	44%
Whittier	45%	56%	52%	53%	48%	47%	50%	43%	51%	46%
Hawthorne	16%	24%	26%	22%	26%	23%	15%	15%	10%	9%
Morning Star	9%	11%	10%	10%	10%	8%	6%	6%	6%	6%
Emily Dickinson	24%	27%	29%	25%	24%	23%	16%	16%	16%	16%
Hyalite	N/A	39%	44%	46%	45%	46%	39%	42%	36%	36%
Meadowlark	N/A	N/A	N/A	N/A	N/A	14%	15%	13%	16%	15%
<b><u>6-8 Schools</u></b>										
Chief Jospeh	23%	28%	31%	33%	37%	31%	27%	24%	22%	20%
Sacajawea	13%	19%	20%	24%	23%	23%	21%	20%	19%	20%
<b>High School</b>	18%	24%	15%	19%	23%	21%	20%	20%	16%	13%

Source: Title I portion of ESEA consolidated applications



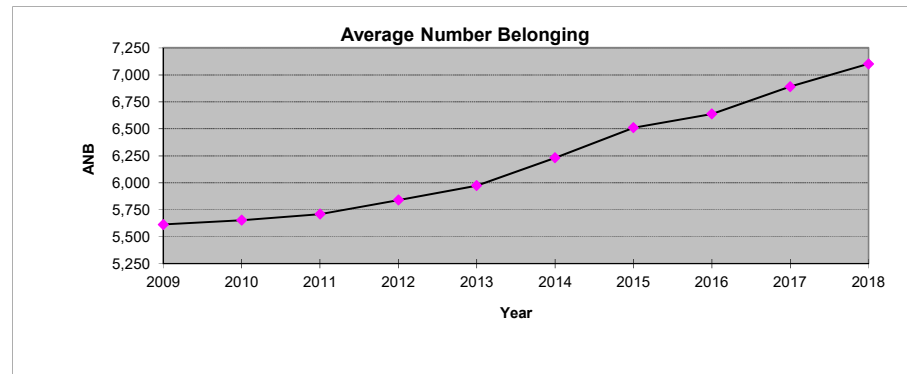
Table 24

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

Year Ended June 30	October Enrollment	Percent Increase (Decrease)	Average Number Belonging (ANB)		
			Amount	Percent Increase (Decrease)	Percent of Prior Year's Enrollment
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
2017	6,770	3.6	6,891	3.8	105.5
2018	6,908	2.0	7,102	3.1	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. Excess Property - Real & Personal Property - Blanket  
Replacement, Inland Marine and Auto Physical Damage
- A. Policy #: KTK-CMB-545D496-9-17  
B. Carrier: Travelers Insurance  
C. Policy Period: 7/1/17 - 7/1/18  
D. Limits: Blanket replacement buildings and contents, Contractor equipment & vehicles  
are on an actual cash value basis.
- II. Workers' Compensation Policy
- A. Policy #: WC-1611-042  
B. Carrier: Workers' Compensation Risk Retention Program  
C. Policy Period: 7/1/17 - 7/1/18
- III. Comprehensive General Liability, Auto Liability, School Board  
Legal Liability, and Crime and Employee Dishonesty
- A. Policy #: ALA-64-A3-EX-0000007-11  
B. Carrier: Princeton E & S  
C. Policy Period: 7/1/17 - 7/1/18  
D. Limits: Compr General Liability \$10,000,000 each occurrence, \$12,000,000 Annual Aggregate  
Auto Liability \$10,000,000 each occurrence  
School Board Legal Liability \$10,000,000 each claim and aggregate  
\$100,000 non-monetary claim defense limit per member/year  
Crime and Employee Dishonesty \$500,000 employee dishonesty  
\$500,000 loss inside and outside  
\$500,000 forgery & alteration
- IV. Boiler and Machinery Policy
- A. Policy #: BAJ-BME 1-8156L884-TIL-17  
B. Carrier: Travelers Boiler  
C. Policy Period: 7/1/17 - 7/1/18  
D. Limits: \$200,000,000
- V. Cyber Liability
- A. Policy #: EONG27879937001  
B. Carrier: Chubb Cyber  
C. Policy Period: 7/1/17 - 7/1/18  
D. Limits: \$1,000,000 Security & Privacy/Regulatory Action Liability  
\$1,000,000 Event Management Insurance
- VI. Disaster Management
- A. Policy #: PC0491817  
B. Carrier: KILN Disaster Management  
C. Policy Period: 7/1/17 - 7/1/18  
D. Limits: \$1,000,000 per occurrence  
\$1,000,000 annual aggregate limit per occurrence
- VII. Employee Business Travel
- A. Policy #: BTAD0006911  
B. Carrier: Employee Business Travel  
C. Policy Period: 7/1/17 - 7/1/18  
D. Limits: \$100,000 maximum principal sum per person  
\$1,000,000 aggregate limit benefit per occurrence

## **SINGLE AUDIT SECTION**



**BOZEMAN SCHOOL DISTRICT NO. 7**  
**Schedule of Federal Award Expenditures**  
**For the Fiscal Year Ended June 30, 2018**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Grantors Number</b>	<b>Program or Award 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	16-0350-31-18	\$ 443,033	\$ 428,648	\$ 428,648
Title I, Part A - Schoolwide	84.010A	16-0350-32-18	355,000	332,736	332,736
Title I, School Support	84.010A	16-0351-33-18	97,750	63,662	63,662
Subtotal Title I	84.010A		<u>895,783</u>	<u>825,046</u>	<u>825,046</u>
IDEA-B	84.027A	16-0350-77-18	1,290,400	1,269,525	1,269,525
IDEA-B Pass through from Prickly Pear Coop	84.027	N/A	800	800	800
IDEA-B Preschool	84.173A	16-0350-79-18	28,634	28,634	28,634
Subtotal Special Education (IDEA) - Cluster			<u>1,319,834</u>	<u>1,298,959</u>	<u>1,298,959</u>
Title II, Part A	84.367	16-0350-14-18	305,849	283,335	283,335
Title II, Part B	84.366B	16-0350-15-17-MSP	460,000	177,514	177,514
Title III, Part A	84.365A	16-0350-41-18I	16,333	16,333	16,333
Carl Perkins - Basic	84.048A	16-0351-81-18	85,529	85,529	85,529
Title IX McKinney-Vento for Homeless Children and Youth	84.196A	16-0350-57-18	5,432	5,432	5,432
Montana Preschool Development	84.419A	16-0350-16-18	347,468	303,199	303,199
ACT Plus Writing Test Admin	84.334	16-0351-84-18	1,891	1,891	1,891
Pass-through Montana Dept. of Health & Human Services:					
Pre-Employment Transition Services	84.126A	17-01-175-0008-0	71,500	17,874	40,727
<b>Total U.S. Department of Education Pass-Through</b>			<u>\$ 3,509,619</u>	<u>\$ 3,015,112</u>	<u>\$ 3,037,965</u>
<b>U.S. Department of Education Direct Programs:</b>					
Title VI Indian Education	84.060A	S060A170430	\$ 17,828	\$ 17,828	\$ 17,828
<b>Total U.S. Department of Education Direct</b>			<u>\$ 17,828</u>	<u>\$ 17,828</u>	<u>\$ 17,828</u>
<b>U.S. Department of Justice:</b>					
Pass-through National Institute of Justice					
School and Family Engagement - Trauma Informed (SAFE-TI)	16.560	2014-MU-MU-0017	\$ 3,319,810	\$ 780,007	\$ 780,007
<b>Total U.S. Federal Highway Administration</b>			<u>\$ 3,319,810</u>	<u>\$ 780,007</u>	<u>\$ 780,007</u>
<b>U.S. Environmental Protection Agency</b>					
Pass-through Montana Department of Environmental Quality					
319 Program Nonpoint Source Implementation Grant	66.460	216030	\$ 146,000	\$ 32	\$ 32
<b>Total U.S. Environmental Protection Agency</b>			<u>\$ 146,000</u>	<u>\$ 32</u>	<u>\$ 32</u>
<b>U.S. Department of Agriculture:</b>					
Pass-through Montana Office of Public Instruction:					
National School Lunch Program	10.555	N/A	\$ 450,670	\$ 450,670	\$ 450,670
National School Lunch Program - Commodities	10.555	N/A	102,862	102,862	102,862
Subtotal 10.555 School Lunch Related Funding	10.555		<u>553,532</u>	<u>553,532</u>	<u>553,532</u>
Fresh Fruit and Vegetable	10.582	N/A	486	486	486
<b>Total U.S. Department of Agriculture</b>			<u>\$ 554,018</u>	<u>\$ 554,018</u>	<u>\$ 554,018</u>
<b>U.S Department of Health &amp; Human Services:</b>					
Pass-through Dept. of Health & Human Services - MT:					
Diabetes School Health	93.945	N/A	\$ 500	\$ 500	\$ 500
<b>Total U.S. Department of Health &amp; Human Services</b>			<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 500</u>
<b>TOTAL FEDERAL ASSISTANCE</b>			<u>\$ 7,547,775</u>	<u>\$ 4,367,497</u>	<u>\$ 4,390,350</u>

**Notes to Schedule of Federal Awards:**

I. Summary of Significant Accounting Policies:

**Basis of Presentation and Significant Accounting Policies**

This Schedule of Expenditures of Federal Awards (the Schedule) includes federal award activity of the District under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because this schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

In accordance with the terms of the grant, the District has expended cash (and noncash) matching contributions during the year ended June 30, 2018, for the following program:

U.S. Environmental Protection Agency  
Pass-through Montana Department of Environmental Quality  
66.460 - 319 Program Nonpoint Source Implementation Grant \$6,976

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, 2018, 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 20, 2018.

**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 20, 2018

## 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, 2018. 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, 2018.

**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 20, 2018

**BOZEMAN SCHOOL DISTRICT NO. 7**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2018**

**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**

10.555	National School Lunch
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, 2018**

**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**