Ekalaka Public Schools

Independent Auditor’s Report and Financial Statements

Year Ended June 30, 2019

WIPFLI

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EKALAKA PUBLIC SCHOOLS

June 30, 2019

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ORGANIZATION – BOARD OF TRUSTEES AND OFFICIALS

For the Year Ended June 30, 2019

BOARD OF TRUSTEES

Helen King	Chairman
Dennis Bishop	Vice Chairman
Arnold Rychner	Trustee
Samantha Harris	Trustee
Cassidy Jesperson	Trustee
Micheal Ashbrook	Trustee

OFFICIALS

Katy Wright	District Superintendent
Lora Tauck	District Clerk
Darcy Wassmann	County Attorney
Tracey Walker	County Superintendent of Schools
Jesi Strub	County Treasurer

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Ekalaka Public Schools
Carter County
Ekalaka, Montana

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 Ekalaka Public Schools (the "District"), as of and for the year ended June 30, 2019, 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; 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 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.

Summary of Opinions

Opinion Unit:	Type of Opinion:
Governmental Activities	Qualified
General Fund	Unmodified
High School Bus Depreciation Fund	Unmodified
Elementary Debt Service Fund	Unmodified
Aggerate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on Governmental Activities

As discussed in Note K to the financial statements, management of the District has not implemented the requirements of GASB Statement No. 75 and has not determined the District's annual other postemployment benefit (OPEB) cost and net OPEB obligation. Accounting principles generally accepted in the United States require that such costs and obligations, which would increase the liabilities and change the expenses in the statement of net position and the statement of activities, respectively be recorded. The amount by which this departure would affect the liabilities and expenses of the District's government-wide financial statements has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Ekalaka Public Schools as of June 30, 2019, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

Unmodified Opinions

In our opinion , the financial statements referred to above present fairly, in all material respects the respective financial position of each major fund and the aggregate remaining fund information of Ekalaka Public Schools, as of June 30, 2019, and respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the budgetary comparison schedule, schedules of proportionate share of the net pension liability, and schedules of contributions as listed in the table of contents 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, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

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 combining balance sheet – general fund, combining schedule of revenues, expenditures and changes in fund balance – general fund, extracurricular fund – schedule of cash receipts, disbursements and changes in net position, and schedule of reported enrollment are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining balance sheet – general fund, combining schedule of revenues, expenditures and changes in fund balance – general fund, extracurricular fund – schedule of cash receipts, disbursements, and changes in net position, and schedule of reported enrollment 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. In our opinion, the combining balance sheet – general fund, combining schedule of revenues, expenditures and changes in fund balance – general fund, extracurricular fund – schedule of cash receipts, disbursements and changes in net position, and schedule of reported enrollment are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2020 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 the effectiveness of the District's 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.

Wipfli LLP

Wipfli LLP

Billings, Montana
June 23, 2020

Government-Wide Financial Statements:

STATEMENT OF NET POSITION

June 30, 2019

	Governmental Activities
ASSETS:	
Cash and cash equivalents	1,243,372
Taxes receivable	1,883
Due from other governments	11,005
Inventories	30,436
Capital assets:	
Land	81,828
Other capital assets, net of depreciation	7,180,185
Total capital assets	7,262,013
Total assets	8,548,709
DEFERRED OUTFLOW OF RESOURCES	
Pension contributions and related differences and changes	240,008
Total deferred outflow of resources	240,008

The accompanying notes are an integral part of these financial statements.

STATEMENT OF NET POSITION - CONTINUED

June 30, 2019

LIABILITIES:	
Long-term liabilities:	
Due within one year:	
Bond payable	565,000
Due in more than one year:	
Bond payable	2,395,000
Compensated absences	35,899
Net pension liability	1,283,853
Total liabilities	4,279,752
DEFERRED INFLOW OF RESOURCES	
Pension related differences and changes	176,930
Total deferred inflow of resources	176,930
NET POSITION:	
Net investment in capital assets	4,302,013
Restricted for:	
Compensated absences	673
Other fund activities	443,741
Capital projects	94,879
Debt Service	4,595
Unrestricted	(513,866)
Total net position	4,332,035

The accompanying notes are an integral part of these financial statements.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

		Program Revenue		
	Expenses	Charges for Services	Operating Grants	Net (Expense) Revenue
Primary government				
Instruction:				
Regular programs	1,141,446	0	102,966	(1,038,480)
Special programs	45,196	0	19,967	(25,229)
Vocational programs	142,029	0	0	(142,029)
Adult Education	2,133	0	0	(2,133)
Traffic education	741	0	996	255
Supporting services	430,364	0	0	(430,364)
Operations and maintenance	419,570	0	0	(419,570)
Student transportation	234,859	0	93,168	(141,691)
Food services	119,511	29,919	50,406	(39,186)
Extracurricular	89,904	0	0	(89,904)
Interest on Long-term debt	83,938	0	0	(83,938)
Unallocated depreciation	19,254	0	0	(19,254)
Total governmental activities	2,728,945	29,919	267,503	(2,431,523)
General revenues:				
Property taxes				1,783,642
County retirement distribution				151,486
State aid				726,876
Interest				27,997
Miscellaneous				56,946
Special items:				
Loss on asset disposal				(12,899)
Total general revenues				2,734,048
Change in net position				302,525
Net position - beginning				4,029,510
Net position - ending				4,332,035

The accompanying notes are an integral part of these financial statements.

Fund Financial Statements:

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2019

	General Fund	High School Bus Depreciation Fund	Elementary Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	711,603	297,841	3,804	230,124	1,243,372
Taxes receivable	769	27	791	296	1,883
Due from other governments	0	0	0	11,005	11,005
Inventories	30,436	0	0	0	30,436
Total assets	742,808	297,868	4,595	241,425	1,286,696
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Deferred inflows of resources:					
Unavailable tax revenues	769	27	791	296	1,883
Total deferred inflows of resources	769	27	791	296	1,883
Fund balances:					
Nonspendable					
Inventories	30,436	0	0	0	30,436
Restricted for:					
Compensated absences	0	0	0	673	673
Other fund activities	0	297,841	0	145,690	443,531
Capital projects funds	0	0	0	94,766	94,766
Debt service funds	0	0	3,804	0	3,804
Unassigned	711,603	0	0	0	711,603
Total fund balances	742,039	297,841	3,804	241,129	1,284,813
Total liabilities, deferred inflows of resources and fund balances	742,808	297,868	4,595	241,425	1,286,696

The accompanying notes are an integral part of these financial statements.

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2019

Total fund balance, governmental funds	1,284,813
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the statement of net position.	7,262,013
Property taxes receivable that are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the statement of net position.	1,883
Deferred outflow and inflow of resources are not current financial resources and therefore are no reported in this fund financial statement, but are reported in the governmental activities of the statement of net	63,078
Some liabilities such as compensated absences, bonds payable and net pension liability, are not included in the fund financial statement, but are included in the governmental activities of the statement of net position.	(4,279,752)
Net position of governmental activities in the statement of net position	4,332,035

The accompanying notes are an integral part of these financial statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

For the Year Ended June 30, 2019

	General	High School Bus Depreciation Fund	Elementary Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes for general purposes	802,854	37,660	632,301	312,491	1,785,306
Intergovernmental:					
County	0	0	0	204,578	204,578
State	681,630	4,020	0	65,358	751,008
Federal	0	0	0	153,372	153,372
Interest on investments	12,397	6,824	2,994	5,870	28,085
Food services	0	0	0	29,919	29,919
Other	30	0	0	56,828	56,858
Total revenues	1,496,911	48,504	635,295	828,416	3,009,126
EXPENDITURES					
Current:					
Instruction	789,083	0	0	276,969	1,066,052
Supporting services	307,214	0	0	154,484	461,698
Operations and maintenance	310,350	0	0	95,091	405,441
Student transportation	428	0	0	179,309	179,737
Food services	26,827	0	0	91,371	118,198
Extracurricular	80,839	0	0	9,065	89,904
Capital outlay	19,000	182,040	0	258,795	459,835
Debt Service	0	0	633,938	0	633,938
Total expenditures	1,533,741	182,040	633,938	1,065,084	3,414,803
Excess (deficiency) of revenues over expenditures	(36,830)	(133,536)	1,357	(236,668)	(405,677)
OTHER FINANCING SOURCES (USES)					
Transfers in	0	0	0	65,000	65,000
Transfers out	(45,000)	(10,000)	0	(10,000)	(65,000)
Total other financing sources and uses	(45,000)	(10,000)	0	55,000	0
Net change in fund balances	(81,830)	(143,536)	1,357	(181,668)	(405,677)
Fund balances - beginning	823,869	441,377	2,447	422,797	1,690,490
Fund balances - ending	742,039	297,841	3,804	241,129	1,284,813

The accompanying notes are an integral part of these financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds:	(405,677)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.	(297,353)
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the statement of activities reports only the gain on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset lost.	(12,899)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.	(1,664)
Statement of activities reports expenses that the governmental funds do not and are not reported as expenditures in the governmental funds:	
Compensated absences expense	2,840
Pension expense, net of state on behalf payments	7,443
Governmental funds report expenses that the statement of activities does not and are not reported as expenditures in statement of activities:	
Capital outlays	459,835
Principal payments on debt	550,000
Change in net position of governmental activities	302,525

The accompanying notes are an integral part of these financial statements.

STATEMENT OF FIDUCIARY NET POSITION AND CHANGES IN FIDUCIARY NET POSITION

As of and for the Year Ended June 30, 2019

	PRIVATE PURPOSE TRUST FUND	AGENCY FUND
ASSETS		
Cash and cash equivalents	70,529	143,526
Total assets	70,529	143,526
LIABILITIES		
Warrants payable	0	143,526
Total liabilities	0	143,526
NET POSITION		
Held in trust for student activities	57,661	0
Reserved for scholarships	12,868	0
Total net position	70,529	0
CHANGE IN FIDUCIARY NET POSITION		
ADDITIONS		
Revenue from student activities	127,834	
Interest	245	
Total additions	128,079	
DEDUCTIONS		
Expenses for student activities	126,741	
Scholarships	55	
Total deductions	126,796	
Change in net position	1,283	
Net position - beginning	69,246	
Net position - ending	70,529	

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

Note A. Description of the School District and Reporting Entity

1. Reporting Entity

Ekalaka Public Schools (the "District") was established under Montana law to provide educational services below the college and university level to residents of the District. The District actually consists of two separate legal entities, high school and elementary districts. Accounting records of both districts must be maintained separately per State Law because of differences in funding and tax base. Each district is managed by a Board of Trustees, elected by the citizens and by a central administration appointed by and responsible to the Boards.

The criteria for including organizations within the District's reporting entity are set forth in Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity." This statement defines the financial reporting entity as the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. The District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such financial accountability that would result in the District being considered a component unit of the entity.

Carter County provides substantial services to the District; tax billings, cash collections, debt payments and warrant redemption all flow through the office of the County Treasurer. This office also maintains the District's cash and invests funds at the direction of the District. The County Commissioners have the legal obligation to set levy amounts to finance the budget of the District, as directed by the Board of Trustees. Despite the degree of services rendered, the District has determined that neither Carter County nor any other outside agency meets the criteria set forth in the preceding paragraph and therefore, no other agency has been included as a component unit of the District's financial statements.

The District functions in a fiduciary capacity relating to the student extracurricular, scholarship fund and retirement/COBRA insurance fund.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2019

Note B. Summary of Significant Accounting Policies

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below:

1. Basis of Presentation

a. Government-Wide Financial Statements

The statement of net position and the statement of activities show information about the overall financial position and activities of the District with the exception of the extracurricular, scholarship and retirement/cobra insurance funds. The extracurricular fund, which accounts for the extracurricular activities of the District's students, the scholarship fund, which accounts for scholarship activity and the retirement/cobra insurance fund, which accounts for premium payments received from District employees who are retired or terminated and elected to continue to participate in the District's health insurance program, are reported as private purpose trust funds in the statement of fiduciary net position and changes in fiduciary net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to students or the public who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

b. Fund Financial Statements

The District uses funds to report on its financial position and results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate 'fund types.'

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category) for the determination of major funds.

2. Governmental Funds

The District reports the following major governmental funds:

General Fund - The general fund is the general operating fund of the District. It accounts for resources traditionally associated with government operations which are not required to be accounted for in another fund. The District maintains the general fund to account for most of the instructional and administrative aspects of the District's operations and to account for repair and maintenance of District property.

Elementary and High School Flex Fund - The flex fund is authorized by section 20-9-505, MCA, for the purpose of accounting for activities of the District in non-operating status. The fund is established trough residual equity transfers from all other funds except the debt service fund and the miscellaneous programs fund.

The general fund has been blended with the elementary and high school flex funds on the governmental fund financial statements for financial reporting purposes under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

High School Bus Depreciation Fund – The bus depreciation fund is authorized by Section 20-10-147, MCA, for the purpose of financing the replacement of buses and two-way radio equipment owned by a school district. Fund may be used to replace route buses or athletics/activities buses and to purchase additional yellow school buses for routes. However, the bus depreciation fund may not be used to purchase additional athletics/activities buses. Districts wishing to purchase these buses can do so from their general fund, extracurricular fund, or impact aid fund.

Elementary Debt Service Fund – The debt service fund is authorized by Section 20-9-438, MCA, for the purpose of paying interest and principal on outstanding bonds and special improvement district (SID) assessments. This fund is also used to account for the proceeds of bonds sold for the purposes provided in Section 20-9-43 (c) and (d), MCA, the debt service fund is a budgeted fund.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2019

3. Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee capacity for others and are therefore not available to support District programs. The reporting focus is on net position and changes in net position and are reported using generally accepted accounting principles similar to business in the private sector.

The District's fiduciary funds are presented in the statement of fiduciary net position and statement of changes in fiduciary net position by type (private purpose and agency). Because by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide financial statements.

4. Basis of Accounting and Measurement Focus

a. Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the 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 eligibility requirements imposed by the provider have been met. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

b. Fund Financial Statements

Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when 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 and claims and judgments, are recorded only when payment is due.

The District recognizes property taxes as a receivable at the time an enforceable legal claim is established and considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Those revenues susceptible to accrual are property taxes, special assessments, grants, interest revenue, and charges for services. Capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The District reports unavailable revenue as deferred inflows of resources and advances from grantors as liabilities on its government-wide statement of net position and on its balance sheet - governmental funds. Unavailable revenues and advances from grantors arise when potential revenue does not meet both the ‘measurable’ and ‘available’ criteria for recognition in the current period. Unavailable revenues and advances from grantors also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to resources, the deferred inflow of resources for unavailable revenue and the liability for advances from grantors are removed from the balance sheet and revenue is recognized.

5. Cash and Investments

Cash resources of the District for all funds other than the extracurricular fund, are combined with cash resources of other school districts within Carter County to form a pool of cash and cash equivalents that is managed by the Carter County Treasurer. Investments of the pooled cash consist primarily of certificates of deposit and repurchase agreements and are carried at cost, which approximates fair value. Among the instruments which state statutes authorize the District to invest in are direct obligations of the United States government; in savings or time deposits in a state or national bank, building or loan association, savings and loan association, or credit union insured by the FDIC, FSLIC, or NCUA located in the state; in a repurchase agreement or Montana short-term investment pool. Interest income received as a result of pooling is distributed to the appropriate governmental entity utilizing a formula based on the respective entity’s previous month’s ending balance of cash and cash equivalents. The County Treasurer then distributes interest income to each fund utilizing a formula based on the fund’s previous month’s ending balance of cash and cash equivalents.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2019

The District issues warrants in payment of its obligations. When the warrants are presented to the County Treasurer, the District's cash balance is reduced to pay the warrant. The cash and warrants payable for the payroll and claims clearing agency funds are netted for reporting purposes. The cash and warrants payable in the payroll clearing account is as follows:

	Payroll Clearing
Cash	143,526
Warrants payable	143,526

Information regarding the collateral and security for cash and cash equivalents is not available to the District. Montana state statute requires that collateral to secure deposits of public funds be held in direct obligations of the United States government or its agencies.

Extracurricular fund cash of $68,620 at June 30, 2019, is held at Summit National Bank. The Summit National Bank balance is insured by the FDIC up to $250,000.

6. Inventories

Inventories are valued at the lower of cost or market using the first-in, first-out (FIFO) method.

7. Capital Assets

Capital assets, including land, buildings, improvements, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an initial useful life of one year or more. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2019

Buildings, improvements, and equipment are depreciated using the straight-line depreciation method over the following estimated useful lives:

Description	Estimated Lives
Land improvements	20 Years
Buildings and building improvements	15-50 Years
Machinery and equipment	7-25 Years

8. Short-term Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as 'due from other funds' or 'due to other funds' on the balance sheet.

9. Compensated Absences

All full-time District employees accumulate vacation and/or sick leave hours for later use or for payment upon termination, death or retirement. Vacation and sick leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the District will compensate the employees for the benefits through paid time off or some other means. The compensated absence liability fund is used to pay the accumulated vacation and/or sick leave of a non-teaching employee upon termination, death or retirement. Such reserve may not exceed 30% of the District's recorded liability for accumulated sick leave and 30% of accumulated vacation leave for non-teaching or administrative employees.

10. Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the State of Montana's Teachers Retirement System and the State of Montana's Public Employee Retirement System and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Deferred Outflow of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflow of resources, represents an expenditure of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditures) until that time. The District has only one type of item, which arises only under the accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, pension contributions and related differences and changes, is reported in the government-wide statement of net position. This amount is deferred and recognized as an outflow of resources in the period that the plans recognize the contributions and related differences and changes.

12. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position 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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items, one which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable tax revenue, is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The second relates to the differences and changes related to investment returns and assumptions in the Teachers Retirement System of Montana and the Montana Public Employee Retirement System which is reported in the government-wide statement of net position. The amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

13. Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions,* requires the fund balance amounts to be reported within one of the fund balance categories listed below.

Nonspendable - Amounts that cannot be spent because they are either (1) not in spendable form (e.g. inventories and prepaid amounts) or (2) legally or contractually required to be maintained intact (e.g. the corpus or principal of a permanent fund).

Restricted – Amounts that can be spent only for a specific purpose pursuant to state law, enabling legislation, grant agreement, or donor agreement.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the School District's Board of Trustees (the District's highest level of decision-making authority).

Assigned – Amounts that are intended to be used by the government for specific purposes under the direction of the District Clerk by authority granted by the Board of Trustees.

Unassigned – The residual classification for the government's general fund that includes all amounts that are not contained in the other classifications. It is also the residual classification for all negative fund balances.

It is the District's policy that for purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. All encumbrances are classified as either assigned fund balance or committed fund balance. At June 30, 2019, there were no encumbrances.

14. Net Position

Net position represents the residual of assets plus deferred outflows less liabilities and deferred inflows. Net investment in capital assets, represents net position in the form of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

15. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

16. Date of Management Review

Management has evaluated the activities and transactions subsequent to June 30, 2019 to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended June 30, 2019. Management has performed this evaluation through June 23, 2020, the date the financial statements were available to be issued. There were no subsequent events identified by management that are required to be disclosed.

Note C. Property Taxes

Property taxes are collected by Carter County who remits to the District their respective share of the collections. The 2018 property tax levy, which was perfected and became a receivable in October 2018, was levied to finance District operations during the year ended June 30, 2019. The tax levy was collectible in November 2018 and May 2019. As of May 31, 2019 uncollected property taxes became delinquent. Property taxes are attached as an enforceable lien on the underlying property. After a period of three years, Carter County, the collecting agent, may begin foreclosure proceedings and sell the property at auction. The District receives its share of the sale proceeds from Carter County. All property taxes are recognized in compliance with GASB interpretation “Property Tax Revenue Recognition in Government Funds,” which states that such revenue is recorded when it becomes measurable and available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the Year Ended June 30, 2019

Note D. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2019 is as follows:

	July 1, 2018	Additions	Deletions	Transfers	June 30, 2019
Governmental Activities					
CAPITAL ASSETS BEING DEPRECIATED AT COST:					
Land improvements	197,013	0	0	0	197,013
Buildings and improvements	7,811,798	19,000	42,998	314,508	8,102,308
Machinery and equipment	803,877	313,756	159,100	0	958,533
	8,812,688	332,756	202,098	314,508	9,257,854
OTHER CAPITAL ASSETS:					
Land	81,828	0	0	0	81,828
Construction in progress	187,429	127,079	0	(314,508)	0
	269,257	127,079	0	(314,508)	81,828
Total	9,081,945	459,835	202,098	0	9,339,682
LESS ACCUMULATED DEPRECIATION FOR:					
Land improvements	20,009	9,851	0	0	29,860
Buildings and improvements	1,402,328	209,540	30,099	0	1,581,769
Machinery and equipment	547,178	77,962	159,100	0	466,040
Total accumulated depreciation	1,969,515	297,353	189,199	0	2,077,669
Total	7,112,430				7,262,013

NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the Year Ended June 30, 2019

Depreciation expense was allocated as follows:

Instruction	207,535
Operations & maintenance	14,129
Student transportation	55,122
Food service	1,313
Unallocated	19,254
Total depreciation expense	297,353

Note E. Long-Term Liabilities

The following is a summary of changes in current and long-term obligations for the year ended June 30, 2019:

	July 1, 2018	Additions	Reductions	June 30, 2019	Due Within One Year	Due Within More Than One Year
Bond payable	3,510,000	0	550,000	2,960,000	565,000	2,395,000
Compensated absences payable	38,739	0	2,840	35,899	0	35,899
Net pension liability	1,367,418	0	83,565	1,283,853	0	1,283,853
Total	4,916,157	0	636,405	4,279,752	565,000	3,714,752

The current portion of compensated absences has not been separately stated due to the indeterminable nature of the liability. The compensated absences liability will be liquidated by several of the governmental funds.

The elementary district issued a general obligation school building bond, series 2014, September 26, 2014 for the purpose of building a new elementary school. The amount of the bond issued was $5,600,000.

The first principal payment was due July 1, 2015, and annually thereafter, with the final payment due July 1, 2024. The principal payments range from $500,000 to $620,000. Interest is due semi-annually starting January 1, 2015. Interest rate on the bond ranges from 2.000% to 2.625%. Starting July 1, 2019, the bonds may be called paying par value plus accrued interest.

Future bond obligations are as follows:

Year	Principal	Interest	Total
2020	565,000	72,588	637,588
2021	580,000	58,463	638,463
2022	590,000	45,413	635,413
2023	605,000	31,400	636,400
2024	620,000	16,275	636,275
Total	2,960,000	224,139	3,184,139

Note F. Employee Benefit Pension Plans

1 Teachers Retirement System of Montana

a. Summary of Significant Accounting Polices

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.

b. 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.

c. 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% x AFC x 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 x AFC x 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.

d. 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2019

The tables below show the legislated contribution rates for TRS members, districts and the state:

School District and Other Employers

	Members	Employers	General Fund	Total Employee & Employer
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%

NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2019

State and University Employers

	Members	Employers	General Fund	Total Employee & Employer
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%

e. **TRS Stand-Alone Statements**

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

f. Actuarial Assumptions

The total pension liability as of June 30, 2018, is based on the results of an actuarial valuation date of July 1, 2018. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2018 valuation were based on the results of the last actuarial experience study, dated May 3, 2018. Among those assumptions were the following:

- Total wage increase* — 3.25%-7.76% for non-University members and 4.25% for University members
- Investment return — 7.50%
- Price inflation — 2.5%
- Postretirement Benefit Increases
  - Tier One Members: If the retiree has received benefits for the at least 3 years, the retirement allowance will be increased by 1.5% on January 1st.
  - Tier Two Members: The retirement allowance will be increased by an amount equal to or greater than .5%, but no more than 1.5% if the most recent actuarial valuation shows the System to be at least 90% funded and the provisions of the increase is not projected to cause the funded ratio to be less than 85%.
- Mortality among contributing members, service retired members, and beneficiaries
  - For Males and Females: RP-2000 Healthy Combined Mortality Table Projected to 2022 adjusted for partial credibility setback for two years.
- Mortality among disabled members
  - For Males: RP 2000 Disabled Mortality Table for Males, set back three years, with mortality improvements projected by Scale BB to 2022.
  - For Females: RP 2000 Disabled Mortality Table for Males, set back two years, with mortality improvements projected by Scale BB to 2022.

*Total wage increases include 3.25% general wage increase assumption.

g. Discount Rate

The discount rate used to measure the total pension liability was 7.50%. 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 2126. 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

h. Target Allocations

Asset Class	Target Asset Allocation (a)	Real Rate of Return Arithmetic Basis (b)	Long-Term Expected Portfolio Real Rate of Return* (a x b)
Domestic Equity	35.00%	6.68%	2.34%
International Equity	18.00%	6.98%	1.26%
Private Equity	10.00%	10.15%	1.02%
Natural Resources	3.00%	4.09%	0.12%
Core Real-Estate	7.00%	5.38%	0.38%
TIPS	3.00%	1.78%	0.05%
Intermediate Duration Bonds	19.00%	2.15%	0.41%
High Yield Bonds	3.00%	4.36%	0.13%
Cash	2.00%	0.81%	0.02%
	100.00%		5.73%
		Inflation	2.50%
		Expected arithmetic nominal return	8.23%

*The assumed rate is comprised of 2.50% inflation rate and a real long-term expected rate of return 5.00%.

The 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 2013 through 2017, is outlined in a report dated May 3, 2018. 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 an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation). Estimates of variability and correlations for each asset class, were developed by the System's investment consultant. These ranges were combined to develop 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 long-term rate of return assumption is intended to be a long-term assumption (30 to 50 years) 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. The average long-term capital market assumptions published in the Survey of Capital Market Assumptions 2017 Edition by Horizon Actuarial Service, LLC, yield a median real return of 5.07%. Our recommended assumption of 5.00% for the real return reflects granting each source some degree of credibility. Combined with the 2.50% inflation assumption, the resulting nominal return is 7.50%.

i. Sensitivity Analysis

	1.0% Decrease (6.50%)	Current Discount Rate	1.0% Increase (8.50%)
The District's proportionate share of net pension liability	1,496,355	1,088,234	746,401

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 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.50%) or 1.00% higher (8.50%) than the current rate.

j. 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, 2019 and June 30, 2018 (reporting dates).

As of measurement date	Net Pension Liability as of 6/30/2019	Net Pension Liability as of 6/30/2018	Percent of Collective NPL 6/30/2019	Percent of Collective NPL 6/30/2018	Change in Percent of Collective NPL
The District's proportionate share	1,088,234	1,048,495	0.0586%	0.0622%	-0.0036%
State of Montana's proportionate share associated with the District	681,018	665,753	0.0367%	0.0395%	-0.0028%
Total	1,769,252	1,714,248	0.0953%	0.1017%	-0.0064%

At June 30, 2019, the District recorded a liability of $1,088,234 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The District's proportion of the net pension liability was based on the District's contributions received by TRS during the measurement period July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of TRS' participating employers. At June 30, 2019, the District's proportion was 0.0586 percent.

Changes in actuarial assumptions and other inputs: As a result of the recent actuarial experience study, dated May 3, 2018 the following changes to the actuarial assumptions were made since the previous measurement date:

- Assumed rate of inflation was reduced from 3.25% to 2.50%
- Payroll growth assumption was reduced from 4.00% to 3.25%
- Investment return assumption was reduced from 7.75% to 7.50%.
- Wage growth assumption was reduced from 4.00% to 3.25%
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
  - For Males and Females: RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years.
  - The tables include margins for mortality improvement which is expected to occur in the future.
- Mortality among disabled members was updated to the following:
  - For Males: RP 2000 Disabled Mortality Table, set back three years, with mortality improvements projected by Scale BB to 2022.
  - For Females: RP 2000 Disabled Mortality Table, set forward two years, with mortality improvements projected by Scale BB to 2022.
- Retirement rates were updated
- Termination rates were updated
- Rates of salary increases were updated

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

Change 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

k. Pension Expense

As of measurement date	Pension Expense as of 6/30/2019
The District's proportionate share	90,770
State of Montana's proportionate share associated with the District	40,990
Total	131,760

NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2019

At June 30, 2019, the District recognized pension expense of $131,760 for its proportionate share of the TRS' pension expense. The District also recognized grant revenue of $40,990 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the District

I. Deferred Inflows and Outflows

At June 30, 2019, District 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
Difference between expected and actual economic experience	7,766	679
Changes in actuarial assumptions	88,708	1,611
Difference between projected and actual investment earnings	0	9,823
Changes in proportion & differences between actual and expected contributions	11,959	52,561
*Contributions paid to TRS subsequent to the measurement date - FY 2019 contributions	72,382	0
Total	180,815	64,674

*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, 2020.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2019

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

Year ended June 30:	Deferred Outflows of Resources (a)	Deferred Inflow of Resources (b)	Amount recognized in Pension Expense as an increase or (decrease) in Pension Expense (a-b)
2020	57,569	22,249	35,320
2021	42,720	18,629	24,091
2022	25,902	36,486	(10,584)
2023	0	5,067	(5,067)
2024	0	0	0
Thereafter	0	0	0

2 Montana Public Employee Retirement System

a. Summary of Significant Accounting Policies

MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the net pension liability (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).

b. General Information about the Pension Plans

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, Montana Code Annotated (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. Benefits are established by state law and can only be amended by the Legislature.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they 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).

Benefits provided: The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation (HAC). Member rights are vested after five years of service.

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:

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

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

- Retired before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:
  - A refund of member's contributions plus return interest (currently .77% effective July 1, 2017).
  - No service credit for second employment;
  - Start the same benefit amount the month following termination; and
  - Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
- Retired before January 1, 2016 and accumulate at least 2 years of additional service credit:
  - A recalculated retirement benefit based on provisions in effect after the initial retirement; and
  - GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.
- Retired on or after January 1, 2016 and accumulate 5 or more years of service credit:
  - The same retirement as prior to the return to service;
  - A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
  - GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

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

- Members hired prior to July 1, 2011:
  - Less than 25 years of membership service: 1.785% of HAC per year of service credit;
  - 25 years of membership service or more: 2% of HAC per year of service credit.
- Members hired on or after July 1, 2011:
  - Less than 10 years of membership service: 1.5% of HAC per year of service credit;
  - 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
  - 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 all other adjustments to the members benefit.

- 3.0% for members hired prio**r** to July 1, 2007
- 1.5% for members hired between July 1, 2007 and July 30, 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 2.0% PERS is funded below 90%; and
  - 0% whenever the amortization period for PERS is 40 years or more.

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

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 all participating employers.

Not Special Funding: Per Montana law, state agencies and universities paid their own additional contributions. The employer paid contributions are *not* accounted for as special funding for state agencies and universities but are reported as employer.

Member and employer contribution rates are shown in the table below.

	Member		State & Universities	Local Governments		School Districts	
Fiscal Year	Hired <7/1/11	Hired >7/1/11	Employer	Employer	State	Employer	State
2019	7.900%	7.900%	8.670%	8.570%	0.100%	8.300%	0.370%
2018	7.900%	7.900%	8.570%	8.470%	0.100%	8.200%	0.370%
2017	7.900%	7.900%	8.470%	8.370%	0.100%	8.100%	0.370%
2016	7.900%	7.900%	8.370%	8.270%	0.100%	8.000%	0.370%
2015	7.900%	7.900%	8.270%	8.170%	0.100%	7.900%	0.370%
2014	7.900%	7.900%	8.170%	8.070%	0.100%	7.800%	0.370%
2012-2013	6.900%	7.900%	7.170%	7.070%	0.100%	6.800%	0.370%
2010-2011	6.900%		7.170%	7.070%	0.100%	6.800%	0.370%
2008-2009	6.900%		7.035%	6.935%	0.100%	6.800%	0.235%
2000-2007	6.900%		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 rate.

2) Employer contribution to the system:
   a. Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% per year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation 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 contribution rates.
   b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
   c. The portion of employer contributions allocated to the PCR are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.

3) Non-Employer Contributions;
   a. Special Funding
      i. The State contributed 0.1% of members' compensation on behalf of local government entities.
      ii. The State contributed 0.37% of members' compensation on behalf of school district entities.
      iii. The State contributed a Statutory Appropriation from the General Fund of $33,454,182.

c. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

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 total pension liability (TPL). The basis for the TPL as of June 30, 2018, was determined by taking the results of the June 30, 2017, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

The TPL minus the fiduciary net position equals the net pension liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2018, and 2017, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The employer recorded a liability of $195,619 and the employer's proportionate share was 0.0094 percent.

As of measurement date	Net Pension Liability as of 6/30/2018	Net Pension Liability as of 6/30/2017	Percent of Collective NPL as of 6/30/2018	Percent of Collective NPL as of 6/30/2017	Change in Percent of Collective NPL
The District's proportionate share	195,619	318,923	0.0094%	0.0164%	-0.0070%
State of Montana proportionate share associated with District	77,882	20,313	0.0150%	0.1035%	-0.0885%
Total	273,501	339,236	0.0243%	0.1199%	-0.0955%

NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2019

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the TPL.

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 NPL and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

Pension Expense: At June 30, 2018, the employer recognized $(9,281) for its proportionate share of the Plan's pension expense and recognized grant revenue of $5,198 for the state of Montana proportionate share of the pension expense associated with the employer. Additionally, the employer recognized grant revenue of $0 from the State Statutory Appropriation from the general fund

As of measurement date	Pension Expense as of 6/30/2018
The District's proportionate share	(9,281)
The District grant revenue - state of Montana proportionate share for the District	5,198
The District grant revenue - state of Montana state appropriation for the District	0
Total	(4,083)

NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2019

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. actual experience	14,876	0
Projected investment earnings vs actual investment earnings	0	3,038
Changes in assumptions	16,634	0
Changes in proportion and differences between District contributions and proportionate share of contributions	0	109,218
District contributions subsequent to the measurement date	27,683	0
Total	59,193	112,256

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

For the measurement year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in future years as an increase or (decrease) in pension expense
2019	(23,167)
2020	(26,316)
2021	(30,015)
2022	(1,248)
2023	0
Thereafter	0

NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2019

Actuarial Assumptions: The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions.

Investment return (net of admin)	7.65%
Admin expense as % of payroll	0.26%
General wage growth * * includes inflation at	3.50% 2.75%
Merit increases	0% to 6.3%
Post retirement benefits 1. Guaranteed Annual Benefit Adjustment (GABA) each January • 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. •Members hired prior to July 1, 2007 •Members hired between July 1, 2007 & June 30, 2013 •Members hired on or after July 1, 2013 •For each year PERS is funded at or above 90% •The 1.5% is reduced by 0.1% for each 2.0% PERS is funded below 90% •0% whenever the amortization period for PERS is 40 years or more	 3.00% 1.50% 1.50% 0%
Mortality: • Contributing members, service retired members & beneficiaries • Disabled members	 RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, set back one year for males RP-2000 Combined Mortality Tables, with no projections

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a report dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. Several factors are considered in evaluating the long-term rate of return assumption including historical rates of return, rate of return assumptions adopted by similar public-sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018, are summarized in the table below.

Asset Class	Target Asset Allocation	Long term Expected Real Rate of Return Arithmetic Basis
Cash Equivalents	2.60%	4.00%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.35%
Fixed Income	23.40%	1.00%
Private Equity	12.00%	7.75%
Real Estate	8.00%	4.00%
Total	100.00%	

Discount Rate: The discount rate used to measure the TPL was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed a statutory appropriation from the general fund. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2121. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2019

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate: The following presents the employer's sensitivity of the NPL to the discount rate in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.65%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

As of measurement date:	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
The District's net pension liability	282,911	195,619	123,939

d. PERS Disclosure for the Defined Contribution Plan

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

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

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

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

At the plan level for the measurement period ended June 30, 2018, 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 316 employers that have participants in the PERS-DCRP totaled $746,144.

Pension plan fiduciary net position: The stand-alone 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 both are available on the MPERA website at http://mpera.mt.gov/index.shtml.

Note G. Risk Management

The District is exposed to a considerable number of risks of loss, including: (1) damage to and loss of property and contents, (2) employee torts, (3) professional liability (e.g. errors and omissions), (4) environmental damage, (5) workers’ compensation, (e.g. employee injuries), (6) and medical insurance costs of employees. Commercial policies transferring the risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, employee torts, and professional liabilities. Given the lack of coverage available, the District has no coverage for potential losses from environmental damages.

Coverage limits and the deductibles 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 cost of the assets. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years. The District is a participant in the Montana Schools Group Insurance Authority (MSGIA), Workers' Compensation Risk Retention Program, a public entity risk pool governed by schools for the benefit of schools and educational cooperatives located within the State of Montana. The District pays premiums on an experience-rated basis calculated actuarially to spread and moderate the costs of claims loss to each member of the pool. If the MSGIA experiences an unusually large number of losses under the workers' compensation programs during a policy year, such that notwithstanding reinsurance coverage for large individual losses, the joint insurance funds for the program may be exhausted before the next annual premiums are due, the Board of Trustees may, upon consultation with an actuary, impose premium surcharges on all participating entities, which, in total amount, will assure adequate funds to the MSGIA for the payment of all such losses.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2019

The District is also a participant in the Montana Schools Unemployment Insurance Program (MSUIP), sponsored by the Montana School Boards Association and the Montana Association of School Business Officials, for the benefit of schools and cooperatives located within the State of Montana. The program was created pursuant to the Montana Interlocal Cooperation Act by execution of an Interlocal Agreement. The program is responsible for reimbursing the Department of Labor for all valid unemployment benefit claims of the member school districts. Each member of the program is jointly and severally liable for the full amount of any and all known or unknown claims of each member arising during the member's participation in the program.

Note H. Non-Monetary Transactions

The District received $6,175 in USDA Commodities during the 2018-2019 fiscal year. The commodities received are valued at the average wholesale price as determined by the distributing agency. All commodities received by the District were treated as revenue and an expense of the fund receiving the commodities.

Note I. Resource Transfers

During the year ended June 30, 2019, the District made resource transfers from the general fund, to the elementary building reserve in the amount of $10,000 and the high school building reserve fund in the amount of $35,000 to finance building maintenance. The District also made resource transfers of $10,000, $5,000, and $5,000 from the high school bus depreciation, elementary bus depreciation fund, and high school transportation fund, respectively, to the high school interlocal agreement fund pursuant to Montana code annotated section 20-9-704.

Note J. Contingent Liabilities

The District participates in a number of federally assisted grant programs that are subject to audit and adjustment by the grantors. Such grantor audits of these programs, if any, for or including the year ended June 30, 2019, have not yet been conducted. Accordingly, the District's compliance with applicable grant requirements for those programs if audited by grantor agencies will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2019

Note K. Other Postemployment Benefits (OPEB)

Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions,* is an accounting and financial reporting requirement for employers to measure and report the cost and liabilities associated with other (than pension) postemployment benefits (OPEB).

The District participated in a multi-employer defined benefit healthcare plan administered by Montana Unified School Trust for employee and retired members during the year ended June 30, 2019. A retiree who retires with the Teachers' Retirement System (TRS) or the Public Employees' Retirement System (PERS) is eligible to keep the District's health insurance as a retiree. Retirement eligibility is determined based on a minimum of reaching age 50 with at least 5 years of membership with a TRS or PERS employer. The retiree is on the same medical plan as the District's active employees. The contribution requirement of plan members is established by the District's compensation committee in conjunction with their insurance provider. The required contribution is based on projected pay-as-you-go financing requirements.

The District has not implemented the requirements of GASB Statement 75 and as a result has not determined its annual OPEB cost and net OPEB obligation. The District's plan is considered to be unfunded since there are no assets and retiree benefits are paid annually on the cash basis.

REQUIRED SUPPLEMENTAL INFORMATION

Ekalaka Public Schools

Carter County
Ekalaka, Montana
June 30, 2019

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2019

	GENERAL FUND		ELEMENTARY FLEX FUND		HIGH SCHOOL FLEX FUND	
	ORIGINAL AND FINAL BUDGET	ACTUAL	ORIGINAL AND FINAL BUDGET	ACTUAL	ORIGINAL AND FINAL BUDGET	ACTUAL
REVENUES						
Taxes	796,379	802,854	0	0	0	0
Intergovernmental revenues						
State	628,817	681,630	0	0	0	0
Interest on investments	4,109	740	2,500	4,344	2,500	7,313
Other revenue	213	0	0	30	0	0
Total revenues before reappropriations	1,429,518	1,485,224	2,500	4,374	2,500	7,313
Budgeted reappropriations	476		222,953		410,657	
Total revenues and reappropriations	1,429,994		225,453		413,157	
EXPENDITURES						
Current:						
Instruction	1,429,994	775,680	225,453	9,306	413,157	4,097
Supporting services	0	306,786	0	428	0	0
Operations and maintenance	0	275,510	0	739	0	34,101
Student transportation	0	428	0	0	0	0
Food services	0	26,827	0	0	0	0
Extracurricular	0	80,839	0	0	0	0
Total expenditures	1,429,994	1,466,070	225,453	10,473	413,157	57,198
Excess (deficiency) of revenues over expenditures	0	19,154	0	(6,099)	0	(49,885)
OTHER FINANCING SOURCES (USES)						
Resource transfers in (out)		(45,000)		0		0
Total other financing sources (uses)		(45,000)		0		0
Excess (deficiency) of revenues and other sources over expenditures		(25,846)		(6,099)		(49,885)
Fund balances, beginning (Non-GAAP budgetary basis)		190,259		222,953		410,657
Fund balances, ending (Non-GAAP budgetary basis)		164,413		216,854		360,772
Adjustments to generally accepted accounting principles						
Current year encumbrances included in expenditures		0		0		0
Fund balances, ending (GAAP basis)		164,413		216,854		360,772

See independent auditor’s report.

BUDGETARY COMPARISON SCHEDULE - CONTINUED

For the Year Ended June 30, 2019

	HIGH SCHOOL BUS DEPRECIATION	
	ORIGINAL AND FINAL BUDGET	ACTUAL
REVENUES		
Taxes	37,409	37,660
Intergovernmental revenues		
State	0	4,020
Interest on investments	0	6,824
Total revenues before reappropriations	37,409	48,504
Budgeted reappropriations	441,377	
Total revenues and reappropriations	478,786	
EXPENDITURES		
Current:		
Student transportation	478,786	0
Capital outlay	0	182,040
Total expenditures	478,786	182,040
Excess (deficiency) of revenues over expenditures	0	(133,536)
OTHER FINANCING SOURCES (USES)		
Resource transfers in (out)		(10,000)
Total other financing sources (uses)		(10,000)
Special Item		
Excess (deficiency) of revenues and other sources over expenditures		(143,536)
Fund balances, beginning (Non-GAAP budgetary basis)		441,377
Fund balances, ending (Non-GAAP budgetary basis)		297,841
Adjustments to generally accepted accounting principles		
Current year encumbrances included in expenditures		0
Fund balances, ending (GAAP basis)		297,841

See independent auditor's report.

NOTES TO BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2019

1. Budgetary Process

State Law requires that the District adopt budgets for certain funds, generally those supported by property taxes. Budgeted and non-budgeted funds are as follows:

Fund	Budgeted	Non-Budgeted
Governmental Funds		
General	X	
Transportation	X	
Bus Depreciation	X	
School Food Services		X
Tuition	X	
Retirement	X	
Miscellaneous Programs		X
Adult Education	X	
Traffic Education		X
Lease rental		X
Compensated Absences		X
Impact Aid		X
Technology	X	
Flex Fund	X	
Interlocal		X
Debt Service	X	
Building		X
Building Reserve	X	
Endowment		X
Fiduciary Funds		
Extracurricular		X
Scholarship Fund		X
Payroll Clearing		X
Claims Clearing		X
Retirement/Cobra		X

See independent auditor's report.

NOTES TO BUDGETARY COMPARISON SCHEDULE - CONTINUED

For the Year Ended June 30, 2019

The District's budget is prepared on the modified accrual basis of accounting, including encumbrances, which results in the accounting for certain transactions to be on a basis other than accounting principles generally accepted in the United States (modified accrual). The District's accounting records are maintained on the basis of cash receipts and disbursements during the year. At year end, certain adjustments are made to the District's accounting records to reflect the basis of accounting described above. Reported budget amounts represent the originally adopted budget. Total fund expenditures may not legally exceed the budgeted expenditures. The budget lapses at the end of each year. The results of operations, on the budget basis of accounting, described above, are presented in the budgetary comparison schedule to provide a meaningful comparison of actual results with the budget.

General fund budgets are based on the State of Montana's Foundation Program, which is based primarily on enrollment. Budgets of other funds are based on expected revenues and expenditures. Budgeted fund expenditures are limited by State Law to budgeted amounts which may be amended for emergencies as defined by State Law. Budget authority may be transferred between expenditure classifications within the same fund.

2. **Budgetary policy follows:**

- By the second Monday in July, the County Assessor transmits a statement of the assessed valuation and taxable valuation of all property to the County Superintendent of Schools.

- Before the second Monday in August, the County Superintendent estimates revenue by fund and provides this information to the Board of Trustees prior to the final budget meeting.

- On the second Monday in August, the Board of Trustees must meet to legally adopt the final budget. This budget is adopted consistent with the District's basis of accounting, except for encumbrances discussed below.

- Upon adoption of the final budget, expenditures and operating transfers are limited to the total fund budget. 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.

- Individual fund budgets may only be increased with Board approval, in a manner prescribed by State Law (MCA 20-9-161 through MCA 20-9-166).

See independent auditor's report.

NOTES TO BUDGETARY COMPARISON SCHEDULE - CONTINUED

For the Year Ended June 30, 2019

Encumbrances outstanding at year-end represent the estimated amount of expenditures ultimately to result if unperformed purchase orders or contracts in process at year-end were completed. They do not constitute expenditures or liabilities and will not until performance is essentially complete. The District has no encumbrances at June 30, 2019.

See independent auditor's report.

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - TEACHERS RETIREMENT SYSTEM OF MONTANA

For the Year Ended June 30, 2019

Determined as of the measurement date	2019	2018	2017	2016	2015
District's portion of net pension liability	0.0586%	0.0622%	0.0600%	0.0596%	0.0555%
District's proportionate share of the net pension liability associated with the District	1,088,234	1,048,495	1,095,202	979,410	853,693
State of Montana's proportionate share of the net pension liability associated with the District	681,018	665,753	716,845	663,044	587,324
Total	1,769,252	1,714,248	1,812,047	1,642,454	1,441,017
District's covered payroll	783,124	820,212	778,106	760,863	699,604
District's proportionate share of the net pension liability as a percentage of its covered payroll	138.96%	127.83%	140.75%	128.72%	122.03%
Plan fiduciary net position as a percentage of the total pension liability	69.09%	70.09%	66.69%	69.30%	70.36%

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

See independent auditor's report.

SCHEDULE OF CONTRIBUTIONS - TEACHERS RETIREMENT SYSTEM OF MONTANA

For the Year Ended June 30, 2019

Determined as of the reporting date	2019	2018	2017	2016	2015
Contractually required contributions	72,382	71,716	71,932	67,468	65,204
Contributions in relation to the contractually required contributions	72,382	71,716	71,932	67,468	65,204
Contribution deficiency (excess)	0	0	0	0	0
District’s covered payroll	806,972	783,124	820,212	778,106	760,863
Contributions as a percentage of covered payroll	8.97%	9.16%	8.77%	8.67%	8.57%

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

See independent auditor’s report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - TEACHERS RETIREMENT SYSTEM OF MONTANA

For the Year Ended June 30, 2019

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 benefits structure for members hired on or after July 1, 2013 is summarized below.

- Final Average Compensation: average of earned compensation paid in five consecutive years of full-time service that yields the highest average.
- 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.
- 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.
- 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%.
- Annual Contribution: 8.15% of member's earned compensation.
- 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:
    - The average funded ratio of the System based on the last three annual actuarial valuations is equal to or less than 80%; and
    - The period necessary to amortize all liabilities of the System based on the latest annual actuarial valuation is greater than 20 years; and
    - 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.
- Disability Retirement: A member will not be eligible for a disability retirement if the member is or will eligible for a service retirement on the date of termination.

See independent auditor's report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – TEACHERS RETIREMENT SYSTEM OF MONTANA - CONTINUED

For the Year Ended June 30, 2019

- Guaranteed Annual Benefit Adjustment (GABA):
  - 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.

See independent auditor's report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – TEACHERS RETIREMENT SYSTEM OF MONTANA - CONTINUED

For the Year Ended June 30, 2019

Changes in actuarial assumptions and other inputs:

The following changes to the actuarial assumptions were adopted in 2018

- Assumed rate of inflation was reduced from 3.25% to 2.50%.
- Payroll growth assumption was reduced from 4.00% to 3.25%.
- Investment return assumption was reduced from 7.75% to 7.50%.
- Wage growth assumption was reduced from 4.00% to 3.25%.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
  - For Males and Females: RP-2000 Healthy Combined Mortality Table Projected to 2022 adjusted for partial credibility setback for two years.
  - The tables include margins for mortality improvement which is expected to occur in the future.
- Mortality among disabled members was updated to the following:
  - For Males: RP 2000 Disabled Mortality Table, set back three years, with mortality improvements projected by Scale BB to 2022.
  - For Females: RP 2000 Disabled Mortality Table, set forward two years, with mortality improvements projected by Scale BB to 2022.
- Retirement rates were updated
- Termination rates were updated
- Rates of salary increases were updated

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

See independent auditor's report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – TEACHERS RETIREMENT SYSTEM OF MONTANA - CONTINUED

For the Year Ended June 30, 2019

The following changes to the actuarial assumption 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 assumption 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 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.

See independent auditor’s report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – TEACHERS RETIREMENT SYSTEM OF MONTANA - CONTINUED

For the Year Ended June 30, 2019

Method and assumptions used in calculations of actuarially determined contributions:

Actuarial cost method	Entry Age
Amortization method	Level percentage of pay, open
Remaining amortization period	22 years
Asset valuation method	4-year smoothed market
Inflation	3.25%
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

See independent auditor's report.

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - MONTANA PUBLIC EMPLOYEES RETIREMENT SYSTEM

For the Year Ended June 30, 2019

As of measurement date	2018	2017	2016	2015	2014
District's proportion of net pension liability (percentage)	0.0094%	0.0164%	0.0193%	0.0194%	0.0182%
District's net pension liability (amount)	195,619	318,923	328,877	271,097	226,314
State of Montana’s net pension liability (amount)	77,882	20,313	15,370	12,739	10,579
Total	273,501	339,236	344,247	283,836	236,893
District's covered payroll	159,212	209,904	239,078	234,004	218,875
District's proportionate share as a percent of covered payroll	122.87%	151.94%	137.56%	115.85%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.47%	73.75%	74.71%	78.40%	79.87%

**The amounts presented for each fiscal year were determined as of June 30, the measurement date. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

See independent auditor’s report.

SCHEDULE OF CONTRIBUTIONS - MONTANA PUBLIC EMPLOYEES RETIREMENT SYSTEM

For the Year Ended June 30, 2019

As of most recent FYE (reporting date)	2019	2018	2017	2016	2015
Contractually required DB contributions	27,683	13,055	17,003	19,331	18,650
Plan choice rate required contributions	0	0	0	1,828	2,808
Contributions in relation to the contractually required contributions	27,683	13,055	17,003	21,159	21,459
Contribution deficiency (excess)	0	0	0	0	0
District's covered payroll	333,534	159,212	209,904	239,078	234,004
Contributions as a percentage of covered payroll	8.30%	8.20%	8.10%	8.85%	9.17%

**The amounts presented for each fiscal year were determined as of June 30, the most recent fiscal year end. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

See independent auditor's report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – MONTANA PUBLIC EMPLOYEES RETIREMENT SYSTEM

For the Year Ended June 30, 2019

Changes of Benefit Terms*:*

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

2017:
Working Retiree Limitations- for PERS

Effective July 1, 2017, if a PERS retiree returns as an independent contractor to what would otherwise be PERS-covered employment, general contractor overhead costs are excluded from PERS working retiree limitations.

Refunds

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

Interest credited to member accounts

Effective July 1, 2017, the interest rate credited to member accounts increased from 0.25% to 0.77%.

Lump-sum payouts

Effective July 1, 2017, lump-sum payouts in all systems are limited to the member's accumulated contributions rate than the present value of the member's benefit.

Disabled PERS Defined Contribution (DC) Members

PERS members hired after July 1, 2011 have a normal retirement age of 65. PERS DC members hired after July 1, 2011 who became disabled were previously only eligible for a disability benefit until age 65. Effective July 1, 2017, these individuals will be eligible for a disability benefit until they reach 70, thus ensuring the same 5-year time period available to PERS DC disabled members hired prior to July 1, 2011 who have a normal retirement age of 60 and are eligible for a disability benefit until age 65.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – MONTANA PUBLIC EMPLOYEES RETIREMENT SYSTEM - CONTINUED
For the Year Ended June 30, 2019

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculation of actuarially determined contributions

The following actuarial assumptions were adopted from the June 2016 Experience Study

General wage growth*	3.50%
Investment rate of return*	7.65%
*Includes inflation at	2.75%
Merit salary increases	0.00% to 6.30%
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Mortality (Healthy members)	For males and females: RP 2000 Combined Employee and Annuitant Mortality table projected to 2020 using scale BB, males set back 1 year.
Mortality (Disabled members)	For males and females: RP 2000 Combined Mortality table, with no projections
Admin expense as % of payroll	0.26%

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

See independent auditor's report.

SUPPLEMENTAL INFORMATION

Ekalaka Public Schools

Carter County
Ekalaka, Montana
June 30, 2019

COMBINING BALANCE SHEET – GENERAL FUND

June 30, 2019

	General Fund	Elementary Flex Fund	High School Flex Fund	Total General Fund
ASSETS				
Cash and cash equivalents	133,977	216,854	360,772	711,603
Taxes receivable	769	0	0	769
Inventories	30,436	0	0	30,436
Total assets	165,182	216,854	360,772	742,808
LIABILITIES AND FUND BALANCES				
Deferred inflows of resources:				
Unavailable tax revenues	769	0	0	769
Total deferred inflows of resources	769	0	0	769
Fund balances:				
Nonspendable				
Inventories	30,436	0	0	30,436
Unassigned	133,977	216,854	360,772	711,603
Total fund balances	164,413	216,854	360,772	742,039
Total liabilities, deferred inflows of resources and fund balances	165,182	216,854	360,772	742,808

See independent auditor's report.

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GENERAL FUND

For the Year Ended June 30, 2019

	General Fund	Elementary Flex Fund	High School Flex Fund	Total General Fund
REVENUES				
Property taxes for general purposes	802,854	0	0	802,854
Intergovernmental:				
State	681,630	0	0	681,630
Interest on investments	740	4,344	7,313	12,397
Other	0	30	0	30
Total revenues	1,485,224	4,374	7,313	1,496,911
EXPENDITURES				
Current:				
Instruction	775,680	9,306	4,097	789,083
Supporting services	306,786	428	0	307,214
Operations and maintenance	275,510	739	34,101	310,350
Student transportation	428	0	0	428
Food services	26,827	0	0	26,827
Extracurricular	80,839	0	0	80,839
Capital outlay	0	0	19,000	19,000
Total expenditures	1,466,070	10,473	57,198	1,533,741
Excess (deficiency) of revenues over expenditures	19,154	(6,099)	(49,885)	(36,830)
OTHER FINANCING SOURCES (USES)				
Transfers out	(45,000)	0	0	(45,000)
Total other financing sources and uses	(45,000)	0	0	(45,000)
Net change in fund balances	(25,846)	(6,099)	(49,885)	(81,830)
Fund balances - beginning	190,259	222,953	410,657	823,869
Fund balances - ending	164,413	216,854	360,772	742,039

See independent auditor's report.

EXTRACURRICULAR FUND - SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION

For the Year Ended June 30, 2019

Student Activity	Net Position July 1, 2018	Receipts	Disbursements	Transfers	Net Position June 30, 2019
EGS-Student Supplies	360	0	74	0	286
EGS-K-6 Music	11	0	11	0	0
C-Club	6,949	6,164	8,505	0	4,608
Annual	4,180	226	362	0	4,044
Athletics	5,347	41,199	41,891	1,473	6,128
Class of 2017	77	0	0	(77)	0
Class of 2018	527	0	153	(374)	0
Class of 2019	645	118	670	0	93
Class of 2020	5,464	0	0	2,024	7,488
Class of 2021	3,091	0	0	368	3,459
Class of 2022	2,187	0	0	0	2,187
Class of 2023	549	0	3,690	0	(3,141)
Honor Society	216	0	95	0	121
Concessions	947	28,132	20,249	(7,623)	1,207
Close-up	84	6,183	1,009	2,838	8,096
FCCLA	5,527	19,274	19,119	1,284	6,966
FFA	9,580	14,678	17,228	(454)	6,576
Music	2,387	8,707	11,233	552	413
Science Club	2,643	1,348	1,617	368	2,742
Speech	420	1,532	197	(830)	925
Student Council	5,377	273	638	451	5,463
	56,568	127,834	126,741	0	57,661

See independent auditor's report.

SCHEDULE OF REPORTED ENROLLMENT

For the Year Ended June 30, 2019

Students Grade K-8

Full Time Students:

Fall Enrollment-El District	MAEFAIRS	District	Difference
Kindergarten Half Day	0	0	0
Kindergarten Full Day	7	7	0
E Budget Units Grades 1-6	63	63	0
M Budget Units Grades 7-8	19	19	0
Spring Enrollment-El District	**MAEFAIRS Reports**	**District Reports**	**Difference**
Kindergarten Half Day	0	0	0
Kindergarten Full Day	7	7	0
E Budget Units Grades 1-6	61	61	0
M Budget Units Grades 7-8	18	18	0

Part Time Students:

Fall	Per MAEFAIRS Enrollment Reports				Per District Reports				
Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	**Difference**
K-Half	0	0	0	0	0	0	0	0	0
K-Full	0	0	0	0	0	0	0	0	0
E 1-6	0	0	0	0	0	0	0	0	0
M 7-8	0	0	0	0	0	0	0	0	0
Spring	**Per MAEFAIRS Enrollment Reports**				**Per District Reports**				
Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	**Difference**
K-Half	0	0	0	0	0	0	0	0	0
K-Full	0	0	0	0	0	0	0	0	0
E 1-6	0	0	0	0	0	0	0	0	0
M 7-8	0	0	0	0	0	0	0	0	0

See independent auditor's report.

SCHEDULE OF REPORTED ENROLLMENT - CONTINUED

For the Year Ended June 30, 2019

Students Grade 9-12

Full Time Students:

Fall Enrollment-El District	MAEFAIRS Reports	District Reports	Difference
Grade 9 - 12	37	37	0
19-year olds included	0	0	0
Job Corps	0	0	0
Youth challenge	0	0	0
Spring Enrollment-El District	**MAEFAIRS Reports**	**District Reports**	**Difference**
Grade 9 - 12	38	38	0
19-year olds included	0	0	0
Job Corps	0	0	0
Youth challenge	0	0	0
Early Graduates	0	0	0

Part Time Students:

Fall	Per MAEFAIRS Enrollment Reports				Per District Reports				
Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	**Difference**
9-12	0	0	0	0	0	0	0	0	0
Spring	**Per MAEFAIRS Enrollment Reports**				**Per District Reports**				
Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	**Difference**
9-12	0	0	0	0	0	0	0	0	0

See independent auditor’s report.

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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*

Board of Trustees
Ekalaka Public Schools
Ekalaka, Montana

We have audited, in accordance with auditing standards generally accepted in the United States 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 Ekalaka Public Schools (the "District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Districts' basic financial statements, and have issued our report thereon dated June 23, 2020, where we qualified our opinion on the governmental activities due to the District not recording their other postemployment benefit (OPEB) cost and net OPEB obligation.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ekalaka Public Schools' 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 Ekalaka Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Ekalaka Public Schools' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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, misstatement on a timely basis. A *material weakness* is a deficiency, or 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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2019-001 to be a material weakness.

A *significant deficiency* is a deficiency, or 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. We consider the deficiencies described in the accompany schedule of findings and responses as items 2019-002 and 2019-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2019-002.

Ekalaka Public Schools' Response to Findings

Ekalaka Public Schools' response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Ekalaka Public Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Wipfli LLP

Wipfli LLP

Billings, Montana
June 23, 2020

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2019

Schedule of Findings

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Governmental Activities	Qualified
General Fund	Unmodified
High School Bus Depreciation	Unmodified
Elementary Debt Service	Unmodified
Aggreagate Remaining Fund Information	Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	X	Yes		No
Significant deficiency(ies) identified not considered to be material weaknesses?	X	Yes		No
Noncompliance material to the financial statements noted?	X	Yes		No

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

For the Year Ended June 30, 2019

Section II – Financial Statement Findings

2019-001 Implementation of GASB 75 Other Postemployment Benefits

Criteria or Specific Requirement: The Governmental Accounting Standards Board's (GASB) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* require that governments with more than 100 employees that provide other postemployment benefits obtain biannually an actuarial study to determine the government's other postemployment benefit liability (OPEB).

Condition: The District did not have an actuarial valuation done to determine its OPEB liability and related expense as of June 30, 2019.

Context: We inquired of District management to determine if the required valuation had been completed and were informed that it had not been performed.

Effect: The governmental activities liabilities are understated; net position is overstated, and expenses would change.

Cause: The District did not see the value in getting the valuation in proportion to the cost of the valuation.

Auditor's Recommendation: The District should engage an actuarial firm to determine the OPEB liability and expense every other year as required by GASB Statement No. 75 which became effective for fiscal year 2018.

View of Responsible Official: The District will evaluate the benefit of acquiring an actuarial firm to determine the GASB 75 value for years going forward.

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

For the Year Ended June 30, 2019

2019-002 Budget

Criteria or Specific Requirement: Montana statue MCA 20-9-133(2) requires that money of the District may not be used to pay expenditures made, liabilities incurred or warrants in excess of the final budget established for each budgeted fund.

Condition: At June 30, 2019, the District had overspent the elementary general fund, high school general fund, elementary tuition fund and high school tuition fund by $9,348, $26,728, $12 and $1,113, respectively.

Context: We compared the District's actual expenditures for each budgeted fund to ensure that that budgeted funds were not overspent.

Cause: The elementary and high school general funds were overspent due to the District maintaining an out of date supply inventory listing that required the District to adjust them at year end. The elementary tuition fund and high school tuition fund was overspent due lack of oversight by the District.

Effect: The District is in violation of Montana statue MCA 20-9-133(2).

Auditor's Recommendation: At year end, the District should do a proper accounting for remaining supply inventory by providing the employees doing the count with blank count sheets. Furthermore, the District should ensure that expenses incurred during the fiscal year are recorded in the period when the goods were provided, or the services were performed.

View of Responsible Official: We will compare budget to actual in a timely fashion to ensure that the budgeted funds will not be overspent.

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

For the Year Ended June 30, 2019

2019-003 Internal Controls over Student Activity Fund

Criteria or Specific Requirement: The District should maintain sufficient internal controls and monitor their implementation over the student activity fund to ensure it is fulfilling its fiduciary duties.

Condition: The District has policies and procedures over the student activity fund expenditures; however, proper implementation of the controls was not always achieved.

Context: We tested 25 expenditures in the student activity fund to ensure that the expenditure was properly approved. We noted 3 student activity expenditures that were not properly approved.

Effect: Without proper approval of student activity expenditures, the District is not fulfilling its fiduciary duty over the student activity fund expenditures.

Cause: The District is not always following their procedure requiring all expenditures to be approved by the superintendent.

Recommendation: The District should follow the policies and procedures in place to ensure it is meeting its custodial obligations over the student activities funds.

View of Responsible Official: Staff will be properly trained in the policy and procedures over the student activity fund expenditures, including a review of Policy #7320-Purchasing and the Staff Handbook. Expenditures will only be processed with proper prior approval.

Section III – Prior Year Audit Findings

2018-001 – Implementation of GASB 75 Other Postemployment Benefits – Not Implemented.

2018-002 – Budget – Not Implemented.