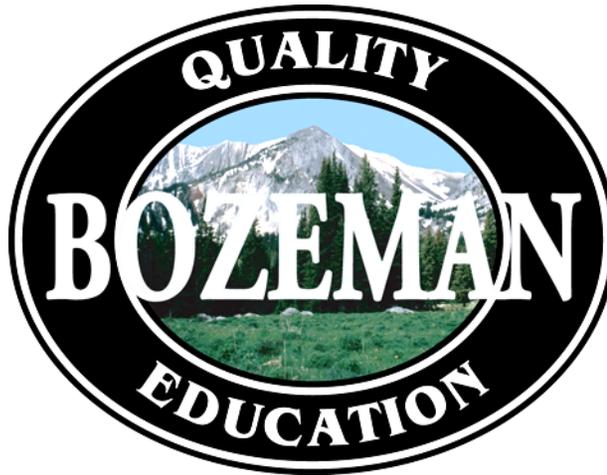


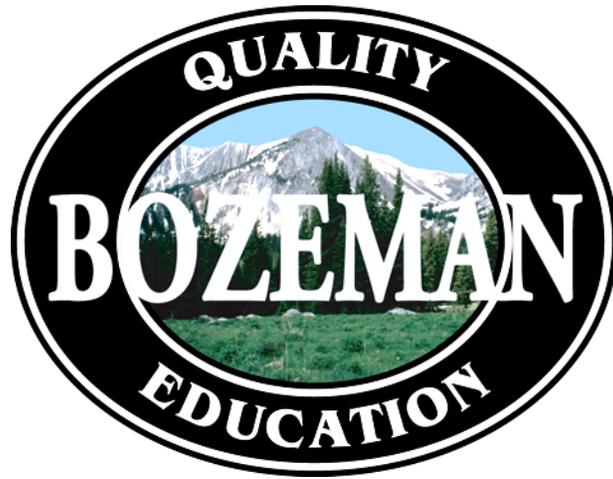
COMPREHENSIVE ANNUAL FINANCIAL REPORT



BOZEMAN SCHOOL DISTRICT NUMBER 7

For the year ended June 30, 2016

Gallatin County, P.O. Box 520, Bozeman, Montana 59771-0520



Comprehensive Annual Financial Report

of

BOZEMAN SCHOOL DISTRICT NO. 7

For the fiscal year ended June 30, 2016

Prepared by the Business Office

Steven D. Johnson, CPA, Deputy Superintendent Operations

Mike Waterman, Director of Business Services/District Clerk

Richard J. Tvedt, CPA, Accounting Supervisor

404 West Main, P.O. Box 520

Bozeman, Montana 59711-0520

Phone: (406) 522-6042

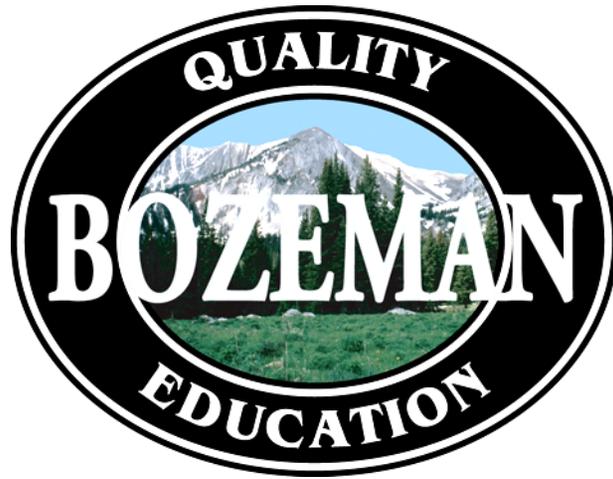


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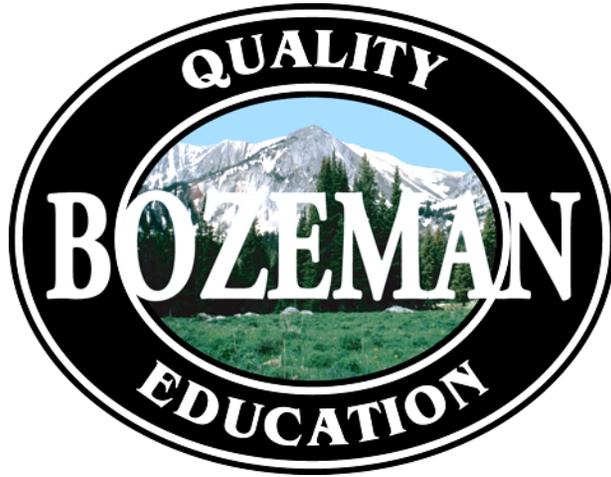
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INTRODUCTORY SECTION





Bozeman Public Schools

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

Dr. Robert J. Watson
 Superintendent

Dr. Marilyn King
 Deputy Superintendent
 Instruction

Steven D. Johnson, CPA
 Deputy Superintendent
 Operations

December 28, 2016

Letter of Transmittal

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

Dear Board Members:

Montana Law requires that Bozeman School District No. 7 annually publish audited financial statements within twelve months of the close of each fiscal year. This Comprehensive Annual Financial Report meets that requirement for the fiscal year ended June 30, 2016.

Responsibility for the accuracy of the presentation, including all disclosures, rests with the Superintendent and the Deputy Superintendent Operations. A framework of internal controls has been established to assist in the accuracy and reliability of the enclosed financial information. Due to the cost effectiveness of internal controls, they are designed to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements.

For the year ended June 30, 2016, Anderson ZurMuehlen & Co., P.C. has issued an unmodified (referred to as "clean") opinion on the Bozeman School District No. 7's financial statements. Their independent audit report is located at the beginning of the financial section of this report.

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

PROFILE OF THE DISTRICT

Geographically, the Bozeman Public School system covers an area greater than the City of Bozeman. The school system includes two legal districts - Elementary District No. 7 and High School District No. 7. The elementary district covers approximately 275 square miles and has an estimated population of 53,032. The high school district covers approximately 700 square miles, and encompasses eight elementary districts (kindergarten through 8th grade (K-8) - Bozeman, Anderson,

Cottonwood, Gallatin Gateway, LaMotte, Malmborg, Monforton, and Sedan-Wilsall). The estimated population of the high school district is 63,970. The school system is a public entity under the authority of the State of Montana.

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

The two separate legal entities make up one independent reporting entity clearly within the criteria established in Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards. All funds of the District are included in this report. The District serves approximately 6,533 students and provides a full range of educational services appropriate to grade levels Pre-K through 12, as well as Adult Education. These include regular and enriched academic education, special education for students with disabilities and occupational education. These basic programs are supplemented by a wide variety of offerings in fine arts and athletics. The Bozeman Schools Foundation, Bozeman Hawk Booster Club, Bozeman Schools Friends of Music and the various parent organizations are separate legal entities. The impacts of these individual entities is considered immaterial to the overall financial status of the District and, as such, are not included in these financial statements.

The District is required by state law to annually adopt budgets for certain funds, generally those supported by property taxes. The elementary and high school board of trustees must meet to legally adopt final budgets on or before August 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.

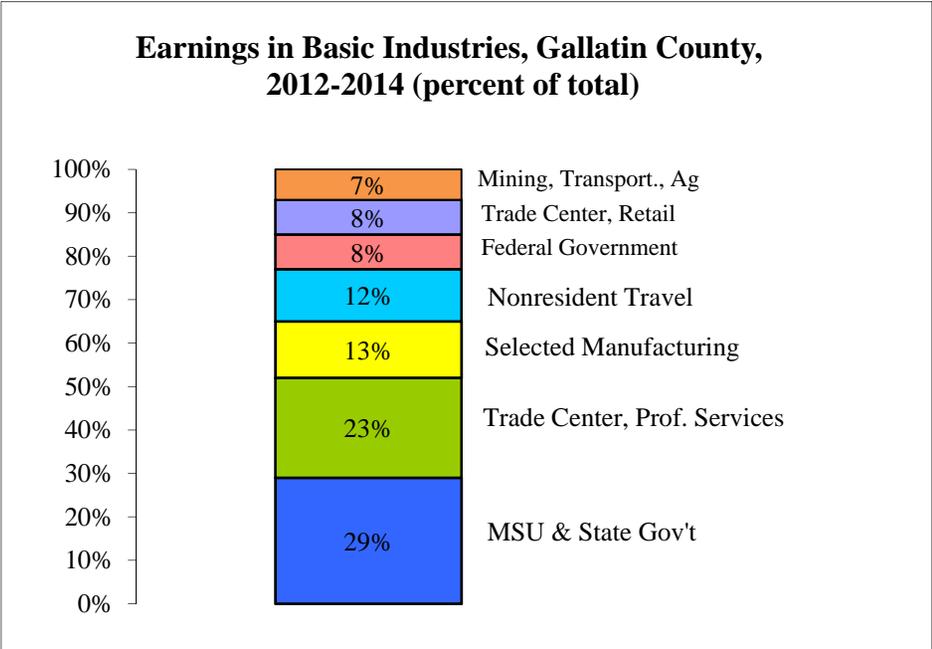
Montana State University - Bozeman (M.S.U.) represents a major economic activity in the District. M.S.U., with a fiscal year 2015-2016 annual budget of approximately \$419,728,963, employs approximately 3,775 employees (2,334 full time, 759 part time, and 682 graduate teaching and research assistants). With a student enrollment of 15,688 (Fall 2015), M.S.U. is not only one of the largest factors in the area economy but also one of the more stable factors.

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

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

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

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



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

Major Initiatives

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

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

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

Relevant Financial Policies

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

Long-Term Financial Planning

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

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

The District continues to benefit from generous Building Reserve and Technology levies that voters approved in the fiscal year ended June 30, 2013. Each are long-term in nature: the Building Reserve and Technology levies have 5-year and permanent durations, respectively. The Building Reserve levies are helping the District tackle current and expected facilities maintenance costs, while a portion of the Technology levy has helped the District modernize its wide area network.

OTHER INFORMATION

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Bozeman School District for its comprehensive annual financial report for the fiscal year ended June 30, 2015. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year. *The District is proud to announce that this is the twenty-seventh year that it has received this prestigious award.* We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

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

Sincerely,



Steven D. Johnson, CPA
Deputy Superintendent Operations



Robert J. Watson, Ed.D.
Superintendent



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

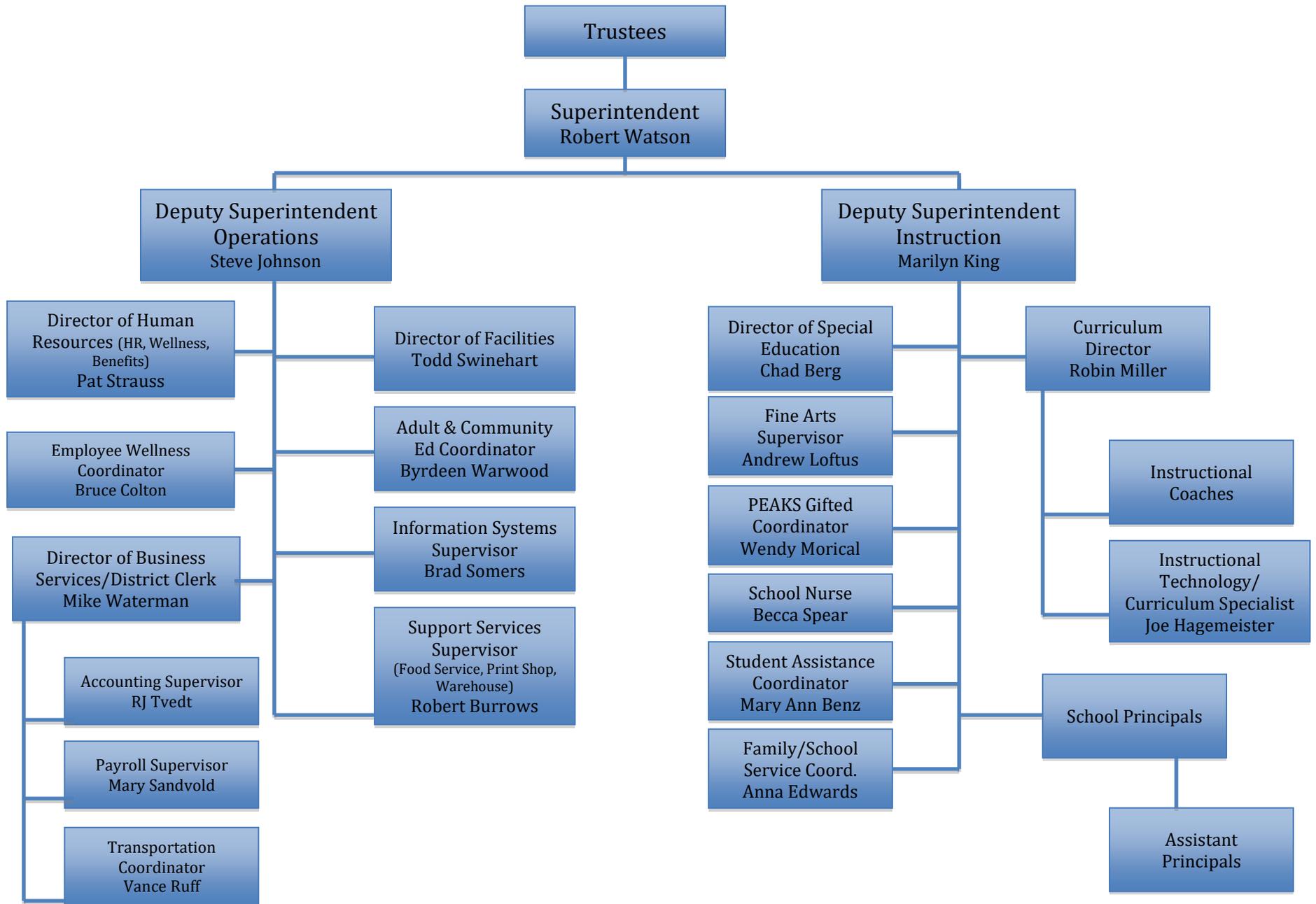
Bozeman School District No. 7
Montana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

Bozeman School District 7 Administrative Organization



BOZEMAN SCHOOL DISTRICT NO. 7

Elected Officials
Board of Trustees

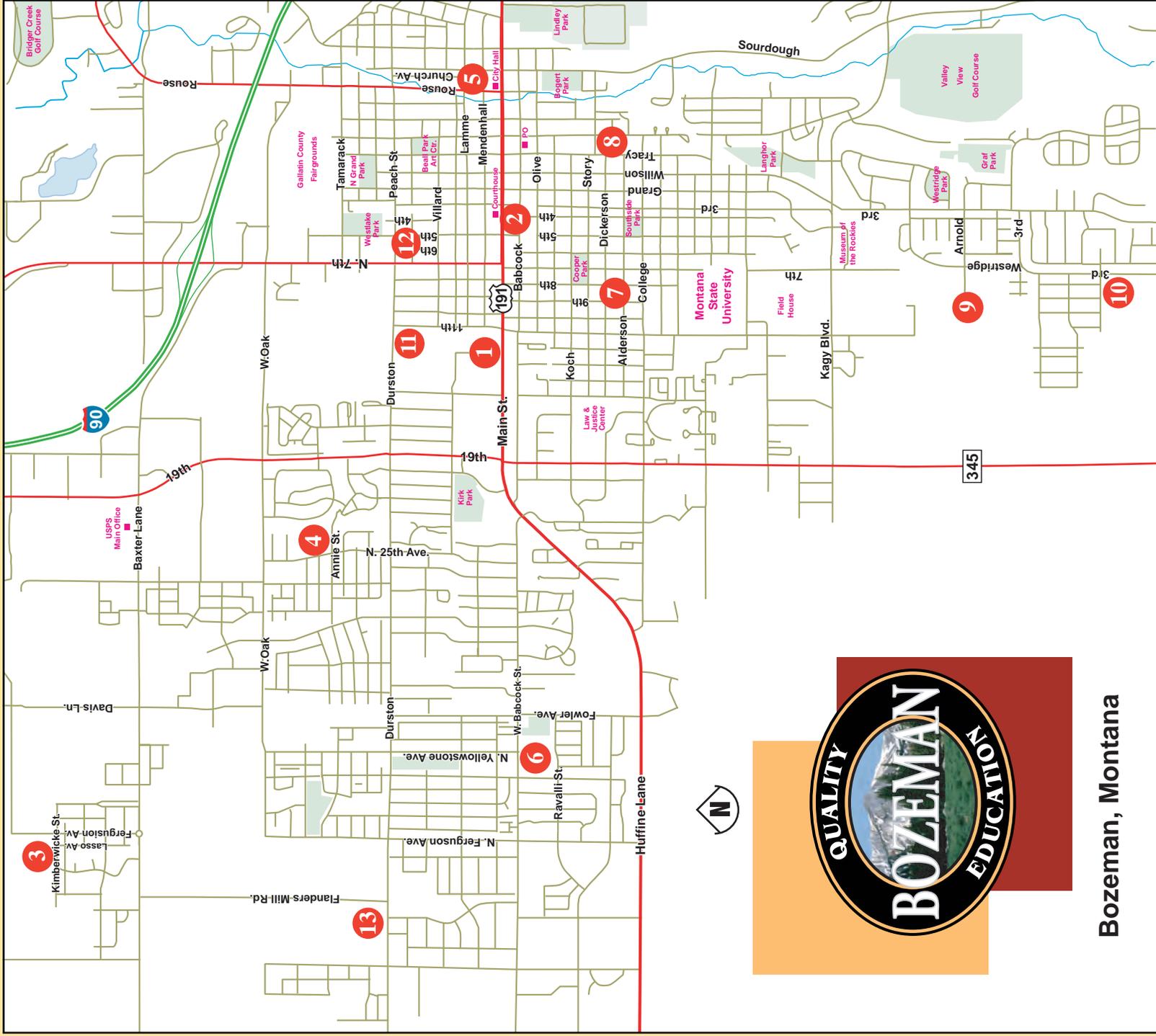
	<u>Term Expires April</u>
Andy Willett.Chair	2019
Heide Arneson Vice Chair	2017
Douglas FischerTrustee	2018
Bruce GrubbsTrustee	2018
Gary LusinTrustee	2017
Tanya ReinhardtTrustee	2019
Wendy Tage.Trustee	2018
Sandra WilsonTrustee	2018

Appointed

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

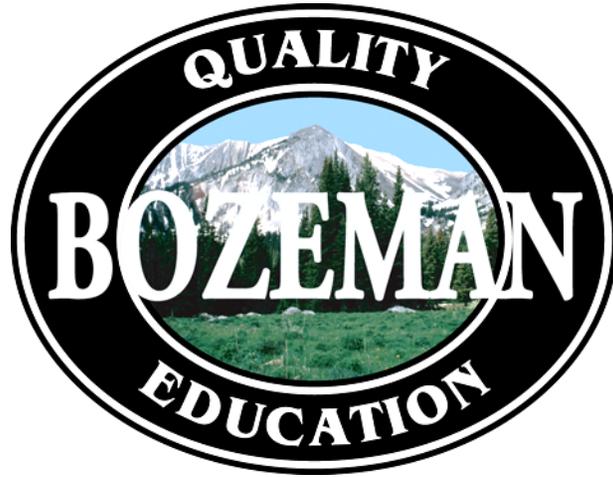
Board Meetings Held During Fiscal Year 2015-16

Regular	12
Special	25



Bozeman, Montana

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



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Bozeman School District No. 7

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bozeman School District No. 7 (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bozeman School District No. 7, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, the supplemental combining and individual nonmajor fund financial statements, the schedule of capital assets used in the operation of governmental funds, supplemental information mandated by Montana Office of Public Instruction, and statistical sections (as listed in the table of contents), are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Anderson Zurmuehlen + Co, P.C." The signature is written in a cursive, flowing style.

Bozeman, Montana
December 28, 2016

Management's Discussion and Analysis

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

This discussion and analysis of the Bozeman School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the transmittal letter on page 1 and the District's financial statements, which begin on page 25.

USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Bozeman School District No. 7 as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

Overview of the financial statements

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

The Statement of Net Position and the Statement of Activities help answer the question "How did we do financially during 2016". These government-wide statements include *all assets, deferred inflows of resources, deferred outflows of resources, and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Fund Financial Statements

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund

accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

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

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

The two internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* on pages 127-130 of this report. The *basic* proprietary fund financial statements can be found on pages 37-39 of this report.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The *basic* fiduciary fund financial statements can be found on pages 40-41 of this report and the *combining* fiduciary fund statements can be found on pages 131-123. The District uses the fiduciary funds to account for extracurricular student activities, Worthy Student Scholarships nonexpendable endowment, and High School Interlocal Agreement activities.

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

THE SCHOOL DISTRICT AS A WHOLE

Net position may serve over time as a useful indicator of a government's financial condition. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$25,830,331 as of June 30, 2016. This represented a generous 25.7% increase in net position from the prior year balance of \$20,550,939 and was largely the result of annual debt retirement (\$5,473,190 including bond premium amortization). Although the District issued \$21,500,000 of elementary general obligation bonds in the current fiscal year, this did not generate an increase or decrease in net position. On subsequent pages, *Table 1* presents a comparative summary of the District's net position for the fiscal years ended June 30, 2016 and 2015. *Table 2* illustrates a comparative summary of the change in net position between the fiscal years.

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

Approximately \$10.9 million of the District's net position was subject to external restrictions on how it may be used. *Unrestricted* net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - had an ending deficit balance of (\$38,114,429) which was a small 4.1% improvement over the prior year. The origin of this large negative component of the net position resides in the recent implementation of GASB Statement 68 "Accounting and Financial Reporting for Pensions" and GASB Statement 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date" and the related additional accounting for pension activity of eligible District employees participating in the Public Employees' Retirement System (PERS) and the Teachers' Retirement System of Montana (TRS).

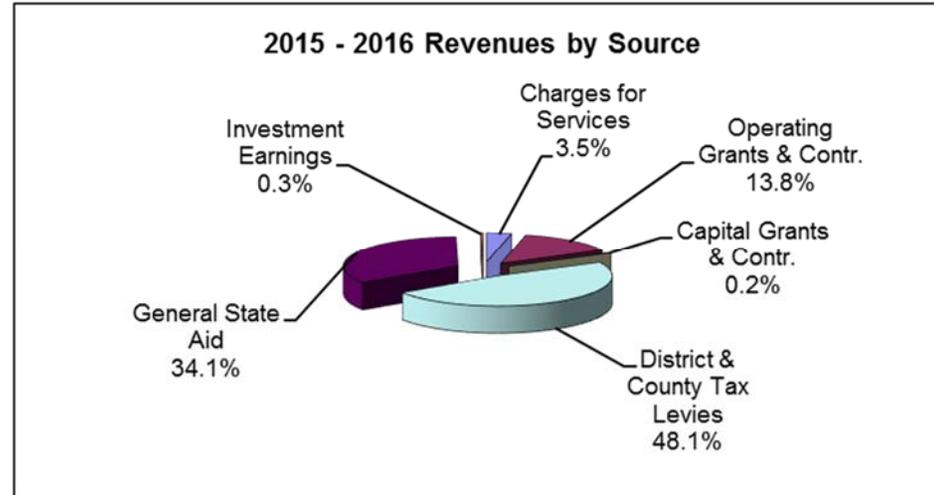
Table 1
BOZEMAN SCHOOL DISTRICT NO. 7
Net Position

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

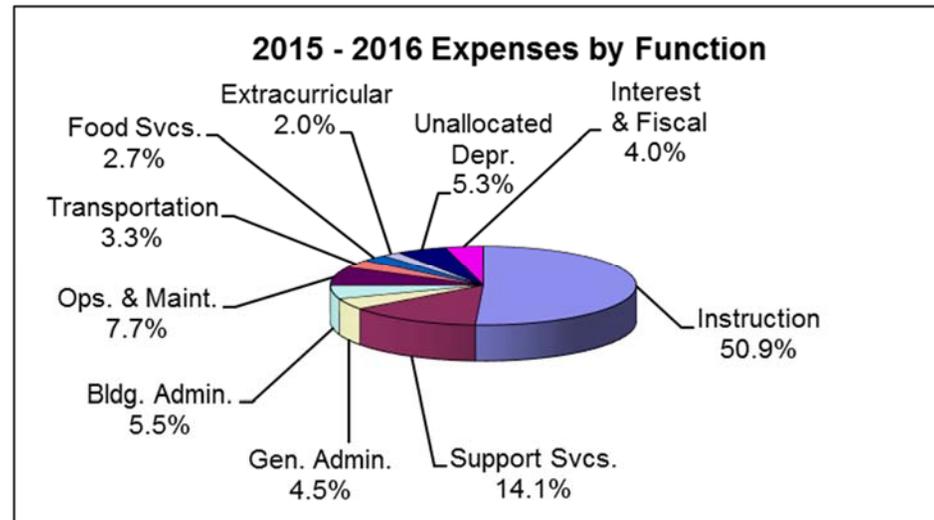
Table 2
BOZEMAN SCHOOL DISTRICT NO. 7
Changes in Net Position

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

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



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



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

General fund budgetary highlights

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

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

Student enrollment is critical in the calculation of general fund budget limits. The overall District PreK-12 enrollment has increased every year since 2005 (see Table 24). While the October 2015 count revealed a 207 increase in students and was less than the record October 2013 220 student increase, the student population growth is tracking the current trend of enrollment projections. This enrollment gain will continue to increase the demand for resources but will also have a positive impact on the maximum budget allowed to service the educational needs of the students. The Bozeman School District is experiencing some of the fastest student enrollment growth in the state and was able to amend its general fund budget midyear and increase it by \$45,487 due to exceeding certain state thresholds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

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

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

Debt Administration

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

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

The Elementary and High School Districts have each maintained their respective **Aa2** Moody's rating for general obligation debt. State statutes currently limit the amount of the general obligation debt a District may issue. As of June 30, 2016, the current elementary legal debt margin is \$83,498,145 and the high school legal debt margin is \$135,296,059 (as shown on Table 14).

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

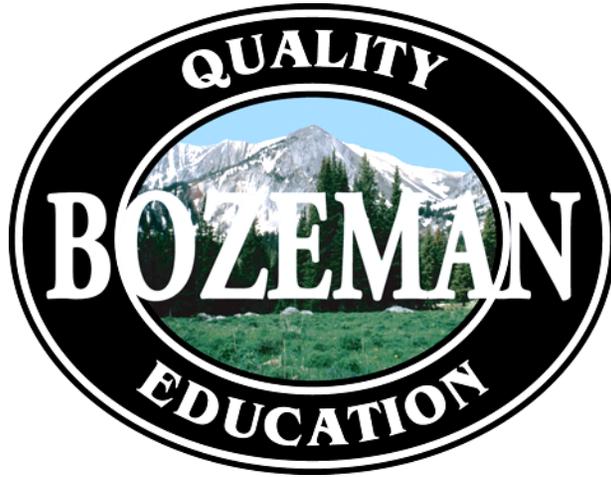
Many factors were considered by the District's administration and board of trustees during the process of developing the fiscal year 2016-2017 budget. The primary factors were the District's student population, collective bargaining agreements, inflation rates, and the local economy. Budgeted expenditures in the General Fund increased by 5.8% to \$47,800,628 in fiscal year 2016-2017. Increased payroll and employee benefit costs for an expanding workforce are the primary reason for the increase.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements



Government-Wide Financial Statements

BOZEMAN SCHOOL DISTRICT NO. 7
STATEMENT OF NET POSITION
JUNE 30, 2016

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

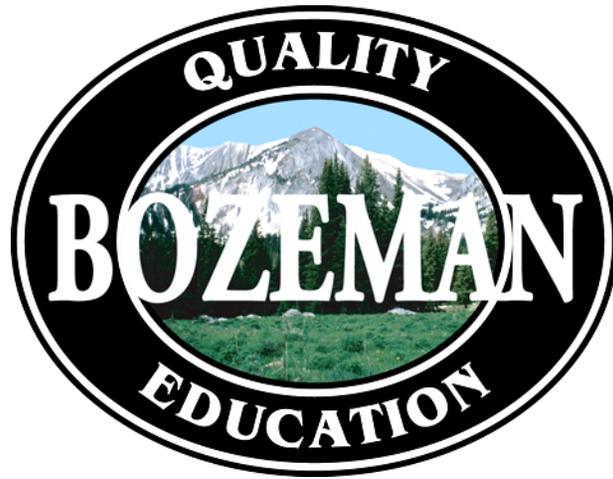
The notes to the financial statements are an integral part of this statement.

BOZEMAN SCHOOL DISTRICT NO. 7
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

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

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

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



Fund Financial Statements

BOZEMAN SCHOOL DISTRICT NO. 7
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

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

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

**BOZEMAN SCHOOL DISTRICT NO. 7
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

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

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

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

BOZEMAN SCHOOL DISTRICT NO. 7
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

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

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

**BOZEMAN SCHOOL DISTRICT NO. 7
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

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

Net change in fund balances - total governmental funds	\$ 23,587,461
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$4,226,625) fell short of depreciation (\$4,338,161) in the current period.	(111,536)
Deferred inflows of resources in the governmental funds are reported on the full accrual method in the government-wide financial statements.	(281,904)
The net pension liability and related pension deferred inflows and outflows of the district are reported on the full accrual method and solely in the government-wide financial statements.	921,466
The issuance of long-term debt provides current financial resources to governmental funds, while the payment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of bond premiums when debt is first issued, whereas these amounts are deferred and amortized as a component of interest and fiscal charges in the statement of activities. If debt is refunded at a cost more than the carrying amount of the old debt, this excess acquisition cost is also amortized as a component of interest and fiscal charges in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt.	(19,393,428)
The current period net decrease in compensated absences and voluntary termination benefits payable did not require the use of current financial resources.	406,040
Internal service funds are used by the District to charge the costs of health insurance, printing, postage and other services to individual funds. The net income of the internal service funds is reported with governmental activities.	<u>151,293</u>
Change in net position of governmental activities	<u><u>\$ 5,279,392</u></u>

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

BOZEMAN SCHOOL DISTRICT NO. 7
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

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

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

BOZEMAN SCHOOL DISTRICT NO. 7
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

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

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

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

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

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

BOZEMAN SCHOOL DISTRICT NO. 7
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

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

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

BOZEMAN SCHOOL DISTRICT NO. 7
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

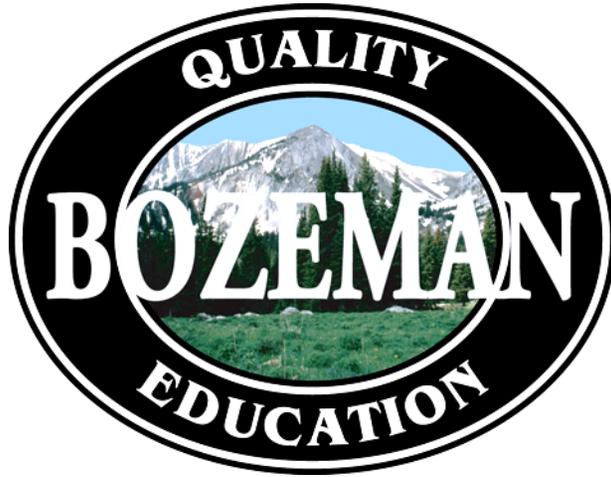
	Private-Purpose Trust
<u>ASSETS</u>	
Cash and cash equivalents	\$ 3,200,968
Investments	661,845
Accounts receivable	1,531
Land	1,112,046
Total assets	4,976,390
 <u>LIABILITIES</u>	
Accounts payable	3,000
Total liabilities	3,000
 <u>NET POSITION</u>	
Net position held in trust	\$ 4,973,390

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

BOZEMAN SCHOOL DISTRICT NO. 7
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

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

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



Notes to Financial Statements

BOZEMAN SCHOOL DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

New Accounting Pronouncement

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

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

A. Reporting Entity

School District No. 7 was established under Montana law to provide educational services below the College and University level to residents of the District. Generally accepted accounting principles require that these financial statements present School District No. 7 (the primary government) and all component units, if any. In the fiscal year ended June 30, 2013, the District implemented GASB Statement No. 61 *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. One significant modification was the provision that a financial benefit or burden must exist between the District and potential component unit organization for it to be included in the reporting entity as a component unit. In applying this statement, it has been determined that School District No. 7 has no component units.

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

B. Government-wide and fund financial statements

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Fund financial statements are designed to present financial information of the School District

at a more detailed level (and to demonstrate legal compliance). The focus of governmental fund financial statements is on major funds. In School District No. 7's case, the general, elementary building, and high school building funds are considered major and are presented in separate columns. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. The fiduciary funds are reported by type.

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

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

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

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

The District reports the following major governmental funds:

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

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

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

Additionally, the government also reports the following fund types:

Internal service funds account for the financing of goods or services provided by one department to other departments of the District, or to other governments, on a cost reimbursement basis. In the District's

case, the internal service funds are used to charge the costs of health insurance, printing, postage and other services to other individual funds.

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

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

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

When both restricted and unrestricted net positions are available to expend, it is the District's policy to use its restricted net position first, followed by unrestricted net position as they are needed.

D. Deposits and investments

Except petty cash and a portion of the Private-Purpose Trust and Internal Service Funds, all District cash is held by the County Treasurer and pooled in the Gallatin County external investment pool or invested outside of that pool in direct obligations of United States Agencies. \$308,380 of the Middle and High School Student Extracurricular Funds (which are Private-Purpose Trust Funds) are in various checking accounts. \$940 of the nonexpendable high school endowment fund (private-purpose trust) is in interest bearing bank insured deposit accounts.

The County Treasurer, at the direction of the District, invests the pooled cash in nonfiduciary funds pursuant to State Law (MCA 20-9-213 [4]). Allowable investments include direct obligations of the United States Government and some United States Agencies (not to exceed five years), savings or time deposits in a state or national bank, building and loan association, savings and loan association, or credit union

insured by the FDIC or NCUA located in the State, or in a repurchase agreement. It is also allowable to invest monies under the State Unified Investment Program (STIP) established in Title 17, Chapter 6, MCA. STIP has invested in derivatives, but the nature of those transactions, the reason for entering into them and the School District's exposure to credit is not available to the School District for disclosure. As of June 30, 2016, the District had a significant portion of its funds invested in STIP through the Gallatin County external investment pool.

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

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

E. Receivables and payables

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

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

Property taxes are due in two payments, generally November 30th and May 31st. Unpaid taxes become delinquent on December 1st and June 1st. After three years of delinquency, the County may proceed to take title to the property. Delinquent taxes may be collected up to ten years. The County Treasurer may issue a writ of execution to the County Sheriff to seize the property and sell it to pay the taxes. Unpaid taxes at the end of ten years may be written off by the County Commissioners. Using the County's 10-year delinquency rate of 0.03% on real estate property taxes levied and 0.2% on personal property taxes levied, a \$10,068 allowance for uncollectibles has been calculated and the property taxes receivable are presented net of this amount.

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

F. Inventories

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

G. Prepaid items

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

H. Capital assets

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

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

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

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

I. Deferred Outflows/Inflows of Resources

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

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

I. Compensated absences

Accumulated Vacation and Sick Leave - Nonteaching District employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Vacation leave may be accumulated to a total not to exceed two times the maximum number of days earned annually. Sick leave is earned at a rate of 11 to 15 days per year. Upon retirement or termination all employees are paid for 100% of unused vacation leave and 25% of unused sick leave (certified staff are limited to a maximum 162 days of sick leave payout). Upon termination, all payments are made at the employee's current salary.

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

J. Voluntary termination benefits

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

K. Net pension liability

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

L. Other postemployment benefits

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

M. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Premiums and discounts are deferred over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period (when present). The face amount of the debts (when issued) are reported as other financing sources. Premiums (if present) received on the debt issuances would be reported as other financing sources while discounts (if present) on debt issuances would be reported as other financing uses. Both the government-wide and fund financial statements recognize bond issuance costs as current expenses in the year incurred.

N. Fund balance

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

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

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

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

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

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

As of June 30, 2016, fund balances are comprised of the following:

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

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

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

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

O. Minimum General Fund - Fund Balance

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

P. Net Position

In funds other than governmental, net position represent the result of assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets plus capital-related deferred outflows, net of accumulated depreciation and also reduced by the outstanding balances of any borrowing used in the acquisition, construction, or improvement of those assets and any capital-related deferred inflows of resources. This line item is not reduced by the portion of debt that is related to unspent bond proceeds. Net position is reported as restricted when there are

limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

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

General

Special Revenue:

Transportation
 Bus Depreciation
 Tuition
 Retirement
 Technology Acquisition
 Flexibility
 Adult Education

Debt Service

Capital Projects:

Building Reserve

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

Budgetary policy follows:

- 1) By the first Monday in August, the Department of Revenue transmits a statement of assessed valuation and taxable valuation of all property to the County Superintendent of Schools.
- 2) On or before August 15th, the Board of Trustees must meet to legally adopt the final budget.
- 3) Upon adoption of the final budget, expenditures and operating transfers are limited to the total fund budget. (There is one exception, see Note IIC.) Unexpended and unencumbered appropriations lapse at year end. Under State law and District Policy, management may amend the budget without seeking Board approval as long as the total individual fund budget is not exceeded.
- 4) Individual fund budgets may only be increased with Board approval, in a manner prescribed by State Law (MCA 20-9-161 through 20-9-166.)

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

B. Budgetary/GAAP reconciliation

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

Net Change in Fund Balance Major General Fund	
	General
GAAP Basis	\$171,696
Consolidating compensated absence liability fund activity	81,267
Adjustment for Encumbrances	71,046
Budget Basis	\$324,009

C. Excess of expenditures over appropriations

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

D. Deficit fund equity

The High School Building fund had a deficit fund equity of \$183,186. This deficit is the result of planning expenses incurred for the anticipation of remodeling and expanding building capacity for a growing high school student body. The District is planning on approaching voters with a levy in May 2017 to help meet its high school building needs.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

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

Cash and cash equivalents consist of:

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

Investments consist of:

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

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

A small amount of petty cash is separately held by some of the District's funds and is all reported as cash and cash equivalents. The Middle and High School Extracurricular Funds have cash in several checking accounts totaling \$308,380 which is fully insured by the FDIC.

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

The fiduciary Nonexpendable High School Endowment fund had cash held at Citibank, N.A. within its D.A. Davidson investment account. The mutual funds listed above were also purchased with this same Endowment fund and are an allowable investment option for fiduciary funds.

The Gallatin County Investment Pool cash and cash equivalents are valued at cost. The pool is not SEC registered. Montana law designates allowable investment options. Montana law also allows the local governing body to require security for the portion of deposits not guaranteed or insured. Deposit insurance is administered by the FDIC. Since the District invests in a cooperative pool, pledged securities for the various individual deposits and repurchase agreements are managed by the County Treasurer. Montana code allows the County Treasurer to take collateral up to 50% of deposits if the institution in which the deposit is made has a net worth to total assets ratio of 6% or more; and 100% if the ratio is less than 6%.

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

B. Receivables

Receivables as of June 30, 2016, for the District's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Elementary Building	High School Building	Nonmajor and Other Funds	Total
Receivables:					
Accounts	\$ 3,752	\$ 18,055	\$ -	\$ 197,384	\$ 219,191
Property taxes	425,286	-	-	311,636	736,922
Gross receivables	429,038	18,055	-	509,020	956,113
Less: allowance for Uncollectibles	(5,810)	-	-	(4,258)	(10,068)
Net total receivables	\$ 423,228	\$ 18,055	\$ -	\$ 504,762	\$ 946,045

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

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

The Self-Insurance internal service fund had unearned revenue of \$1,056,088 as of June 30, 2016, that is almost entirely comprised of health insurance premiums deducted from June payroll checks to cover premiums due in the months of July and August.

C. Capital assets

A summary of capital asset activity for the year ended June 30, 2016 follows:

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

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

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

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

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

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

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

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

D. Interfund activity

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

E. Long-term debt

General obligation bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital projects. General obligation bonds have only been issued for governmental activities. The original amount of currently outstanding general obligation bonds issued in prior years was \$90,210,000. During the current fiscal year, general obligation bonds totaling \$21,500,000 were issued to construct a Hawthorne Elementary School two story addition and expand the Sacajawea Middle School.

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

	Issue Amount	Term	Interest Rate	Outstanding Principal June 30, 2016	Due Within One Year
2008 Elementary	17,500,000	20	3.00 - 4.25%	6,295,000	805,000
2012 Elementary	10,000,000	20	1.00 - 3.00%	8,270,000	435,000
2013 Elementary	16,375,000	20	3.00 - 4.00%	13,885,000	675,000
2014 Elementary	9,500,000	11	1.00 - 4.00%	9,330,000	55,000
2015 Elementary	8,935,000	13	2.00 - 5.00%	8,845,000	995,000
2016 Elementary	21,500,000	20	2.00 - 5.00%	21,500,000	810,000
Subtotal				68,125,000	3,775,000
2008 High School	10,000,000	18	3.00 - 4.00%	6,530,000	540,000
2014 High School	9,150,000	11	1.00 - 4.00%	9,060,000	10,000
2015 High School	8,750,000	7	2.00 - 5.00%	8,665,000	1,450,000
Subtotal				24,255,000	2,000,000
Total				\$ 92,380,000	\$ 5,775,000

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

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

Advance refundings

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

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

Limited obligation bonds

On December 19, 2006, the District issued limited obligation school building bonds in the amount of \$1,459,250. These specific bonds were used for major renovations at Whittier Elementary School and bear interest at 0% per annum and were paid back through sinking fund deposits made over the last nine years

from date of issuance. The sinking fund deposits, along with earnings on those deposits, were used to retire the bonds on December 19, 2015. The District did recognize a reduction in bonds payable each year in the amount of principal payments and the scheduled investments earnings on the sinking fund. The elementary building reserve fund has serviced 100% of the limited obligation debt payments.

Changes in long-term liabilities

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

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

The compensated absences liability has been paid this year (and in past years) from all governmental funds except for the elementary and high school bus depreciation, tuition, flexibility, and debt service funds. The voluntary termination benefits liability has been paid from the general and retirement funds. The District has not funded the other postemployment benefits liability nor the net pension liability.

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

TAXING DISTRICT

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

The 2006 Limited Obligation School Bonds were exclusively used in the renovations of Whittier Elementary School. The 2006 and 2007 Elementary G.O. Bond proceeds were used to purchase the new Chief Joseph Middle School site and for the construction of the middle school at this site. The 2006, 2007, and 2008 High School G.O. Bonds were used to purchase additional high school land and to renovate the existing Bozeman High School. The 2008 Elementary General Obligation Bonds were used for the construction of the District's Hyalite Elementary School. Elementary General Obligation bonds issued in 2012 and 2013 were used to acquire an Elementary School site, construct Meadowlark Elementary School, renovate and expand the District Support Services site and building and perform renovations at Longfellow Elementary School. The 2014 and 2015 Elementary G.O. Bond proceeds were used to partially refund the 2006, 2007, and 2008 Elementary G.O. Bonds to take advantage of favorable interest rates. The 2014 and 2015 High School G.O. Bonds were issued to partially refund the 2006 and 2007 High School General Obligation Bonds and also take advantage of favorable interest rates. Sacajawea Middle School and Hawthorne Elementary are being expanded and renovated with the newly issued 2016 Elementary G.O. Bonds.

F. Restricted net assets

The State of Montana has enabling legislation which mandates the creation of certain funds and establishes the criteria for property taxes levied to meet the specific purposes of these funds. The District classifies the fund balances of these funds as well and some federal, state and local grants as restricted fund balances. These individual funds and their restricted fund balances at June 30, 2016 are as follows:

Fund Name	Fund Type	Amount
Elementary building reserve	Capital Projects	\$ 1,464,304
High School building reserve	Capital Projects	2,434,979
Elementary building	Capital Projects	24,122,735
Elementary debt service	Debt Service	529,395
High School debt service	Debt Service	24,979
Elementary bus depreciation	Special Revenue	284,952
High School bus depreciation	Special Revenue	285,142
Elementary flexibility	Special Revenue	428
High School flexibility	Special Revenue	143
Elementary retirement	Special Revenue	1,118,032
High School retirement	Special Revenue	823,653
Elementary technology acquisition	Special Revenue	390,249
High School technology acquisition	Special Revenue	720,615
Elementary transportation	Special Revenue	736,331
High School transportation	Special Revenue	300,636
Elementary tuition	Special Revenue	13,254
High School tuition	Special Revenue	100
Elementary grants	Special Revenue	73,279
High School grants	Special Revenue	265,847
Adult education	Special Revenue	196,596
 Total restricted fund balances		 <u>\$ 33,785,649</u>

G. Leases

In May, 2011, the District approved a four year noncancelable operating photocopier lease arrangement which began on July 1, 2012. The arrangement involved 33 photocopiers with guaranteed minimums of 8,500,000 copies per year. The total cost of this lease for the fiscal year ended June 30, 2016, was \$72,375. There are no future minimum lease payments for this arrangement which ended this fiscal year.

IV. OTHER INFORMATION

A. Risk management

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

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

Presently, the workers compensation coverage program that the District participates in is managed by the Montana Schools Group Insurance Authority. It is a public entity risk pool currently operating as a common risk management and insurance program for the member school districts. The District pays a quarterly premium for its employee injury insurance coverage which is allocated to the funds based on total paid salaries and wages. The agreement for formation of the pool provides that it will be self-sustaining through member premiums. There are no deductibles or maximum coverage limits in the plan.

Since July 1, 1990, the District has provided medical insurance coverage for its employees via a contributory self-funded plan. This plan is currently administered by Blue Cross Blue Shield of Montana. It provides both medical, dental, and vision benefits and is operated as an Internal Service Fund. Rates for the employees and employer's funds are determined in consultation with a third party consultant and are set at 125% of estimated claims for the coming year. The District also buys commercial 'stop-loss' policies through Berkley Life for total District claims in excess of the 125% amount and for claims in excess of \$225,000 per claimant covered charges during a year. An estimated medical, dental, and vision claims liability at year end was determined by averaging the last five years' final claims paid in the following year. An analysis of claims activities is presented below:

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

As of June 30, 2016, the District contracted with New West Medicare to provide medical insurance for retirees (and eligible spouses) who are of Medicare eligible ages. The retiree pays the entire insurance premium.

B. Retirement plans

The District participates in two state-wide, cost-sharing multiple-employer defined benefit retirement plans, which cover all employees, except certain substitute teachers and part-time, non-teaching employees. The Teachers' Retirement System (TRS) covers certified teaching employees, including principals and other administrators. The Public Employee Retirement System (PERS) covers non-teaching employees and some administrators. The plans are established under state law with the TRS plan being administered by the Teachers' Retirement System and the PERS administered by the Montana Public Employees Retirement Administration. The plans provide retirement, disability, and death benefits to plan members and beneficiaries. The authority to establish, amend and provide cost of living adjustments for the plan is assigned to the state legislature. The next two subsections will individually discuss in more detail the accounting of the TRS and PERS retirement plans and their reporting is affected by GASB Statements 68 and 71 and use a **measurement date** of June 30, 2015, and a **reporting date** of June 30, 2016. The following table presents the District's (Employer) proportion of TRS and PERS pension amounts.

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

Teachers' Retirement System (TRS)

Net Pension Liability

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

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

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

Changes in actuarial assumptions and other inputs:

Since the previous measurement date the following changes were made:

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

Changes in benefit terms:

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

Changes in proportionate share:

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

Pension Expense

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

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

Deferred Inflows and Outflows

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

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

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

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

Year ended 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)
2017	\$891,599	\$940,168	(\$48,569)
2018	\$891,737	\$940,168	(\$48,431)
2019	\$382,816	\$936,913	(\$554,097)
2020	\$557,702	\$-	\$557,702
2021	\$-	\$-	\$-
Thereafter	\$-	\$-	\$-

Plan Description

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

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

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

	<u>Members</u>	<u>Employers</u>	<u>General Fund</u>	<u>Total employee & employer</u>
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

	<u>Members</u>	<u>Employers</u>	<u>General Fund</u>	<u>Total employee & employer</u>
Prior to July 1, 2007	7.15%	7.47%	0.11%	14.73%
July 1, 2007 to June 30, 2009	7.15%	9.47%	0.11%	16.73%

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

TRS Stand-Alone Statements

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

Actuarial Assumptions

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

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

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

*Total Wage Increases include 4.00% general wage increase assumption

Discount Rate

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

Target Allocations

Asset Class	Target Asset Allocation (a)	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%	1.73%
Broad International Equity	18.00%	6.05%	1.09%
Private Equity	12.00%	8.50%	1.02%
Intermediate Bonds	23.40%	1.50%	0.35%
Core Real Estate	4.00%	4.50%	0.18%
High Yield Bonds	2.60%	3.25%	0.08%
Non-Core Real Estate	<u>4.00%</u>	7.50%	<u>0.30%</u>
	100.00%		4.75%
		Inflation	<u>3.25%</u>
		Expected arithmetic nominal return	8.00%

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

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

Sensitivity Analysis

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

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

Summary of Significant Accounting Policies

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

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

Public Employees' Retirement System (PERS)

Net Pension Liability

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

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

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

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

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

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

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

Changes in actuarial assumptions and methods:

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

Changes in benefit terms:

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

Changes in proportionate share:

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

Pension Expense

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

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

Recognition of Deferred Inflows and Outflows

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Actual vs. Expected Experience Changes in Assumptions	\$-	\$34,371
Actual vs. Expected Investment Earnings	-	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	480,963
Employer contributions subsequent to the measurement date - *FY 2016 Contributions	9,378	399,437
	<u>436,306</u>	<u>-</u>
Total	<u>\$445,685</u>	<u>\$914,771</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 NPL beginning in the year ended June 30, 2017.

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

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

Plan Description

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

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

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

Summary of Benefits

Eligibility for benefit

Service retirement:

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

Early Retirement

Early retirement, actuarially reduced:

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

Vesting

5 years of membership service

Member's highest average compensation (HAC)

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

Compensation Cap

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

Monthly benefit formula

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

Guaranteed Annual Benefit Adjustment (GABA)

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

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

Overview of Contributions

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

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

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

Stand-Alone Statements

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

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

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

Actuarial Assumptions

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

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

Guaranteed Annual Benefit Adjustment (GABA)

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

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

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

Discount Rate

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

Target Allocations

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

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

Sensitivity Analysis

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

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

Summary of Significant Accounting Policies

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

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

As required by Governmental Accounting Standards Board (GASB) Statement No. 45 Other Postemployment Benefits, the District has calculated and included a post employment benefit liability for the fiscal year ended June 30, 2016.

Plan Description

Bozeman School District maintains a single-employer self-insured medical plan. The plan currently provides defined healthcare insurance benefits for eligible employees, retirees, spouses and dependents, included are medical, dental, and vision benefits. Participation is elected by the retiree at the time of retirement. The plan has options for pre Medicare insurance benefits. There is no separate, audited GAAP-basis postemployment benefit plan report available for the self-insured medical defined benefit plan. Medicare eligible retirees may purchase health insurance through New West Medicare (via the District) and they are solely responsible for paying 100% of these premiums.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

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

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

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

Funded Status and Funding Progress

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples

include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. As of June 30, 2016, the Plan was 0% funded. The District is currently (and for the foreseeable future) not planning on funding the AAL. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. An abbreviated schedule of funding progress is presented below.

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

Actuarial Methods and Assumptions

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

Actives	\$ 1,859,364
Retirees	601,234
Total AAL	<u>\$ 2,460,598</u>
Normal Cost	<u>\$ 159,098</u>
Participant information	
Actives	773
Retirees	55
Total	<u>828</u>

The following key assumptions were chosen by the District:

1. Funding method used was Entry Age Normal Cost, level percent of pay
2. Discount Rate (which is also used for the investment rate of return): 4.00%
3. Salary increase of 4.00% per year
4. Inflation rate: 3.00%
5. Healthcare Trend Rate (2015 - 9.0%, 2016 - 8.5%, 2017 8.0%, then reduced to 7.5% by 2018, and remaining below that level thereafter)

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

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

D. Subsequent events

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

E. Contingencies

As of June 30, 2016, the District was not involved in any lawsuits.

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

BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS
FOR THE YEAR ENDED JUNE 30, 2016

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

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

The funded status of the plan was as follows:

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

SCHEDULE OF FUNDING PROGRESS							
Retiree Medical Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
	9/1/2013	\$ -	\$ 2,384,867	\$ 2,384,867	0%	\$ 33,506,494	7.12%
	9/1/2014	\$ -	\$ 2,408,030	\$ 2,408,030	0%	\$ 34,823,180	6.92%
	9/1/2015	\$ -	\$ 2,460,598	\$ 2,460,598	0%	\$ 36,216,107	6.79%

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

Schedule of Proportionate Share of the Net Pension Liability:

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

Schedule of Contributions:

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

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

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

Schedule of Proportionate Share of the Net Pension Liability:

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

Schedule of Contributions:

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

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

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

Teachers' Retirement System (TRS)

Changes of Benefit Terms:

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

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

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

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

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

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

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

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

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

Changes in actuarial assumptions and other inputs:

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

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

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

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

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

- Mortality among disabled members was updated to the following:
 - For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.
 - For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

Method and assumptions used in calculations of actuarially determined contributions:

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

Public Employees' Retirement System (PERS)

Changes of Benefit Terms:

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

2013 Legislative Changes:

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

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

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

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

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

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

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

2015 Legislative Changes:

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

Second Retirement Benefit - for PERS

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

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

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

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

Changes in Actuarial Assumptions and Methods:

Method and assumptions used in calculations of actuarially determined contributions:

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

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

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

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

Investment rate of return	7.75 percent, net of pension plan investment expense, and including inflation
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The following Actuarial Assumptions are from the June 2010 Experience Study:

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

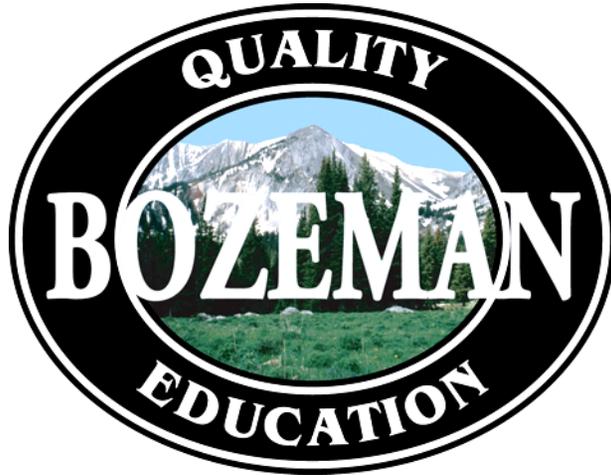
Merit increase	0% to 7.3%
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Investment rate of return	8.00 percent, net of pension plan investment expense, and including inflation
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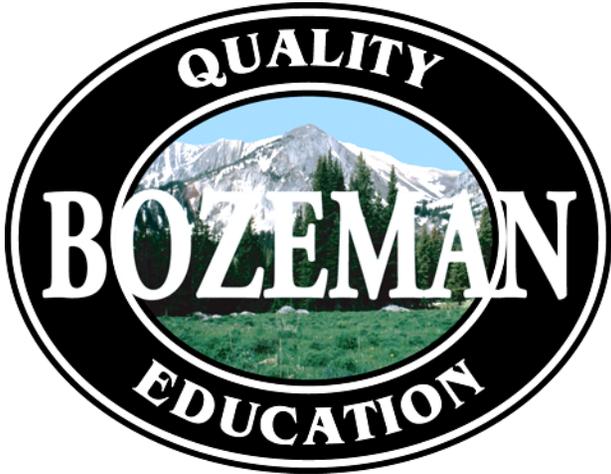
Asset valuation method	4-year smoothed market
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Actuarial cost method	Entry age
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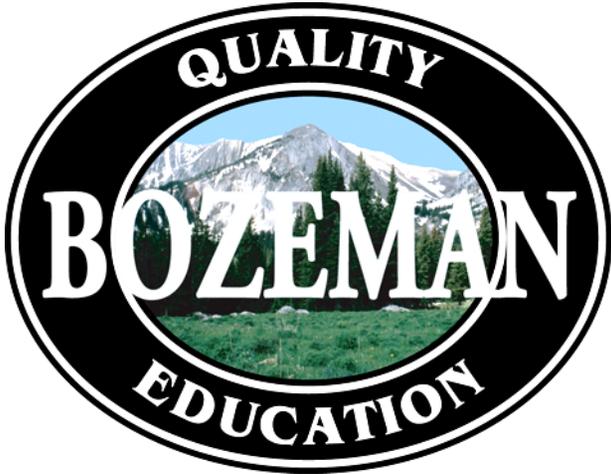
Amortization method	Level percentage of pay, open
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Supplemental Information



Combining Financial Statements



General Fund

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

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING BALANCE SHEET
ALL GENERAL SUBFUNDS
JUNE 30, 2016

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

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

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

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

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

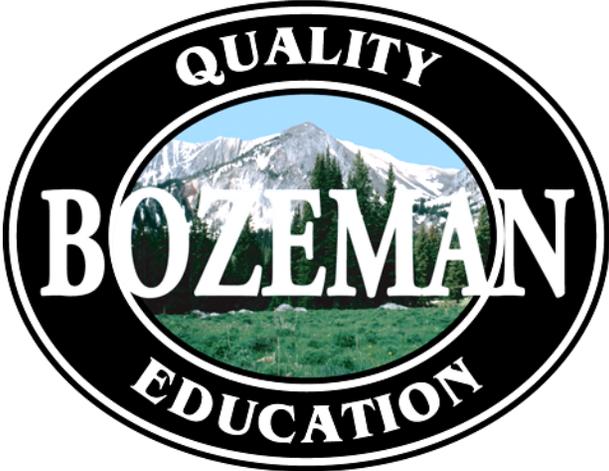
Nonmajor Governmental Funds – By Fund Type

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

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

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2016

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



Nonmajor Special Revenue Funds

Budgeted:

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

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

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

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

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

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

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

Non-Budgeted:

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

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

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

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

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

(Continued)

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

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

(Concluded)

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

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

(Continued)

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

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

(Concluded)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Nonmajor Debt Service Funds

Budgeted:

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

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

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

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

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

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

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

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

Nonmajor Capital Projects Funds

Budgeted:

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

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

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

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

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

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

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

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

PROPRIETARY FUNDS

Internal Service Funds:

Internal service funds are used to account for the financing of goods or services provided by one department to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Purchasing – This fund is used to account for supplies and equipment, printing, and mail posting provided by several departments to other departments of the District.

Self-Insurance – This fund is used to account for the insurance premiums collected and claims paid out for employees and retirees of the District and former employees on the COBRA plan.

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

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

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

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

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

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

Fiduciary Funds

Private-Purpose Trust Funds:

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

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

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

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

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

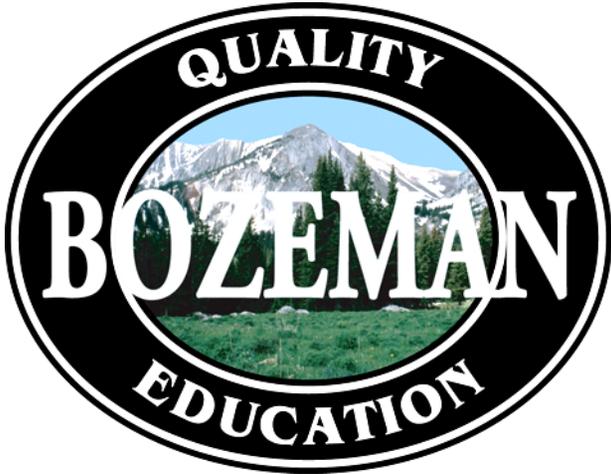
High School Interlocal Agreements - To account for revenue and expenditures involved with entities that have an interlocal or multi-district agreement with the High School District. Currently, this fund accounts for the online educating of students enrolled in the Montana Digital Academy, educating of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

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

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

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
ALL PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

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



CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

BOZEMAN SCHOOL DISTRICT NO. 7
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE¹
JUNE 30, 2016

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

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service and fiduciary funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.

BOZEMAN SCHOOL DISTRICT NO. 7
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY¹
AS OF JUNE 30, 2016

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

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service and fiduciary funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.

BOZEMAN SCHOOL DISTRICT NO. 7
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGE BY FUNCTION AND ACTIVITY¹
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service and fiduciary funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.

Supplemental Information Mandated by Montana Office of Public Instruction

Montana's Office of Public Instruction mandates that certain information be included in a school district's annual financial statements. These items include: detail of student extracurricular funds by activity and a schedule of enrollment.

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

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

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

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

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

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

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

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

(Continued)

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

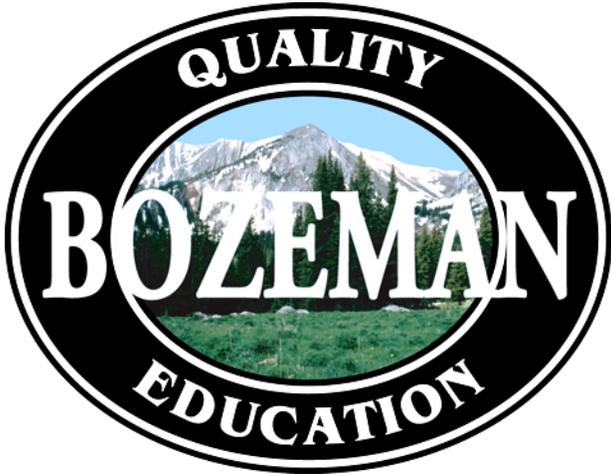
Activity	Net Position at 7/01/15	Additions	Deductions	Net Position at 6/30/16
Latin Club	\$ 471.03	\$ 4,413.42	\$ 1,689.15	\$ 3,195.30
MUN Club	81.75	2,421.83	1,701.27	802.31
Native American Club	-	442.31	242.65	199.66
Project Excel	4,203.26	79.00	1,353.00	2,929.26
Science Olympiad	369.34	500.00	325.00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

(Concluded)

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

<u>Enrollment</u>	<u>As Reported</u>	<u>Audit Per District Records</u>	<u>Difference</u>
Fall Enrollment - October 5, 2015			
Elementary School District			
Pre K-6:			
(a.) Pre-Kindergarten *	29	29	0
(b.) Kindergarten	525	525	0
(c.) Grades 1 - 6	3000	3000	0
(d.) Part-Time (number of part-time students included on line b and c above)	6	6	0
7-8:			
(e.) Grade 7-8	983	983	0
(f.) Part-Time (number of part-time students included on line e above)	7	7	0
(g.) Total (add lines a, b, c and e)	<u>4537</u>	<u>4537</u>	<u>0</u>
High School District			
9-12:			
(h.) Grades 9-12	<u>1996</u>	<u>1996</u>	<u>0</u>
(i.) Part-Time (number of part-time students included on line h above)	<u>13</u>	<u>13</u>	<u>0</u>
(j.) 19 year-olds included on line h	<u>1</u>	<u>1</u>	<u>0</u>
(k.) Montana Youth Challenge Academy students included on line h	<u>3</u>	<u>3</u>	<u>0</u>
Spring Enrollment - February 1, 2016			
Elementary School District			
Pre K-6:			
(l.) Pre-Kindergarten *	29	29	0
(m.) Kindergarten	545	545	0
(n.) Grades 1 - 6	3005	3005	0
(o.) Part-Time (number of part-time students included on line l and m above)	5	5	0
7-8:			
(p.) Grade 7-8	981	981	0
(q.) Part-Time (number of part-time students included on line o above)	10	10	0
(r.) Total (add lines k, l, m and o)	<u>4560</u>	<u>4560</u>	<u>0</u>
High School District			
9-12:			
(s.) Grades 9-12	<u>1973</u>	<u>1973</u>	<u>0</u>
(t.) Part-Time (number of part-time students included on line r above)	<u>19</u>	<u>19</u>	<u>0</u>
(u.) 19 year-olds included on line r	<u>1</u>	<u>1</u>	<u>0</u>
(v.) Early Graduates	<u>17</u>	<u>17</u>	<u>0</u>
(w.) Montana Youth Challenge Academy students included on line s	<u>2</u>	<u>2</u>	<u>0</u>

* The Pre-Kindergarten amounts above are not required to be audited. The amount listed is the official Special Education Pre-K Child Count from October 2015.



STATISTICAL SECTION

(Unaudited)

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

Contents	Page
Financial Trends	148
These schedules contain trend information to help the reader understand how the District's financial performance and position have changed over time.	
Revenue Capacity	153
These schedules contain information to help the reader assess the District's most significant local revenue source – the property tax.	
Debt Capacity	160
These debt capacity schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
Demographic and Economic Information	164
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activity takes place.	
Operating Information	166
These schedules contain service and infrastructure data to better help the reader interpret how the information in the District's financial report correspond to the services the District provides and the activities it performs.	

Table 1

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental activities:										
Net investment in capital assets	\$25,142,399	\$29,295,503	\$32,116,906	\$33,258,003	\$35,512,140	\$38,752,077	\$41,859,235	\$44,554,505	\$50,406,598	\$53,028,385
Restricted	3,987,403	4,279,556	6,904,765	9,741,156	8,779,717	9,586,558	12,475,447	10,415,989	9,898,371	10,916,375
Unrestricted	<u>2,741,647</u>	<u>3,392,696</u>	<u>3,254,771</u>	<u>3,126,362</u>	<u>4,715,667</u>	<u>3,022,777</u>	<u>4,607,300</u>	<u>4,360,299</u>	<u>(39,754,030)</u>	<u>(38,114,429)</u>
Total governmental activities net position	<u>\$31,871,449</u>	<u>\$36,967,755</u>	<u>\$42,276,442</u>	<u>\$46,125,521</u>	<u>\$49,007,524</u>	<u>\$51,361,412</u>	<u>\$58,941,982</u>	<u>\$59,330,793</u>	<u>\$20,550,939</u>	<u>\$25,830,331</u>

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

Table 2

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

Expenses	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Instruction	\$ 25,568,496	\$ 27,118,400	\$ 28,152,194	\$ 30,604,653	\$ 30,254,885	\$ 31,164,999	\$ 31,716,354	\$ 35,618,686	\$ 35,354,198	\$ 37,265,828
Support services	4,975,685	5,457,545	5,592,822	6,705,443	6,506,964	6,903,108	7,412,715	8,887,042	9,941,072	10,288,823
General administration	2,116,552	2,331,788	2,334,476	2,408,966	2,427,344	2,728,377	2,563,815	2,815,439	3,413,430	3,329,484
Building administration	3,163,125	3,267,924	3,508,649	3,379,725	3,506,951	3,568,685	3,310,381	3,614,781	4,085,993	4,001,440
Operations and maintenance	3,663,019	4,038,663	4,624,960	4,785,116	5,887,349	5,852,700	5,055,062	6,443,041	6,311,684	5,673,633
Student transportation	1,433,032	1,531,760	1,663,428	1,578,194	1,751,558	1,844,503	1,801,699	2,193,615	2,339,489	2,434,259
Food services	1,835,040	1,843,131	1,705,634	1,627,069	1,686,356	1,808,610	1,868,641	2,148,983	1,906,087	2,005,265
Extracurricular activities	885,231	941,072	915,870	911,863	928,880	897,486	932,725	1,170,210	1,507,974	1,465,920
Unallocated depreciation	960,431	985,952	1,217,973	1,670,495	2,277,029	2,734,240	2,851,136	3,387,281	3,643,476	3,919,169
Interest and fiscal charges	1,574,466	2,428,542	3,510,039	3,005,401	2,849,464	2,705,910	3,003,231	3,517,576	2,683,339	2,934,288
Total governmental activities expenses	\$ 46,175,077	\$ 49,944,777	\$ 53,226,045	\$ 56,676,925	\$ 58,076,780	\$ 60,208,618	\$ 60,515,759	\$ 69,796,654	\$ 71,186,742	\$ 73,318,109
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction	\$ 586,576	\$ 618,855	\$ 620,755	\$ 753,021	\$ 749,691	\$ 707,919	\$ 835,292	\$ 859,372	\$ 700,800	\$ 710,250
Food services	1,379,861	1,250,448	1,176,105	1,114,078	1,090,682	1,172,420	1,174,689	1,180,670	1,042,607	1,253,628
Other functional activities	516,807	531,477	543,383	704,901	782,544	949,140	684,405	711,686	1,025,050	798,034
Operating grants and contributions	6,580,610	7,365,898	8,463,278	9,639,736	10,701,409	9,053,281	9,657,240	11,039,331	10,441,288	10,884,477
Capital grants and contributions	810,146	1,112,116	307,076	1,001,944	537,755	934,990	2,216,427	27,358	2,326,971	133,064
Total governmental activities program revenues	\$ 9,874,000	\$ 10,878,794	\$ 11,110,597	\$ 13,213,680	\$ 13,862,081	\$ 12,817,750	\$ 14,568,053	\$ 13,818,417	\$ 15,536,716	\$ 13,779,453
Total governmental activities net expense	\$ (36,301,077)	\$ (39,065,983)	\$ (42,115,448)	\$ (43,463,245)	\$ (44,214,699)	\$ (47,390,868)	\$ (45,947,706)	\$ (55,978,237)	\$ (55,650,026)	\$ (59,538,656)
General Revenues and Transfers										
Governmental activities:										
General Revenues:										
District property taxes	\$ 19,928,795	\$ 21,716,571	\$ 24,919,224	\$ 25,517,907	\$ 26,005,786	\$ 25,901,455	\$ 27,624,361	\$ 30,291,040	\$ 30,381,590	\$ 31,161,445
Investment earnings	1,839,432	2,023,195	1,437,886	404,319	212,450	196,015	173,809	164,158	171,422	228,192
Unrestricted county distribution - retirement	3,872,500	4,115,000	4,685,689	4,319,087	4,628,599	4,677,674	5,107,947	5,770,760	5,759,010	6,625,912
Unrestricted state equalization	11,695,502	12,329,569	13,069,595	12,631,646	11,651,621	14,168,581	14,847,712	16,080,262	16,757,156	17,734,527
Unrestricted state guaranteed tax base subsidy	443,964	965,909	1,334,192	1,489,387	1,619,235	1,730,896	2,296,582	2,734,398	3,138,561	3,469,015
Unrestricted state motor vehicle fee reimbursement	1,579,896	1,591,893	1,603,991	1,616,183	1,628,465	1,628,465	1,773,347	1,773,347	1,969,511	1,969,511
Unrestricted state quality educator	778,808	1,216,152	1,231,076	1,247,959	1,264,058	1,257,904	1,266,515	1,302,442	1,399,168	1,453,177
Unrestricted state on-behalf pension	-	-	-	-	-	-	-	-	1,571,377	1,622,924
Unrestricted other state revenue	222,322	202,718	184,689	85,836	86,488	183,766	438,003	256,841	754,681	582,126
Gain(loss) on sale of capital assets	545	1,282	(1,042,207)	-	-	-	-	-	-	(28,781)
Transfers	-	-	-	-	-	-	-	(2,006,200)	-	-
Total governmental activities general revenues and transfers	\$ 40,361,764	\$ 44,162,289	\$ 47,424,135	\$ 47,312,324	\$ 47,096,702	\$ 49,744,756	\$ 53,528,276	\$ 56,367,048	\$ 61,902,476	\$ 64,818,048
Change in Net Position										
Governmental activities	\$ 4,060,687	\$ 5,096,306	\$ 5,308,687	\$ 3,849,079	\$ 2,882,003	\$ 2,353,888	\$ 7,580,570	\$ 388,811	\$ 6,252,450	\$ 5,279,392

Table 3

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General fund										
Reserved	\$ 156,283	\$ 68,169	\$ 101,278	\$ 339,845						
Unreserved	2,210,022	1,617,590	2,269,075	1,621,285						
Nonspendable					\$ 4,388	\$ 4,623	\$ 5,421	\$ 36,085	\$ 8,986	\$ 7,729
Restricted					-	-	-	-	-	-
Committed					-	-	-	-	-	-
Assigned					429,580	365,306	465,196	353,134	443,846	291,534
Unassigned					2,341,289	2,504,519	2,926,355	3,109,044	4,244,719	4,569,984
Total general fund	<u>\$ 2,366,305</u>	<u>\$ 1,685,759</u>	<u>\$ 2,370,353</u>	<u>\$ 1,961,130</u>	<u>\$ 2,775,257</u>	<u>\$ 2,874,448</u>	<u>\$ 3,396,972</u>	<u>\$ 3,498,263</u>	<u>\$ 4,697,551</u>	<u>\$ 4,869,247</u>
All other governmental funds										
Reserved	\$ (96,886)	\$ (236,463)	\$ (80,945)	\$ 1,007,568						
Unreserved, reported in:										
Special revenue funds	5,285,646	6,409,696	6,549,846	6,884,962						
Capital projects funds	42,644,504	50,993,882	22,218,476	8,820,311						
Nonspendable					\$ 28,589	\$ 37,592	\$ 50,525	\$ 291,698	\$ 57,346	\$ 99,959
Restricted					12,546,192	9,831,486	23,560,751	13,443,730	10,378,732	33,785,649
Committed					-	1,463,593	1,743,226	1,613,722	1,966,790	2,116,211
Assigned					241,168	-	-	-	-	-
Unassigned					(57,451)	(130,307)	(7,901)	(3,883)	-	(183,186)
Total all other governmental funds	<u>\$ 47,833,264</u>	<u>\$ 57,167,115</u>	<u>\$ 28,687,377</u>	<u>\$ 16,712,841</u>	<u>\$ 12,758,498</u>	<u>\$ 11,202,364</u>	<u>\$ 25,346,601</u>	<u>\$ 15,345,267</u>	<u>\$ 12,402,868</u>	<u>\$ 35,818,633</u>

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

Table 4

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

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

Table 5

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

Year	Instruction	Support Services	General Administration	Building Administration	Operations & Maintenance	Student Transportation	Food Services	Extracurricular Activities	Capital Outlay	Principal Retirement & Interest	Total
2007	\$ 18,995,915	\$ 3,220,986	\$ 1,596,212	\$ 2,413,652	\$ 2,981,420	\$ 9,616	\$ -	\$ 805,206	\$ 6,933	\$ -	\$ 30,029,940
2008	19,834,850	3,448,882	1,712,186	2,471,987	3,172,844	7,598	-	839,706	182,514	-	31,670,567
2009	21,033,525	3,417,621	1,720,166	2,552,984	3,429,669	1,780	-	844,247	-	-	32,999,992
2010	22,171,589	3,922,743	1,707,113	2,573,178	3,469,799	5,763	-	835,084	-	-	34,685,269
2011	22,303,333	3,949,570	1,794,818	2,609,518	3,965,340	-	-	844,781	25,412	-	35,492,772
2012	23,483,777	3,768,264	1,909,353	2,647,095	3,784,961	-	-	816,199	157,004	-	36,566,653
2013	24,580,312	4,068,345	1,790,203	2,649,077	3,668,270	382	-	851,514	7	-	37,608,110
2014	25,877,250	4,605,511	1,887,071	2,822,409	4,085,732	-	-	996,363	12,420	1,249	40,288,005
2015	26,902,203	5,481,348	2,213,111	3,085,660	4,326,685	6,706	401	961,267	-	-	42,977,381
2016	\$ 28,757,525	\$ 5,667,972	\$ 2,383,801	\$ 3,180,616	\$ 4,130,151	\$ -	\$ 2,556	\$ 1,027,165	\$ 10,329	\$ -	\$ 45,160,115

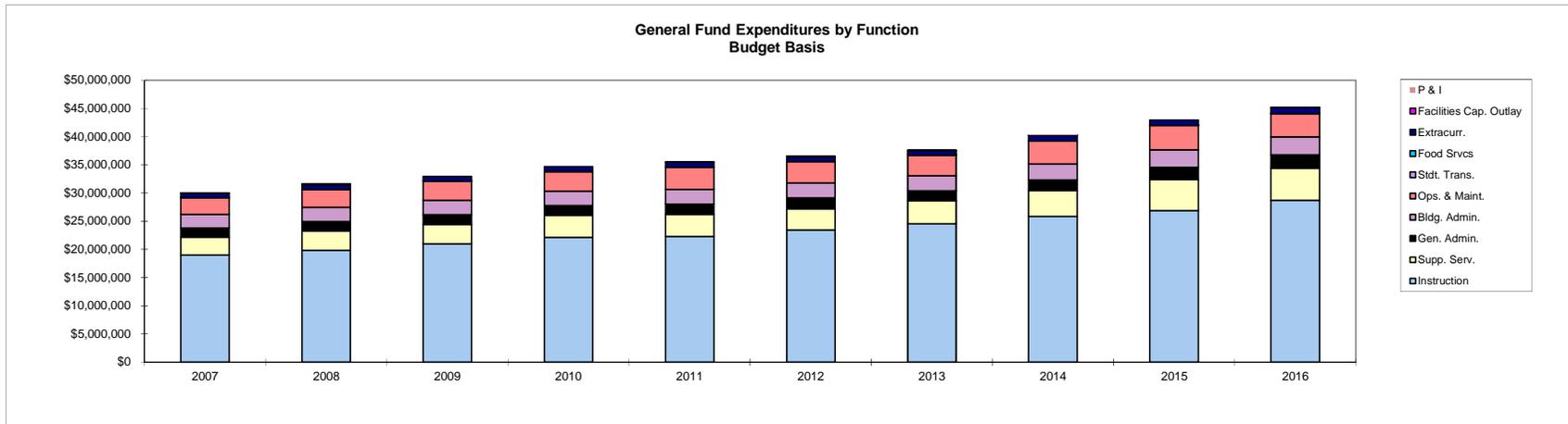


Table 6

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

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

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

² 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.

³ Taxes actually levied will differ from the mathematical calculation of assessed value multiplied times the direct rate (presented above) due to personal property taxes(a component of total taxes) being calculated using an assessed value one year later than the real property taxes.

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

Table 7

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

Tax Rates (per \$1,000 of taxable value)						
Fiscal Year	These columns denote the Direct Rate of the District		City of Bozeman	Gallatin County	State of Montana	Total
	Bozeman Elementary District	Bozeman High School District				
2007	120.32	62.42	163.42	197.36	46.00	589.52
2008	118.51	65.34	154.18	205.40	46.00	589.43
2009	141.13	71.40	171.16	210.14	46.00	639.83
2010	130.49	69.05	170.19	210.25	46.00	625.98
2011	121.55	75.34	168.75	217.21	46.00	628.85
2012	123.38	73.48	166.75	215.77	46.00	625.38
2013	131.45	71.81	166.75	215.10	46.00	631.11
2014	145.25	73.16	173.08	221.00	46.00	658.49
2015	143.70	72.97	187.73	224.58	46.00	674.98
2016	151.15	76.76	210.16	245.58	46.00	729.65

Tax Levies						
Fiscal Year	Bozeman Elementary District	Bozeman High School District	City of Bozeman	Gallatin County	State of Montana	Total
2007	\$ 11,742,487	\$ 8,160,315	\$ 10,475,697	\$ 35,948,481	\$ 8,378,750	\$ 74,705,730
2008	12,553,495	9,346,202	10,804,728	40,697,643	9,114,370	82,516,438
2009	15,794,516	9,384,507	12,891,848	44,279,401	9,692,835	92,043,107
2010	15,432,743	10,460,314	13,749,595	47,389,128	10,368,133	97,399,913
2011	14,619,619	11,148,142	14,130,990	50,835,661	10,765,805	101,500,217
2012	15,000,166	11,027,493	14,183,870	51,333,428	10,943,772	102,488,729
2013	16,419,994	11,088,494	14,385,313	52,310,804	11,186,876	105,391,481
2014	18,477,949	11,512,340	15,525,281	55,391,002	11,529,349	112,435,921
2015	18,910,738	11,900,498	17,289,871	57,717,285	11,822,046	117,640,438
2016	\$ 19,139,054	\$ 11,912,121	\$ 19,056,912	\$ 59,586,541	\$ 11,161,255	\$ 120,855,883

Source: Montana Tax Foundation
Montana Property Tax Mill Levies 2015-16
Gallatin County Treasurer

Table 8

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

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

Source: Gallatin County Treasurer

Table 9

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

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

Source: Gallatin County Treasurer

Table 10

**BOZEMAN SCHOOL DISTRICT NO. 7
Revenue by Source - All Governmental Fund Types
For the Fiscal Year Ended June 30, 2016
(modified accrual basis of accounting)**

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

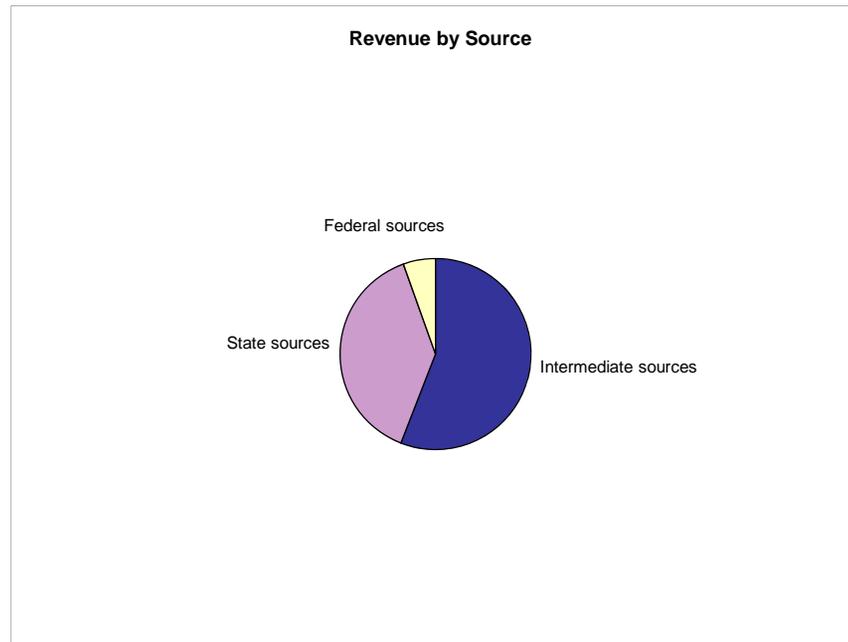


Table 11

**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
2007	\$ 13,581,764	\$ 34,941	\$ 158,402	\$ 1,388	\$ 16,158,742	\$ -	\$ 29,935,237
2008	13,195,792	39,209	208,293	4,766	17,749,057	-	31,197,117
2009	14,325,294	28,934	95,804	504,029	19,022,682	-	33,976,743
2010	14,520,782	42,773	85,100	5,276	18,735,240	890,503	34,279,674
2011	15,827,796	32,933	33,708	8,123	17,819,627	2,413,699	36,135,886
2012	16,058,899	82,078	32,913	9,597	20,722,014	16,617	36,922,118
2013	15,955,470	28,748	32,128	946	22,200,452	-	38,217,744
2014	16,750,875	28,495	38,395	2,801	24,025,992	-	40,846,558
2015	17,884,890	30,838	41,870	524,057	25,684,302	-	44,165,957
2016	\$ 18,170,793	\$ 32,546	\$ 55,443	\$ 222,660	\$ 27,002,682	\$ -	\$ 45,484,124

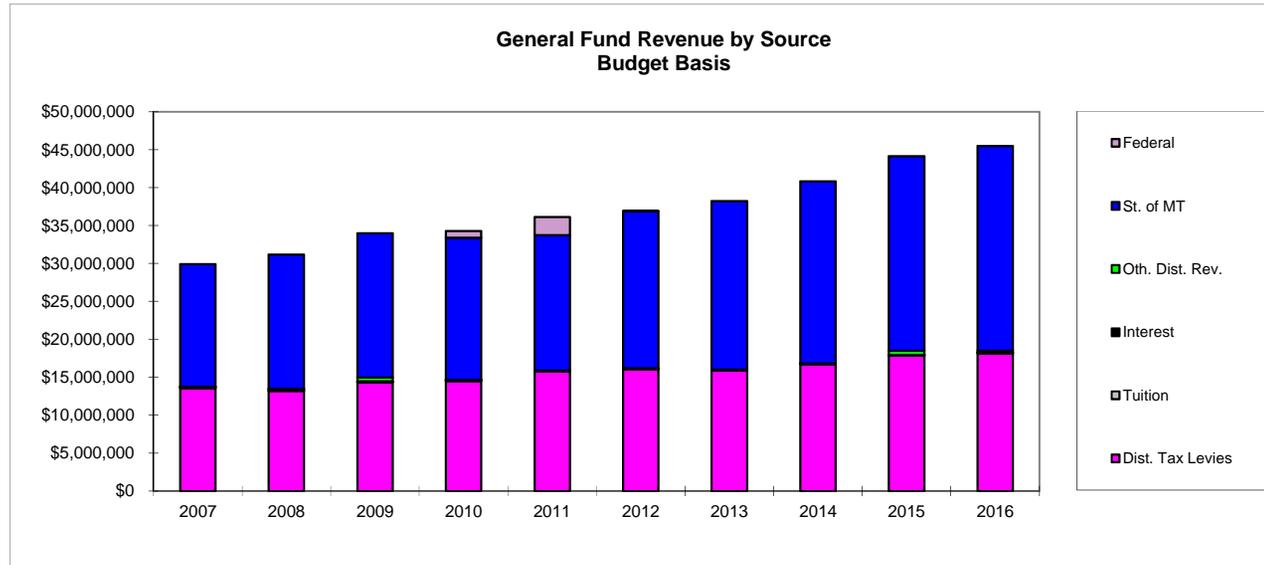


Table 12

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

Year	District Revenue	State Revenue	Federal Revenue	Total Revenue	October Enrollment	Revenue Per Student			
						District	State	Federal	Total
2007	\$ 13,776,495	\$ 16,158,742	\$ -	\$ 29,935,237	5,356	\$ 2,572	\$ 3,017	\$ -	\$ 5,589
2008	13,448,060	17,749,057	-	31,197,117	5,413	2,484	3,279	-	5,763
2009	14,954,061	19,022,682	-	33,976,743	5,463	2,737	3,482	-	6,219
2010	14,653,931	18,735,240	890,503	34,279,674	5,509	2,660	3,401	162	6,222
2011	15,902,560	17,819,627	2,413,699	36,135,886	5,679	2,800	3,138	425	6,363
2012	16,183,487	20,722,014	16,617	36,922,118	5,810	2,785	3,567	3	6,355
2013	16,017,292	22,200,452	-	38,217,744	5,993	2,673	3,704	-	6,377
2014	16,820,566	24,025,992	-	40,846,558	6,213	2,707	3,867	-	6,574
2015	18,481,655	25,684,302	-	44,165,957	6,326	2,922	4,060	-	6,982
2016	\$ 18,481,442	\$ 27,002,682	\$ -	\$ 45,484,124	6,533	\$ 2,829	\$ 4,133	\$ -	\$ 6,962

Source: District Records

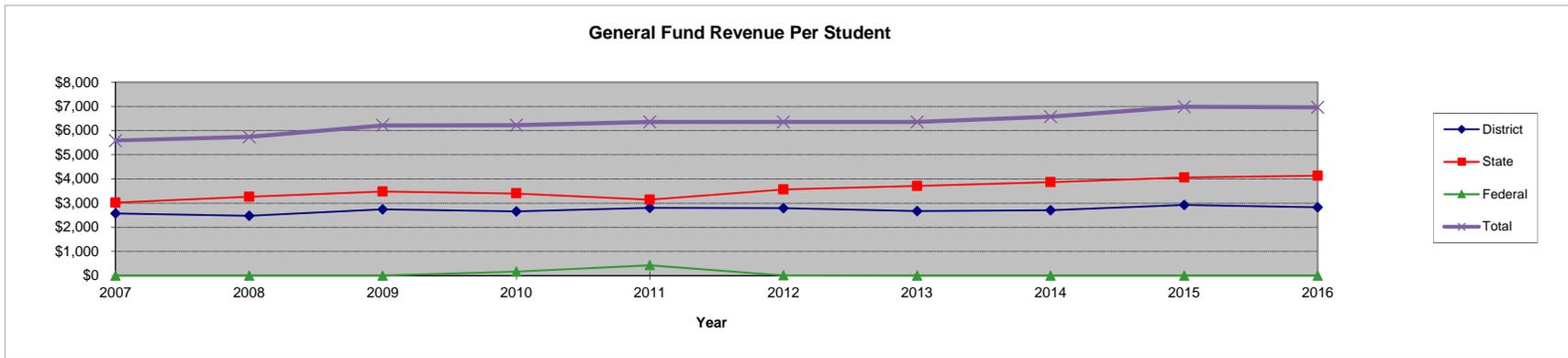


Table 13

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

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

⁽¹⁾ **2007-2016** The 2006 and future year population data were calculated using a relationship between the Bozeman School District as compared to the City of Bozeman and Gallatin County using United States Bureau of Census information.

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

Note: The above table properly presents each district's (Elementary and High School) debt statistics in a manner that reflects their difference in populations. Elementary taxpayer's total debt per capita is derived by adding the elementary and high school amounts. A sizeable portion of taxpayers live in the Bozeman High School District but not in the Bozeman Elementary District - their debt per capita is simply the high school data amounts listed above. Since the legal debt margin is legally calculated for each district (Elementary and High School), presenting the total debt responsible by Elementary taxpayers above would give the appearance that they have used up more of the Elementary District legal debt margin. This would be inaccurate as their Elementary-only debt still falls within legal standards.

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

Table 14

**BOZEMAN SCHOOL DISTRICT NO. 7
Computation of Legal Debt Margin
For the Year Ended June 30, 2016**

Elementary District:	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 43,442,825	\$ 52,180,896	\$ 55,581,033	\$ 58,664,685	\$ 60,536,369	\$ 61,855,448	\$ 65,771,565	\$ 69,895,920	\$ 74,647,850	\$ 151,568,800
Total net debt applicable to limit	30,172,341	50,054,561	45,432,874	36,792,190	34,681,679	59,086,735	55,371,791	52,554,788	49,445,071	68,070,655
Legal debt margin	<u>\$ 13,270,484</u>	<u>\$ 2,126,335</u>	<u>\$ 10,148,159</u>	<u>\$ 21,872,495</u>	<u>\$ 25,854,690</u>	<u>\$ 2,768,713</u>	<u>\$ 10,399,774</u>	<u>\$ 17,341,132</u>	<u>\$ 25,202,779</u>	<u>\$ 83,498,145</u>
Total net debt applicable to the limit as a percentage of debt limit	69.45%	95.93%	81.74%	62.72%	57.29%	95.52%	84.19%	75.19%	66.24%	44.91%
High School District:										
Debt limit	\$ 58,279,834	\$ 70,573,949	\$ 65,271,902	\$ 69,372,223	\$ 71,754,035	\$ 72,809,337	\$ 74,155,919	\$ 76,498,567	\$ 78,876,700	\$ 159,526,080
Total net debt applicable to limit	42,010,000	38,665,000	36,970,000	35,260,000	33,670,000	31,984,546	30,245,931	28,465,004	26,116,526	24,230,021
Legal debt margin	<u>\$ 16,269,834</u>	<u>\$ 31,908,949</u>	<u>\$ 28,301,902</u>	<u>\$ 34,112,223</u>	<u>\$ 38,084,035</u>	<u>\$ 40,824,791</u>	<u>\$ 43,909,988</u>	<u>\$ 48,033,563</u>	<u>\$ 52,760,174</u>	<u>\$ 135,296,059</u>
Total net debt applicable to the limit as a percentage of debt limit	72.08%	54.79%	56.64%	50.83%	46.92%	43.93%	40.79%	37.21%	33.11%	15.19%

	Elementary District	High School District
Legal Debt Margin Calculation for Fiscal Year 2016		
District taxable valuation	\$ 127,702,815	\$ 152,115,661
Times: 100%	1.00	1.00
District taxable valuation legal debt service limit	<u>127,702,815</u>	<u>152,115,661</u>
Facility guaranteed mill value per ANB X 1,000	\$ 32,800	\$ 79,130
Times: Student ANB	4,621	2,016
Times: 100%	1.00	1.00
Facility guaranteed mill taxable valuation debt service limit	<u>151,568,800</u>	<u>159,526,080</u>
Legal Debt Service Limit *	<u>\$ 151,568,800</u>	<u>\$ 159,526,080</u>
General Obligation Bonds Payable	68,125,000	24,255,000
Less: Cash Available for Retirement of Bonds	54,345	24,979
Net Amount of Bonds Payable Applicable to Limit	<u>68,070,655</u>	<u>24,230,021</u>
Margin Above Bonds Payable	83,498,145	135,296,059
Less: General Obligation Bonds Authorized but Unused	-	-
Legal Debt Margin	<u>\$ 83,498,145</u>	<u>\$ 135,296,059</u>

* Montana Codes Annotated Section 20-9-406 provides for the issuance of bonds to an amount not to exceed the greater of 1) 100% of the latest available taxable valuation of property which is subject to taxation within the District or 2) the facility guaranteed mill valuation per ANB multiplied by the average number of students belonging in a particular district multiplied by 100%. The state legislature changed the percentage used in item 1 and 2 above to 100% from 50% effective for fiscal years 2016 and beyond. It was previously changed from 45% to 50% effective for fiscal years 2008 through 2015. The District taxable valuations for August 2015 are used in the above calculation. In the 2016 fiscal year, the Elementary and High School District both utilized the Facility guaranteed mill taxable valuation method to calculate their respective legal debt service limits. Effective as of October 1, 2009 (for fiscal years 2010 and beyond), outstanding building reserve levies will no longer be included in the Legal Debt Margin calculation.

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

Table 15

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

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

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

Source: City, County and District Records

Table 16

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

Fiscal Year	Principal	Interest and Fiscal Charges	Total Debt Service*	Total General Subfund Expenditures	Percentage of Debt Service to General Subfund Expenditures
Elementary:					
2007	\$ 1,590,000	\$ 968,686	\$ 2,558,686	\$ 17,665,666	14.48%
2008	2,045,000	998,465	3,043,465	19,171,295	15.88%
2009	2,425,000	1,829,219	4,254,219	20,376,276	20.88%
2010	2,160,000	1,469,970	3,629,970	21,588,382	16.81%
2011	2,210,000	1,419,490	3,629,490	22,602,120	16.06%
2012	2,295,000	1,338,402	3,633,402	23,414,033	15.52%
2013	3,445,000	1,671,538	5,116,538	24,394,799	20.97%
2014	2,625,000	1,977,999	4,602,999	26,253,876	17.53%
2015	2,930,000	1,609,552	4,539,552	28,177,334	16.11%
2016	\$ 2,865,000	\$ 1,633,550	\$ 4,498,550	\$ 29,910,514	15.04%
High School:					
2007	\$ 475,000	\$ 779,433	\$ 1,254,433	\$ 12,364,274	10.15%
2008	1,240,000	1,206,761	2,446,761	12,499,272	19.58%
2009	1,515,000	1,660,615	3,175,615	12,623,716	25.16%
2010	1,530,000	1,477,522	3,007,522	13,096,887	22.96%
2011	1,590,000	1,409,609	2,999,609	12,890,652	23.27%
2012	1,660,000	1,347,209	3,007,209	13,152,620	22.86%
2013	1,730,000	1,282,084	3,012,084	13,213,311	22.80%
2014	1,800,000	1,216,296	3,016,296	14,034,129	21.49%
2015	2,040,000	901,223	2,941,223	14,800,047	19.87%
2016	\$ 1,965,000	\$ 955,781	\$ 2,920,781	\$ 15,249,601	19.15%

Source: District Records

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

Table 17

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

Year	Elementary 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)
2007	45,495	56,350	\$ 36,578	\$ 1,664,116,110	\$ 2,061,170,300	2.3%
2008	46,632	56,913	36,094	1,683,135,408	2,054,217,822	3.2%
2009	47,798	57,198	34,769	1,661,888,662	1,988,717,262	6.3%
2010	48,993	59,097	35,953	1,761,445,329	2,124,714,441	7.5%
2011	50,217	60,574	37,912	1,903,826,904	2,296,481,488	7.3%
2012	51,472	62,088	40,000	2,058,880,000	2,483,520,000	6.3%
2013	51,729	62,398	41,137	2,127,975,873	2,566,866,526	4.5%
2014	52,246	63,022	\$ 42,350	\$ 2,212,618,100	\$ 2,668,981,700	3.6%
2015	52,507	63,337	Not available	Not available	Not available	2.8%
2016	53,032	63,970	Not available	Not available	Not available	2.7%

Sources and other information:

- (1) 2007 - 2016 : The 2007-2016 population numbers were calculated using a relationship between the Bozeman School District as compared to the City of Bozeman and Gallatin County using United States Bureau of Census information.
- (2) Gallatin County Per Capita information. Montana Tax Foundation.
- (3) Calculated using the Gallatin County Per Capita Personal Income applied to the estimated District population.
- (4) Department of Labor (Bureau of Labor Statistics) - Information only available for entire Gallatin County.

Table 18

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

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

<i>Class 5 - 50 to 99 Employees</i>
<i>Class 6 - 100 to 249 Employees</i>
<i>Class 7 - 250 to 499 Employees</i>
<i>Class 8 - 500 to 999 Employees</i>
<i>Class 9 - 1,000+ Employees</i>

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)

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

⁽¹⁾ Expenses are from Statement of Activities.

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

Source: District records

Table 20

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

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

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

Source: District Records

Table 21

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

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

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

Source: District Records

Table 22

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

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

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

⁽²⁾ All 29 Pre-K students are listed under Hyalite school even though some are receiving itinerant-only services and the majority are taught at a classroom located in the High School. This is the elementary school in which they are counted for State reporting purposes.

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

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

Source: Title I portion of ESEA consolidated applications

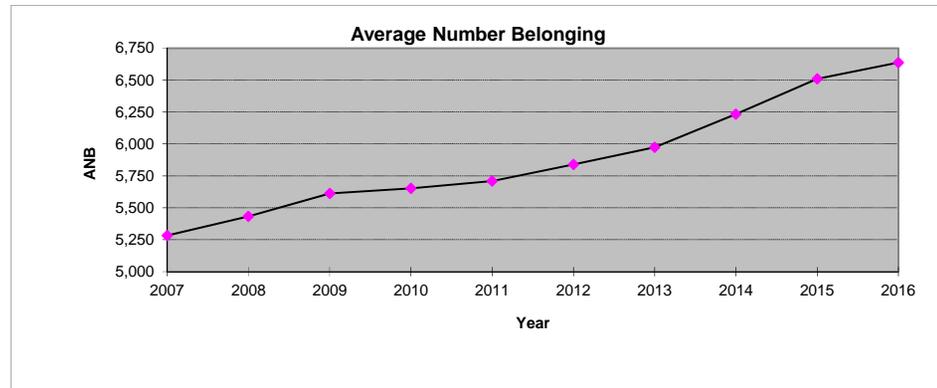
Table 24

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

Year Ended June 30	October Enrollment	Percent Increase (Decrease)	Average Number Belonging (ANB)		
			Amount	Percent Increase (Decrease)	Percent of Prior Year's Enrollment
2007	5,356	0.5	5,282	1.6	99.1
2008	5,413	1.1	5,432	2.8	101.4
2009	5,463	0.9	5,613	3.3	103.7
2010	5,509	0.8	5,653	0.7	103.5
2011	5,679	3.1	5,710	1.0	103.6
2012	5,810	2.3	5,839	2.3	102.8
2013	5,993	3.1	5,973	2.3	102.8
2014	6,213	3.7	6,232	4.3	104.0
2015	6,326	1.8	6,510	4.5	104.8
2016	6,533	3.3	6,637	2.0	104.9

Source: District Records

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



BOZEMAN SCHOOL DISTRICT NO. 7
Schedule of Insurance in Force

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

- A. Policy #: ALA-64-A3-EX-0000007-09
- B. Carrier: Princeton Excess & Surplus Lines Insurance Company
- C. Policy Period: 7/1/15- 7/1/16
- D. Coverages: Building and Contents, Property Floaters, General Liability and Crime
- E. Limits: \$1,000,000 per occurrence; \$2,000,000 aggregate

II. Workers' Compensation Policy

- A. Policy #: WC-1611-042
- B. Carrier: Workers' Compensation Risk Retention Program
- C. Policy Period: 7/1/15 - 7/1/16

III. Boiler and Machinery Policy

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

IV. Excess Liability

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

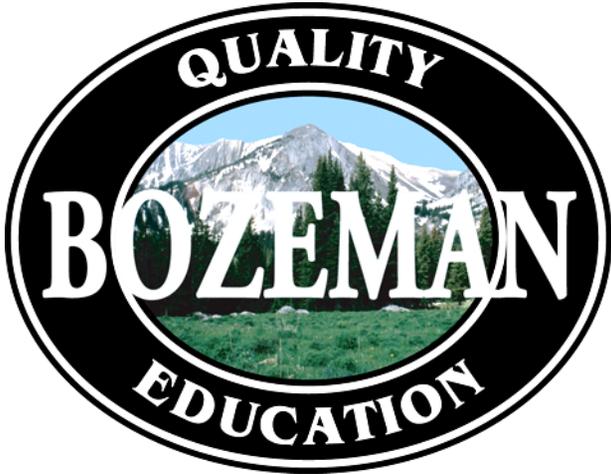
V. Commercial Employee Blanket Bond

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

VI. Excess Property

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

SINGLE AUDIT SECTION



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

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

Notes to Schedule of Federal Awards:

I. Summary of Significant Accounting Policies:

Basis of Accounting

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

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

To the Board of Trustees
Bozeman School District No. 7

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bozeman School District No. 7 (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 28, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Anderson Zurmuehlen + Co, P.C.

Bozeman, Montana
December 28, 2016

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

To the Board of Trustees
Bozeman School District No. 7

Report on Compliance for Each Major Federal Program

We have audited Bozeman School District No. 7 (the District)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Districts major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Bozeman School District No. 7, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Anderson Zurmuehlen + Co, P.C.

Bozeman, Montana
December 28, 2016

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

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

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

Any audit findings disclosed that are required to be reported in accordance With Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)?	No
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Identification of major programs

84.010	Title 1 Grants to Local Educational Agencies	
16.560	School and Family Engagement – Trauma Informed (SAFE –TI)	
Dollar threshold used to distinguish between Type A and Type B programs:		\$750,000
Auditee qualified as low-risk auditee?		Yes

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

Financial Statement Findings

None Reported

Federal Award Findings and Questioned Costs:

None Reported

Prior Year Financial Statement Findings

None Reported

Prior Year Federal Award Findings and Questioned Costs:

None Reported