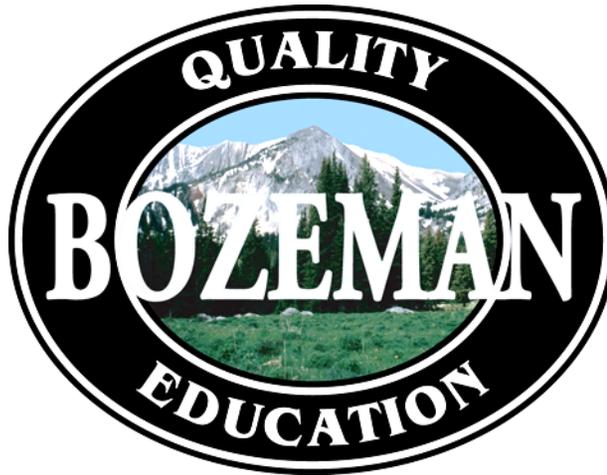


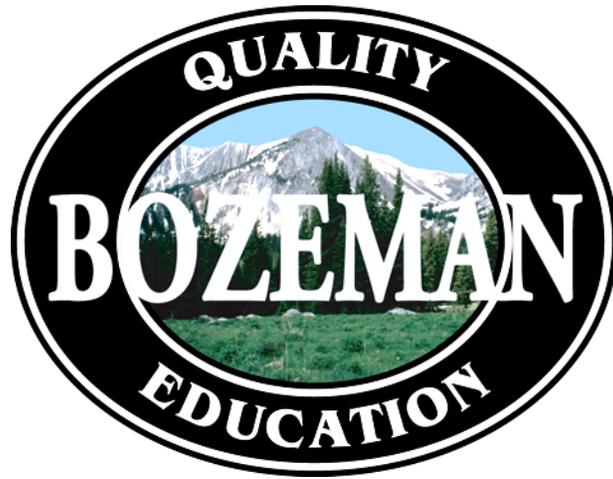
COMPREHENSIVE ANNUAL FINANCIAL REPORT



BOZEMAN SCHOOL DISTRICT NUMBER 7

For the year ended June 30, 2017

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, 2017

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 59771-0520

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Phone: (406) 522-6042

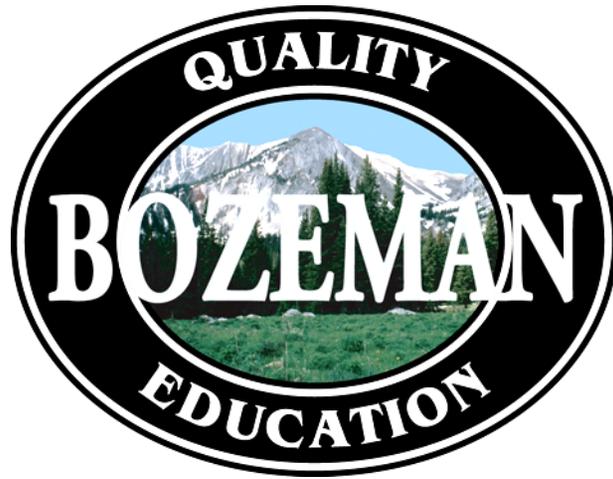


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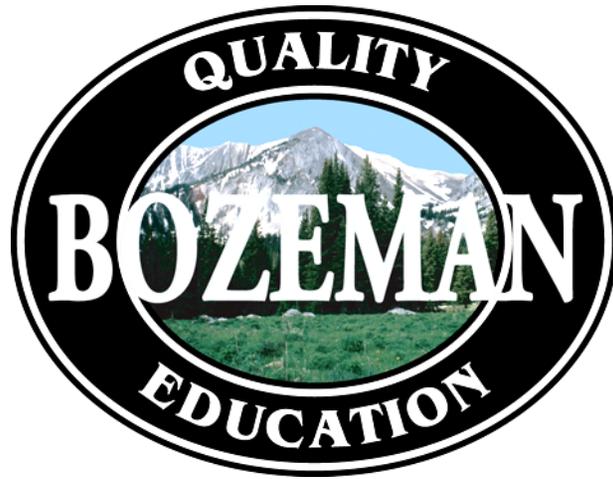
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INTRODUCTORY SECTION





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 22, 2017

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, 2017.

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, 2017, 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 53,430. The high school district covers approximately 700 square miles, and encompasses eight elementary districts (kindergarten through 8th grade (K-8) - Bozeman, Anderson,

Cottonwood, Gallatin Gateway, LaMotte, Malmborg, Monforton, and Sedan-Wilsall). The estimated population of the high school district is 64,450. 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 6,770 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.

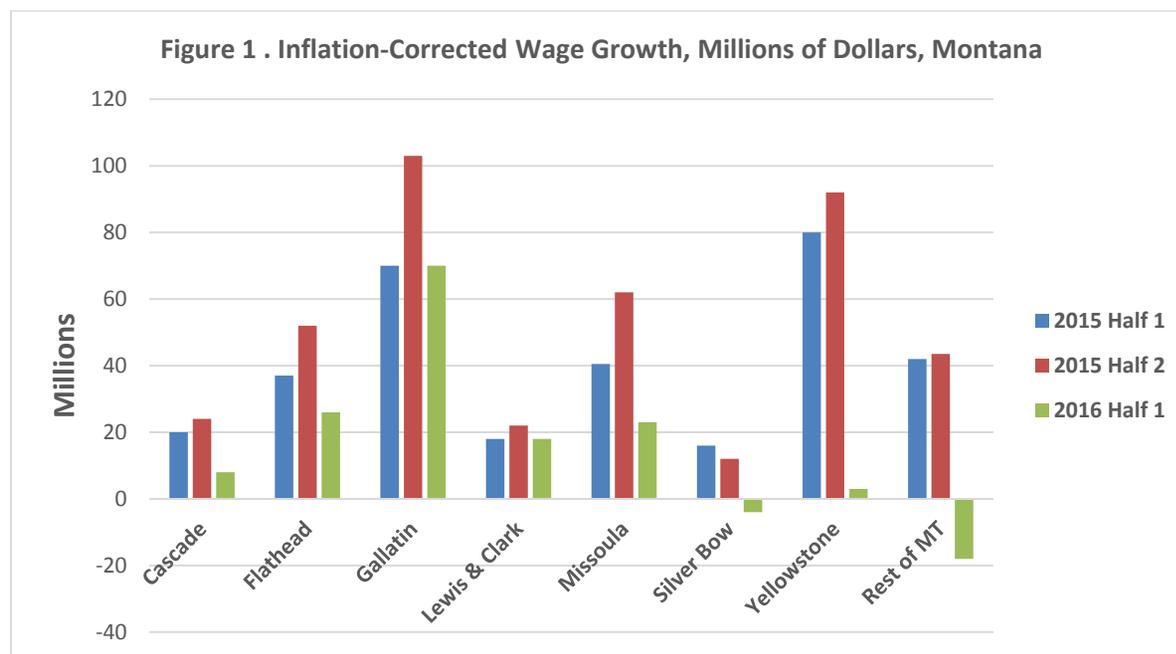
Montana State University - Bozeman (M.S.U.) represents a major economic activity in the District. M.S.U., with a fiscal year 2016-2017 annual budget of approximately \$454,151,806, employs approximately 4,079 employees (2,484 full time, 834 part time, and 761 graduate teaching and research assistants). With a student enrollment of 16,440 (Fall 2016), M.S.U. is not only one of the largest factors in the area economy but also one of the more stable factors.

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

variety of activities, including economic analysis and forecasting. Excerpts from the Bureau's analysis contained in the *2017 Montana Economic Report* related to Bozeman and Gallatin County, are restated in the following paragraphs.

The recent arrival of income data for Montana's counties make it official - 2015 was a very good year. With the exception of oil-patch counties, growth picked up across the state as measured by real (inflation-protected) nonfarm earnings. While that news is certainly welcome for that year, more recent data for the state shows a slowing growth in 2016. The broad patterns of growth that began in earnest in 2014 have continued. The big picture shows growth returning to the more populated western counties of the state, while eastern and agriculturally oriented counties have hit economic turbulence.

Not only did the inflation-corrected wage growth acceleration in Bozeman (Gallatin County) predate the improved economic performance of other western Montana counties by nearly a full year, it remains the strongest in the state (as shown in Figure 1 below derived from the U.S. Bureau of Labor Statistics). There are clear signs of strain on the region's housing and transportation infrastructure - median home prices have pushed beyond \$300,000, the highest of any of the state's most populous counties. Growth in Gallatin County continues to be driven by strong home construction, software and technology related professional services, and increases in visitor spending.



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 is consistently evaluating its financial footprint in the community. With this in mind (and historically low interest rates), the District advance refunded portions of its 2008 outstanding general obligation bonds in April, 2017, that resulted in a net present value in savings of \$833,842. To keep up with a growing student body, voters overwhelmingly approved in the Spring of 2017, the District's \$125,000,000 bond levy proposal to construct a second high school and renovate the current high school.

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 the Technology levy has helped the District keep up with the ever changing technology needs, replacing and modernizing as needed.

OTHER INFORMATION

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Bozeman School District for its comprehensive annual financial report for the fiscal year ended June 30, 2016. 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-eighth 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

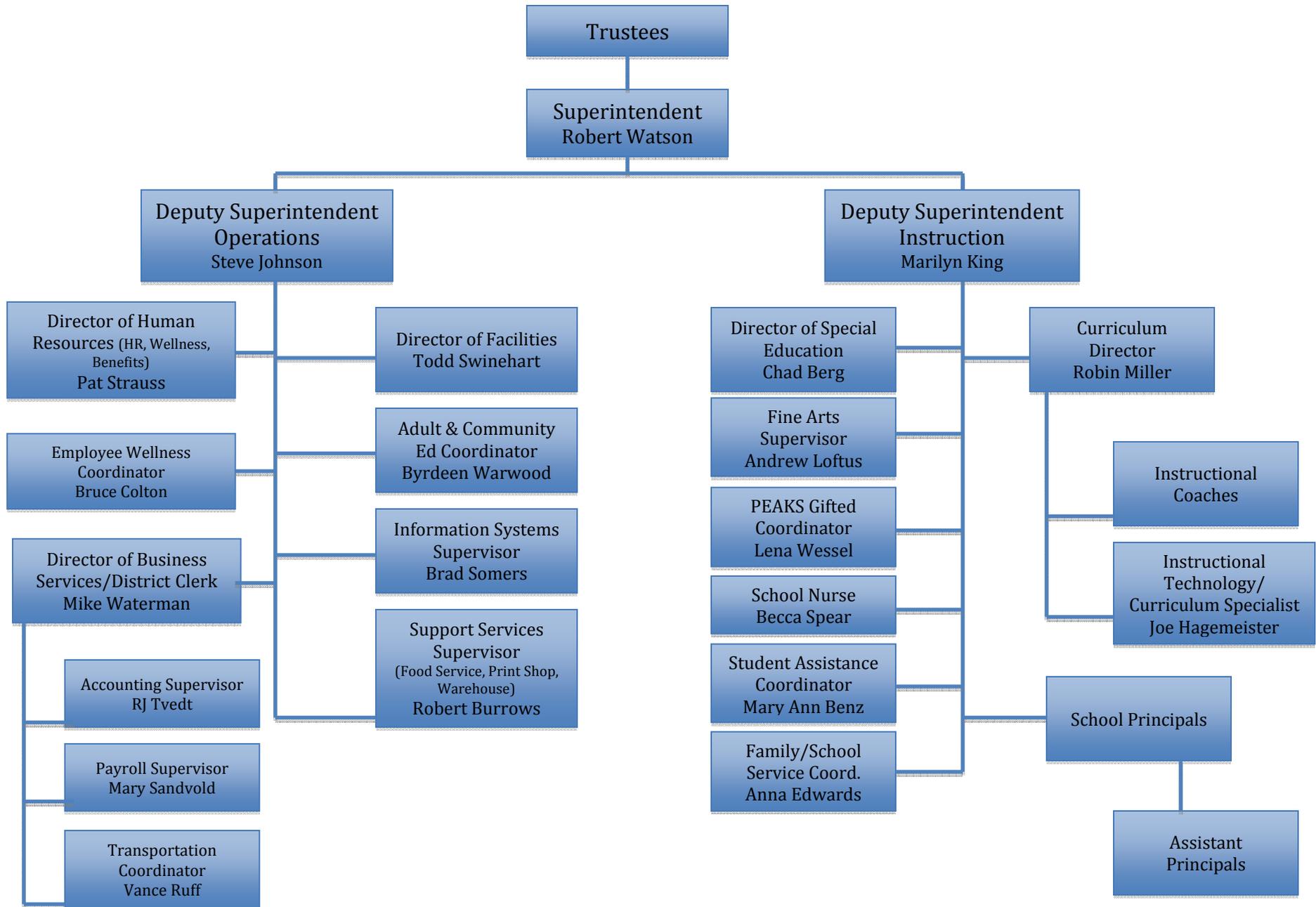
Bozeman School District No. 7
Montana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

Bozeman School District 7 Administrative Organization



BOZEMAN SCHOOL DISTRICT NO. 7

Elected Officials
Board of Trustees

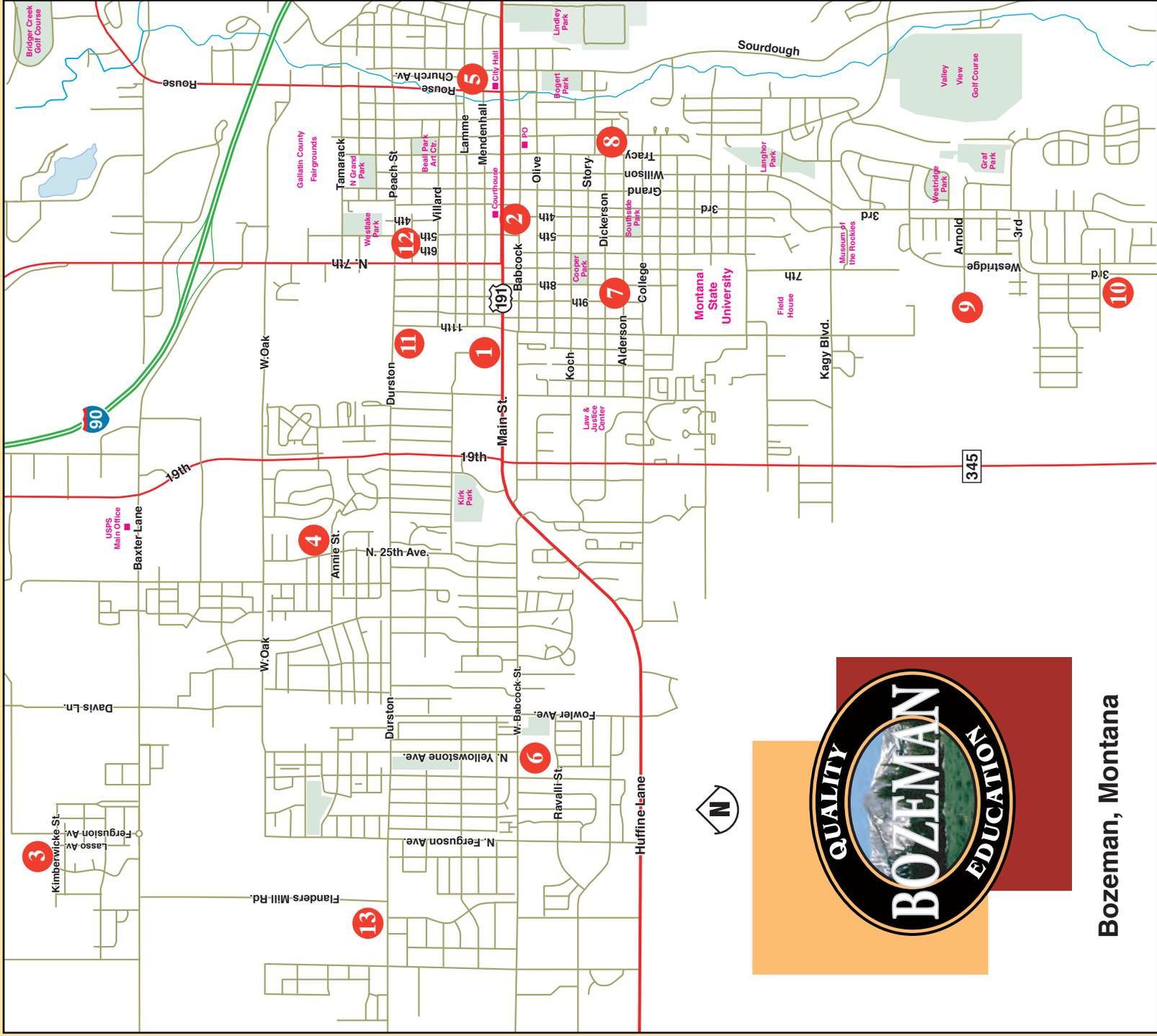
	<u>Term Expires April</u>
Andy WillettChair	2019
Heide Arneson Vice Chair	2020
Douglas FischerTrustee	2018
Gary LusinTrustee	2018
Greg NeilTrustee	2020
Tanya ReinhardtTrustee	2019
Wendy TageTrustee	2018
Sandra WilsonTrustee	2018

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

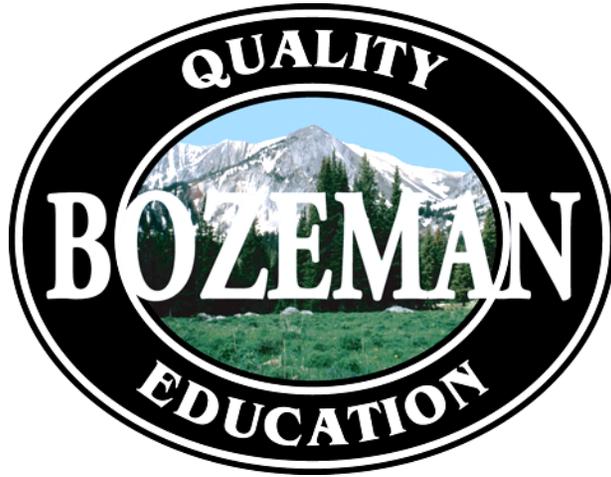
Board Meetings Held During Fiscal Year 2016-17

Regular	12
Special	22



Bozeman, Montana

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



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, 2017, 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, 2017, 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 21, 2017, 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 21, 2017

Management's Discussion and Analysis

**BOZEMAN SCHOOL DISTRICT NO. 7
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017. 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, High School Building and High School Building Reserve Funds) with all other nonmajor funds presented in total in one column.

Overview of the financial statements

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

The Statement of Net Position and the Statement of Activities help answer the question "How did we do financially during 2017". 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, High School Building and High School Building Reserve Funds, which are considered to be major funds. Data from the other twenty 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 131-134 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 135-137. 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 \$29,517,221 as of June 30, 2017. This represented a generous 14.3% increase in net position from the prior year balance of \$25,830,331 and was largely the result of annual debt retirement (\$5,911,998 including bond premium amortization). On subsequent pages, *Table 1* presents a comparative summary of the District's net position for the fiscal years ended June 30, 2017 and 2016. *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 \$14.6 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 (\$37,468,356) which was a small 1.71% 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).

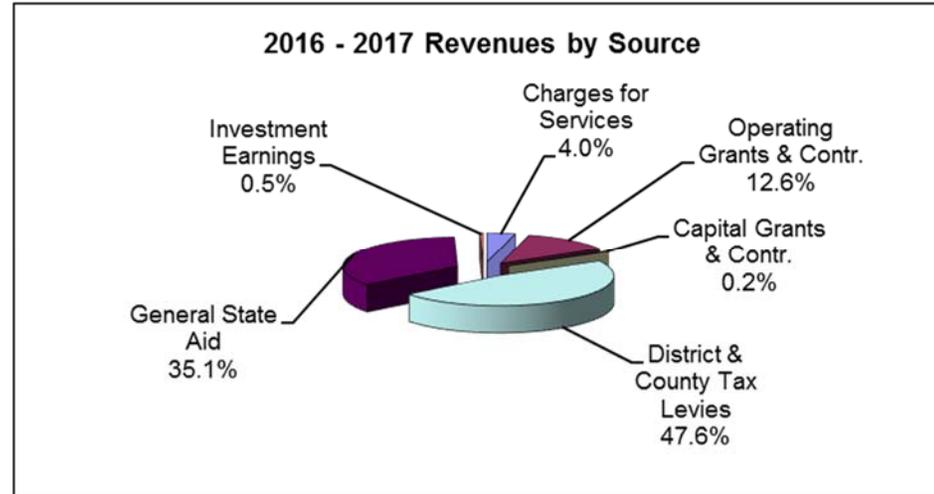
Table 1
BOZEMAN SCHOOL DISTRICT NO. 7
Net Position

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
Current assets	\$ 33,846,374	\$ 46,277,603
Capital assets	140,411,299	127,909,591
Total assets	<u>174,257,673</u>	<u>174,187,194</u>
Deferred outflows of resources	<u>11,883,658</u>	<u>8,146,918</u>
Total assets and deferred outflows of resources	<u>186,141,331</u>	<u>182,334,112</u>
Current liabilities	11,749,372	9,209,367
Noncurrent bonds payable	86,568,846	93,830,844
Other noncurrent liabilities	4,367,130	4,122,543
Net pension liability	53,399,793	46,166,710
Total liabilities	<u>156,085,141</u>	<u>153,329,464</u>
Deferred inflows of resources	<u>538,969</u>	<u>3,173,317</u>
Total liabilities and deferred inflows of resources	<u>156,624,110</u>	<u>156,502,781</u>
Net position:		
Net investment in capital assets	52,358,871	53,028,385
Restricted	14,626,706	10,916,375
Unrestricted	<u>(37,468,356)</u>	<u>(38,114,429)</u>
Total net position	<u>\$ 29,517,221</u>	<u>\$ 25,830,331</u>

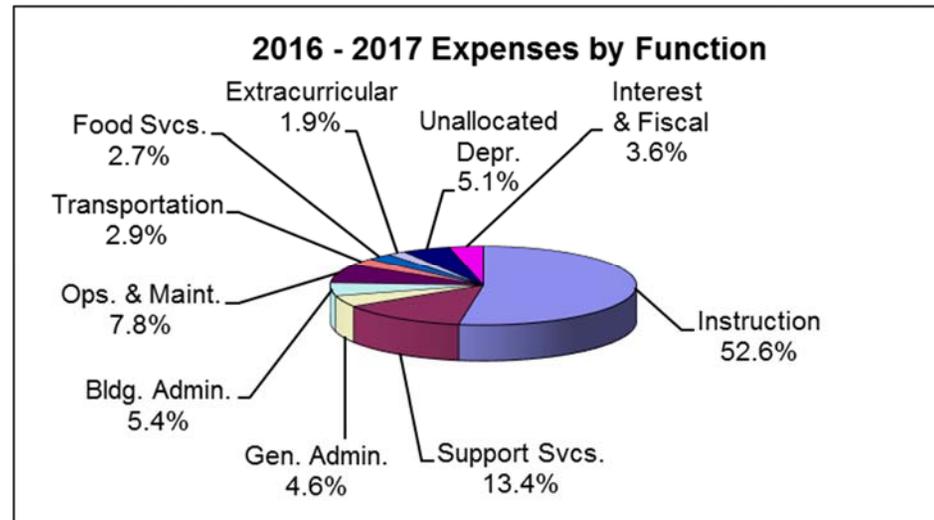
Table 2
BOZEMAN SCHOOL DISTRICT NO. 7
Changes in Net Position

	Governmental Activities	
	2017	2016
Revenues		
Program revenues:		
Charges for services	\$ 3,334,115	\$ 2,761,912
Operating grants and contributions	10,572,999	10,884,477
Capital grants and contributions	231,315	133,064
General revenues		
District property taxes	33,008,907	31,161,445
Investment earnings	378,296	228,192
Unrestricted county distribution - retirement	6,814,815	6,625,912
Unrestricted state equalization	18,795,297	17,734,527
Unrestricted state guaranteed tax base subsidy	4,201,145	3,469,015
Unrestricted state motor vehicle fee reimbursement	1,969,511	1,969,511
Unrestricted quality educator	1,489,151	1,453,177
Unrestricted on-behalf pension	2,277,460	1,622,924
Unrestricted other state revenue	718,249	582,126
Loss on disposal of capital assets	-	(28,781)
Total revenues and transfers	<u>83,791,260</u>	<u>78,597,501</u>
Program Expenses		
Instruction	42,124,323	37,265,828
Support services	10,761,333	10,288,823
General administration	3,672,373	3,329,484
Building administration	4,286,364	4,001,440
Operations and maintenance	6,246,085	5,673,633
Student transportation	2,319,235	2,434,259
Food services	2,179,268	2,005,265
Extracurricular activities	1,560,728	1,465,920
Unallocated depreciation	4,056,661	3,919,169
Interest and fiscal charges	2,898,000	2,934,288
Total expenses	<u>80,104,370</u>	<u>73,318,109</u>
Change in net position	3,686,890	5,279,392
Net position, beginning of year	<u>25,830,331</u>	<u>20,550,939</u>
Net position, end of year	<u><u>\$ 29,517,221</u></u>	<u><u>\$ 25,830,331</u></u>

District revenues for fiscal year 2017 on *Table 2* experienced a significant net increase of \$5,193,759. This increase was largely attributable to a growing student population which generated an overall increase in state funding and local district property taxes as well as additional revenue collected to service debt associated with new district construction. The following chart illustrates the breakout of revenue by source.



Total expenses on *Table 2* increased by \$6,786,261 (9.3%) and were largely attributable to the increase in the cost of salary, benefit and staffing to keep up with demand for services as well as the pension liability reporting requirement. 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 \$27,210,621, a decrease of \$13,477,259 due primarily to expending bond proceeds related to the Sacajawea Middle School and Hawthorne Elementary School renovations.

The major elementary building fund had a \$16,522,425 decrease in fund balance due to expending bond proceeds referenced above. The major high school building fund experienced a \$325,518 increase in its deficit fund balance due to high school expansion planning costs that are currently unfunded. The general fund, one of the major funds, is the main operating fund of the Bozeman School District. Its fund balance enjoyed a modest \$183,767 (3.8%) increase primarily due to nonbudgeted tax increment proceeds received from the City of Bozeman. The major high school building reserve fund benefitted from a \$873,230 increase in fund balance primarily due to spending less of its 2016-17 allowable budget in anticipation of the majority bond funded large high school renovation and expansion projects on the horizon.

General fund budgetary highlights

The ending budgeted general fund balance reserves decreased 0.7% to 8.9% of the 2017-2018 expenditure budget. The 8.9% is 89% 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 \$128,027 (0.27%) 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). The October 2016 enrollment count revealed that the District had experienced its largest single year enrollment increase of 237 students. The student population growth is tracking the current trend of enrollment projections. This enrollment gain will continue to increase the demand for resources but will also have a positive impact on the maximum budget allowed to service the educational needs of the students. The Bozeman School District is experiencing some of the fastest student enrollment growth in the state and was able to amend and increase its general fund budget midyear by \$62,058 due to exceeding certain state thresholds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2017, the District had invested roughly \$183.8 million in capital assets, including school land, buildings, construction in progress, and machinery and equipment. This amount represents an increase prior to depreciation of \$16,942,719 over 2016. Total depreciation expense for the year was \$4,466,277. The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2017.

	<u>Amount</u>
Land	\$ 9,997,655
Land improvements	8,041,776
Buildings and improvements	103,427,629
Machinery and equipment	1,604,223
Construction in progress	<u>18,452,062</u>
Total	<u>\$141,523,345</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 \$151,909,811 in general obligation bonds and other long-term debt outstanding, of which \$7,574,042 is due within one year. A summary of the District's outstanding long-term debt for the year ended June 30, 2017, is presented below:

	<u>Amount</u>
General obligation bonds	\$ 93,693,846
Compensated absences	3,994,057
Voluntary termination benefits	15,000
Net pension liability	53,399,793
Other postemployment benefits	<u>807,115</u>
Total	<u>\$ 151,909,811</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, 2017, the current elementary legal debt margin is \$96,089,088 and the high school legal debt margin is \$30,888,125 (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 2017-2018 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 3.3% to \$49,452,342 in fiscal year 2017-2018. Increased payroll and employee benefit costs for an expanding workforce are the primary reason for the increase.

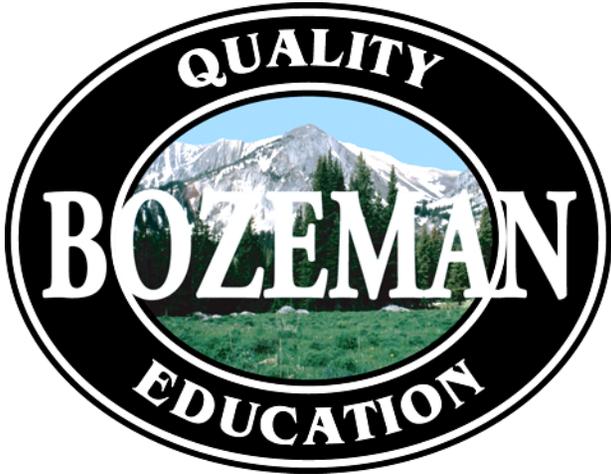
Inflation for fiscal year 2017 (June to June) was 1.63% which was significantly higher than the modest twelve month 1.0% rate as of June 2016, but still lower than historical levels. The annual inflation rate has gradually climbed to 2.2% during the July through November 2017 timeframe. The local cost of living within the

Bozeman School District has slightly outpaced that of the national economy. This factor is one of several considered when evaluating the cost of living during collective bargaining negotiations.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements



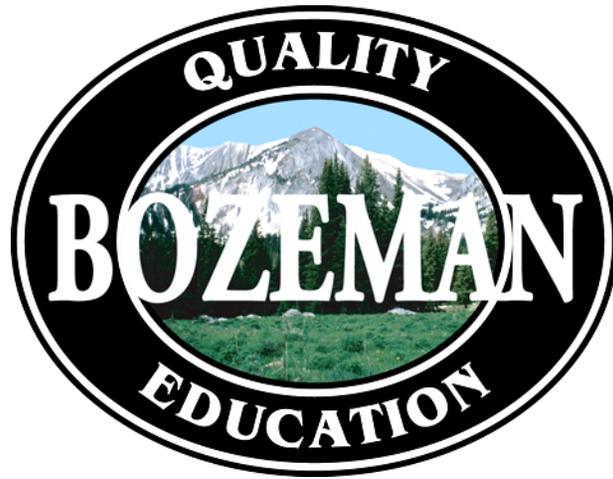
Government-Wide Financial Statements

BOZEMAN SCHOOL DISTRICT NO. 7
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction	\$ 42,124,323	\$ 688,342	\$ 4,681,178	\$ -	\$ (36,754,803)
Support services	10,761,333	461,258	3,651,661	-	(6,648,414)
General administration	3,672,373	55,359	297,509	-	(3,319,505)
Building administration	4,286,364	137,209	169,111	-	(3,980,044)
Operations and maintenance	6,246,085	303,642	48,658	231,315	(5,662,470)
Student transportation	2,319,235	5,100	683,865	-	(1,630,270)
Food services	2,179,268	1,402,986	475,535	-	(300,747)
Extracurricular activities	1,560,728	280,219	90,632	-	(1,189,877)
Unallocated depreciation *	4,056,661	-	-	-	(4,056,661)
Interest and fiscal charges	2,898,000	-	474,850	-	(2,423,150)
Total governmental activities	\$ 80,104,370	\$ 3,334,115	\$ 10,572,999	\$ 231,315	\$ (65,965,941)
General revenues:					
District property taxes					
Investment earnings					
Intergovernmental revenue					
Unrestricted:					
County distribution - retirement					
State equalization					
State guaranteed tax base subsidy					
State motor vehicle fee reimbursement					
State quality educator					
State on-behalf pension					
Other state revenue					
Total general revenues					
Change in net position					
Net position, beginning of year					
Net position, end of year					

* 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, 2017

	General	Elementary Building	High School Building	High School Building Reserve	Nonmajor Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash and cash equivalents	\$ 5,171,121	\$ 8,889,396	\$ 132,220	\$ 2,829,349	\$ 10,027,755	\$ 27,049,841
Property taxes receivable	447,890	-	-	39,649	307,959	795,498
Due from other funds	-	-	-	508,704	-	508,704
Due from other governments	228,432	-	-	-	1,661,381	1,889,813
Accounts receivable	1,279	31,610	-	-	97,379	130,268
Inventory, at cost	-	-	-	-	88,675	88,675
Prepaid items	54,643	-	-	-	33,508	88,151
Total assets	\$ 5,903,365	\$ 8,921,006	\$ 132,220	\$ 3,377,702	\$ 12,216,657	\$ 30,550,950
<u>LIABILITIES</u>						
Accounts payable	\$ 402,461	\$ 1,085,678	\$ 132,220	\$ 24,269	\$ 73,305	\$ 1,717,933
Retainages payable	-	235,018	-	5,575	5,575	246,168
Unearned revenue	-	-	-	-	72,026	72,026
Due to other funds	-	-	508,704	-	-	508,704
Total liabilities	402,461	1,320,696	640,924	29,844	150,906	2,544,831
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unavailable revenue - property taxes	447,890	-	-	39,649	307,959	795,498
Total deferred inflows of resources	447,890	-	-	39,649	307,959	795,498
<u>FUND BALANCES</u>						
Nonspendable	54,643	-	-	-	122,183	176,826
Restricted	-	7,600,310	-	3,308,209	9,323,634	20,232,153
Committed	-	-	-	-	2,311,975	2,311,975
Assigned	347,273	-	-	-	-	347,273
Unassigned	4,651,098	-	(508,704)	-	-	4,142,394
Total fund balances	5,053,014	7,600,310	(508,704)	3,308,209	11,757,792	27,210,621
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,903,365	\$ 8,921,006	\$ 132,220	\$ 3,377,702	\$ 12,216,657	\$ 30,550,950

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, 2017**

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

Fund balances - total governmental funds		\$ 27,210,621
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$182,443,130 and the accumulated depreciation is \$42,049,700.		140,393,430
Deferred inflows of resources(unavailable property taxes) are not available to pay for current period expenditures, and therefore are deferred in the governmental funds.		795,498
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.		11,326,495
Property taxes receivable is reported "net of the allowances for uncollectibles" on the statement of net position.		(10,636)
Accrued interest payable on bonds is reported on the statement of net position.		(254,736)
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	\$ 93,693,846	
Compensated absences	3,994,057	
Voluntary termination benefits	15,000	
Net pension liability	53,270,461	(150,973,364)
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.		1,029,913
Net position - governmental activities		\$ 29,517,221

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, 2017

	General	Elementary Building	High School Building	High School Building Reserve	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
District property taxes	\$ 18,464,583	\$ -	\$ -	\$ 1,633,619	\$ 12,852,697	\$ 32,950,899
Tuition and fees	46,339	-	-	-	1,542,072	1,588,411
Interest	97,095	141,611	-	23,772	87,857	350,335
Other district revenue	222,048	321,420	-	-	2,296,647	2,840,115
Gallatin County	-	-	-	-	7,182,241	7,182,241
State of Montana	29,163,079	-	-	-	2,333,347	31,496,426
Federal	-	-	-	-	4,239,056	4,239,056
Total revenues	<u>47,993,144</u>	<u>463,031</u>	<u>-</u>	<u>1,657,391</u>	<u>30,533,917</u>	<u>80,647,483</u>
Expenditures:						
Current -						
Instruction	30,628,582	51,104	-	26,742	8,140,989	38,847,417
Support services	5,889,164	-	-	-	4,269,370	10,158,534
General administration	2,455,447	-	-	-	936,405	3,391,852
Building administration	3,228,483	-	-	-	729,657	3,958,140
Operations and maintenance	4,567,522	357,931	-	292,849	866,505	6,084,807
Student transportation	5,477	-	-	-	2,303,822	2,309,299
Food services	7,297	2,290	-	-	2,032,580	2,042,167
Extracurricular activities	1,027,405	-	-	-	473,544	1,500,949
Capital outlay	-	15,491,955	325,518	464,570	677,631	16,959,674
Debt service -						
Principal retirement	-	-	-	-	5,775,000	5,775,000
Interest and fiscal charges	-	-	-	-	3,107,109	3,107,109
Bond issuance costs	-	-	-	-	101,814	101,814
Total expenditures	<u>47,809,377</u>	<u>15,903,280</u>	<u>325,518</u>	<u>784,161</u>	<u>29,414,426</u>	<u>94,236,762</u>
Excess (deficiency) of revenues over expenditures	<u>183,767</u>	<u>(15,440,249)</u>	<u>(325,518)</u>	<u>873,230</u>	<u>1,119,491</u>	<u>(13,589,279)</u>
Other financing sources (uses):						
Transfer in	-	-	-	-	1,082,176	1,082,176
Transfer out	-	(1,082,176)	-	-	-	(1,082,176)
Refunding bonds issued	-	-	-	-	10,510,000	10,510,000
Premium on refunding bonds issued	-	-	-	-	576,318	576,318
Payments to bond escrow agent	-	-	-	-	(10,974,298)	(10,974,298)
Total other financing sources (uses)	<u>-</u>	<u>(1,082,176)</u>	<u>-</u>	<u>-</u>	<u>1,194,196</u>	<u>112,020</u>
Net changes in fund balances	<u>183,767</u>	<u>(16,522,425)</u>	<u>(325,518)</u>	<u>873,230</u>	<u>2,313,687</u>	<u>(13,477,259)</u>
Fund balances, beginning of year	<u>4,869,247</u>	<u>24,122,735</u>	<u>(183,186)</u>	<u>2,434,979</u>	<u>9,444,105</u>	<u>40,687,880</u>
Fund balances, end of year	<u>\$ 5,053,014</u>	<u>\$ 7,600,310</u>	<u>\$ (508,704)</u>	<u>\$ 3,308,209</u>	<u>\$ 11,757,792</u>	<u>\$ 27,210,621</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, 2017**

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

Net change in fund balances - total governmental funds	\$ (13,477,259)
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 (\$16,951,690) exceeded depreciation (\$4,452,139) in the current period.	12,499,551
Contributions of capital assets (\$67,500) and the loss on sale of assets (\$51,205) are recorded as in the government-wide financial statements.	16,295
Deferred inflows of resources in the governmental funds are reported on the full accrual method in the government-wide financial statements.	58,576
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.	(888,814)
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.	5,973,904
The current period net decrease in compensated absences, voluntary termination benefits payable, and the allowance for doubtful accounts did not require the use of current financial resources.	(16,387)
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>(478,976)</u>
Change in net position of governmental activities	<u>\$ 3,686,890</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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
District property taxes	\$ 18,648,683	\$ 18,648,683	\$ 18,464,582	\$ (184,101)
Tuition and fees	10,633	10,633	46,339	35,706
Interest	55,442	55,442	94,664	39,222
Other district revenue	686	686	222,048	221,362
State of Montana	29,085,184	29,147,242	29,163,080	15,838
Total revenues	<u>47,800,628</u>	<u>47,862,686</u>	<u>47,990,713</u>	<u>128,027</u>
Expenditures:				
Current -				
Instruction	30,207,886	30,269,944	30,717,087	(447,143)
Support services	5,893,885	5,893,885	5,874,044	19,841
General administration	2,538,545	2,538,545	2,452,863	85,682
Building administration	3,265,157	3,265,157	3,226,003	39,154
Operations and maintenance	4,849,012	4,849,012	4,557,683	291,329
Student transportation	285	285	5,477	(5,192)
Food services	-	-	2,123	(2,123)
Extracurricular activities	1,045,858	1,045,858	1,027,406	18,452
Total expenditures	<u>47,800,628</u>	<u>47,862,686</u>	<u>47,862,686</u>	<u>-</u>
Net change in fund balances	-	-	128,027	128,027
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>\$ 4,381,732</u>	<u>\$ 128,027</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, 2017

		Governmental Activities: Internal Service Funds
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$	3,729,097
Accounts receivable		48,101
Inventory, at cost		1,509
Flexible accounts deposit		36,056
Total current assets		3,814,763
Noncurrent assets:		
Capital assets:		
Machinery and equipment		266,814
Less accumulated depreciation		(248,945)
Net capital assets		17,869
Total assets		3,832,632
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Contribution to pension plans in current fiscal year		20,912
Total deferred outflows of resources		20,912
Total assets and deferred outflows of resources	\$	3,853,544
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$	729,246
Unearned revenue		1,155,219
Total current liabilities		1,884,465
Noncurrent liabilities:		
Net pension liability		129,332
Other postemployment health benefits		807,115
Total noncurrent liabilities		936,447
Total liabilities		2,820,912
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Pension deferrals		2,720
Total deferred inflows of resources		2,720
<u>NET POSITION</u>		
Net investment in capital assets		17,869
Unrestricted		1,012,043
Total net position		1,029,912
Total liabilities, deferred inflows of resources, and net position	\$	3,853,544

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, 2017

	Governmental Activities: Internal Service Funds
Operating revenues:	
Charges for services	\$ 7,524,503
Charges for Wellness services	102,781
State on-behalf pension	2,772
Total operating revenues	7,630,056
Operating expenses:	
Administrative expenses	298,483
Communications	28,060
Contracted Medicare supplement	211,797
Depreciation	14,137
Excess risk insurance	418,495
Facilities and equipment rental	85,493
Health, dental and vision claims	6,375,909
Materials and supplies	623
Minor equipment	4,237
Minor technology equipment	1,926
Other expenses	996
Other postemployment health benefits	219,587
Repairs and maintenance	65,380
Salaries and benefits	77,279
Wellness	334,591
Total operating expenses	8,136,993
Operating income (loss)	(506,937)
Nonoperating revenues (expenses):	
Interest	27,961
Total nonoperating revenues (expenses)	27,961
Change in net position	(478,976)
Net position, beginning of year	1,508,888
Net position, end of year	\$ 1,029,912

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, 2017**

	Governmental Activities: Internal Service Funds
Cash flows from operating activities:	
Receipts from users	\$ 7,740,121
Payments for insurance claims	(6,375,909)
Payments to employees	(77,279)
Payments to suppliers	(1,382,981)
	(96,048)
Net cash provided (used) by operating activities	(96,048)
 Cash flows from investing activities:	
Interest received	27,961
	27,961
Net cash provided (used) by investing activities	27,961
 Net increase (decrease) in cash and cash equivalents	(68,087)
Cash and cash equivalents - 7/01/16	3,797,184
Cash and cash equivalents - 6/30/17	\$ 3,729,097
 Reconciliation of operating income(loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (506,937)
 Adjustments to reconcile operating income(loss) to net cash provided (used) by operating activities:	
Depreciation	14,137
(Increase) decrease in accounts receivable	10,934
(Increase) decrease in inventories	299
(Increase) decrease in prepaid items	50
Increase (decrease) in accounts payable	44,118
Increase (decrease) in other postemployment benefits	219,587
Increase (decrease) in pension related deferred inflows, deferred outflows and net pension liability	22,633
Increase (decrease) in unearned insurance premiums	99,131
	410,889
Total adjustments	410,889
Net cash provided (used) by operating activities	\$ (96,048)

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, 2017

	Private-Purpose Trust
<u>ASSETS</u>	
Cash and cash equivalents	\$ 4,372,091
Investments	726,375
Land	1,112,046
Total assets	6,210,512
 <u>NET POSITION</u>	
Net position held in trust	\$ 6,210,512

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, 2017

	Private-Purpose Trust Funds
Additions:	
Payments from member districts	\$ 1,329,861
Extracurricular receipts and fees	1,080,039
Other trust revenue	3,355
State of Montana	60,650
Total noninvestment trust additions	2,473,905
Investment earnings:	
Interest	91,591
Total additions	2,565,496
Deductions:	
Administrative expenses	10,564
Salaries and benefits	62,693
Instruction	171,090
Extracurricular activities	999,533
Professional contracted services	79,495
Purchased property services	4,999
Total deductions	1,328,374
Change in net position	1,237,122
Net position, beginning of year	4,973,390
Net position, end of year	\$ 6,210,512

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, 2017

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 pronouncement for the year ended June 30, 2017:

- Statement No. 77 - *Tax Abatement Disclosures*. This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. This Statement is effective for fiscal years beginning after December 15, 2015.

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, high school building, and high school building reserve funds are considered major and are presented in separate columns. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. The fiduciary funds are reported by type.

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

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

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

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

The District reports the following major governmental funds:

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

The *elementary building fund* accounts for the construction of elementary schools, 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.

The *high school building reserve fund* accounts for financial resources segregated for the acquisition, construction or repair of major capital 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. \$388,886 of the Middle and High School Student Extracurricular Funds (which are Private-Purpose Trust Funds) are in various checking accounts. \$2,547 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, 2017, 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 \$10,636 allowance for uncollectibles has been calculated and the property taxes receivable are presented net of this amount.

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

F. Inventories

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

G. Prepaid items

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

H. Capital assets

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

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

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

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

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and governmental funds balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position (or fund balance) that applies to a future period(s) so will not be recognized as an outflow of resources (expenses/expenditures) until then. The District has some pension 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, 2017. 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, 2017, 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 uses 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, 2017, fund balances are comprised of the following:

	General	Elementary Building	High School Building	High School Building Reserve	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Inventories	\$ -	\$ -	\$ -	\$ -	\$ 88,675	\$ 88,675
Prepaid Items	54,643	-	-	-	33,508	88,151
Restricted:						
Federal, State, & Local Grants	-	-	-	-	433,260	433,260
Building constr.	-	-	-	-	-	-
Repair & renov.	-	7,600,310	-	3,308,209	1,787,709	12,696,228
Debt Service	-	-	-	-	1,671,893	1,671,893
Student Transport.	-	-	-	-	1,109,089	1,109,089
Replacing Buses	-	-	-	-	576,500	576,500
Student Tuition	-	-	-	-	200	200
Retirement taxes	-	-	-	-	2,278,208	2,278,208
Tech acquisition	-	-	-	-	1,263,873	1,263,873
Flexibility uses	-	-	-	-	1,141	1,141
Adult Education	-	-	-	-	201,761	201,761
Committed:						
Food Services	-	-	-	-	190,394	190,394
Special services	-	-	-	-	1,114,800	1,114,800
Business services	-	-	-	-	322,603	322,603
Drivers education	-	-	-	-	260,926	260,926
Misc. district ops	-	-	-	-	423,252	423,252
Assigned:						
Comp. absences	347,273	-	-	-	-	347,273
Unassigned	4,651,098	-	(508,704)	-	-	4,142,394
Total fund balances	\$5,053,014	\$7,600,310	\$(508,704)	\$3,308,209	\$11,757,792	\$27,210,621

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:

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

Debt Service:

- Elementary and High School Debt Service Funds

Capital Projects:

- Elementary and High School Building Reserve Funds

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

Budgetary policy follows:

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

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

B. Budgetary/GAAP reconciliation

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

Net Change in Fund Balance Major General Fund	
	General
GAAP Basis	\$ 183,767
Consolidating compensated absence liability fund activity	(55,740)
Adjustment for Encumbrances	-
Budget Basis	\$ 128,027

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 \$508,704. 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 voters of the District approved a \$125,000,000 high school bond 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	\$ 5,850
County Treasurer's Investment Pool	34,753,745
Cash in checking	388,886
Cash in D.A. Davidson bank insured deposits	2,547
Total	<u>\$ 35,151,028</u>

Investments consist of:

	<u>Investment Mkt Value</u>	<u>Credit Risk Standard & Poor's Corporate Bond Rating</u>	<u>Interest Rate Risk Weighted Average Maturity (Years)</u>	<u>Fair Value Measure ment</u>
Mutual Funds	<u>\$ 726,375</u>	AAA	0.00	Level 1
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 1 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 \$388,886 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 position 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, 2017, 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	High School Building Reserve	Nonmajor and Other Funds	Total
Receivables:						
Accounts	\$ 1,279	\$ 31,610	\$ -	\$ -	\$ 145,481	\$178,370
Property taxes	447,890	-	-	39,649	307,959	795,498
Gross receivables	449,169	31,610	-	39,649	453,440	973,868
Less: allowance for Uncollectibles	(5,988)	-	-	(530)	(4,118)	(10,636)
Net total receivables	\$443,181	\$ 31,610	\$ -	\$ 39,119	\$ 449,322	\$963,232

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 \$795,498 deferred inflows and \$72,026 unearned revenue reported in governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (General Fund)	\$ 447,890	\$ -
Delinquent property taxes receivable (HS Building Reserve)	39,649	-
Delinquent property taxes receivable (Nonmajor governmental funds)	307,959	-
Food Services & High School grants (nonmajor gov'tl funds)	-	72,026
	<u>\$ 795,498</u>	<u>\$ 72,026</u>

The Self-Insurance internal service fund had unearned revenue of \$1,155,219 as of June 30, 2017, 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, 2017 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	2,553,327	16,233,418	(334,683)	18,452,062
Total capital assets, not being	<u>11,438,936</u>	<u>16,233,418</u>	<u>(334,683)</u>	<u>27,337,671</u>
Capital assets, being depreciated:				
Land improvements	11,990,914	443,173	-	12,434,087
Buildings and improvements	136,618,683	482,741	-	137,101,424
Machinery and equipment	5,718,692	194,542	(76,472)	5,836,762
Total capital assets being depreciated	<u>154,328,289</u>	<u>1,120,456</u>	<u>(76,472)</u>	<u>155,372,273</u>
Less accumulated depreciation for:				
Land improvements	(3,804,676)	(587,635)	-	(4,392,311)
Buildings and improvements	(30,204,768)	(3,469,027)	-	(33,673,795)
Machinery and equipment	(3,848,190)	(409,615)	25,266	(4,232,539)
Total accumulated depreciation	<u>(37,857,634)</u>	<u>(4,466,277)</u>	<u>25,266</u>	<u>(42,298,645)</u>
Total capital assets, being depreciated, net	<u>116,470,655</u>	<u>(3,345,821)</u>	<u>(51,206)</u>	<u>113,073,628</u>
Governmental activities capital assets, net	<u>\$ 127,909,591</u>	<u>\$ 12,887,597</u>	<u>\$ (385,889)</u>	<u>\$ 140,411,299</u>

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

Governmental Activities:	
Instruction	\$ 44,271
Support services	39,932
General administration	137,836
Operations and maintenance	71,775
Food services	93,226
Extracurricular activities	8,438
Unallocated depreciation (buildings and land improvements)	4,056,662
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	14,137
Total depreciation expense - governmental activities	<u>\$ 4,466,277</u>

There was no depreciation in the fiduciary funds in the 2016-2017 fiscal year.

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

Construction commitments - The District has active construction projects as of June 30, 2017. At year-end the District's commitments with contractors were as follows:

	Spent-to-Date	Remaining Commitment
Constr. & Architect contracts for Hawthorne addition and renovation	\$ 5,096,827	\$ 387,147
Constr. & Architect contracts for Sacajawea addition and renovation	11,631,310	4,067,098
Construction contract for Willson window replacement	223,000	264,487
Construction contract for Willson West entry land improvements	88,202	4,642
Total	<u>\$17,039,339</u>	<u>\$ 4,723,374</u>

The elementary building fund (bond monies) is paying for the Hawthorne and Sacajawea School addition and renovation projects. The elementary and high school building reserve funds are paying the Willson window replacement and West entry land improvements.

D. Interfund activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the statement of activities whereas in the fund financial statements, they are reported as transfers within other financing sources/uses category. In the current fiscal year, there were transfers of \$1,082,176 out of the Elementary Building Fund into the Elementary Debt Service Fund. This was an allowable transfer of unused G.O. 2016 bonds proceeds to help service the 2016 Elementary General Obligation debt.

Flows of cash from one fund to another with a requirement for repayment are reported as due from and due to other funds. Amounts between governmental funds are eliminated in the statement of net position whereas in the fund financial statements, they are reported as receivables and payables. At June 30, 2017 the District reported amounts due from the High School Building Fund to the High School Building Reserve Fund for \$508,704. This amount was funding the planning of the construction of the second high school and renovation of the existing high school prior to the authorized general obligation bonds being issued. The amount will be repaid when the new bonds are issued.

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 \$101,710,000. During the current fiscal year, general obligation bonds totaling \$10,510,000 were issued to refund portions of the 2008 elementary and high school g.o. bonds.

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:

Term	Interest Rate	Outstanding	Due Within
		Principal June 30, 2017	One Year
20	3.00 - 4.25%	\$ 840,000	\$ 840,000
20	1.00 - 3.00%	7,835,000	440,000
20	3.00 - 4.00%	13,210,000	690,000
11	1.00 - 4.00%	9,275,000	60,000
13	2.00 - 5.00%	7,850,000	1,030,000
20	2.00 - 5.00%	20,690,000	825,000
4	4.00%	4,610,000	1,065,000
		<u>64,310,000</u>	<u>4,950,000</u>
11	1.00 - 4.00%	9,050,000	15,000
7	2.00 - 5.00%	7,215,000	1,525,000
9	2.00 - 3.00%	5,900,000	635,000
		<u>22,165,000</u>	<u>2,175,000</u>
		<u>\$86,475,000</u>	<u>\$7,125,000</u>

Annual debt service requirements to maturity on general obligation bonds at June 30, 2017, are summarized as follows:

Year ending June 30:	Governmental Activities		
	Principal	Interest	Total
2018	\$ 7,125,000	\$ 3,015,328	\$ 10,140,328
2019	6,935,000	2,749,321	9,684,321
2020	6,550,000	2,532,659	9,082,659
2021	6,745,000	2,343,719	9,088,719
2022	5,835,000	2,128,856	7,963,856
2023-2027	32,860,000	7,257,319	40,117,319
2028-2032	16,115,000	2,466,031	18,581,031
2033-2036	4,310,000	373,900	4,683,900
Total	<u>\$86,475,000</u>	<u>\$22,867,133</u>	<u>\$109,342,133</u>

Advance refundings

The District issued \$17,685,000 of general obligation bonds (\$8,935,000 elementary, \$8,750,000 high school) with the proceeds placed in an irrevocable escrow account that will service all future debt service payments of \$18,070,000 of 2006, 2007, and 2008 general obligation bonds (\$9,070,000 elementary, \$9,000,000 high school). These advance refunded bonds 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.

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

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2017, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligations bonds	\$ 92,380,000	\$10,510,000	\$(16,415,000)	\$ 86,475,000	\$7,125,000
Amortized amounts:					
Bond premiums	7,225,844	576,318	(583,316)	7,218,846	-
Total bonds payable	99,605,844	11,086,318	(16,998,316)	93,693,846	7,125,000
Compensated absences	3,975,240	476,239	(457,422)	3,994,057	446,042
Voluntary termination benefits	18,000	-	(3,000)	15,000	3,000
Net pension liability	46,166,710	7,233,083	-	53,399,793	-
Other postemployment benefits	587,528	407,385	(187,798)	807,115	-
Total governmental activity					
Long-term liabilities	\$ 150,353,322	\$ 19,203,025	\$ (17,646,536)	\$ 151,909,811	\$ 7,574,042

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, 2017, legal debt limitations were as follows:

	<u>Taxing District</u>	
	<u>Elementary</u>	<u>High School</u>
Legal Debt Service Limitation	\$ 159,292,770	\$ 177,962,400

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. The 2017 Elementary and High School G.O. Bonds were issued to partially refund the 2008 Elementary and High School General Obligation Bonds and also take advantage of favorable interest rates.

F. Restricted fund balance

The State of Montana has enabling legislation which mandates the creation of certain funds and establishes the criteria for property taxes levied to meet the specific purposes of these funds. The District classifies the fund balances of these funds as well and some federal, state and local grants as restricted fund balances. These individual funds and their restricted fund balances at June 30, 2017 are as follows:

<u>Fund Name</u>	<u>Fund Type</u>	<u>Amount</u>
Elementary building reserve	Capital Projects	\$ 1,788,534
High School building reserve	Capital Projects	3,308,209
Elementary building	Capital Projects	7,600,310
Elementary debt service	Debt Service	1,581,168
High School debt service	Debt Service	90,725
Elementary bus depreciation	Special Revenue	288,119
High School bus depreciation	Special Revenue	288,380
Elementary flexibility	Special Revenue	712
High School flexibility	Special Revenue	428
Elementary retirement	Special Revenue	1,354,412
High School retirement	Special Revenue	923,796
Elementary technology acquisition	Special Revenue	452,150
High School technology acquisition	Special Revenue	811,722
Elementary transportation	Special Revenue	662,899
High School transportation	Special Revenue	446,190
Elementary tuition	Special Revenue	100
High School tuition	Special Revenue	100
Elementary grants	Special Revenue	160,132
High School grants	Special Revenue	272,305
Adult education	Special Revenue	201,762
		<hr/>
Total restricted fund balances		\$20,232,153

G. Leases

In June, 2016, the District approved a four year cancellable operating photocopier lease arrangement which began on July 1, 2016. The arrangement involved 35 photocopiers with no guaranteed minimum copies per year. The total cost of this lease for the fiscal year ended June 30, 2017, was \$82,956. There are no guaranteed future minimum lease payments for this arrangement.

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 \$500 to \$5,000 depending on the part of the policy.

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

Since July 1, 1990, the District has provided medical insurance coverage for its employees via a contributory self-funded plan. This plan is currently administered by Blue Cross Blue Shield of Montana. It provides 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:

Fiscal Year	Beginning Liability	Current Claims and Changes in Estimates	Claim Payments	Ending Liability
2015	\$471,154	\$ 5,290,384	\$5,219,387	\$542,151
2016	542,151	5,510,279	5,501,993	550,437
2017	550,437	6,444,873	6,375,909	619,401

As of June 30, 2017, the District contracted with Blue Cross Blue Shield of Montana (via the BCBS Advantage Plan) to provide medical insurance for retirees (and eligible spouses) who are of Medicare eligible ages. The retiree pays the entire insurance premium.

B. Retirement plans

The District participates in two state-wide, cost-sharing multiple-employer defined benefit retirement plans, which cover all employees, except certain substitute teachers and part-time, non-teaching employees. The Teachers' Retirement System (TRS) covers certified teaching employees, including principals and other administrators. The Public Employee Retirement System (PERS) covers non-teaching employees and some administrators. The plans are established under state law with the TRS plan being administered by the Teachers' Retirement System and the PERS administered by the Montana Public Employees Retirement Administration. The plans provide retirement, disability, and death benefits to plan members and beneficiaries. The authority to establish, amend and provide cost of living adjustments for the plan is assigned to the state legislature. The next two subsections will individually discuss in more detail the accounting of the TRS and PERS retirement plans and their reporting is affected by GASB Statements 68 and 71 and use a measurement date of June 30, 2016, and a reporting date of June 30, 2017. The following table presents the District's (Employer) proportion of TRS and PERS pension amounts.

	The employer's proportionate share associated with TRS	The employer's proportionate share associated with PERS	The employer's Total Pension Amounts
Net Pension Liability	\$46,283,916	\$ 7,115,877	\$53,399,793
Deferred Outflows of Resources	8,155,971	\$1,150,563	9,306,534
Deferred Inflows of Resources	389,296	\$149,673	538,969
Pension Expense	4,214,166	408,415	4,622,581

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, 2017 and June 30, 2016 (reporting dates).

	<u>Net Pension Liability as of 6/30/2017</u>	<u>Net Pension Liability as of 6/30/2016</u>	<u>Percent of Collective NPL as of 6/30/2017</u>	<u>Percent of Collective NPL as of 6/30/2016</u>	<u>Change in Percent of Collective NPL</u>
BOZEMAN SCHOOL DISTRICT NO. 7					
Proportionate Share	\$46,283,916	\$40,485,638	2.5335%	2.4641%	0.0694%
State of Montana					
Proportionate Share					
associated with employer	30,154,266	27,107,547	1.6506%	1.6499%	0.0007%
Total	<u>\$76,438,182</u>	<u>\$67,593,185</u>	<u>4.1841%</u>	<u>4.1140%</u>	<u>0.0701%</u>

At June 30, 2017, the employer recorded a liability of \$46,286,916 for its proportionate share of the Net Pension Liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of TRS' participating employers. At June 30, 2017, the employer's proportion was 2.5335 percent.

Changes in actuarial assumptions and other inputs:

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

Changes in benefit terms:

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

Changes in proportionate share:

There were no changes between the measurement date of the collective net pension liability and the reporting date. However, each employer may have unique circumstances that will impact the employer's proportionate share of the collective net pension liability. If there were changes that are expected to have an impact on the net pension liability, the employer should disclose the amount of the expected resultant change in the employer's proportionate share of the collective net pension liability, if known.

Pension Expense

	Pension Expense as of 6/30/2017
Bozeman School District No. 7 Proportionate Share	\$ 4,214,166
State of Montana Proportionate Share associated with the Employer	2,124,919
Total	<u>\$ 6,339,085</u>

At June 30, 2017, the employer recognized a Pension Expense of \$6,339,085 for its proportionate share of the TRS' pension expense. The employer also recognized grant revenue of \$2,124,919 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, 2017, the employer reported its proportionate share of TRS' deferred outflows of resources and deferred inflows of resources related to TRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 247,470	\$ 98,388
Changes in actuarial assumptions	294,540	290,908
Differences between projected and actual investment earnings	2,980,469	-
Changes in proportion & Differences between actual and expected contributions	1,365,943	-
*Contributions paid to TRS subsequent to the measurement date - FY 2017 Contributions	3,267,549	-
Total	<u>\$ 8,155,971</u>	<u>\$ 389,296</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, 2018.

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)
2018	\$1,255,735	\$ 146,842	\$ 1,108,893
2019	735,029	143,496	591,533
2020	1,827,777	98,959	1,728,818
2021	1,069,882	-	1,069,882
2022	-	-	-
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%

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. In addition to the contributions the State general fund will contribute \$25 million annually to the System payable July 1st of each year. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the Discount rate.

Target Allocations

Asset Class	Target Asset Allocation	Real Rate of Return Arithmetic Basis (b)	Long-Term Expected Portfolio Real Rate of Return (a) x (b)
Broad US Equity	36.00%	4.80%	1.72800%
Broad International Equity	18.00%	6.05%	1.09%
Private Equity	12.00%	8.50%	1.02%
Intermediate Bonds	23.40%	1.50%	0.35%
Core Real Estate	4.00%	4.50%	0.18%
High Yield Bonds	2.60%	3.25%	0.08%
Non-Core Real Estate	<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 2009 through 2013, is outlined in a report dated May 1, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2016, is summarized in the above table.

Sensitivity Analysis

	1.0% Decrease (6.75%)	Current Discount Rate	1.0% Increase (8.75%)
Bozeman School District No. 7 portion of Net Position Liability	\$62,100,163	\$ 46,283,916	\$ 32,968,386

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

Summary of Significant Accounting Policies

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

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

Public Employees' Retirement System (PERS)

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions*, employers and the non-employer contributing entity are required to recognize and report certain amounts associated with participation in the Public Employees' Retirement System Defined Benefit Retirement Plan (the Plan). Employers are required to record and report their proportionate share of the collective Net Pension Liability; Pension Expense; and Deferred Outflows and Deferred Inflows of Resources associated with pensions.

This report provides information for employers who are using a June 30, 2016 measurement date for the 2017 reporting. If an employer's fiscal year end is after June 30th, the employer will not use the measurements shown in this report but will need to wait for the measurement date as of June 30, 2017.

Pension Amount Totals

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

Net Pension Liability

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). As GASB Statement 68 allows, a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2016, was determined by taking the results of the June 30, 2015, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

Special Funding

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

Not Special Funding

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

The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2016, and 2015, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for a particular employer to the total state contributions paid. The employer recorded a liability of \$7,115,877 and the employer's proportionate share was 0.4178 percent.

	Net Pension Liability as of 6/30/2017	Net Pension Liability as of 6/30/2016	Percent of Collective NPL as of 6/30/2017	Percent of Collective NPL as of 6/30/2016	Change in Percent of Collective NPL
Bozeman School District No. 7 Proportionate Share	\$ 7,115,877	\$ 5,681,072	0.4178%	0.4064%	0.0113%
State of Montana Proportionate Share associated with employer	332,565	266,953	0.0195%	0.0191%	0.0004%
Total	<u>\$ 7,448,442</u>	<u>\$ 5,948,025</u>	<u>0.4373%</u>	<u>0.4255%</u>	<u>0.0117%</u>

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 no changes in proportion that would have an effect on the employer's proportionate share of the collective NPL since the previous measurement date.

Pension Expense

<u>As of measurement date</u>	<u>Pension Expense as of 6/30/2017</u>
Bozeman School District No. 7 Proportionate Share	\$ 408,415
Grant Revenue - State of Montana Proportionate Share for employer	27,869
Grant Revenue - State of Montana Coal Tax for employer	124,672
Total	<u>\$ 560,956</u>

At June 30, 2017, the employer recognized \$408,415 for its proportionate share of the Plan's pension expense and recognized grant revenue of \$27,869 for the state of Montana proportionate share of the pension expense associated with the employer. Additionally, the employer recognized grant revenue of \$124,672 from the Coal Severance Tax fund.

Recognition of Deferred Inflows and Outflows

At June 30, 2017, 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
Expected vs. Actual Experience	\$ 38,395	\$ 23,554
Projected Investment Earnings vs. Actual Investment Earnings	669,462	-
Changes in Assumptions	-	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	126,119
Employer contributions subsequent to the measurement date.	442,706	-
Total	<u>\$ 1,150,563</u>	<u>\$ 149,673</u>

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

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

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in future years as an increase or (decrease) to Pension Expense
2018	\$ 32,412
2019	\$ 32,412
2020	\$ 380,431
2021	\$ 239,050
2022	\$ -
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

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

<u>Fiscal</u> <u>Year</u>	<u>Member</u>		<u>State &</u> <u>Universities</u>	<u>Local Government</u>		<u>School Districts</u>	
			<u>Employer</u>	<u>Employer</u>	<u>State</u>	<u>Employer</u>	<u>State</u>
	<u>Hired</u> <u><07/01/11</u>	<u>Hired</u> <u>>07/01/11</u>					
2017	7.9000%	7.9000%	8.470%	8.370%	0.100%	8.100%	0.370%
2016	7.9000%	7.9000%	8.370%	8.270%	0.100%	8.000%	0.370%
2015	7.9000%	7.9000%	8.270%	8.170%	0.100%	7.900%	0.370%
2014	7.9000%	7.9000%	8.170%	8.070%	0.100%	7.800%	0.370%
2012-2013	6.9000%	7.9000%	7.170%	7.070%	0.100%	6.800%	0.370%
2010-2011	6.9000%		7.170%	7.070%	0.100%	6.800%	0.370%
2008-2009	6.9000%		7.035%	6.935%	0.100%	6.800%	0.235%
2000-2007	6.9000%		6.900%	6.800%	0.100%	6.800%	0.100%

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
2. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
 - c. The Plan Choice Rate (PCR), that directed a portion of employer contributions for DC members to the PERS defined benefit plan, 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.

Stand-Alone Statements

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

Actuarial Assumptions

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2016, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2017. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the last actuarial experience study, dated June 2010, for the sixyear 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 would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.1% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed coal severance tax and interest money from the general fund. The interest was contributed monthly and the severance tax was contributed quarterly. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2117. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets was reviewed as part of the regular experience study prepared for the Plan. The experience study, performed for the period of fiscal years 2003 through 2009, was outlined in a report dated June 2010 and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017, are summarized below.

Asset Class	Target Asset Allocation	Real Rate of Return Arithmetic Basis (b)	Long-Term Expected Portfolio Real Rate of Return (a) x (b)
Cash Equivalents	2.60%	4.00%	0.10%
Domestic Equity	36.00%	4.55%	1.64%
Foreign Equity	18.00%	6.35%	1.14%
Fixed Income	23.40%	1.00%	0.23%
Private Equity	12.00%	7.75%	0.93%
Real Estate	8.00%	4.00%	0.32%
	100.00%		4.37%
Inflation			3.00%
Expected arithmetic nominal return			7.37%

Sensitivity Analysis

The sensitivity of the NPL to the discount rate is shown in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.75%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

As of measurement date	1.0% Decrease (6.75%)	Current Discount Rate	1.0% Increase (8.75%)
Bozeman School District No. 7 proportion of Net Pension Liability	\$ 10,325,662	\$ 7,115,877	\$ 4,350,961

Summary of Significant Accounting Policies

The Montana Public Employee Retirement Administration (MPERA) prepares its financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and Additions to or Deductions from Fiduciary Net Position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

PERS Disclosure for the defined contribution plan

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

All new PERS members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the *defined benefit* and *defined contribution* retirement plans.

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

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

At the plan level for the measurement period ended June 30, 2016, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the *defined contribution* plan. Plan level non-vested forfeitures for the 289 employers that have participants in the PERS-DCRP totaled \$382,656.

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, 2017.

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	\$ 414,566
Interest on net OPEB obligation	23,501
Adjustment to annual required contribution	(30,682)
Annual OPEB cost (expense)	<u>407,385</u>
Contributions made	(187,798)
Increase in net OPEB obligation	<u>219,587</u>
Net OPEB obligation - beginning of year	587,528
Net OPEB obligation - end of year	<u>\$ 807,115</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, 2017, and the two preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 270,169	\$ 201,483	74.6%	\$ 480,124
June 30, 2016	282,107	174,703	61.9%	587,528
June 30, 2017	407,385	187,798	46.1%	807,115

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)
9/1/2014	-	\$2,408,030	\$2,408,030	0.00%	\$34,823,180	6.9%
9/1/2015	-	2,460,598	2,460,598	0.00%	36,216,107	6.8%
9/1/2016	-	3,386,748	3,386,748	0.00%	39,377,884	8.6%

Actuarial Methods and Assumptions

As of June 30, 2017, 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	\$2,539,756
Retirees	846,992
Total AAL	<u>\$3,386,748</u>
Normal Cost	<u>\$ 231,642</u>

Participant information

Actives	845
Retirees	49
Total	<u>894</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. Tax Abatements

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

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

For the fiscal year ended June 30, 2017, the District portion of the property taxes abated by Gallatin County totaled \$1,437 under this program, reducing property tax revenue for the District.

E. Subsequent events

The High School District voters approved a \$125,000,000 bond resolution in May 2017 to construct a second high school for the District and to renovate the existing high school. On August 3, 2017, the District issued \$100,000,000 in high school general obligation bonds to begin the work on the two high schools. These bonds were issued with a \$12,195,590 bond premium.

F. Contingencies

As of June 30, 2017, 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, 2017

The annual ARC, the percentage of ARC contributed to the plan, and the net OPEB obligation for June 30, 2017, 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
	6/30/2015	\$270,169	74.6%	\$480,124
	6/30/2016	\$282,107	61.9%	\$587,528
	6/30/2017	\$407,385	46.1%	\$807,115

The funded status of the plan was as follows:

FUNDED STATUS	
(a) Actuarial accrued liability (AAL)	\$ 3,379,301
(b) Actuarial value of plan assets (UAAL)	-
Unfunded actuarial accrued liability (funding excess) [(a) - (b)]	<u>\$ 3,379,301</u>
Funded ratio (b) / (a)	0.0%
(c) Covered payroll	\$ 39,377,884
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ({(a) - (b)} / (c))	8.58%

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)
	9/1/2014	\$ -	\$ 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%
	9/1/2016	\$ -	\$ 3,379,301	\$ 3,379,301	0%	\$ 39,377,884	8.58%

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, 2017

Schedule of Proportionate Share of the Net Pension Liability:

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

Schedule of Contributions:

	6/30/2017	6/30/2016	6/30/2015
Contractually required contributions	\$ 3,267,549	\$ 3,008,409	\$ 2,947,769
Contributions in relation to the contractually required contributions	\$ 3,267,549	\$ 3,008,409	\$ 2,947,769
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer's covered-employee payroll	\$34,682,649	\$32,886,005	\$ 31,446,361
Contributions of covered-employee payroll (as a percentage)	9.42000%	9.15000%	9.37000%

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

BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)
FOR THE YEAR ENDED JUNE 30, 2017

Schedule of Proportionate Share of the Net Pension Liability:

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

Schedule of Contributions:

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

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

**BOZEMAN SCHOOL DISTRICT NO. 7
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

Teacher's Retirement System (TRS)

Changes of Benefit Terms:

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

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

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

- 1) **Final Average Compensation:** average of earned compensation paid in five consecutive years of full-time service that yields the highest average
- 2) **Service Retirement:** Eligible to receive a service retirement benefit if the member has been credited with at least five full years of creditable service and has attained the age of 60; or has been credited with 30 or more years of full-time or part-time creditable service and has attained age 55
- 3) **Early Retirement:** Eligible to receive an early retirement allowance if a member is not eligible for service retirement but has at least five years of creditable service and attained age 55
- 4) **Professional Retirement Option:** if the member has been credited with 30 or more years of service and has attained the age of 60 they are eligible for an enhanced allowance equal to 1.85% of average final compensation times all service at retirement. Otherwise, the multiplier used to calculate the retirement allowance will be equal to 1.67%
- 5) **Annual Contribution:** 8.15% of member's earned compensation
- 6) **Supplemental Contribution Rate:** On or after July 1, 2023, the TRS Board may require a supplemental contribution up to 0.5% if the following three conditions are met:
 - a. The average funded ratio of the System based on the last three annual actuarial valuations is equal to or less than 80%; and
 - b. The period necessary to amortize all liabilities of the System based on the latest annual actuarial valuation is greater than 20 years; and
 - c. A State or employer contribution rate increase or a flat dollar contribution to the Retirement System Trust fund has been enacted that is equivalent to or greater than the supplemental contribution rate imposed by the TRS Board.
- 7) **Disability Retirement:** A member will not be eligible for a disability retirement if the member is or will be eligible for a service retirement on the date of termination
- 8) **Guaranteed Annual Benefit Adjustment (GABA):**
 - a. If the most recent actuarial valuation shows that Retirement System liabilities are at least 90% funded and the provision of the increase is not projected to cause the System's liabilities to be less than 85% funded, the GABA may increase from the 0.5% floor up to 1.5%, as set by the Board.

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

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

Changes in actuarial assumptions and other inputs:

The following changes to the actuarial assumptions were adopted in 2016:

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

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

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

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

- Assumed rate of inflation was reduced from 3.50% to 3.25%
- Payroll Growth Assumption was reduced from 4.50% to 4.00%
- Assumed real wage growth was reduced from 1.00% to 0.75% Investment return assumption was changed from net of investment and administrative expenses to net of investment expenses only.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:

For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.

For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.

- Mortality among disabled members was updated to the following:

For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.

For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

Method and assumptions used in calculations of actuarially determined contributions:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	24 years
Asset valuation method	4-year smoothed market
Inflation	3.25%
Salary increase	4.00% to 8.51%, including inflation for Non-University Members and 5.00% for University Members
Investment rate of return	7.75%, 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:

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 all other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007

- 1.5% for members hired on or after July 1, 2007 and before July 1, 2013
- Members hired on or after July 1, 2013
 - 1.5% each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and,
 - 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

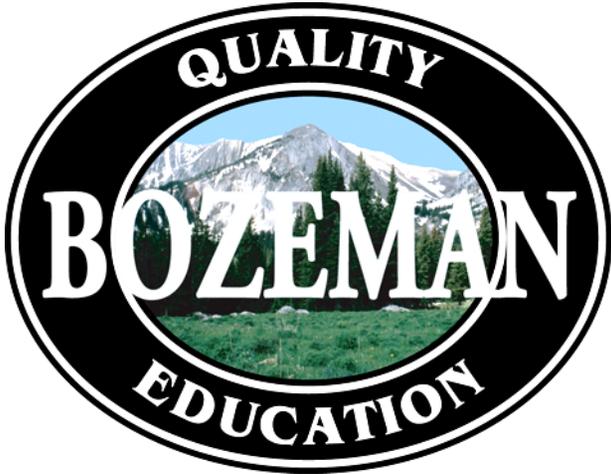
The following addition to the actuarial assumptions was adopted in 2014 based upon implementation of GASB Statement 68:

Admin Expense as % of Payroll	0.27%
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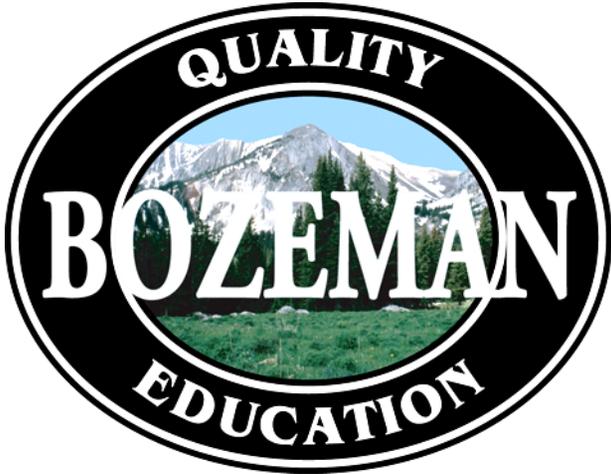
There were no changes following the 2013 Economic Experience study.

The following Actuarial Assumptions were adopted from the June 2010 Experience Study:

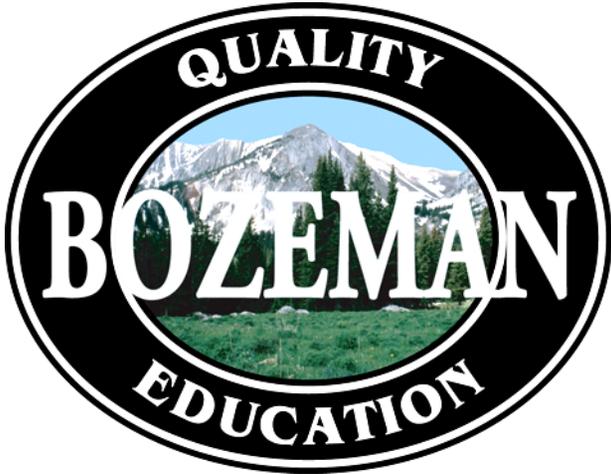
General Wage Growth*	4.00%
*Includes inflation at	3.00%
Merit increase	0% to 6.00%
Investment rate of return	7.75%, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open



Supplemental Information



Combining Financial Statements



General Fund

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

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING BALANCE SHEET
ALL GENERAL SUBFUNDS
JUNE 30, 2017

	Elementary General Subfund	High School General Subfund	Totals
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,382,682	\$ 1,788,439	\$ 5,171,121
Property taxes receivable	276,335	171,555	447,890
Due from other governments	138,432	90,000	228,432
Accounts receivable	968	311	1,279
Prepaid items	27,056	27,587	54,643
Total assets	\$ 3,825,473	\$ 2,077,892	\$ 5,903,365
<u>LIABILITIES</u>			
Accounts payable	\$ 346,397	\$ 56,064	\$ 402,461
Total liabilities	346,397	56,064	402,461
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue - property taxes	276,335	171,555	447,890
Total deferred inflows of resources	276,335	171,555	447,890
<u>FUND BALANCES</u>			
Nonspendable	27,056	27,587	54,643
Assigned	208,045	139,228	347,273
Unassigned	2,967,640	1,683,458	4,651,098
Total fund balances	3,202,741	1,850,273	5,053,014
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,825,473	\$ 2,077,892	\$ 5,903,365

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GENERAL SUBFUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Elementary General Subfund	High School General Subfund	Totals
Revenues:			
District property taxes	\$ 11,684,150	\$ 6,780,433	\$ 18,464,583
Tuition and fees	32,258	14,081	46,339
Interest	67,108	29,987	97,095
Other district revenue	132,048	90,000	222,048
State of Montana	19,479,948	9,683,131	29,163,079
Total revenues	31,395,512	16,597,632	47,993,144
Expenditures:			
Current -			
Instruction	20,820,857	9,807,725	30,628,582
Support services	4,098,024	1,791,140	5,889,164
General administration	1,287,669	1,167,778	2,455,447
Building administration	2,306,991	921,492	3,228,483
Operations and maintenance	2,581,610	1,985,912	4,567,522
Student transportation	5,477	-	5,477
Food services	348	6,949	7,297
Extracurricular activities	209,888	817,517	1,027,405
Total expenditures	31,310,864	16,498,513	47,809,377
Net change in fund balances	84,648	99,119	183,767
Fund balances, beginning of year	3,118,093	1,751,154	4,869,247
Fund balances, end of year	\$ 3,202,741	\$ 1,850,273	\$ 5,053,014

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, 2017

	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	\$ 11,803,691	\$ 11,803,691	\$ 11,684,150	\$ (119,541)	\$ 6,844,992	\$ 6,780,432	\$ (64,560)
Tuition and fees	6,766	6,766	32,258	25,492	3,867	14,081	10,214
Interest	40,091	40,091	65,454	25,363	15,351	29,210	13,859
Other district revenue	494	494	132,048	131,554	192	90,000	89,808
State of Montana	19,409,796	19,471,854	19,479,948	8,094	9,675,388	9,683,132	7,744
Total revenues	<u>31,260,838</u>	<u>31,322,896</u>	<u>31,393,858</u>	<u>70,962</u>	<u>16,539,790</u>	<u>16,596,855</u>	<u>57,065</u>
Expenditures:							
Current -							
Instruction	20,595,520	20,657,578	20,855,033	(197,455)	9,612,366	9,862,054	(249,688)
Support services	4,086,427	4,086,427	4,086,544	(117)	1,807,458	1,787,500	19,958
General administration	1,332,811	1,332,811	1,286,381	46,430	1,205,734	1,166,482	39,252
Building administration	2,320,073	2,320,073	2,304,511	15,562	945,084	921,492	23,592
Operations and maintenance	2,704,904	2,704,904	2,575,062	129,842	2,144,108	1,982,621	161,487
Student transportation	-	-	5,477	(5,477)	285	-	285
Food services	-	-	-	-	-	2,123	(2,123)
Extracurricular activities	221,103	221,103	209,888	11,215	824,755	817,518	7,237
Total expenditures	<u>31,260,838</u>	<u>31,322,896</u>	<u>31,322,896</u>	<u>-</u>	<u>16,539,790</u>	<u>16,539,790</u>	<u>-</u>
Net change in fund balances	-	-	70,962	70,962	-	57,065	57,065
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>\$ 2,809,080</u>	<u>\$ 70,962</u>	<u>\$ 1,515,587</u>	<u>\$ 1,572,652</u>	<u>\$ 57,065</u>

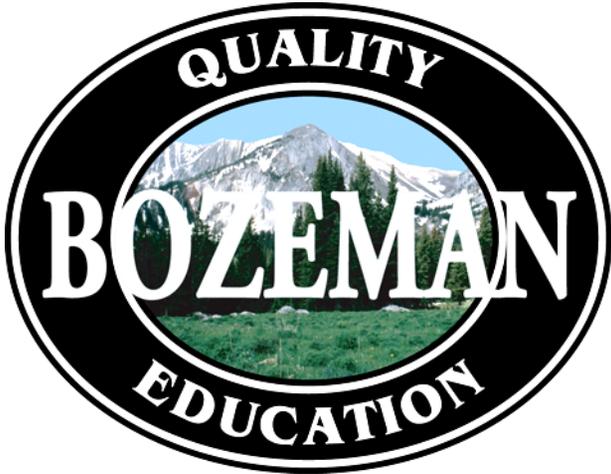
Nonmajor Governmental Funds – By Fund Type

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
JUNE 30, 2017

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 7,058,156	\$ 1,197,043	\$ 1,772,556	\$ 10,027,755
Property taxes receivable	70,813	201,495	35,651	307,959
Due from other governments	1,124,945	474,850	61,586	1,661,381
Accounts receivable	97,379	-	-	97,379
Inventory, at cost	88,675	-	-	88,675
Prepaid items	33,508	-	-	33,508
Total assets	\$ 8,473,476	\$ 1,873,388	\$ 1,869,793	\$ 12,216,657
<u>LIABILITIES</u>				
Accounts payable	\$ 33,272	\$ -	\$ 40,033	\$ 73,305
Retainages payable	-	-	5,575	5,575
Unearned revenue	72,026	-	-	72,026
Total liabilities	105,298	-	45,608	150,906
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue - property taxes	70,813	201,495	35,651	307,959
Total deferred inflows of resources	70,813	201,495	35,651	307,959
<u>FUND BALANCES</u>				
Nonspendable	122,183	-	-	122,183
Restricted	5,863,207	1,671,893	1,788,534	9,323,634
Committed	2,311,975	-	-	2,311,975
Total fund balances	8,297,365	1,671,893	1,788,534	11,757,792
Total liabilities, deferred inflows of resources, and fund balances	\$ 8,473,476	\$ 1,873,388	\$ 1,869,793	\$ 12,216,657

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, 2017

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
Revenues:				
District property taxes	\$ 2,955,650	\$ 8,411,188	\$ 1,485,859	\$ 12,852,697
Tuition and fees	1,542,072	-	-	1,542,072
Interest	53,496	21,208	13,153	87,857
Other district revenue	1,819,797	474,850	2,000	2,296,647
Gallatin County	7,182,241	-	-	7,182,241
State of Montana	2,333,347	-	-	2,333,347
Federal	4,239,056	-	-	4,239,056
Total revenues	<u>20,125,659</u>	<u>8,907,246</u>	<u>1,501,012</u>	<u>30,533,917</u>
Expenditures:				
Current -				
Instruction	8,112,519	-	28,470	8,140,989
Support services	4,269,370	-	-	4,269,370
General administration	936,405	-	-	936,405
Building administration	722,516	-	7,141	729,657
Operations and maintenance	368,494	-	498,011	866,505
Student transportation	2,303,822	-	-	2,303,822
Food services	2,032,580	-	-	2,032,580
Extracurricular activities	473,544	-	-	473,544
Capital outlay	34,471	-	643,160	677,631
Debt service -				
Principal retirement	-	5,775,000	-	5,775,000
Interest and fiscal charges	-	3,107,109	-	3,107,109
Bond issuance costs	-	101,814	-	101,814
Total expenditures	<u>19,253,721</u>	<u>8,983,923</u>	<u>1,176,782</u>	<u>29,414,426</u>
Excess (deficiency) of revenues over expenditures	871,938	(76,677)	324,230	1,119,491
Transfers in				
Transfers in	-	1,082,176	-	1,082,176
Refunding bonds issued	-	10,510,000	-	10,510,000
Premium on refunding bonds issued	-	576,318	-	576,318
Payments to bond escrow agent	-	(10,974,298)	-	(10,974,298)
Total other financing sources (uses)	-	1,194,196	-	1,194,196
Net changes in fund balances	871,938	1,117,519	324,230	2,313,687
Fund balances, beginning of year	<u>7,425,427</u>	<u>554,374</u>	<u>1,464,304</u>	<u>9,444,105</u>
Fund balances, end of year	<u>\$ 8,297,365</u>	<u>\$ 1,671,893</u>	<u>\$ 1,788,534</u>	<u>\$ 11,757,792</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, 2017**

	Elementary Transportation	Elementary Bus Depreciation	Elementary Tuition	Elementary Retirement	Elementary Grants	Elementary Technology Acquisition	Elementary Flexibility	High School Transportation	High School Bus Depreciation
ASSETS									
Cash and cash equivalents	\$ 662,822	\$ 288,119	\$ 100	\$ 1,331,208	\$ 749,995	\$ 452,150	\$ 713	\$ 446,351	\$ 288,380
Property taxes receivable	25,092	89	5,265	-	-	9,155	-	16,375	119
Due from other governments	-	-	-	23,204	851,878	-	-	-	-
Accounts receivable	328	-	-	-	89,878	-	-	90	-
Inventory, at cost	-	-	-	-	-	-	-	-	-
Prepaid items	2,400	-	-	-	764	13,972	-	2,400	-
Total assets	\$ 690,642	\$ 288,208	\$ 5,365	\$ 1,354,412	\$ 1,692,515	\$ 475,277	\$ 713	\$ 465,216	\$ 288,499
LIABILITIES									
Accounts payable	\$ 251	\$ -	\$ -	\$ -	\$ 8,753	\$ -	\$ -	\$ 251	\$ -
Unearned revenue	-	-	-	-	-	-	-	-	-
Total liabilities	251	-	-	-	8,753	-	-	251	-
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue - property taxes	25,092	89	5,265	-	-	9,155	-	16,375	119
Total deferred inflows of resources	25,092	89	5,265	-	-	9,155	-	16,375	119
FUND BALANCES									
Nonspendable	2,400	-	-	-	764	13,972	-	2,400	-
Restricted	662,899	288,119	100	1,354,412	160,132	452,150	713	446,190	288,380
Committed	-	-	-	-	1,522,866	-	-	-	-
Total fund balances	665,299	288,119	100	1,354,412	1,683,762	466,122	713	448,590	288,380
Total liabilities, deferred inflows of resources, and fund balances	\$ 690,642	\$ 288,208	\$ 5,365	\$ 1,354,412	\$ 1,692,515	\$ 475,277	\$ 713	\$ 465,216	\$ 288,499

(Continued)

**BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017**

	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
ASSETS									
Cash and cash equivalents	\$ 254,712	\$ 100	\$ 911,258	\$ 436,121	\$ 201,841	\$ 222,136	\$ 811,722	\$ 428	\$ 7,058,156
Property taxes receivable	-	3,845	-	-	5,761	-	5,112	-	70,813
Due from other governments	-	-	12,538	198,535	-	38,790	-	-	1,124,945
Accounts receivable	6,956	-	-	37	90	-	-	-	97,379
Inventory, at cost	88,675	-	-	-	-	-	-	-	88,675
Prepaid items	-	-	-	-	-	-	13,972	-	33,508
Total assets	\$ 350,343	\$ 3,945	\$ 923,796	\$ 634,693	\$ 207,692	\$ 260,926	\$ 830,806	\$ 428	\$ 8,473,476
LIABILITIES									
Accounts payable	\$ 721	\$ -	\$ -	\$ 23,126	\$ 170	\$ -	\$ -	\$ -	\$ 33,272
Unearned revenue	70,553	-	-	1,473	-	-	-	-	72,026
Total liabilities	71,274	-	-	24,599	170	-	-	-	105,298
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue - property taxes	-	3,845	-	-	5,761	-	5,112	-	70,813
Total deferred inflows of resources	-	3,845	-	-	5,761	-	5,112	-	70,813
FUND BALANCES									
Nonspendable	88,675	-	-	-	-	-	13,972	-	122,183
Restricted	-	100	923,796	272,305	201,761	-	811,722	428	5,863,207
Committed	190,394	-	-	337,789	-	260,926	-	-	2,311,975
Total fund balances	279,069	100	923,796	610,094	201,761	260,926	825,694	428	8,297,365
Total liabilities, deferred inflows of resources, and fund balances	\$ 350,343	\$ 3,945	\$ 923,796	\$ 634,693	\$ 207,692	\$ 260,926	\$ 830,806	\$ 428	\$ 8,473,476

(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, 2017

	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	\$ 1,054,726	\$ 655	\$ 239,023	\$ -	\$ -	\$ 395,819	\$ -	\$ 666,247	\$ 713
Tuition and fees	2,872	-	-	-	1,120	-	-	2,702	-
Interest	7,125	2,512	877	10,023	1,074	2,635	-	3,182	2,525
Other district revenue	-	-	-	-	1,259,112	-	285	-	-
Gallatin County	243,556	-	-	4,460,468	-	-	-	123,870	-
State of Montana	288,484	-	-	-	1,385,799	173,805	-	144,197	-
Federal	-	-	-	-	2,630,477	-	-	-	-
Total revenues	<u>1,596,763</u>	<u>3,167</u>	<u>239,900</u>	<u>4,470,491</u>	<u>5,277,582</u>	<u>572,259</u>	<u>285</u>	<u>940,198</u>	<u>3,238</u>
Expenditures:									
Current -									
Instruction	-	-	253,054	2,817,490	2,466,062	334,046	-	-	-
Support services	-	-	-	642,638	2,273,332	12,825	-	-	-
General administration	82,582	-	-	194,072	188,590	141,193	-	82,581	-
Building administration	-	-	-	323,490	12,980	2,987	-	-	-
Operations and maintenance	10,429	-	-	210,911	398	5,335	-	10,429	-
Student transportation	1,577,184	-	-	16,598	3,948	-	-	701,634	-
Food services	-	-	-	51	-	-	-	-	-
Extracurricular activities	-	-	-	28,861	65,770	-	-	-	-
Capital outlay	-	-	-	-	5,033	-	-	-	-
Total expenditures	<u>1,670,195</u>	<u>-</u>	<u>253,054</u>	<u>4,234,111</u>	<u>5,016,113</u>	<u>496,386</u>	<u>-</u>	<u>794,644</u>	<u>-</u>
Net change in fund balances	(73,432)	3,167	(13,154)	236,380	261,469	75,873	285	145,554	3,238
Fund balances, beginning 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>
Fund balances, end of year	<u>\$ 665,299</u>	<u>\$ 288,119</u>	<u>\$ 100</u>	<u>\$ 1,354,412</u>	<u>\$ 1,683,762</u>	<u>\$ 466,122</u>	<u>\$ 713</u>	<u>\$ 448,590</u>	<u>\$ 288,380</u>

(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, 2017

	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	\$ -	\$ 167,921	\$ -	\$ -	\$ 231,473	\$ -	\$ 199,073	\$ -	\$ 2,955,650
Tuition and fees	1,386,591	-	-	-	27,238	121,549	-	-	1,542,072
Interest	2,764	130	7,544	2,704	2,008	2,113	6,280	-	53,496
Other district revenue	223	-	-	555,582	4,310	-	-	285	1,819,797
Gallatin County	-	-	2,354,347	-	-	-	-	-	7,182,241
State of Montana	-	-	-	146,498	-	45,120	149,444	-	2,333,347
Federal	475,311	-	-	1,133,268	-	-	-	-	4,239,056
Total revenues	<u>1,864,889</u>	<u>168,051</u>	<u>2,361,891</u>	<u>1,838,052</u>	<u>265,029</u>	<u>168,782</u>	<u>354,797</u>	<u>285</u>	<u>20,125,659</u>
Expenditures:									
Current -									
Instruction	-	168,051	1,357,124	387,488	71,491	118,078	139,635	-	8,112,519
Support services	-	-	242,773	1,089,480	4,596	-	3,726	-	4,269,370
General administration	-	-	136,991	-	2,208	1,831	106,357	-	936,405
Building administration	-	-	163,425	-	181,569	38,065	-	-	722,516
Operations and maintenance	-	-	130,992	-	-	-	-	-	368,494
Student transportation	-	-	4,458	-	-	-	-	-	2,303,822
Food services	1,904,197	-	128,332	-	-	-	-	-	2,032,580
Extracurricular activities	-	-	97,653	281,260	-	-	-	-	473,544
Capital outlay	14,028	-	-	15,410	-	-	-	-	34,471
Total expenditures	<u>1,918,225</u>	<u>168,051</u>	<u>2,261,748</u>	<u>1,773,638</u>	<u>259,864</u>	<u>157,974</u>	<u>249,718</u>	<u>-</u>	<u>19,253,721</u>
Net change in fund balances	(53,336)	-	100,143	64,414	5,165	10,808	105,079	285	871,938
Fund balances, beginning 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>
Fund balances, end of year	<u>\$ 279,069</u>	<u>\$ 100</u>	<u>\$ 923,796</u>	<u>\$ 610,094</u>	<u>\$ 201,761</u>	<u>\$ 260,926</u>	<u>\$ 825,694</u>	<u>\$ 428</u>	<u>\$ 8,297,365</u>

(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, 2017

	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	\$ 1,061,454	\$ 1,054,726	\$ (6,728)	\$ -	\$ 655	\$ 655
Tuition and fees	2,500	2,872	372	-	-	-
Interest	1,500	7,125	5,625	500	2,512	2,012
Gallatin County	282,745	243,556	(39,189)	-	-	-
State of Montana	327,673	288,484	(39,189)	-	-	-
Total revenues	<u>1,675,872</u>	<u>1,596,763</u>	<u>(79,109)</u>	<u>500</u>	<u>3,167</u>	<u>2,667</u>
Expenditures:						
Current -						
General administration	81,829	82,582	(753)	-	-	-
Operations and maintenance	-	10,429	(10,429)	-	-	-
Student transportation	1,930,340	1,577,184	353,156	-	-	-
Capital outlay	-	-	-	285,452	-	285,452
Total expenditures	<u>2,012,169</u>	<u>1,670,195</u>	<u>341,974</u>	<u>285,452</u>	<u>-</u>	<u>285,452</u>
Net change in fund balances	(336,297)	(73,432)	262,865	(284,952)	3,167	288,119
Fund balances, beginning of year	<u>738,731</u>	<u>738,731</u>	<u>-</u>	<u>284,952</u>	<u>284,952</u>	<u>-</u>
Fund balances, end of year	<u>\$ 402,434</u>	<u>\$ 665,299</u>	<u>\$ 262,865</u>	<u>\$ -</u>	<u>\$ 288,119</u>	<u>\$ 288,119</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, 2017

	Elementary Tuition			Elementary Retirement		
	Original and Final Budget	Actual	Variance - Positive (Negative)	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:						
District property taxes	\$ 241,298	\$ 239,023	\$ (2,275)	\$ -	\$ -	\$ -
Interest	-	877	877	1,500	10,023	8,523
Gallatin County	-	-	-	4,460,468	4,460,468	-
Total revenues	<u>241,298</u>	<u>239,900</u>	<u>(1,398)</u>	<u>4,461,968</u>	<u>4,470,491</u>	<u>8,523</u>
Expenditures:						
Current -						
Instruction	254,552	253,054	1,498	3,036,913	2,817,490	219,423
Support services	-	-	-	530,099	642,638	(112,539)
General administration	-	-	-	271,562	194,072	77,490
Building administration	-	-	-	371,071	323,490	47,581
Operations and maintenance	-	-	-	254,355	210,911	43,444
Student transportation	-	-	-	16,740	16,598	142
Food Services	-	-	-	92,071	51	92,020
Extracurricular activities	-	-	-	77,189	28,861	48,328
Total expenditures	<u>254,552</u>	<u>253,054</u>	<u>1,498</u>	<u>4,650,000</u>	<u>4,234,111</u>	<u>415,889</u>
Net change in fund balances	(13,254)	(13,154)	100	(188,032)	236,380	424,412
Fund balances, beginning of year	<u>13,254</u>	<u>13,254</u>	<u>-</u>	<u>1,118,032</u>	<u>1,118,032</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 930,000</u>	<u>\$ 1,354,412</u>	<u>\$ 424,412</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, 2017

	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	\$ 400,138	\$ 395,819	\$ (4,319)	\$ -	\$ -	\$ -
Interest	750	2,635	1,885	-	-	-
Other district revenue	-	-	-	572	285	(287)
State of Montana	173,806	173,805	(1)	-	-	-
Total revenues	<u>574,694</u>	<u>572,259</u>	<u>(2,435)</u>	<u>572</u>	<u>285</u>	<u>(287)</u>
Expenditures:						
Current -						
Instruction	964,943	334,046	630,897	1,000	-	1,000
Support services	-	12,825	(12,825)	-	-	-
General administration	-	141,193	(141,193)	-	-	-
Building administration	-	2,987	(2,987)	-	-	-
Operations and maintenance	-	5,335	(5,335)	-	-	-
Total expenditures	<u>964,943</u>	<u>496,386</u>	<u>468,557</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Net change in fund balances	(390,249)	75,873	466,122	(428)	285	713
Fund balances, beginning of year	<u>390,249</u>	<u>390,249</u>	<u>-</u>	<u>428</u>	<u>428</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 466,122</u>	<u>\$ 466,122</u>	<u>\$ -</u>	<u>\$ 713</u>	<u>\$ 713</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, 2017

	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	\$ 672,765	\$ 666,247	\$ (6,518)	\$ -	\$ 713	\$ 713
Tuition and fees	1,000	2,702	1,702	-	-	-
Interest	500	3,182	2,682	500	2,525	2,025
Gallatin County	145,989	123,870	(22,119)	-	-	-
State of Montana	166,316	144,197	(22,119)	-	-	-
Total revenues	<u>986,570</u>	<u>940,198</u>	<u>(46,372)</u>	<u>500</u>	<u>3,238</u>	<u>2,738</u>
Expenditures:						
Current -						
General administration	81,829	82,581	(752)	-	-	-
Operations and maintenance	-	10,429	(10,429)	-	-	-
Student transportation	992,843	701,634	120,821	-	-	-
Capital outlay	-	-	-	285,642	-	285,642
Total expenditures	<u>1,074,672</u>	<u>794,644</u>	<u>109,640</u>	<u>285,642</u>	<u>-</u>	<u>285,642</u>
Net change in fund balances	(88,102)	145,554	63,268	(285,142)	3,238	288,380
Fund balances, beginning of year	<u>303,036</u>	<u>303,036</u>	<u>-</u>	<u>285,142</u>	<u>285,142</u>	<u>-</u>
Fund balances, end of year	<u>\$ 214,934</u>	<u>\$ 448,590</u>	<u>\$ 63,268</u>	<u>\$ -</u>	<u>\$ 288,380</u>	<u>\$ 288,380</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, 2017

	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	\$ 169,842	\$ 167,921	\$ (1,921)	\$ -	\$ -	\$ -
Interest	-	130	130	2,000	7,544	5,544
Gallatin County	-	-	-	2,354,347	2,354,347	-
Total revenues	<u>169,842</u>	<u>168,051</u>	<u>(1,791)</u>	<u>2,356,347</u>	<u>2,361,891</u>	<u>5,544</u>
Expenditures:						
Current -						
Instruction	169,942	168,051	1,891	1,730,713	1,357,124	373,589
Support services	-	-	-	302,099	242,773	59,326
General administration	-	-	-	154,762	136,991	17,771
Building administration	-	-	-	211,471	163,425	48,046
Operations and maintenance	-	-	-	144,955	130,992	13,963
Student transportation	-	-	-	9,540	4,458	5,082
Food services	-	-	-	52,471	128,332	(75,861)
Extracurricular activities	-	-	-	43,989	97,653	(53,664)
Total expenditures	<u>169,942</u>	<u>168,051</u>	<u>1,891</u>	<u>2,650,000</u>	<u>2,261,748</u>	<u>388,252</u>
Net change in fund balances	(100)	-	100	(293,653)	100,143	393,796
Fund balances, beginning of year	<u>100</u>	<u>100</u>	<u>-</u>	<u>823,653</u>	<u>823,653</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 530,000</u>	<u>\$ 923,796</u>	<u>\$ 393,796</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, 2017

	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	\$ 233,778	\$ 231,473	\$ (2,305)	\$ 200,000	\$ 199,073	\$ (927)
Tuition and fees	27,500	27,238	(262)	-	-	-
Interest	500	2,008	1,508	1,500	6,280	4,780
Other district revenue	-	4,310	4,310	-	-	-
State of Montana	-	-	-	149,444	149,444	-
Total revenues	<u>261,778</u>	<u>265,029</u>	<u>3,251</u>	<u>350,944</u>	<u>354,797</u>	<u>3,853</u>
Expenditures:						
Current -						
Instruction	93,833	71,491	22,342	1,071,559	139,635	931,924
Support services	5,330	4,596	734	-	3,726	(3,726)
General administration	2,500	2,208	292	-	106,357	(106,357)
Building administration	237,874	181,569	56,305	-	-	-
Total expenditures	<u>339,537</u>	<u>259,864</u>	<u>79,673</u>	<u>1,071,559</u>	<u>249,718</u>	<u>821,841</u>
Net change in fund balances	(77,759)	5,165	82,924	(720,615)	105,079	825,694
Fund balances, beginning of year	<u>196,596</u>	<u>196,596</u>	<u>-</u>	<u>720,615</u>	<u>720,615</u>	<u>-</u>
Fund balances, end of year	<u>\$ 118,837</u>	<u>\$ 201,761</u>	<u>\$ 82,924</u>	<u>\$ -</u>	<u>\$ 825,694</u>	<u>\$ 825,694</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, 2017

	High School Flexibility		
	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other district revenue	\$ 607	\$ 285	\$ (322)
Total revenues	<u>607</u>	<u>285</u>	<u>(322)</u>
Expenditures:			
Current -			
Instruction	750	-	750
Total expenditures	<u>750</u>	<u>-</u>	<u>750</u>
Net change in fund balances	(143)	285	428
Fund balances, beginning of year	<u>143</u>	<u>143</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ -</u></u>	<u><u>\$ 428</u></u>	<u><u>\$ 428</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, 2017**

	Elementary Debt Service	High School Debt Service	Totals
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,106,318	\$ 90,725	\$ 1,197,043
Property taxes receivable	129,280	72,215	201,495
Due from other governments	474,850	-	474,850
Total assets	\$ 1,710,448	\$ 162,940	\$ 1,873,388
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue - property taxes	\$ 129,280	\$ 72,215	\$ 201,495
Total deferred inflows of resources	129,280	72,215	201,495
<u>FUND BALANCE</u>			
Restricted	1,581,168	90,725	1,671,893
Total fund balance	1,581,168	90,725	1,671,893
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,710,448	\$ 162,940	\$ 1,873,388

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, 2017

	Elementary Debt Service	High School Debt Service	Totals
Revenues:			
District property taxes	\$ 5,557,785	\$ 2,853,403	\$ 8,411,188
Interest	13,446	7,762	21,208
Other district revenue	474,850	-	474,850
Total revenues	<u>6,046,081</u>	<u>2,861,165</u>	<u>8,907,246</u>
Expenditures:			
Debt service -			
Principal retirement	3,775,000	2,000,000	5,775,000
Interest and fiscal charges	2,306,735	800,374	3,107,109
Bond issuance costs	47,636	54,178	101,814
Total expenditures	<u>6,129,371</u>	<u>2,854,552</u>	<u>8,983,923</u>
Excess (deficiency) of revenues over expenditures	<u>(83,290)</u>	<u>6,613</u>	<u>(76,677)</u>
Other financing sources (uses):			
Transfers in	1,082,176	-	1,082,176
Advance refunding bonds issued	4,610,000	5,900,000	10,510,000
Premium on advance refunding bonds issued	318,880	257,438	576,318
Payments to refunded bond escrow agent	(4,875,993)	(6,098,305)	(10,974,298)
Total other financing sources (uses)	<u>1,135,063</u>	<u>59,133</u>	<u>1,194,196</u>
Net changes in fund balances	1,051,773	65,746	1,117,519
Fund balances, beginning of year	<u>529,395</u>	<u>24,979</u>	<u>554,374</u>
Fund balances, end of year	<u>\$ 1,581,168</u>	<u>\$ 90,725</u>	<u>\$ 1,671,893</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, 2017

	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	\$ 5,641,087	\$ 5,557,785	\$ (83,302)	\$ 2,877,147	\$ 2,853,403	\$ (23,744)
Interest	4,000	13,446	9,446	3,000	7,762	4,762
Other district revenue	-	474,850	474,850	-	-	-
Total revenues	<u>5,645,087</u>	<u>6,046,081</u>	<u>400,994</u>	<u>2,880,147</u>	<u>2,861,165</u>	<u>(18,982)</u>
Expenditures:						
Debt service -						
Principal retirement	3,775,000	3,775,000	-	2,000,000	2,000,000	-
Interest and fiscal charges	2,399,482	2,306,735	92,747	905,126	800,374	104,752
Bond issuance costs	-	47,636	(47,636)	-	54,178	(54,178)
Total expenditures	<u>6,174,482</u>	<u>6,129,371</u>	<u>45,111</u>	<u>2,905,126</u>	<u>2,854,552</u>	<u>50,574</u>
Excess (deficiency) of revenues over expenditures	(529,395)	(83,290)	446,105	(24,979)	6,613	31,592
Other financing sources (uses):						
Transfers in	-	1,082,176	1,082,176	-	-	-
Advance refunding bonds issued	-	4,610,000	4,610,000	-	5,900,000	5,900,000
Premium on advance refunding bonds issued	-	318,880	318,880	-	257,438	257,438
Payments to refunded bond escrow agent	-	(4,875,993)	(4,875,993)	-	(6,098,305)	(6,098,305)
Total other financing sources (uses)	<u>-</u>	<u>1,135,063</u>	<u>1,135,063</u>	<u>-</u>	<u>59,133</u>	<u>59,133</u>
Net changes in fund balances	(529,395)	1,051,773	1,581,168	(24,979)	65,746	90,725
Fund balances, beginning of year	<u>529,395</u>	<u>529,395</u>	<u>-</u>	<u>24,979</u>	<u>24,979</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 1,581,168</u>	<u>\$ 1,581,168</u>	<u>\$ -</u>	<u>\$ 90,725</u>	<u>\$ 90,725</u>

Nonmajor and Major Capital Projects Funds

Budgeted:

Nonmajor –

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

Major -

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

**BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUND
JUNE 30, 2017**

	Elementary Building Reserve
<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,772,556
Property taxes receivable	35,651
Due from other governments	61,586
Total assets	\$ 1,869,793
 <u>LIABILITIES</u>	
Accounts payable	\$ 40,033
Retainages payable	5,575
Total liabilities	45,608
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Unavailable revenue - property taxes	35,651
Total deferred inflows of resources	35,651
 <u>FUND BALANCES</u>	
Restricted	1,788,534
Total fund balances	1,788,534
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,869,793

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Elementary Building Reserve
Revenues:	
District property taxes	\$ 1,485,859
Interest	13,153
Other district revenue	2,000
Total revenues	1,501,012
Expenditures:	
Current -	
Instruction	28,470
Building administration	7,141
Operations and maintenance	498,011
Capital outlay	643,160
Total expenditures	1,176,782
Net changes in fund balances	324,230
Fund balances, beginning of year	1,464,304
Fund balances, end of year	\$ 1,788,534

BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR AND MAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Nonmajor Fund			Major Fund		
	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	\$ 1,485,859	\$ (14,141)	\$ 1,650,000	\$ 1,633,619	\$ (16,381)
Interest	7,500	13,153	5,653	12,500	23,772	11,272
Other district revenue		2,000	2,000	-	-	-
Total revenues	<u>1,507,500</u>	<u>1,501,012</u>	<u>(6,488)</u>	<u>1,662,500</u>	<u>1,657,391</u>	<u>(5,109)</u>
Expenditures:						
Current -						
Instruction	-	28,470	(28,470)	-	26,742	(26,742)
Support services	-	-	-	-	-	-
Building administration	-	7,141	(7,141)	4,097,479	-	4,097,479
Operations and maintenance	2,971,804	498,011	2,473,793	-	292,849	(292,849)
Capital outlay	-	643,160	(643,160)	-	464,570	(464,570)
Debt service -						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>2,971,804</u>	<u>1,176,782</u>	<u>1,795,022</u>	<u>4,097,479</u>	<u>784,161</u>	<u>3,313,318</u>
Net change in fund balances	(1,464,304)	324,230	1,788,534	(2,434,979)	873,230	3,308,209
Fund balances, beginning of year	1,464,304	1,464,304	-	2,434,979	2,434,979	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ 1,788,534</u>	<u>\$ 1,788,534</u>	<u>\$ -</u>	<u>\$ 3,308,209</u>	<u>\$ 3,308,209</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, 2017

	Purchasing	Self-Insurance	Totals
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 367,469	\$ 3,361,628	\$ 3,729,097
Accounts receivable	107	47,994	48,101
Inventory, at cost	1,509	-	1,509
Flexible accounts deposit	-	36,056	36,056
Total current assets	369,085	3,445,678	3,814,763
Noncurrent assets:			
Capital assets:			
Machinery and equipment	241,884	24,930	266,814
Less accumulated depreciation	(228,170)	(20,775)	(248,945)
Net capital assets	13,714	4,155	17,869
Total assets	382,799	3,449,833	3,832,632
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Contribution to pension plans in current fiscal year	-	20,912	20,912
Total deferred outflows of resources	-	20,912	20,912
Total asset and deferred outflows of resources	\$ 382,799	\$ 3,470,745	\$ 3,853,544
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 1,521	\$ 727,725	\$ 729,246
Unearned revenue	-	1,155,219	1,155,219
Total current liabilities	1,521	1,882,944	1,884,465
Noncurrent liabilities:			
Net pension liability	-	129,332	129,332
Other postemployment health benefits	-	807,115	807,115
Total noncurrent liabilities	-	936,447	936,447
Total liabilities	1,521	2,819,391	2,820,912
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension deferrals	-	2,720	2,720
Total deferred inflows of resources	-	2,720	2,720
<u>NET POSITION</u>			
Net investment in capital assets	13,714	4,155	17,869
Unrestricted	367,564	644,479	1,012,043
Total net position	381,278	648,634	1,029,912
Total liabilities, deferred inflows of resources, and net position	\$ 382,799	\$ 3,470,745	\$ 3,853,544

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, 2017

	Purchasing	Self-Insurance	Totals
Operating revenues:			
Charges for services	\$ 201,297	\$ 7,323,206	\$ 7,524,503
Charges for Wellness services	-	102,781	102,781
State on-behalf pension	-	2,772	2,772
Total operating revenues	<u>201,297</u>	<u>7,428,759</u>	<u>7,630,056</u>
Operating expenses:			
Administrative expenses	-	298,483	298,483
Communications	25,049	3,011	28,060
Contracted Medicare supplement	-	211,797	211,797
Depreciation	5,827	8,310	14,137
Excess risk insurance	-	418,495	418,495
Facilities and equipment rental	85,493	-	85,493
Health, dental and vision claims	-	6,375,909	6,375,909
Materials and supplies	623	-	623
Minor equipment	4,237	-	4,237
Minor technology equipment	1,926	-	1,926
Other expenses	996	-	996
Other postemployment health benefits	-	219,587	219,587
Repairs and maintenance	43,016	22,364	65,380
Salaries and benefits	-	77,279	77,279
Wellness	-	334,591	334,591
Total operating expenses	<u>167,167</u>	<u>7,969,826</u>	<u>8,136,993</u>
Operating income (loss)	<u>34,130</u>	<u>(541,067)</u>	<u>(506,937)</u>
Nonoperating revenues (expenses):			
Interest	3,426	24,535	27,961
Total nonoperating revenues (expenses)	<u>3,426</u>	<u>24,535</u>	<u>27,961</u>
Change in net position	37,556	(516,532)	(478,976)
Net position, beginning of year	<u>343,722</u>	<u>1,165,166</u>	<u>1,508,888</u>
Net position, end of year	<u>\$ 381,278</u>	<u>\$ 648,634</u>	<u>\$ 1,029,912</u>

BOZEMAN SCHOOL DISTRICT NO. 7
COMBINING STATEMENT OF CASH FLOWS - ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Purchasing	Self-Insurance	Totals
Cash flows from operating activities:			
Receipts from users	\$ 201,190	\$ 7,538,931	\$ 7,740,121
Payments for insurance claims	-	(6,375,909)	(6,375,909)
Payments to employees	-	(77,279)	(77,279)
Payments to suppliers	(170,541)	(1,212,440)	(1,382,981)
Net cash provided (used) by operating activities	<u>30,649</u>	<u>(126,697)</u>	<u>(96,048)</u>
Cash flows from investing activities:			
Interest received	3,426	24,535	27,961
Net cash provided (used) by investing activities	<u>3,426</u>	<u>24,535</u>	<u>27,961</u>
Net increase (decrease) in cash and cash equivalents	34,075	(102,162)	(68,087)
Cash and cash equivalents - 7/01/16	<u>333,394</u>	<u>3,463,790</u>	<u>3,797,184</u>
Cash and cash equivalents - 6/30/17	<u>\$ 367,469</u>	<u>\$ 3,361,628</u>	<u>\$ 3,729,097</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 34,130	\$ (541,067)	\$ (506,937)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	5,827	8,310	14,137
(Increase) decrease in accounts receivable	(107)	11,041	10,934
(Increase) decrease in inventories	299	-	299
(Increase) decrease in prepaid items	-	50	50
Increase (decrease) in accounts payable	(9,500)	53,618	44,118
Increase (decrease) in other postemployment benefits	-	219,587	219,587
Net increase (decrease) in pension related deferred inflows, deferred outflows and net pension liability	-	22,633	22,633
Increase (decrease) in unearned insurance premiums	-	99,131	99,131
Total adjustments	<u>(3,481)</u>	<u>414,370</u>	<u>410,889</u>
Net cash provided (used) by operating activities	<u>\$ 30,649</u>	<u>\$ (126,697)</u>	<u>\$ (96,048)</u>

Fiduciary Funds

Private-Purpose Trust Funds:

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

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

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

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

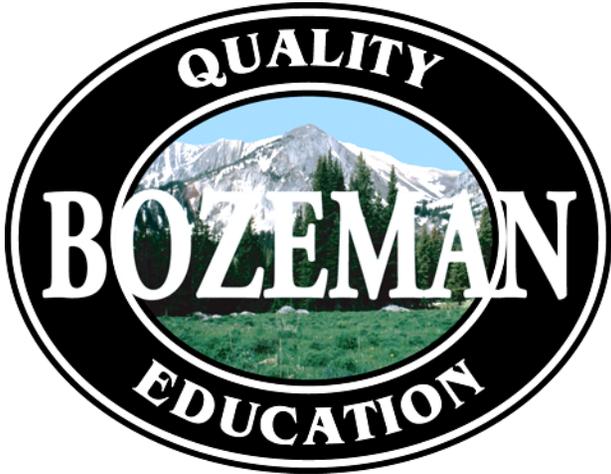
High School Interlocal Agreements - To account for revenue and expenditures involved with entities that have an interlocal or multi-district agreement with the High School District. Currently, this fund accounts for the online educating of students enrolled in the Montana Digital Academy, educating of dual-enrolled high school students receiving MSU Gallatin College course credits, a 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, 2017

	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	\$ 99,184	\$ 289,702	\$ 25,633	\$ 2,547	\$ 3,955,025	\$ 4,372,091
Investments	-	-	-	726,375	-	726,375
Land	-	-	-	-	1,112,046	1,112,046
Total assets	<u>99,184</u>	<u>289,702</u>	<u>25,633</u>	<u>728,922</u>	<u>5,067,071</u>	<u>6,210,512</u>
<u>NET POSITION</u>						
Net position held in trust	<u>\$ 99,184</u>	<u>\$ 289,702</u>	<u>\$ 25,633</u>	<u>\$ 728,922</u>	<u>\$ 5,067,071</u>	<u>\$ 6,210,512</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, 2017

	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	\$ -	\$ -	\$ -	\$ -	\$ 1,329,861	\$ 1,329,861
Extracurricular receipts and fees	233,791	846,248	-	-	-	1,080,039
Other trust revenue	-	-	-	-	3,355	3,355
State of Montana	-	-	-	-	60,650	60,650
	<u>233,791</u>	<u>846,248</u>	<u>-</u>	<u>-</u>	<u>1,393,866</u>	<u>2,473,905</u>
Total noninvestment trust additions						
Investment earnings:						
Interest	-	-	-	66,137	25,454	91,591
	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,137</u>	<u>25,454</u>	<u>91,591</u>
Total additions	<u>233,791</u>	<u>846,248</u>	<u>-</u>	<u>66,137</u>	<u>1,419,320</u>	<u>2,565,496</u>
Deductions:						
Administrative expenses	-	-	-	-	10,564	10,564
Salaries and benefits	-	-	-	-	62,693	62,693
Instruction	-	-	4,881	-	166,209	171,090
Extracurricular activities	237,097	762,436	-	-	-	999,533
Professional contracted services	-	-	-	-	79,495	79,495
Purchased property services	-	-	-	-	4,999	4,999
Total deductions	<u>237,097</u>	<u>762,436</u>	<u>4,881</u>	<u>-</u>	<u>323,960</u>	<u>1,328,374</u>
Changes in net position	(3,306)	83,812	(4,881)	66,137	1,095,360	1,237,122
Net position, beginning of year	<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>
Net position, end of year	<u>\$ 99,184</u>	<u>\$ 289,702</u>	<u>\$ 25,633</u>	<u>\$ 728,922</u>	<u>\$ 5,067,071</u>	<u>\$ 6,210,512</u>



CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

BOZEMAN SCHOOL DISTRICT NO. 7
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE¹
JUNE 30, 2017

	<u>2017</u>	<u>2016</u>
<u>Governmental funds capital assets:</u>		
Land and improvements	\$ 21,319,696	\$ 20,876,523
Buildings and improvements	137,101,424	136,618,683
Machinery and equipment	5,569,948	5,451,878
Construction in progress	18,452,062	2,553,27
	<u>182,443,130</u>	<u>165,500,411</u>
<u>Investments in governmental funds assets by source:</u>		
General fund	\$ 14,316,625	\$ 14,316,625
Special revenue funds	7,168,351	7,210,352
Capital projects funds	160,171,340	143,254,120
Donations	786,814	719,314
	<u>182,443,130</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 BY FUNCTION AND ACTIVITY¹
AS OF JUNE 30, 2017

<u>Function and Activity</u>	<u>Land and Improvements</u>	<u>Buildings and Improvements</u>	<u>Machinery and Equipment</u>	<u>Construction In Progress</u>	<u>Total</u>
Instruction	\$ -	\$ -	\$ 1,528,278	\$ -	\$ 1,528,278
Support services	-	-	326,266	-	326,266
General administration	-	-	781,305	-	781,305
Operations and maintenance	-	-	1,157,947	-	1,157,947
Student transportation	-	-	12,745	-	12,745
Food service	-	-	1,577,982	-	1,577,982
Extracurricular activities	-	-	185,425	-	185,425
Facilities – capital outlay	<u>21,319,696</u>	<u>137,101,424</u>	<u>-</u>	<u>18,452,062</u>	<u>176,873,182</u>
Total governmental funds capital assets	<u>\$ 21,319,696</u>	<u>\$ 137,101,424</u>	<u>\$ 5,569,948</u>	<u>\$ 18,452,062</u>	<u>\$ 182,443,130</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, 2017

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Governmental Funds Capital Assets June 30, 2017</u>
Instruction	\$ 1,532,216	\$ 72,534	\$ (76,472)	\$ 1,528,278
Support services	248,858	77,408	-	326,266
General administration	781,305	-	-	781,305
Operations and maintenance	1,127,375	30,572	-	1,157,947
Student transportation	12,745	-	-	12,745
Food service	1,563,954	14,028	-	1,577,982
Extracurricular activities	185,425	-	-	185,425
Facilities – capital outlay	<u>160,048,533</u>	<u>17,159,332</u>	<u>(334,683)</u>	<u>176,873,182</u>
Total governmental funds capital assets	<u>\$ 165,500,411</u>	<u>\$ 17,353,874</u>	<u>\$ (411,155)</u>	<u>\$ 182,443,130</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
CHIEF JOSEPH MIDDLE SCHOOL STUDENT EXTRACURRICULAR FUND
ACTIVITY DETAIL
YEAR ENDED JUNE 30, 2017

Activity	Net Position at 7/01/16	Additions	Deductions	Net Position at 6/30/17
Computer Club	\$ 33.00	\$ -	\$ -	\$ 33.00
Pennies for Past	290.96	2,574.00	2,600.00	264.96
Lego Robotics	408.71	-	-	408.71
Art Club	428.54	546.60	115.70	859.44
Foreign Language Club	586.85	56.00	-	642.85
Foreign Language Scholarships	-	-	-	-
Yearbook	6,444.17	3,822.00	6,259.83	4,006.34
Drama Club	1,310.01	1,490.00	1,066.74	1,733.27
One Million Ways	275.77	-	-	275.77
Music	14,591.68	66,976.28	66,245.01	15,322.95
CJ Rocks	38.04	-	-	38.04
Breakfast Club	200.00	250.00	-	450.00
Horizons	1,856.35	781.00	410.65	2,226.70
MBI	6,041.83	106.00	5,525.08	622.75
Leo	1,205.92	1,887.30	1,055.66	2,037.56
Forensics	0.01	-	-	0.01
Knitting Corner	329.91	1,840.04	1,885.49	284.46
After School Club	128.04	-	-	128.04
Peer Mediation	944.02	594.80	247.54	1,291.28
Student Aid	4,348.60	-	1,243.43	3,105.17
Student Council - 6th Grade	3,670.02	1,841.68	3,076.34	2,435.36
Student Council - 7th Grade	2,612.57	2,277.66	1,626.15	3,264.08
Student Council - 8th Grade	1,027.56	3,651.91	1,690.79	2,988.68
Student Projects	781.07	5,279.28	5,810.75	249.60
Team 6A	1,151.08	6,175.05	5,187.41	2,138.72
Team 6B	2,514.67	8,298.00	8,407.72	2,404.95
Team 7A	5,439.66	3,612.00	5,304.17	3,747.49
Team 7B	1,102.09	5,097.00	5,175.58	1,023.51
Team 8A	2,255.63	7,292.00	6,677.60	2,870.03
Team 8B	1,532.05	6,929.89	7,634.60	827.34
Science Club - Pierce	129.77	-	-	129.77
Science Club - Johaneson	115.97	-	-	115.97
Science Club - McCabe/Woidtke	250.00	-	-	250.00
Science Club - Hannula	63.53	-	-	63.53
Science Club - Ham Radio	-	-	-	-
Tech. Ed Club - Mathews	605.76	121.00	204.20	522.56
Bird/Science	2,442.38	4,255.00	4,246.75	2,450.63
Friends of Reading Club	2,708.68	1,458.03	377.72	3,788.99
Total	\$ 67,864.90	\$ 137,212.52	\$ 142,074.91	\$ 63,002.51

BOZEMAN SCHOOL DISTRICT NO. 7
SACAJAWEA MIDDLE SCHOOL STUDENT EXTRACURRICULAR FUND
ACTIVITY DETAIL
YEAR ENDED JUNE 30, 2017

Activity	Net Position at 7/01/16	Additions	Deductions	Net Position at 6/30/17
Drama Club	\$ 114.38	\$ 325.00	\$ 175.92	\$ 263.46
Newspaper	42.00	-	-	42.00
Computer Club	80.75	-	-	80.75
Knitting Club	196.41	-	-	196.41
Lego Robotics	347.50	-	-	347.50
Photo Lab Club	360.37	800.00	716.01	444.36
Foreign Language	1,980.66	25.00	-	2,005.66
Humanitarian Club	40.00	1,621.81	222.48	1,439.33
MBI	464.06	1,044.75	566.80	942.01
Peer Mediation	1,707.49	281.00	350.96	1,637.53
Art Club	813.69	-	-	813.69
Student Aid	2,728.35	460.85	2,633.48	555.72
Yearbook	2,020.28	8,500.00	8,425.56	2,094.72
Student Council	5,615.06	11,529.11	13,138.20	4,005.97
Select Choir	1,055.41	12,305.80	12,165.10	1,196.11
Eclectic String Orchestra	-	1,042.50	781.00	261.50
6A Team	2,285.86	9,895.00	10,169.51	2,011.35
6B Team	1,573.48	9,765.00	8,515.47	2,823.01
7A Team	1,427.82	7,789.00	5,425.57	3,791.25
7B Team	1,904.16	4,177.00	4,214.62	1,866.54
8A Team	4,140.36	7,135.00	6,633.06	4,642.30
8B Team	1,178.92	9,171.00	9,008.73	1,341.19
Outdoor Club	31.89	1,160.25	836.57	355.57
Science Olympiad Club	2,055.85	-	-	2,055.85
Science Club	219.90	600.00	801.87	18.03
Book Buddy	2,230.27	8,950.00	10,241.20	939.07
Maintenance Account	10.63	-	-	10.63
Total	\$ 34,625.55	\$ 96,578.07	\$ 95,022.11	\$ 36,181.51

BOZEMAN SCHOOL DISTRICT NO. 7
HIGH SCHOOL STUDENT EXTRACURRICULAR FUND
ACTIVITY DETAIL
YEAR ENDED JUNE 30, 2017

Activity	Net Position at 7/01/16	Additions	Deductions	Net Position at 6/30/17
Backboard BB-Ball	\$ 2,235.66	\$ 74,113.84	\$ 73,580.18	\$ 2,769.32
Cheerleading	2,445.01	13,122.00	14,044.07	1,522.94
Dance Club	-	2,249.00	1,573.21	675.79
Fastpitch	4,821.29	10,137.00	8,750.78	6,207.51
Football Club	3,029.10	33,846.12	30,517.18	6,358.04
Golf Club	8,398.27	12,076.00	13,789.94	6,684.33
Hawk Stat Crew	528.30	-	351.92	176.38
Lady Hawk B-Ball	5,341.30	57,142.91	44,143.80	18,340.41
Soccer - Boys	14,755.96	15,801.78	19,089.14	11,468.60
Soccer - Girls	7,544.11	12,194.50	10,463.69	9,274.92
Speech Club	16,024.66	63,925.42	37,718.26	42,231.82
Spikers VB	1,611.94	8,408.00	4,985.27	5,034.67
Swimming	678.61	1,470.48	1,594.37	554.72
Tennis	3,816.54	7,478.45	4,369.25	6,925.74
Track Club	8,953.51	24,863.00	24,637.12	9,179.39
Wrestling Club	1,981.41	13,019.10	14,457.17	543.34
Cross Country Club	7,542.57	29,953.26	23,605.61	13,890.22
Business Professionals	217.32	-	-	217.32
Cad Club	1,314.82	2,867.00	3,053.83	1,127.99
Construction Club	604.23	811.00	668.58	746.65
Deca	11,017.22	58,881.23	59,231.04	10,667.41
Photo Club	-	2,615.00	2,070.06	544.94
Jewelry Guild Club	840.79	2,550.00	2,522.78	868.01
Pro Start Club	3,301.81	11,438.18	9,136.72	5,603.27
Robotics Club	3,171.35	-	1,360.27	1,811.08
Shop Fund Club	-	3,500.00	-	3,500.00
Skills USA	80.01	2,799.25	1,472.86	1,406.40
Art Club	4,745.24	3,476.00	2,834.55	5,386.69
Drama Club	2,764.53	11,803.00	11,681.00	2,886.53
Costa Rica Science Trip Fund	44.95	31,720.39	31,735.34	30.00
FCCLA	102.46	40.00	100.00	42.46
French Club	844.48	50.00	104.73	789.75
German Club	(1,883.20)	5,655.25	2,654.40	1,117.65
Galapagos Club	4.09	-	-	4.09
HOSA	658.10	19,864.81	17,917.33	2,605.58
Total	\$ 117,536.44	\$ 537,871.97	\$ 474,214.45	\$ 181,193.96

(Continued)

BOZEMAN SCHOOL DISTRICT NO. 7
HIGH SCHOOL STUDENT EXTRACURRICULAR FUND
ACTIVITY DETAIL
YEAR ENDED JUNE 30, 2017

Activity	Net Position at 7/01/16	Additions	Deductions	Net Position at 6/30/17
Latin Club	\$ 3,195.30	\$ 342.58	\$ 1,451.78	\$ 2,086.10
MUN Club	802.31	300.00	621.40	480.91
Native American Club	199.66	151.05	316.91	33.80
Project Excel	2,929.26	1,127.11	627.11	3,429.26
Science Olympiad	544.34	-	325.00	219.34
Spanish Club	429.02	126.20	-	555.22
Youth Leg. Club	131.01	4,878.57	4,272.10	737.48
Wildlife Biology Club	392.32	115.00	155.34	351.98
Cap & Gowns	120.27	-	-	120.27
Class of 2017	7,904.68	6,262.18	14,166.86	-
Class of 2018	-	13,506.19	-	13,506.19
Girls & Boys State	-	300.00	300.00	-
Prom	1,000.00	14,867.50	14,867.50	1,000.00
Student Council	19,782.88	16,594.84	16,135.53	20,242.19
Bridger Alternative	1,428.46	-	164.62	1,263.84
MTI	1,396.43	-	-	1,396.43
Amnesty International	674.28	-	-	674.28
The B Club	361.17	-	-	361.17
Key Club	1,588.88	545.00	204.61	1,929.27
Leo Club	1,943.74	3,708.15	3,694.47	1,957.42
National Honor Society	1,374.18	2,237.75	935.00	2,676.93
Project X2	867.08	4,507.08	1,230.10	4,144.06
Recycle	101.19	-	-	101.19
Special Ed Concessions	6,306.98	1,879.75	2,426.14	5,760.59
SAGA	200.50	-	-	200.50
Interact Club	1,519.11	2,532.79	2,858.21	1,193.69
Band	5,076.05	138,707.25	142,569.69	1,213.61
Choir	6,154.20	24,335.64	29,802.79	687.05
Orchestra	12,115.70	40,840.66	37,466.00	15,490.36
Aerie	5,990.57	23,158.00	5,068.07	24,080.50
Hawk Tawk	550.41	4,100.00	4,413.54	236.87
Hawk TV Club	970.80	2,815.67	3,073.02	713.45
Scribblings	457.29	-	-	457.29
General	1,845.13	436.84	1,075.61	1,206.36
Total	<u>\$ 205,889.64</u>	<u>\$ 846,247.77</u>	<u>\$ 762,435.85</u>	<u>\$ 289,701.56</u>

(Concluded)

**BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF ENROLLMENT
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Enrollment</u>	<u>As Reported</u>	<u>Audit Per District Records</u>	<u>Difference</u>
Fall Enrollment - October 3, 2016			
Elementary School District			
Pre K-6:			
(a.) Pre-Kindergarten *	28	28	0
(b.) Kindergarten	552	552	0
(c.) Grades 1 - 6	3094	3094	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	978	978	0
(f.) Part-Time (number of part-time students included on line e above)	2	2	0
(g.) Total (add lines a, b, c and e)	<u>4652</u>	<u>4652</u>	<u>0</u>
High School District			
9-12:			
(h.) Grades 9-12	<u>2118</u>	<u>2118</u>	<u>0</u>
(i.) Part-Time (number of part-time students included on line h above)	16	16	0
(j.) 19 year-olds included on line h	0	0	0
(k.) Montana Youth Challenge Academy and Job Corps students included on line h	3	3	0
Spring Enrollment - February 6, 2017			
Elementary School District			
Pre K-6:			
(l.) Pre-Kindergarten *	28	28	0
(m.) Kindergarten	557	557	0
(n.) Grades 1 - 6	3090	3090	0
(o.) Part-Time (number of part-time students included on line l and m above)	4	4	0
7-8:			
(p.) Grade 7-8	985	985	0
(q.) Part-Time (number of part-time students included on line o above)	1	1	0
(r.) Total (add lines k, l, m and o)	<u>4660</u>	<u>4660</u>	<u>0</u>
High School District			
9-12:			
(s.) Grades 9-12	<u>2094</u>	<u>2094</u>	<u>0</u>
(t.) Part-Time (number of part-time students included on line r above)	26	26	0
(u.) 19 year-olds included on line r	0	0	0
(v.) Early Graduates	14	14	0
(w.) Montana Youth Challenge Academy students included on line s	6	6	0

* The Pre-Kindergarten amounts above are not required to be audited. The amount listed is the official Special Education Pre-K Child Count from October 2016.

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	150
These schedules contain trend information to help the reader understand how the District's financial performance and position have changed over time.	
Revenue Capacity	155
These schedules contain information to help the reader assess the District's most significant local revenue source – the property tax.	
Debt Capacity	162
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	166
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	168
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>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>	<u>2017</u>
Governmental activities:										
Net investment in capital assets	\$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	\$52,358,871
Restricted	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	14,626,706
Unrestricted	<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>	<u>(37,468,356)</u>
Total governmental activities net position	<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>	<u>\$29,517,221</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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Instruction	\$ 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	\$ 42,124,323
Support services	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	10,761,333
General administration	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	3,672,373
Building administration	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	4,286,364
Operations and maintenance	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	6,246,085
Student transportation	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	2,319,235
Food services	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	2,179,268
Extracurricular activities	941,072	915,870	911,863	928,880	897,486	932,725	1,170,210	1,507,974	1,465,920	1,560,728
Unallocated depreciation	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	4,056,661
Interest and fiscal charges	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	2,898,000
Total governmental activities expenses	\$ 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	\$ 80,104,370
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction	\$ 618,855	\$ 620,755	\$ 753,021	\$ 749,691	\$ 707,919	\$ 835,292	\$ 859,372	\$ 700,800	\$ 710,250	\$ 688,342
Food services	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	1,402,986
Other functional activities	531,477	543,383	704,901	782,544	949,140	684,405	711,686	1,025,050	798,034	1,242,787
Operating grants and contributions	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	10,572,999
Capital grants and contributions	1,112,116	307,076	1,001,944	537,755	934,990	2,216,427	27,358	2,326,971	133,064	231,315
Total governmental activities program revenues	\$ 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	\$ 14,138,429
Total governmental activities net expense	\$ (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)	\$ (65,965,941)
General Revenues and Transfers										
Governmental activities:										
General Revenues:										
District property taxes	\$ 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	\$ 33,008,907
Investment earnings	2,023,195	1,437,886	404,319	212,450	196,015	173,809	164,158	171,422	228,192	378,296
Unrestricted county distribution - retirement	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	6,814,815
Unrestricted state equalization	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	18,795,297
Unrestricted state guaranteed tax base subsidy	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	4,201,145
Unrestricted state motor vehicle fee reimbursement	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	1,969,511
Unrestricted state quality educator	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	1,489,151
Unrestricted state on-behalf pension	-	-	-	-	-	-	-	1,571,377	1,622,924	2,277,460
Unrestricted other state revenue	202,718	184,689	85,836	86,488	183,766	438,003	256,841	754,681	582,126	718,249
Gain(loss) on sale of capital assets	1,282	(1,042,207)	-	-	-	-	-	-	(28,781)	-
Transfers	-	-	-	-	-	-	(2,006,200)	-	-	-
Total governmental activities general revenues and transfers	\$ 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	\$ 69,652,831
Change in Net Position										
Governmental activities	\$ 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	\$ 3,686,890

Table 3

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

	<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>	<u>2017</u>
General fund										
Reserved	\$ 68,169	\$ 101,278	\$ 339,845							
Unreserved	1,617,590	2,269,075	1,621,285							
Nonspendable				\$ 4,388	\$ 4,623	\$ 5,421	\$ 36,085	\$ 8,986	\$ 7,729	\$ 54,643
Restricted				-	-	-	-	-	-	-
Committed				-	-	-	-	-	-	-
Assigned				429,580	365,306	465,196	353,134	443,846	291,534	347,273
Unassigned				2,341,289	2,504,519	2,926,355	3,109,044	4,244,719	4,569,984	4,651,098
Total general fund	<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>	<u>\$ 5,053,014</u>
All other governmental funds										
Reserved	\$ (236,463)	\$ (80,945)	\$ 1,007,568							
Unreserved, reported in:										
Special revenue funds	6,409,696	6,549,846	6,884,962							
Capital projects funds	50,993,882	22,218,476	8,820,311							
Nonspendable				\$ 28,589	\$ 37,592	\$ 50,525	\$ 291,698	\$ 57,346	\$ 99,959	\$ 122,183
Restricted				12,546,192	9,831,486	23,560,751	13,443,730	10,378,732	33,785,649	20,232,153
Committed				-	1,463,593	1,743,226	1,613,722	1,966,790	2,116,211	2,311,975
Assigned				241,168	-	-	-	-	-	-
Unassigned				(57,451)	(130,307)	(7,901)	(3,883)	-	(183,186)	(508,704)
Total all other governmental funds	<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>	<u>\$ 22,157,607</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>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>	<u>2017</u>
Revenues										
District property taxes	\$ 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	\$ 32,950,899
Tuition and fees	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	1,588,411
Interest	1,958,196	1,388,484	340,176	146,501	115,677	133,505	120,319	118,700	187,590	350,335
Other district revenue	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	2,840,115
Gallatin County	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	7,182,241
State of Montana	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	31,496,426
Federal	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	4,239,056
Total revenues	<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>	<u>80,647,483</u>
Expenditures										
Instruction	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	38,847,417
Support services	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	10,158,534
General administration	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	3,391,852
Building administration	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	3,958,140
Operations and maintenance	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	6,084,807
Student transportation	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	2,309,299
Food services	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	2,042,167
Extracurricular activities	925,698	908,091	901,574	917,404	889,182	928,333	1,150,819	1,476,615	1,460,130	1,500,949
Capital outlay	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	16,959,674
Debt service										
Principal	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	5,775,000
Interest and fiscal charges	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	3,107,109
Bond issuance costs	79,175	-	56,742	-	-	260,334	-	357,643	191,730	101,814
Total expenditures	<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>	<u>94,236,762</u>
Excess of revenues over (under) expenditures	<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>	<u>(13,589,279)</u>
Other financing sources (uses)										
Sale of capital assets	1,282	533	-	-	-	-	-	-	-	-
Transfers in	145,429	3,366,639	1,281,921	631,395	-	-	-	-	-	1,082,176
Transfers out	(145,429)	(3,366,639)	(1,281,921)	(631,395)	-	-	(2,006,200)	-	-	(1,082,176)
Property damage insurance proceeds	-	-	-	100,000	500,000	2,093,038	-	201,127	-	-
General obligation bonds issued	27,500,000	-	-	-	-	26,375,000	-	-	21,500,000	-
Limited obligation bonds issued	-	-	-	-	-	-	-	-	-	-
Refunding bonds issued	-	-	3,275,000	-	-	-	-	36,335,000	-	10,510,000
Premium on bonds issued	25,565	-	110,840	-	-	1,723,595	-	3,331,744	3,037,614	576,318
Payments to refunded bond escrow agent	-	-	(3,321,928)	-	-	-	-	(39,296,355)	-	(10,974,298)
Total other financing sources (uses)	<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>	<u>112,020</u>
Net change in fund balances	<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>	<u>\$ (13,477,259)</u>
Debt service as a percentage of noncapital expenditures	11.5%	14.1%	12.2%	12.0%	11.6%	13.6%	11.3%	10.9%	10.7%	11.5%

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
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
2017	\$ 30,717,087	\$ 5,874,044	\$ 2,452,863	\$ 3,226,003	\$ 4,557,683	\$ 5,477	\$ 2,123	\$ 1,027,406	\$ -	\$ -	\$ 47,862,686

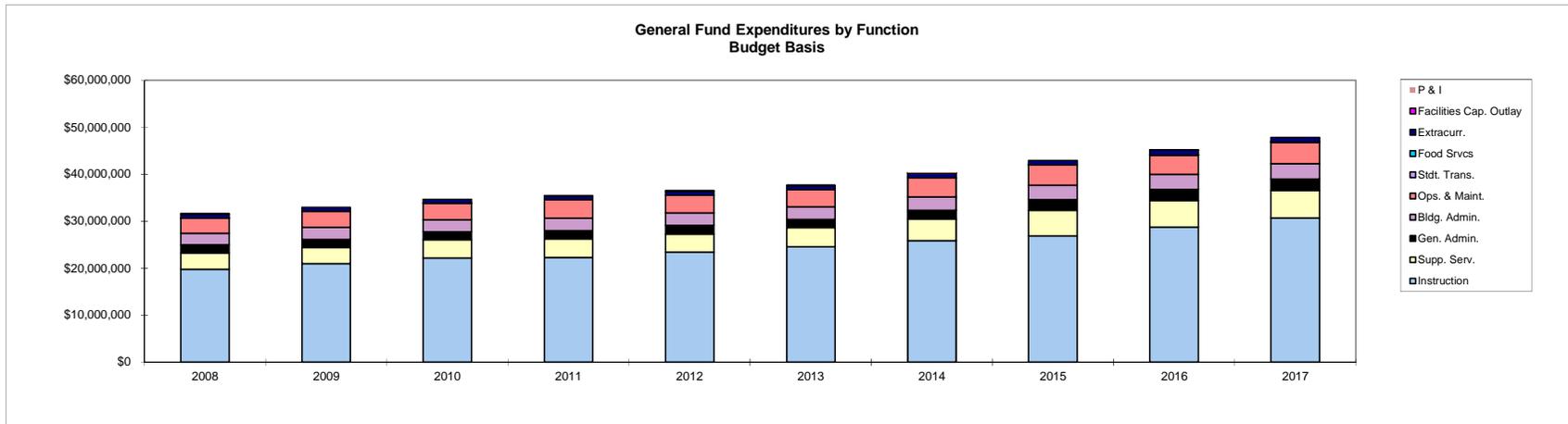


Table 6

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:											
2008	\$ 104,361,792	\$ 3,223,076,430	3.2%	118.51	0.11851	\$ 12,553,495	\$ 11,695,683	93.17%	\$ 828,184	\$ 12,523,867	99.76%
2009	111,162,065	3,542,469,947	3.1%	141.13	0.14113	15,794,516	14,558,640	92.18%	1,235,876	15,794,516	100.00% ²
2010	117,329,369	3,888,212,136	3.0%	130.49	0.13049	15,432,743	14,194,814	91.98%	1,237,929	15,432,743	100.00% ²
2011	121,072,738	4,135,670,271	2.9%	121.55	0.12155	14,619,619	13,975,603	95.59%	608,653	14,584,256	99.76%
2012	122,688,282	4,375,448,618	2.8%	123.38	0.12338	15,000,166	14,264,897	95.10%	725,070	14,989,967	99.93%
2013	124,859,611	4,633,513,028	2.7%	131.45	0.13145	16,419,994	15,743,823	95.88%	615,555	16,359,378	99.63%
2014	128,394,150	4,931,149,202	2.6%	145.25	0.14525	18,477,949	17,897,333	96.86%	530,268	18,427,601	99.73%
2015	131,762,887	5,231,028,932	2.5%	143.70	0.14370	18,910,738	18,374,140	97.16%	536,598	18,910,738	100.00%
2016	127,702,815	8,302,361,471	1.5%	151.15	0.15115	19,139,054	18,753,331	97.98%	385,723	19,139,054	100.00%
2017	\$ 133,379,457	\$ 8,558,370,042	1.6%	154.81	0.15481	\$ 20,431,673	\$ 20,016,059	97.97%	\$ -	\$ 20,016,059	97.97%
High School District:											
2008	\$ 140,147,897	\$ 4,381,850,279	3.2%	65.34	0.06534	\$ 9,346,202	\$ 8,673,645	92.80%	\$ 656,157	\$ 9,329,802	99.82%
2009	130,543,804	4,170,386,822	3.1%	71.40	0.07140	9,384,507	8,573,226	91.36%	811,281	9,384,507	100.00% ²
2010	138,744,445	4,593,821,578	3.0%	69.05	0.06905	10,460,314	9,463,193	90.47%	997,121	10,460,314	100.00% ²
2011	143,508,070	4,898,411,705	2.9%	75.34	0.07534	11,148,142	10,579,367	94.90%	563,339	11,142,706	99.95%
2012	145,618,673	5,189,061,038	2.8%	73.48	0.07348	11,027,493	10,430,413	94.59%	597,080	11,027,493	100.00%
2013	148,311,838	5,501,565,981	2.7%	71.81	0.07181	11,088,494	10,601,483	95.61%	457,698	11,059,181	99.74%
2014	152,997,133	5,873,324,071	2.6%	73.16	0.07316	11,512,340	11,135,267	96.72%	356,981	11,492,248	99.83%
2015	157,393,739	6,240,141,982	2.5%	72.97	0.07297	11,900,498	11,541,757	96.99%	358,741	11,900,498	100.00%
2016	152,115,661	9,866,466,343	1.5%	76.76	0.07676	11,912,121	11,648,459	97.79%	263,662	11,912,121	100.00%
2017	\$ 159,327,210	\$ 10,195,548,038	1.6%	77.25	0.07725	\$ 12,519,614	\$ 12,258,917	97.92%	\$ -	\$ 12,258,917	97.92%
Total District:											
2008	\$ 140,147,897	\$ 4,381,850,279	3.2%	183.85	0.18385	\$ 21,899,697	\$ 20,369,328	93.01%	\$ 1,484,341	\$ 21,853,669	99.79%
2009	130,543,804	4,170,386,822	3.1%	212.53	0.21253	25,179,023	23,131,866	91.87%	2,047,157	25,179,023	100.00% ²
2010	138,744,445	4,593,821,578	3.0%	199.54	0.19954	25,893,057	23,658,007	91.37%	2,235,050	25,893,057	100.00% ²
2011	143,508,070	4,898,411,705	2.9%	196.89	0.19689	25,767,761	24,554,970	95.29%	1,171,992	25,726,962	99.84%
2012	145,618,673	5,189,061,038	2.8%	196.86	0.19686	26,027,659	24,695,310	94.88%	1,322,150	26,017,460	99.96%
2013	148,311,838	5,501,565,981	2.7%	203.26	0.20326	27,508,488	26,345,306	95.77%	1,073,253	27,418,559	99.67%
2014	152,997,133	5,873,324,071	2.6%	218.41	0.21841	29,990,289	29,032,600	96.81%	887,249	29,919,849	99.77%
2015	157,393,739	6,240,141,982	2.5%	216.67	0.21667	30,811,236	29,915,897	97.09%	895,339	30,811,236	100.00%
2016	152,115,661	9,866,466,343	1.5%	227.91	0.22791	31,051,175	30,401,790	97.91%	649,385	31,051,175	100.00%
2017	\$ 159,237,210	\$ 10,195,548,038	1.6%	232.06	0.23206	\$ 32,951,287	\$ 32,274,976	97.95%	\$ -	\$ 32,274,976	97.95%

¹ Assessed valuation is per the Montana Department of Revenue and calculated as of January (i.e. assess value used for 2007-08 fiscal year is calculated as of January 2007)

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				
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
2017	154.81	77.25	214.65	240.00	46.00	732.71

Tax Levies						
Fiscal Year	Bozeman Elementary District	Bozeman High School District	City of Bozeman	Gallatin County	State of Montana	Total
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
2017	\$ 20,431,673	\$ 12,519,614	\$ 20,199,157	\$ 61,070,983	\$ 11,705,252	\$ 125,926,679

Source: Montana Tax Foundation
Montana Property Tax Mill Levies 2016-17
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	2017			2008		
	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	\$ 10,161,296	1	7.62%	\$ 6,947,324	1	6.66%
Centurylink, Inc.	1,096,136	2	0.82%	1,626,073	2	1.56%
Charter Communications Inc	981,015	3	0.74%	-	-	-
Verizon Wireless	774,903	4	0.58%	-	-	-
Harry Daum (Gallatin Mall)	444,051	5	0.33%	520,427	3	0.50%
Stone Ridge Partners LLC	417,262	6	0.31%	322,570	7	0.31%
Mitchell Development & Investment LLC	386,775	7	0.29%	-	-	-
Genesis Partners LLC	371,671	8	0.28%	-	-	-
First Security Bank	361,858	9	0.27%	-	-	-
Bridger Peaks Holdings LLC	347,231	10	0.26%	-	-	-
Bozeman Deaconess Foundation	-	-	-	504,873	4	0.48%
Wal-Mart Stores	-	-	-	387,238	5	0.37%
Lowes HIW Inc	-	-	-	348,229	6	0.33%
Machinery Power and Equipment Company	-	-	-	340,124	8	0.33%
Costco Wholesale Corporation	-	-	-	308,461	9	0.30%
Highgate Bozeman, LLC	-	-	-	297,102	10	0.28%
Total	\$ 15,342,198		11.50%	\$ 11,602,421		11.12%

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	2017			2008		
	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	\$ 12,124,916	1	7.61%	\$ 8,202,730	1	5.81%
Centurylink, Inc.	1,145,380	2	0.72%	1,803,890	2	1.28%
Charter Communications Inc	981,015	3	0.62%	-	-	-
Verizon Wireless	805,122	4	0.51%	-	-	-
Zoot Properties LLC	449,161	5	0.28%	561,961	3	0.40%
Harry Daum (Gallatin Mall)	444,051	6	0.28%	520,427	4	0.37%
Black Bull Owner LLC	427,022	7	0.27%	-	-	-
Stone Ridge Partners LLC	417,262	8	0.26%	322,570	8	0.23%
Mitchell Development & Investment LLC	386,775	9	0.24%	-	-	-
Genesis Partners LLC	371,671	10	0.23%	-	-	-
Bozeman Deaconess Foundation	-	-	-	504,873	5	0.36%
Wal-Mart Stores	-	-	-	387,238	6	0.27%
Lowe's HIW Inc	-	-	-	348,229	7	0.25%
Machinery Power and Equipment Company	-	-	-	340,124	9	0.24%
Costco Wholesale Corporation	-	-	-	308,461	10	0.22%
Total	\$ 17,552,375		11.02%	\$ 13,300,503		9.43%

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, 2017
(modified accrual basis of accounting)**

Source	Actual Revenue	Percent of Total Revenue
Revenue from local and intermediate source:		
District taxes	\$32,950,899	40.84%
Tuition and fees	1,588,411	1.97%
Interest	350,335	0.43%
Other district revenue	2,840,115	3.52%
County retirement	6,814,815	8.45%
County transportation	367,426	0.46%
Total revenue from local and intermediate sources	44,912,001	55.68%
Revenue from State sources:		
State equalization	18,795,297	23.31%
State special education allowable costs	1,994,542	2.47%
State guarantee tax base subsidy	4,201,145	5.21%
State transportation	367,426	0.46%
State motor vehicle fee reimbursement	1,969,511	2.44%
State quality educator	1,489,151	1.85%
State medicaid, medicaid admin, CSCT	1,318,190	1.63%
Other State revenue	1,361,164	1.69%
Total revenue from State sources	31,496,426	39.06%
Revenue from Federal sources:		
Other Federal Grants	344,275	0.43%
Federal SAFE-TI	831,068	1.03%
Federal Title I and Title I Schoolwide	766,991	0.95%
Federal IDEA Part B and Preschool	1,291,684	1.60%
Federal Title IIA	249,265	0.31%
Federal Title IIB	279,344	0.35%
Federal food service	476,429	0.59%
Total revenue from Federal sources	4,239,056	5.26%
Total governmental funds revenue	\$80,647,483	100.00%

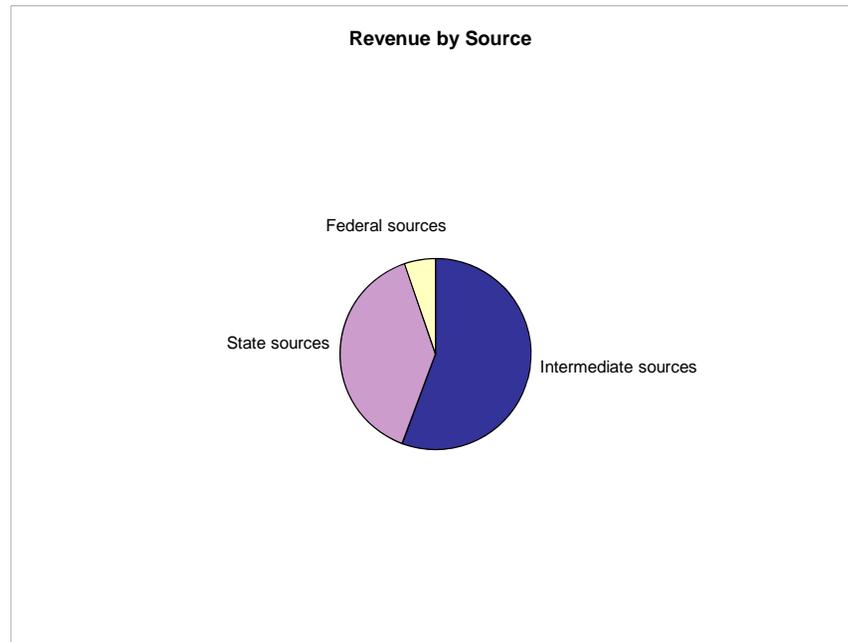


Table 11

**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
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
2017	\$ 18,464,582	\$ 46,339	\$ 94,664	\$ 222,048	\$ 29,163,080	\$ -	\$ 47,990,713

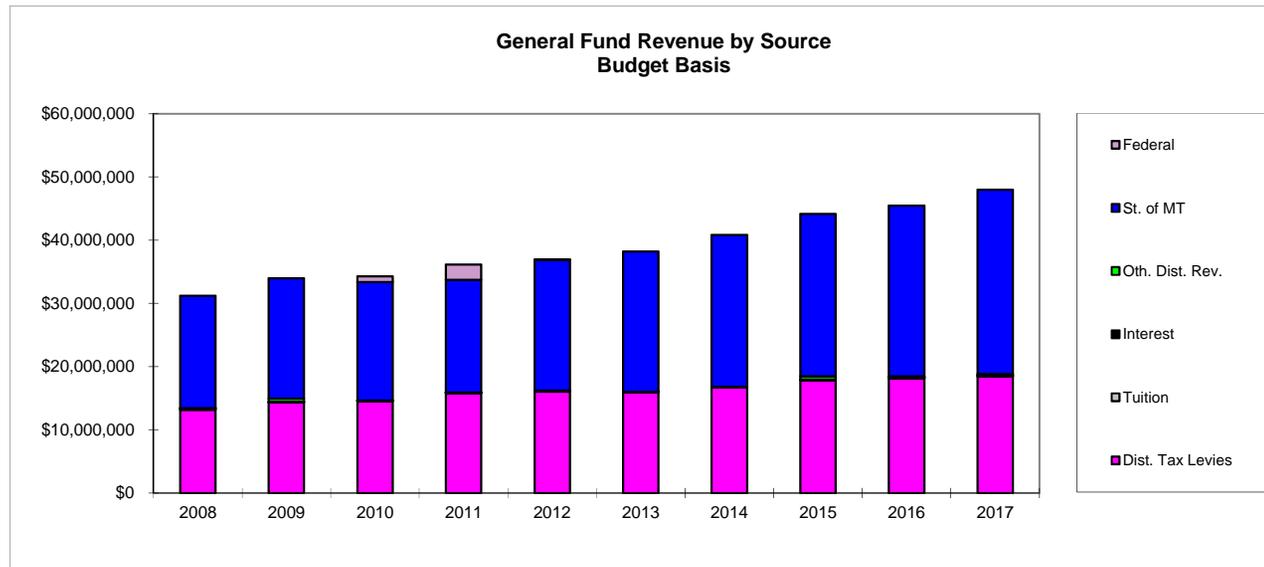


Table 12

**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
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
2017	\$ 18,827,633	\$ 29,163,080	\$ -	\$ 47,990,713	6,770	\$ 2,781	\$ 4,308	\$ -	\$ 7,089

Source: District Records

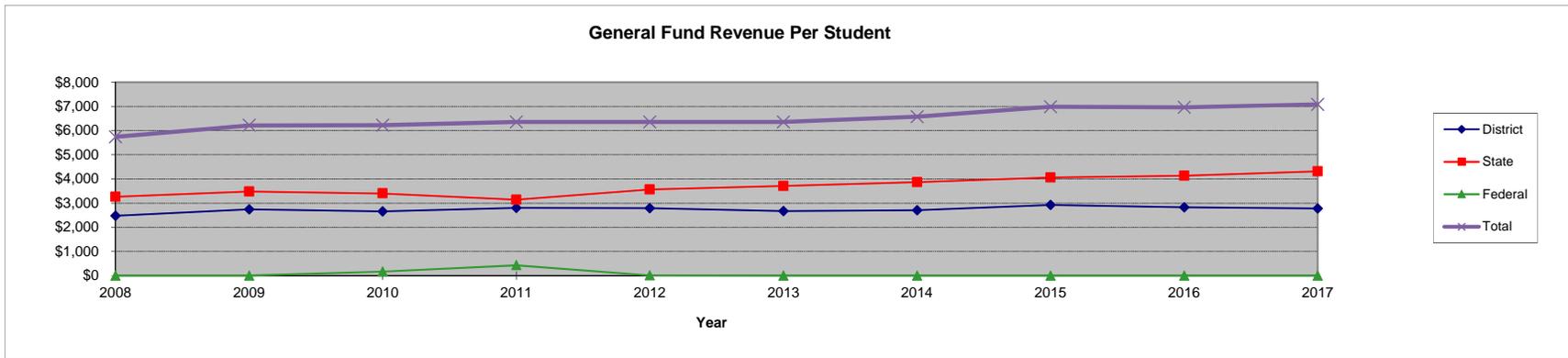


Table 13

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:								
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	2.33%
2015	52,507	131,762,887	52,486,972	163,367	52,650,339	39.96%	1,003	2.16%
2016	53,032	127,702,815	73,878,829	-	73,878,829	57.85%	1,393	Not Available
2017	53,430	\$ 133,379,457	\$ 70,006,667	\$ -	\$ 70,006,667	52.49%	\$ 1,310	Not Available
High School District:								
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	1.01%
2015	63,337	157,393,739	27,891,801	-	27,891,801	17.72%	440	0.95%
2016	63,970	152,115,661	25,727,015	-	25,727,015	16.91%	402	Not Available
2017	64,450	\$ 159,327,210	\$ 23,687,179	\$ -	\$ 23,687,179	14.87%	\$ 368	Not Available

⁽¹⁾ **2008-2017** The 2008 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, 2017**

Elementary District:	<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>	<u>2017</u>
Debt limit	\$ 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	\$ 159,292,770
Total net debt applicable to limit	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	63,203,682
Legal debt margin	<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>	<u>\$ 96,089,088</u>
Total net debt applicable to the limit as a percentage of debt limit	95.93%	81.74%	62.72%	57.29%	95.52%	84.19%	75.19%	66.24%	44.91%	39.68%
High School District:										
Debt limit	\$ 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	\$ 177,962,400
Total net debt applicable to limit	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	147,074,275
Legal debt margin	<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>	<u>\$ 30,888,125</u>
Total net debt applicable to the limit as a percentage of debt limit	54.79%	56.64%	50.83%	46.92%	43.93%	40.79%	37.21%	33.11%	15.19%	82.64%
			Elementary District	High School District						
Legal Debt Margin Calculation for Fiscal Year 2017										
District taxable valuation			\$ 133,379,457	\$ 159,327,210						
Times: 100%			1.00	1.00						
District taxable valuation legal debt service limit			<u>133,379,457</u>	<u>159,327,210</u>						
Facility guaranteed mill value per ANB X 1,000			\$ 33,670	\$ 82,390						
Times: Student ANB			4.731	2.160						
Times: 100%			1.00	1.00						
Facility guaranteed mill taxable valuation debt service limit			<u>159,292,770</u>	<u>177,962,400</u>						
Legal Debt Service Limit *			<u>\$ 159,292,770</u>	<u>\$ 177,962,400</u>						
General Obligation Bonds Payable			64,310,000	22,165,000						
Less: Cash Available for Retirement of Bonds			1,106,318	90,725						
Net Amount of Bonds Payable Applicable to Limit			<u>63,203,682</u>	<u>22,074,275</u>						
Margin Above Bonds Payable			96,089,088	155,888,125						
Less: General Obligation Bonds Authorized but Unused			-	125,000,000						
Legal Debt Margin			<u>\$ 96,089,088</u>	<u>\$ 30,888,125</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 2016 are used in the above calculation. In the 2017 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, 2017

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)	\$ 840,000	100.0%	\$ 840,000	0.0%	\$ -
G.O. Issue 2012 (originally \$10,000,000)	8,084,253	100.0%	8,084,253	0.0%	-
G.O. Issue 2013 (originally \$16,375,000)	14,281,832	100.0%	14,281,832	0.0%	-
G.O. Issue 2014 (originally \$ 9,500,000)	9,652,333	100.0%	9,652,333	0.0%	-
G.O. Issue 2015 (originally \$8,935,000)	8,726,264	100.0%	8,726,264	0.0%	-
G.O. Issue 2016 (originally \$21,500,000)	23,506,121	100.0%	23,506,121	0.0%	-
G.O. Issue 2017 (originally \$4,610,000)	4,915,864	100.0%	4,915,864	0.0%	-
Bozeman High School District:					
G.O. Issue 2014 (originally \$ 9,150,000)	9,693,617	83.7%	8,113,557	16.3%	1,580,060
G.O. Issue 2015 (originally \$8,750,000)	7,840,848	83.7%	6,562,790	16.3%	1,278,058
G.O. Issue 2017 (originally \$5,900,000)	<u>6,152,714</u>	83.7%	<u>5,149,822</u>	16.3%	<u>1,002,892</u>
Total Direct Debt	<u>\$ 93,693,846</u>		<u>\$ 89,832,836</u>		<u>\$ 3,861,010</u>
OVERLAPPING BONDED INDEBTEDNESS					
Gallatin County:					
Various Issues	\$ 46,103,777	52.4%	\$ 24,158,379	10.2%	\$ 4,702,585
City of Bozeman:					
Various Issues	<u>14,710,000</u>	100%	<u>14,710,000</u>	0.0%	<u>-</u>
Total Overlapping Debt	<u>\$ 60,813,777</u>		<u>\$ 38,868,379</u>		<u>\$ 4,702,585</u>
Total Direct and Overlapping debt			<u>\$ 128,701,215</u>		<u>\$ 8,563,595</u>

Note: Overlapping debt percentages are calculated using a pro rata share of taxable values of all entities involved. This enables a presentation of debt responsibility for Bozeman School District taxpayers living in the Bozeman Elementary District and the taxpayers that live in the portion of the High School District that lies outside of the Elementary District boundaries. 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:					
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%
2017	\$ 3,775,000	\$ 2,278,319	\$ 6,053,319	\$ 31,322,896	19.33%
High School:					
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%
2017	\$ 2,000,000	\$ 770,770	\$ 2,770,770	\$ 16,539,790	16.75%

Source: District Records

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

Table 17

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

Year	Elementary District Population (1)	High School District Population (1)	Per Capita Personal Income (2)	Total Elementary District Personal Income (3)	Total High School District Personal Income (3)	Unemployment Rate (4)
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	44,553	2,327,716,038	2,807,819,166	3.6%
2015	52,507	63,337	\$ 46,337	\$ 2,433,016,859	\$ 2,934,846,569	2.8%
2016	53,032	63,970	Not available	Not available	Not available	2.7%
2017	53,430	64,450	Not available	Not available	Not available	2.5%

Sources and other information:

- (1) 2008 - 2017 : The 2008-2017 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 2017		June 2008	
Private Employers By Class, Alphabetically	Employer Class Size	Private Employers By Class, Alphabetically	Employer Class Size
Bozeman Deaconess Hospital	9	Bozeman Deaconess Hospital	9
Oracle America	7	Albertsons	7
Town Pump Convenience Stores	7	RightNow Technologies	7
Wal-Mart	7	Wal-Mart	7
Albertson's	6	Zoot Enterprises	7
Barnard Contruction	6	Bay Bar and Grill	6
Best Western Gran Tree Inn	6	Bozeman Daily Chronicle	6
Bridger Bowl	6	Community Food Co-Op	6
Community Food Co-Op	6	Costco	6
Costco	6	JTL Group Inc. - Belgrade	6
First Student	6	Kenyon Noble Lumber & Hardware	6
JC Billion	6	Laidlaw Transit	6
Kenyon Noble Lumber & Hardware	6	Martel Construction	6
Korman Marketing Group	6	McDonald's	6
Martel Construction	6	Murdoch's Ranch & Home Supply	6
McDonald's	6	On Site Management	6
Murdoch's Ranch & Home Supply	6	Ressler Chevrolet Cadillac & Toyata	6
Ressler Motor	6	Riverside Country Club	6
Rosauers Supermarkets	6	Simkins-Hallin Lumber	6
Target	6	Williams Plumbing & Heating	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	City of Bozeman	7
City of Bozeman	7	Gallatin County	7
Gallatin County	7		
U.S. Department of Agriculture	7		

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

Source: Montana Department of Labor & Industry (Research and Analysis Bureau)

Table 19

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

Fiscal Year	Expenses ⁽¹⁾	Enrollment	Cost per Pupil	Percentage Change	Certified Staff (FTE) ⁽²⁾	Pupil/Certified Staff Ratio
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
2017	\$ 80,104,370	6,770	\$ 11,832	5.43%	464.8	14.6

⁽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>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>	<u>2017</u>					
Instruction															
Certified Teaching Staff	330.4	345.8	343.5	343.0	357.9	355.4	383.4	385.1	395.3	413.0					
Classified & Prof. Employees	64.3	84.7	90.3	100.5	98.8	88.7	102.9	72.5	82.9	84.7					
Support Services															
Administrators	-	-	-	-	-	-	-	1.0	1.0	1.0					
Certified Teaching Staff	30.2	30.6	41.5	39.2	32.8	44.5	45.2	44.7	48.0	51.4					
Classified & Prof. Employees	44.5	42.7	46.1	54.1	53.4	54.8	63.3	85.7	90.6	89.7					
General Administration															
Administrators	5.0	5.0	5.0	4.5	4.0	6.0	6.0	5.0	5.0	5.0					
Certified Teaching Staff	-	-	-	0.5	-	-	-	-	-	-					
Classified & Prof. Employees	29.3	31.4	31.2	29.1	30.2	24.5	23.5	26.3	25.5	26.5					
Building Administration															
Administrators	18.0	18.0	17.0	17.0	17.0	15.0	17.0	17.0	18.0	18.0					
Certified Teaching Staff	-	-	-	-	-	-	-	0.5	0.5	-					
Classified & Prof. Employees	25.9	24.3	29.9	30.1	29.8	26.3	29.0	29.4	29.1	28.3					
Operations and Maintenance															
Administrators	2.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0					
Classified & Prof. Employees	44.1	43.6	53.1	54.6	54.9	55.4	57.1	55.6	53.9	54.4					
Student Transportation															
Classified & Prof. Employees	3.6	3.6	4.2	3.8	3.9	4.5	4.8	4.8	4.5	5.1					
Food Services															
Classified & Prof. Employees	30.7	32.0	30.5	31.3	31.0	32.1	33.3	29.9	33.9	34.5					
Extracurricular Activities															
Administrators	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0					
Certified Teaching Staff	-	-	-	-	-	0.4	0.4	0.5	0.4	0.4					
Classified & Prof. Employees	4.0	4.0	4.0	4.0	4.0	3.0	3.0	3.0	3.0	3.0					
Total	<u>633.0</u>	<u>667.7</u>	<u>698.3</u>	<u>713.7</u>	<u>719.7</u>	<u>712.6</u>	<u>770.9</u>	<u>763.0</u>	<u>793.6</u>	<u>817.0</u>					

Fiscal 2017 Summary	Admin.	Certified Staff	Classified & Professional Employees	Total FTE
Instruction	-	413.0	84.7	497.7
Support Services	1.0	51.4	89.7	142.1
General Administration	5.0	-	26.5	31.5
Building Administration	18.0	-	28.3	46.3
Operations and Maintenance	1.0	-	54.4	55.4
Student Transportation	-	-	5.1	5.1
Food Services	-	-	34.5	34.5
Extracurricular Activities	1.0	0.4	3.0	4.4
Total	<u>26.0</u>	<u>464.8</u>	<u>326.2</u>	<u>817.0</u>

Source: District Records

Table 21

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

Educational Attainment	Full Time Equivalent	Percent of Total	
Bachelor's Degree	61.9	13.3%	33.5%
Bachelor's Degree + 15 Credits	27.9	6.0%	
Bachelor's Degree + 30 Credits	10.0	2.2%	
Bachelor's Degree + 45 Credits	21.4	4.6%	
Bachelor's Degree + 60 Credits	11.0	2.4%	
Bachelor's Degree + 75 Credits	10.4	2.2%	
Bachelor's Degree + 90 Credits	13.0	2.8%	66.5%
Master's Degree BA + 45 Credits	38.2	8.2%	
Master's Degree BA + 60 Credits	51.8	11.1%	
Master's Degree BA + 75 Credits	42.5	9.1%	
Master's Degree BA + 90 Credits	27.7	6.0%	
Master's Degree BA + 105 Credits	149.0	32.1%	
Total	<u>464.8</u>	<u>100.0%</u>	

Years of Experience	Full Time Equivalent	Percent of Total
0 - 5	121.9	26.2%
6 - 10	134.6	28.9%
11 - 15	79.0	17.0%
16 - 20	55.6	12.0%
21 - 25	35.8	7.7%
26 and Over	37.9	8.2%
Total	<u>464.8</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, 2017

	<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	323	97.3%
Irving	1939	33,893	312	273	87.5%
Whittier	1958	34,700	286	304	106.3%
Hawthorne	1939	46,622	362	355	98.1%
Morning Star	1992	56,010	534	496	92.9%
Emily Dickinson	1992	56,012	498	486	97.6%
Hyalite	2009	66,000	534	470	88.0%
Meadowlark	2013	71,719	554	505	91.2%
<u>6-8 Schools</u>					
Chief Joseph	2008	129,500	780	758	97.2%
Sacajawea	1996	97,456	690	682	98.8%
High School:					
Bozeman High School	1957	404,386 ⁽¹⁾	2,400 ⁽¹⁾	2,118	88.3%

⁽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. The District is in the planning phase of building a second high school and further renovation of the existing high school.

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

	<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>	<u>2017</u>
Elementary Schools:										
<u>K-5 Schools</u>										
Longfellow	14%	16%	15%	17%	20%	19%	18%	15%	14%	11%
Irving	37%	36%	42%	43%	47%	55%	46%	41%	44%	41%
Whittier	47%	45%	56%	52%	53%	48%	47%	50%	43%	51%
Hawthorne	15%	16%	24%	26%	22%	26%	23%	15%	15%	10%
Morning Star	8%	9%	11%	10%	10%	10%	8%	6%	6%	6%
Emily Dickinson	24%	24%	27%	29%	25%	24%	23%	16%	16%	16%
Hyalite	N/A	N/A	39%	44%	46%	45%	46%	39%	42%	36%
Meadowlark	N/A	N/A	N/A	N/A	N/A	N/A	14%	15%	13%	16%
<u>6-8 Schools</u>										
Chief Josph	31%	23%	28%	31%	33%	37%	31%	27%	24%	22%
Sacajawea	13%	13%	19%	20%	24%	23%	23%	21%	20%	19%
High School	12%	18%	24%	15%	19%	23%	21%	20%	20%	16%

Source: Title I portion of ESEA consolidated applications

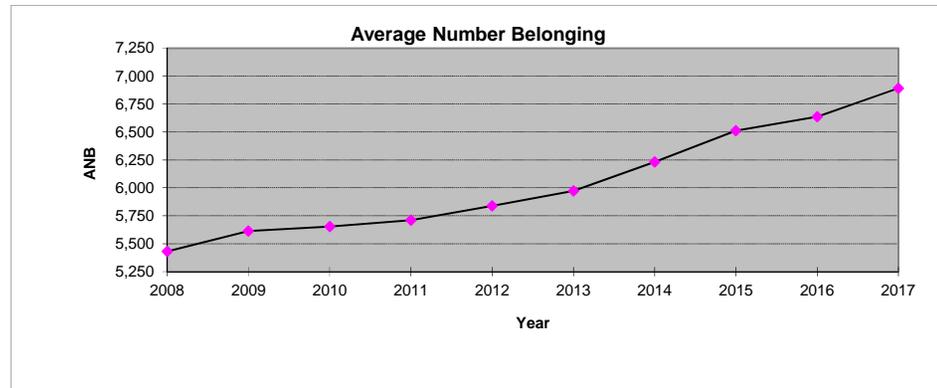
Table 24

**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
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
2017	6,770	3.6	6,891	3.8	105.5

Source: District Records

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



**BOZEMAN SCHOOL DISTRICT NO. 7
Schedule of Insurance in Force**

I. Excess Property - Real & Personal Property - Blanket
Replacement, Inland Marine and Auto Physical Damage

- A. Policy #: KTK-CMB-545D496-9-16
- B. Carrier: Travelers Insurance
- C. Policy Period: 7/1/16- 7/1/17
- D. Limits: Blanket replacement buildings and contents, Contractor equipment & vehicles are on an actual cash value basis.

II. Workers' Compensation Policy

- A. Policy #: WC-1611-042
- B. Carrier: Workers' Compensation Risk Retention Program
- C. Policy Period: 7/1/16 - 7/1/17

III. Comprehensive General Liability, Auto Liability, School Board
Legal Liability, and Crime and Employee Dishonesty

- A. Policy #: ALA-64-A3-EX-0000007-10
- B. Carrier: Princeton E & S
- C. Policy Period: 7/1/16 - 7/1/17
- D. Limits:
 - Compr General Liability \$10,000,000 each occurrence, \$12,000,000 Annual Aggregate
 - Auto Liability \$10,000,000 each occurrence
 - School Board Legal Liability \$10,000,000 each claim and aggregate
 - \$100,000 non-monetary claim defense limit per member/year
 - Crime and Employee Dishonesty
 - \$500,000 employee dishonesty
 - \$500,000 loss inside and outside
 - \$500,000 forgery & alteration

IV. Boiler and Machinery Policy

- A. Policy #: BAJ-BME 1-8156L884-TIL-16
- B. Carrier: Travelers Boiler
- C. Policy Period: 7/1/16 - 7/1/17
- D. Limits: \$200,000,000

V. Cyber Liability

- A. Policy #: 01-432-57-29
- B. Carrier: AIG Cyber
- C. Policy Period: 7/1/16 - 7/1/17
- D. Limits: \$1,000,000 Security & Privacy/Regulatory Action Liability
\$1,000,000 Event Management Insurance

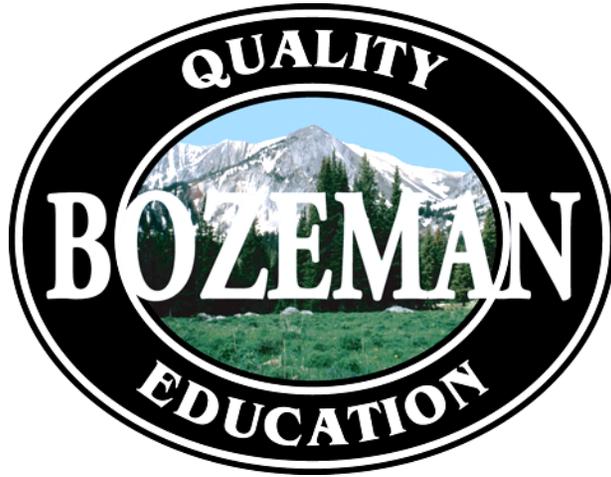
VI. Disaster Management

- A. Policy #: PC0491816
- B. Carrier: KILN Disaster Management
- C. Policy Period: 7/1/16 - 7/1/17
- D. Limits: \$1,000,000 per occurrence
\$1,000,000 annual aggregate limit per occurrence

VII. Employee Business Travel

- A. Policy #: BTAD000691
- B. Carrier: Employee Business Travel
- C. Policy Period: 7/1/16 - 7/1/17
- D. Limits: \$100,000 maximum principal sum per person
\$1,000,000 aggregate limit benefit per occurrence

SINGLE AUDIT SECTION



BOZEMAN SCHOOL DISTRICT NO. 7
Schedule of Federal Award Expenditures
For the Fiscal Year Ended June 30, 2017

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	16-0350-31-17	\$ 545,578	\$ 545,578	\$ 545,578
Title I, Part A - Schoolwide	84.010A	16-0350-32-17	255,000	221,413	221,413
Subtotal Title I, Part A	84.010A		<u>800,578</u>	<u>766,991</u>	<u>766,991</u>
Adult Basic Education and Literacy	84.002	16-0351-56-17-BG	79,983	79,983	79,983
EL/Civics	84.002	16-0351-56-17-EL	12,972	12,972	12,972
Subtotal ABLE and EL/Civics	84.002		<u>92,955</u>	<u>92,955</u>	<u>92,955</u>
Title II, Part A	84.367	16-0350-14-17	278,211	233,265	233,265
Title II, Part A - State Levels	84.367A	16-0350-14-17-SLA	16,000	16,000	16,000
Subtotal Title II, Part A	84.367		<u>294,211</u>	<u>249,265</u>	<u>249,265</u>
Title II, Part B	84.366B	16-0350-15-16-MSP	458,125	25,375	25,375
Title II, Part B	84.366B	16-0350-15-17-MSP	460,000	253,969	253,969
Subtotal Title II, Part B	84.366B		<u>918,125</u>	<u>279,344</u>	<u>279,344</u>
Title I, Part D - Neglected and Delinquent	84.013A	16-0351-42-16	7,874	7,364	7,364
Title I, Part D - Neglected and Delinquent	84.013A	16-0351-42-17	15,992	15,782	15,782
Subtotal Title I, Part D			<u>23,866</u>	<u>23,146</u>	<u>23,146</u>
IDEA-B	84.027A	16-0350-77-17	1,263,154	1,263,154	1,263,154
IDEA-B Preschool	84.173A	16-0350-79-17	28,530	28,530	28,530
Subtotal Special Education (IDEA) - Cluster			<u>1,291,684</u>	<u>1,291,684</u>	<u>1,291,684</u>
Title III, Part A	84.365A	16-0350-41-17I	16,338	15,605	15,605
Carl Perkins - Basic	84.048A	16-0351-81-17	89,935	89,935	89,935
Title IX McKinney-Vento for Homeless Children and Youth	84.196A	16-0350-57-17	10,492	10,492	10,492
Pass-through Montana Dept. of Health & Human Services: Pre-Employment Transition Services	84.126A	16-01-175-0008-0	71,500	71,500	35,345
Total U.S. Department of Education Pass-Through			<u>\$ 3,609,684</u>	<u>\$ 2,890,917</u>	<u>\$ 2,854,762</u>
U.S. Department of Education Direct Programs:					
Title VII Indian Education	84.060A	S060A160430	\$ 15,978	\$ 15,978	\$ 15,978
Total U.S. Department of Education Direct			<u>\$ 15,978</u>	<u>\$ 15,978</u>	<u>\$ 15,978</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	\$ 831,068	\$ 831,068
Total U.S. Federal Highway Administration			<u>\$ 3,319,810</u>	<u>\$ 831,068</u>	<u>\$ 831,068</u>
U.S. Environmental Protection Agency					
Pass-through Montana Department of Environmental Quality					
319 Program Nonpoint Source Implementation Grant	66.460	216030	\$ 146,000	\$ 16,203	\$ 16,203
Total U.S. Environmental Protection Agency			<u>\$ 146,000</u>	<u>\$ 16,203</u>	<u>\$ 16,203</u>
U.S. Department of Agriculture:					
Pass-through Montana Office of Public Instruction:					
National School Lunch Program	10.555	N/A	\$ 461,645	\$ 461,645	\$ 461,645
School Wellness - MT Team Nutrition	10.555	16-0350-2015-SWIA	2,000	1,118	1,118
National School Lunch Program - Commodities	10.555	N/A	127,124	127,124	127,124
Subtotal 10.555 School Lunch Related Funding	10.555		<u>590,769</u>	<u>589,887</u>	<u>589,887</u>
Fresh Fruit and Vegetable	10.582		13,666	13,666	13,666
Total U.S. Department of Agriculture			<u>\$ 604,435</u>	<u>\$ 603,553</u>	<u>\$ 603,553</u>
U.S. Department of Health & Human Services:					
Pass-through Dept. of Health & Human Services - MT:					
TANF (Education Support)	93.558	16-02261003-0	\$ 8,461	\$ 8,461	\$ 8,461
Total U.S. Department of Health & Human Services			<u>\$ 8,461</u>	<u>\$ 8,461</u>	<u>\$ 8,461</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 7,704,368</u>	<u>\$ 4,366,180</u>	<u>\$ 4,330,025</u>

Notes to Schedule of Federal Awards:

I. Summary of Significant Accounting Policies:

Basis of Presentation and Significant Accounting Policies

This Schedule of Expenditures of Federal Awards (the Schedule) includes federal award activity of the District under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because this schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

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

In accordance with the terms of the grant, the District has expended cash (and noncash) matching contributions during the year ended June 30, 2017, for the following program:

U.S. Environmental Protection Agency
 Pass-through Montana Department of Environmental Quality
 66.460 - 319 Program Nonpoint Source Implementation Grant \$8,913

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, 2017, 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 21, 2017.

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 21, 2017

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, 2017. 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, 2017.

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 21, 2017

**BOZEMAN SCHOOL DISTRICT NO. 7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

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

84.027A Special Education Grants to States
84.173A Special Education Preschool Grants

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, 2017**

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