LEWISTOWN SCHOOL DISTRICT NO. 1

FERGUS COUNTY
LEWISTOWN, MONTANA

FINANCIAL AND COMPLIANCE REPORT

Fiscal year Ended June 30, 2017

Strom & Associates, P. C.
PO BOX 1980
Billings, Montana 59103

LEWISTOWN SCHOOL DISTRICT NO. 1
FERGUS COUNTY
LEWISTOWN, MT 59457

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FERGUS COUNTY
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Lewistown Public Schools
Management Discussion and Analysis (MD&A)
For the Year Ended June 30, 2017

The Business Manager of the Lewistown Public Schools has provided this MD&A to give the reader of these statements an overview of the financial position and activities of the school district for the fiscal year ended June 30, 2017.

Using This Financial Report

The general format of the report is required by Statement No. 34 of the Governmental Accounting Standards Board (GASB). Thus is born the GASB 34 requirement.

Reporting the School District as a Whole

The report includes two district-wide statements that focus on operations of the district as a whole. These statements measure operations using an economic resources measurement focus, and use the accrual basis accounting. Activities that are fiduciary in nature are not included in these statements.

A. The Statement of Net Position shows "assets" (what is owned), "liabilities" (what is owed), and the "net position" (the resources that would remain if all obligations were settled) of the school district. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in "fixed" or "capital" assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year.
B. The Statement of Activities shows the amounts of program-specific and general school district revenue used to support the school district's various functions.

The Statement of Net Position and the Statement of Activities divide the activities of the school district into three categories:

Governmental activities – The school functions including instruction, student services, administration, etc. Property taxes, state and federal revenues usually support most of these functions of the district.

Proprietary (business-type) activities – school operations included in this category include IMC, Central Supply Store, and Central Transportation.

Reporting the District's Most Significant Funds
The fund statements provide detailed information about the funds used by the school district. State law and Generally Accepted Accounting Procedures (GAAP) established the fund structure of school districts. State law generally requires school districts to segregate money generated for certain purposes, like transportation and debt service, in separate fund accounts.

The fund statements report balances and activities of the most significant or "major" funds separately and combine the activities of less significant funds under a single category. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the school district's operations, and the existence of legal budget requirements. Internal Service funds are never reported as major funds, but are combined and presented in a separate set of financial statements.

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance are shown for governmental funds such as the general funds, special revenue funds for transportation and school food service, and debt service and capital outlay funds. These funds use the modified accrual basis of accounting and represent the majority of the district's activities and programs.

Fund statements include a reconciliation of the governmental fund statements to the district-wide statements. Most significant differences result from the use of different presentation basis. The district-wide statements are presented using the accrual basis of accounting and the fund statements for governmental funds use the modified accrual basis. In addition, general capital assets and general long-term debt are reported in the district-wide statements but not in the fund statements.

Reporting the District's Trust and Fiduciary Responsibilities
The District is the trustee, or fiduciary, for endowments (including Eveline Eccles and Alweis Scholarships) and the student extracurricular funds.

This report includes the activities in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position because the district cannot use these assets to fund its operation.

The District is responsible for ensuring these assets are used for their intended purpose.

Budget–to-Actual Comparisons

As previous audits have shown, the district had not been reconciling its records with the information provided by the County Treasurer. Those records were reconciled in FY2008, and in the course of that process, several errors were found. Those errors necessitated prior period revenue and expenditure adjustments. The district amended its budgets where possible to make the best use of these adjustments.

Outside of these adjustments, there were no significant variances from our initial revenue and expenditure estimates. The district consistently reconciles its books monthly.

THE DISTRICT AS A WHOLE

Net Position serves over time as a useful indicator of a school district's financial position. In the Lewistown Public Schools, assets exceeded liabilities by $2,201,705 as of June 30, 2017. This number is 11% higher than last year, but drastically lower than in other years past due to the addition of the Net Pension liability in FY2015 that is now required by Legislature to be reported on the School District's books. The amount of this new liability from TRS and PERS was $9,232,140 in FY16 and $10,493,173 in FY17.

Lewistown Public Schools
Condensed Statement of Net Position

Governmental Activities

	FY2016	FY2017
Current and other assets	5,971,044	5,777,565
Capital assets	8,885,941	7,354,165
Total Assets	**14,856,985**	**13,131,730**
Current liabilities	2,222,128	123,992
Non-current liabilities	11,109,746	12,402,281
Total Liabilities	**13,331,874**	**12,526,273**
Invested in capital assets, Net of debt	4,972,344	7,354,165
Restricted	6,284,846	4,291,388
Unrestricted	(9,280,284)	(9,443,849)
Total Net Position	**1,976,906**	**2,201,705**

Lewistown Public Schools
Changes in Net Position

Governmental Activities

GENERAL REVENUES	FY2016	FY2017
District Levy	3,541,312	3,801,140
State Equalization	3,441,432	3,587,290
Other State Revenue	2,697,562	2,720,750
County	1,232,331	1,294,800
Federal	0	0
Investment Earning	45,500	49,445
Gain on Asset	290,835	208,523
Other	102,561	212,742
Total General Revenue	**13,841,746**	**14,417,771**
GOVERNMENT OPERATIONS		
Instruction (includes OPEB)	7,054,839	7,501,121
Support	516,313	489,906
Media	450,815	514,490
Administration	2,070,999	1,951,816
O & M	1,719,589	1,789,177
Transportation	770,489	828,750
Extracurricular	281,748	287,087
School Food	735,017	721,405
Other Current Charges	37,334	45,325
Interest and Other Charges	550	550
Depreciation – unallocated	53,704	64,823
Total Operations	**13,691,397**	**14,194,450**

Capital Assets

As of June 30, 2017, the District had invested over $7 million in capital assets including land and land improvements, buildings and improvements, and machinery and equipment. General fixed assets are reported at historical cost. Historical cost was established at the initial booking of fixed assets by determining actual costs or estimating using standard costing procedure. The District's fixed asset policy is set to include items of $5,000 and a useful life in excess of one year. The following schedule presents capital balances with accumulated depreciation as of June 30th.

	FY2016	FY2017
Land and Improvements	1,810,313	1,954,251
Accumulated Depreciation	(882,676)	(923,218)
	927,637	1,031,033
Buildings and Improvements	11,994,689	12,083,608
Construction in Progress	220,269	240,153
Accumulated Depreciation	(6,716,302)	(7,029,695)
	5,498,656	5,294,066
Machinery and Equipment	3,405,631	3,645,588
Accumulated Depreciation	(2,699,129)	(2,616,520)
	706,502	1,029,068

The District's Future

State law enables districts to use three-year average or current year enrollment (whichever is higher) when calculating budgets. Over the past five years, enrollment has increased in the elementary while leveling off/slightly decreasing in the high school. In the next few years, we will see a decline in enrollment at the High School, based on the number of students in the Junior High. There continues to be a growing need for services for special needs students, but little help from the State. The current Lewistown Collective Bargaining Agreement extends through FY18, and included a 2% (FY17) and 2% (FY18) raise for all employees. Collective Bargaining for FY19 and FY20 will be taking place in the near future and will determine any increases in pay/benefits for staff. Ove the past several years, we had many retirements, causing the demographics of the District to change to a younger population.

The district also faces other challenges and decisions including:

- The Lewistown Board of Trustees requested an Elementary General Fund Levy in May 2017. That levy passed by a good margin, however there have been failed attempts in the past to pass levies that has caused the Board to be very conscientious in what they ask of taxpayers. In addition, recent Legislative decisions have “shifted” some of the costs of education to the local taxpayers. The Board will need to be diligent in their consideration of both voted and non-voted levies.
- The District estimates that general building repairs and maintenance in excess of $10 million will be necessary over the next several years. Both an Elementary and High School Building Reserve Levy passed in May 2016, helping to support the needs of upkeep of the District’s facilities. In 2017, Legislature added the ability to “permissively” levy in the Building Reserve Fund. At this time, the Board has determined not to use this new authority, but may have to consider it in the future as our Buildings continue to age and need major repairs.

- The ever-increasing use of technology in the classrooms has put a financial dilemma upon the District. Currently, both the Elementary and High School have permanent levies in place. The Elementary yearly levy is $61,498 and the High School’s is $54,165, not enough to keep all technology within the District up-to-date. Due to changes in state law, if additional funds are requested of voters, the levy may not exceed 10 years. The Board will need to determine if non-permanent Technology Levy request will need to be presented to voters in the future.

In the end, all of the District’s finances boil down to how effectively we are educating our children. We must continue to keep our focus on our students’ education and allocate our resources in the manner that best serves them.

Contact for Additional Information

If you have questions about this report or need additional information, contact the Business Manager at the Lewistown Public Schools, 215 7th Avenue South, Lewistown, MT 59457, (406)-535-8777 x116.

STROM & ASSOCIATES, P.C.
Certified Public Accountants

3203 3rd Ave N. Suite 208
PO Box 1980
Billings, MT 59103

Phone: 406-252-2765
E-mail: audit@stromcpa.net

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Lewistown School District No. 1
Fergus County
Lewistown, MT 59457

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 the Lewistown School District No. 1 (School District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lewistown School District No. 1 as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information (RSI)

Accounting principles generally accepted in the United States of America requires that the management's discussion and analysis (pages 3 - 6), and the schedule of funding for other post-employment benefits other than pensions (page 42), and schedule of proportionate share of net pension liability, and schedule of contributions to Montana retirement systems (pages 43 - 47), and budgetary comparison information (pages 48 - 51) 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 basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lewistown School District No. 1's basic financial statements. The accompanying schedule of revenues, expenses and balances of student activity funds (page 52) and schedule of reported enrollment (page 53) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards (pages 54 - 55) is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The accompanying schedule of revenues, expenses and balances of student activity funds, schedule of reported enrollment, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedule of revenues, expenses and balances of student activity funds, schedule of reported enrollment, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2017 on our consideration of the Lewistown School District No. 1 internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lewistown School District No. 1 internal control over financial reporting and compliance.

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
December 27, 2017

Lewistown School District No. 1
Fergus County
Lewistown, Montana 59457

STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities
ASSETS:	
Current assets:	
Cash and cash equivalents	$ 5,518,466
Taxes receivable	111,548
Due from other governments	101,358
Inventories	44,124
Prepaid expenses	2,073
Total current assets	5,777,569
Noncurrent assets:	
Capital assets:	
Land	590,530
Construction in progress	240,153
Net depreciable assets	6,523,482
Total noncurrent assets	7,354,165
Total assets	13,131,734
DEFERRED OUTFLOWS OF RESOURCES:	
Employer pension plan activities	1,681,790
Total deferred outflows of resources	1,681,790
Total assets and deferred outflows of resources	$ 14,813,524
LIABILITIES:	
Current liabilities:	
Unearned revenue	13,813
Other current liabilities	5,949
Current portions long-term debt obligations	51,000
Current portions compensated absences	53,231
Total current liabilities	123,993
Noncurrent liabilities:	
Long-term debt obligations	65,000
Compensated absences	454,472
Net pension accrual	10,490,763
Other postemployment benefits	1,392,046
Total noncurrent liabilities	12,402,281
Total liabilities	12,526,274
DEFERRED INFLOWS OF RESOURCES:	
Employer pension plan	85,542
Total deferred inflows of resources	85,542
NET POSITION:	
Net investment in capital assets	7,354,165
Restricted	4,253,319
Unrestricted (Deficit)	(9,405,776)
Total net position	2,201,708
Total liabilities, deferred inflows and net position	$ 14,813,524

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Lewistown School District No. 1
Fergus County
Lewistown, Montana 59457

STATEMENT OF ACTIVITIES
For the year ended June 30, 2017

		Program Revenues		Net (Expenses) Revenues and Changes in Net Position
				Primary Government
	Expenses	Charge for Services	Operating Grants and Contributions	Governmental Activities
GOVERNMENT OPERATIONS:				
Instructional services	$ 7,502,171	$ 38,072	$ 1,364,959	$ (6,099,140)
Support services	489,905	-	159,925	(329,980)
Educational media services	514,490	-	46,657	(467,833)
General administrative services	1,951,816	155,850	36,704	(1,759,262)
Operation & maintenance services	1,789,177	19,739	35,122	(1,734,316)
Transportation services	828,750	-	152,191	(676,559)
School food services	721,405	254,656	279,207	(187,542)
Extracurricular	287,087	-	-	(287,087)
Other current charges	45,325	-	-	(45,325)
Debt service:				
Interest and other charges	550	-	-	(550)
Unallocated depreciation expense *	64,823	-	-	(64,823)
Total Governmental Activities	14,195,499	468,317	2,074,765	(11,652,417)
GENERAL REVENUES:				
District levies				3,801,142
State Equalization				3,587,290
Other State Revenues				2,720,751
County				1,294,800
Interest				49,445
Other				212,742
Gain loss on Sale of Assets				209,572
Total General Revenues				11,875,742
Change in Net Position				223,325
NET POSITION:				
Beginning of the Year				1,976,905
Prior Period Adjustments				1,478
End of the Year				$ 2,201,708

* Excludes depreciation included in direct expenses of the various functions

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Lewistown School District No. 1
Fergus County
Lewistown, Montana 59457

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	MAJOR			
	General	School Food Services (Elem.)	Miscellaneous Programs (Elem.)	Debt Service (Elem.)
ASSETS:				
Current assets:				
Cash and cash equivalents	$ 1,398,794	$ 2,798	$ 542,079	$ -
Taxes receivable	77,767	-	-	5,737
Interfund receivable	1,688	-	-	-
Due from other governments	-	870	87,993	-
Inventories	-	44,124	-	-
Prepaid expenses	-	-	-	-
Total assets	1,478,249	47,792	630,072	5,737
DEFERRED OUTFLOWS OF RESOURCES:				
Total deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	$ 1,478,249	$ 47,792	$ 630,072	$ 5,737
LIABILITIES:				
Current liabilities:				
Unearned revenue	-	13,813	-	-
Interfund payable	-	-	-	1,236
Other current liabilities	-	-	5,949	-
Total liabilities	-	13,813	5,949	1,236
DEFERRED INFLOWS OF RESOURCES:				
Unavailable property taxes receivable	77,767	-	-	5,737
Total deferred inflows of resources	77,767	-	-	5,737
FUND BALANCE (DEFICITS):				
Nonspendable	-	44,124	-	-
Restricted	-	-	624,123	-
Unassigned	1,400,482	(10,145)	-	(1,236)
Total fund balance	1,400,482	33,979	624,123	(1,236)
Total liabilities, deferred inflows of resources, and fund balance	$ 1,478,249	$ 47,792	$ 630,072	$ 5,737

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Lewistown School District No. 1
Fergus County
Lewistown, Montana 59457

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	MAJOR		
	Building Reserve (HS)	Other Governmental Funds	Total Governmental Funds
ASSETS:			
Current assets:			
Cash and cash equivalents	$ 802,633	$ 2,734,090	$ 5,480,394
Taxes receivable	2,641	25,403	111,548
Interfund receivable	-	-	1,688
Due from other governments	-	12,495	101,358
Inventories	-	-	44,124
Prepaid expenses	-	2,073	2,073
Total assets	805,274	2,774,061	5,741,185
DEFERRED OUTFLOWS OF RESOURCES:			
Total deferred outflows of resources	-	-	-
Total assets and deferred outflows of resources	$ 805,274	$ 2,774,061	$ 5,741,185
LIABILITIES:			
Current liabilities:			
Unearned revenue	-	-	13,813
Interfund payable	-	452	1,688
Other current liabilities	-	-	5,949
Total liabilities	-	452	21,450
DEFERRED INFLOWS OF RESOURCES:			
Unavailable property taxes receivable	2,641	25,403	111,548
Total deferred inflows of resources	2,641	25,403	111,548
FUND BALANCE (DEFICITS):			
Nonspendable	-	2,073	46,197
Restricted	802,633	2,746,585	4,173,341
Unassigned	-	(452)	1,388,649
Total fund balance	802,633	2,748,206	5,608,187
Total liabilities, deferred inflows of resources, and fund balance	$ 805,274	$ 2,774,061	$ 5,741,185

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	$ 5,608,187
Internal Service Fund Net Position	38,072
Governmental Capital Assets	7,354,165
Employer pension plan activities	1,681,790
Long-term Liabilities	
Compensated Absences	(507,703)
Net pension accrual	(10,490,763)
Other postemployment benefits	(1,392,046)
Long-Term Capital Obligations	(116,000)
Employer pension plan	(85,542)
Unavailable property taxes receivable	111,548
Net Position of Governmental Activities	$ 2,201,708

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Lewistown School District No. 1
Fergus County
Lewistown, Montana 59457

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2017

	MAJOR			
	General	School Food Services (Elem.)	Miscellaneous Programs (Elem.)	Debt Service (Elem.)
REVENUES:				
District levies	$ 2,631,458	$ -	$ -	$ 197,260
Interest	13,804	7	-	4,718
Charges for services	-	254,656	-	-
Other	1,850	190	51,381	-
County	-	-	-	-
State	6,799,765	870	169,828	-
Federal	-	278,337	395,534	-
Total revenues	9,446,877	534,060	616,743	201,978
EXPENDITURES:				
Current:				
Instructional services	5,391,484	(1,345)	394,883	-
Support services	307,623	-	135,620	-
Educational media services	342,934	-	56,675	-
General administrative services	1,514,022	12,397	1,727	-
Operation & maintenance services	1,321,880	-	-	-
Transportation services	39,501	-	3,291	-
School food services	152,482	519,965	-	-
Extracurricular	249,904	-	-	-
Other current charges	-	-	-	-
Debt service:				
Principal	-	-	-	2,087,250
Interest and other charges	-	-	-	550
Capital outlay	28,704	-	-	-
Total expenditures	9,348,534	531,017	592,196	2,087,800
Excess (deficiency) of revenues over expenditures	98,343	3,043	24,547	(1,885,822)
OTHER FINANCING SOURCES/USES:				
Sale of capital assets	-	10	655	-
Fund transfers in	-	-	-	-
Fund transfers (out)	(113,218)	-	-	-
Total other financial sources/uses	(113,218)	10	655	-
Net changes in fund balances	(14,875)	3,053	25,202	(1,885,822)
FUND BALANCE:				
Beginning of the year	1,415,357	30,926	598,921	1,884,586
Prior period adjustments	-	-	-	-
End of the year	$ 1,400,482	$ 33,979	$ 624,123	$ (1,236)

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Lewistown School District No. 1
Fergus County
Lewistown, Montana 59457

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2017

	MAJOR		
	Building Reserve (HS)	Other Governmental Funds	Total Governmental Funds
REVENUES:			
District levies	$ 94,654	$ 880,029	$ 3,803,401
Interest	6,494	24,422	49,445
Charges for services	-	199,422	454,078
Other	-	173,560	226,981
County	-	1,370,896	1,370,896
State	-	200,136	7,170,599
Federal	-	111,017	784,888
Total revenues	101,148	2,959,482	13,860,288
EXPENDITURES:			
Current:			
Instructional services	-	1,262,123	7,047,145
Support services	-	44,348	487,591
Educational media services	-	121,416	521,025
General administrative services	-	437,280	1,965,426
Operation & maintenance services	-	129,843	1,451,723
Transportation services	-	652,894	695,686
School food services	-	41,243	713,690
Extracurricular	-	32,507	282,411
Other current charges	-	36,176	36,176
Debt service:			
Principal	-	-	2,087,250
Interest and other charges	-	-	550
Capital outlay	164,571	605,504	798,779
Total expenditures	164,571	3,363,334	16,087,452
Excess (deficiency) of revenues over expenditures	(63,423)	(403,852)	(2,227,164)
OTHER FINANCING SOURCES/USES:			
Sale of capital assets	-	171,607	172,272
Fund transfers in	-	113,218	113,218
Fund transfers (out)	-	-	(113,218)
Total other financial sources/uses	-	284,825	172,272
Net changes in fund balances	(63,423)	(119,027)	(2,054,892)
FUND BALANCE:			
Beginning of the year	866,056	2,865,755	7,661,601
Prior period adjustments	-	1,478	1,478
End of the year	$ 802,633	$ 2,748,206	$ 5,608,187

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Lewistown School District No. 1
Fergus County
Lewistown, Montana 59457

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2017

Net Changes in Fund Balance		$ (2,054,892)
Change in net position from internal service funds		30,023
Revenues on the Statement of Activities not included in governmental funds statement:		
Increase (decrease) in taxes receivable		(2,259)
State Pension Aid		351,223
Revenues reported in the governmental funds statement not included in the Statement of Activities		
Sale of Fixed Assets	172,272	(172,272)
Expenses on the Statement of Activities not included in the governmental funds statement:		
Depreciation Expense	(541,508)	
Actuarial Pension Expense	(465,392)	
(Increase) decrease in Other Post Employment Benefits	(169,936)	
(Increase) decrease in compensated absence liability	152,737	(1,024,099)
Expenditures reported in the governmental funds statement not included in the Statement of Activities		
Capital outlays	798,779	
Gain loss on sale of assets	209,572	
Principal payments on debt	2,087,250	3,095,601
Change in net position reported on the Statement of Activities		$ 223,325

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Lewistown School District No. 1
Fergus County
Lewistown, Montana 59457

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Governmental Activities - Internal Service
ASSETS:	
Current assets:	
Cash and cash equivalents	$ 38,072
Total current assets	38,072
Noncurrent assets:	
Total noncurrent assets	-
Total assets	38,072
DEFERRED OUTFLOWS OF RESOURCES:	
Total deferred outflows of resources	-
Total assets and deferred outflows of resources	$ 38,072
LIABILITIES:	
Total liabilities	-
DEFERRED INFLOWS OF RESOURCES:	
Total deferred inflows of resources	-
NET POSITION:	
Unrestricted (Deficit)	38,072
Total net position	38,072
Total liabilities, deferred inflows and net position	$ 38,072

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Lewistown School District No. 1
Fergus County
Lewistown, Montana 59457

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the year ended June 30, 2017

	Governmental Activities - Internal Service
OPERATING REVENUES:	
Charges for services	$ 164,659
Total operating revenues	164,659
OPERATING EXPENSES:	
Purchased services	134,636
Total operating expense	134,636
Change in net position	30,023
NET POSITION:	
Beginning of the Year	8,049
End of the Year	$ 38,072

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Lewistown School District No. 1
Fergus County
Lewistown, Montana 59457

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Governmental Activities - Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 164,659
Claims paid	(134,636)
Net cash provided (used) by operating activities	30,023
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Net cash provided (used) by noncapital financing activities	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Net cash provided (used) by capital and related financing activities	-
CASH FLOWS FROM INVESTING ACTIVITIES	
Net cash provided (used) by investing activities	-
Net increase (decrease) in cash and cash equivalents	30,023
BALANCE:	
Beginning of the year	8,049
End of the year	$ 38,072
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	$ 30,023
Net cash provided (used) by operating activities	$ 30,023

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Lewistown School District No. 1
Fergus County
Lewistown, Montana 59457

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2017

	Private Purpose Trust Funds	Agency Funds
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 314,201	$ 850,246
Accounts receivable - net	5,380	-
Total Assets	$ 319,581	$ 850,246
LIABILITIES:		
Current liabilities:		
Warrants payable	-	850,246
Total Liabilities	-	$ 850,246
NET POSITION:		
Held in trust for endowment	112,091	
Held in trust for student activities	207,490	
Total Net Position	$ 319,581	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the year ended June 30, 2017

	Private Purpose Trust Funds
ADDITIONS:	
Revenues from student activities	$ 358,718
Contributions to Endowment	840
Total Additions	359,558
DEDUCTIONS:	
Expenses of student activities	395,931
Total Deductions	395,931
Change in net position	(36,373)
NET POSITION:	
Beginning of the year	355,954
End of the year	$ 319,581

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The basic financial statements of the Lewistown School District No. 1 (School District) have been prepared on a prescribed basis of accounting that demonstrates compliance with the accounting and budget laws of the State of Montana, which conforms to generally accepted accounting principles (GAAP). The School District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

During fiscal year 2017 the School District adopted the following:

- GASB Statement No. 82 – Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73. This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The School District has followed guidance as provided by the State of Montana for implementation.
- GASB Statement No. 85 – Omnibus 2017. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after December 15, 2017. The School District has reviewed this statement and determined it does not significantly affect it reporting.
- GASB Statement No. 86 – Certain Debt Extinguishment Issues. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The School District has reviewed this statement and determined it does not significantly affect it reporting.

The following are a listing of GASB statements which have been issued and the School District assessment of effects to the financial statements.

- GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. The School District plans to implement when they update their OPEB numbers at the next evaluation date or by FY 2018, whichever, comes first.
- GASB Statement No. 83 – Certain Asset Retirement Obligation. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The School District has reviewed this statement and determined it to be not applicable, however, make final determination on its applicability before its effective date.
- GASB Statement No. 84 – Fiduciary Activities. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The School District has reviewed this statement and determined it will implement once the State updates the chart of accounts.
- GASB Statement No. 87 – Leases. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The School District has reviewed this statement and determined it will implement once it has identified all leases and has reviewed the Q&A on this statement.

The School District consists of two legally separate entities, an elementary district which provides education for kindergarten through eighth grade and a high school district which provides education for ninth through twelfth grade. For financial reporting purposes the two school districts are combined because they are controlled by the same central board of trustees and managed by the same administration. The board of trustees is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. GAAP requires only one general fund for each reporting entity, so the elementary and high school general funds are combined in the accompanying financial statements.

The Lewistown School District No. 1 was incorporated under the laws of the State of Montana and as required by GAAP, the financial statements of the reporting entity include those of the Lewistown School District No. 1 (the primary government) and any component units. The criteria for including organizations as component units within the School District's reporting entity is set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) "Codification of Government Accounting and Financial Reporting Standards." The basic criteria include appointing a voting majority of an organization's governing body, as well as the School District's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the School District. Based on those criteria the School District has no component units.

1. b. BASIS OF PRESENTATION AND ACCOUNTING

1. b. 1. GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements include the statement of net position and the statement of activities. The governmental activities column incorporates data from governmental funds and internal service funds (primary government). Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The government-wide financial statements report using the economic resource measurement focus and the accrual basis of accounting generally including the elimination of internal activity between or within funds. 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 in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

The statement of activities reports the direct expenses of a given function offset by program revenues directly connected with the functional program. Direct expenses are those that are specifically associated with a function. Program revenues include:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function.
- Operating grants that are restricted to a particular function.

Property taxes, investment earnings, state equalization payments, and other revenue sources not properly included with program revenue are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-supporting or drawing from general revenues.

1. b. 2. FUND ACCOUNTING

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The student activity funds and endowment funds are displayed as fiduciary funds. Since the resources in the fiduciary funds cannot be used for School District operations, they are not included in the government-wide statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balance are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets. Revenues are recorded when they are both measurable and available. Available means collectible within the current period, anything collected after June 30 is generally not material. Unavailable income is recorded in governmental funds for delinquent taxes. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absence payments which are recognized when due. Capital assets are functional expenditures in governmental funds.

Revenues from local sources consist primarily of property taxes. Property tax revenue and revenues received from the State of Montana are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Cost reimbursement grant funds are considered to be both measurable and available to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received, and the expenditure has not been incurred they are recorded as unearned grant revenues because the revenues are available. All other revenue items are considered to be measurable and available only when cash is received by the School District.

Proprietary, trust, and agency fund financial statements use the economic resources measurement focus and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the dental self-insurance health insurance internal service fund is charges to employees and the School District for services. Operating expenses for the internal service fund include the cost of dental care, services, and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

GASB Statement No. 34 requires the general fund be reported as a major fund and that only one general fund be reported so the elementary and high school general funds have been combined as one major fund. Other individual governmental funds should be reported in separate columns as major funds based on these criteria:

- Total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total (assets, liabilities, and so forth) for all funds of that category or type (that is, total governmental funds)

In addition to funds that meet the major fund criteria, any other governmental fund that government officials believe is particularly important to financial statement users may be reported as a major fund.

The School District reports the following major governmental funds:

- General Fund – The General Fund is the general operating fund of the School District and accounts for all revenues and expenditures of the School District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. In the governmental fund financial statements, the general fund also includes the activities of the elementary and high school metal mines tax reserve funds and the elementary and high school flexibility funds since the restrictions on those funds are similar to the general fund.

- Elementary School Food Fund – This fund is used to account for school food services activities, mainly breakfast and lunch programs. County wide levies to this fund are to be based upon projected transportation costs for the fiscal year.

- Elementary Miscellaneous Fund – This fund is used to account for local, state or federal grants and reimbursements. Donations that allow the expenditure of both principal and interest for support of School District programs are deposited in this fund.

- Elementary Debt Service Fund – This fund is used to account for the financing needs of the School District to pay interest and principal on outstanding bonds and special improvement district (SID) assessments.

- High School Building Reserve Fund – This fund is used to account for financing voter approved building or construction projects funded with School District mill levies. This includes raising money for the future construction, equipping, or enlarging of school buildings and for the purpose of purchasing land needed for school purposes in the School District.

1. b. 3. OTHER FUND TYPES

Internal Service Funds – Accounts for the financing of goods or services provided by one department to other departments of the School District, or to other governments, on a cost reimbursement basis. The fund includes a dental self-insurance health insurance fund. Because all of the services predominately benefit governmental functions, they are included with governmental activities in the government-wide financial statements.

Private-Purpose Trust Funds – Accounts for the receipt and disbursement of monies from student activity organizations, as well as any donated scholarship funds. These organizations exist with the explicit approval of and are subject to revocation by the School District's Board of Trustees. This accounting reflects the School District's trust relationship with the student activity organizations and any scholarship commitments.

Agency Funds – Account for assets that the School District holds on behalf of others as their agent and for warrants written but not redeemed that are reported in the School District's payroll and claims clearing funds and employee payroll tax withholdings. Cash is held for warrants which were written but have not been paid by the County Treasurer. A warrant is an order by which the drawer (the person with authority to make the order) commands the School District trustee to pay a particular sum of money to a payee (person or entity) from funds in the School District treasury which are or may become available.

1. c. ASSETS, LIABILITIES AND NET POSITION (FUND BALANCE)

1. c. 1 CASH AND INVESTMENTS

Cash includes amounts in demand deposits, as well as short-term investments as authorized by State statutes. Montana Code Annotated (MCA) allows Montana local governments to invest public money not necessary for immediate use in United States government treasury bills, notes, bonds; certain United States treasury obligations; United States government security money market fund if investments consist of those listed above; time or savings deposits with a bank or credit union which is FDIC or NCUA insured; or in repurchase agreements as authorized by MCA, or Montana Board of Investments Short Term Investment Pool (STIP). Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. Investments are recorded at fair market value.

Information regarding the collateral and security for cash held by Fergus County is not available to the School District. However, State statute requires that United State government securities or agencies be held as collateral to secure deposits of public funds in excess of Federal Deposit Insurance Corporation (FDIC) insurance. The external investment pool is audited as part of Fergus County's financial statements. This investment pool is not registered with or monitored by the Securities and Exchange Commission (SEC).

For purposes of the Statement of Cash flows, the School District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

1. c. 2. TAXES

Property tax levies are set in connection with the budget process, and are based on taxable values listed as of January 1 for all property located in the School District. Taxable values are established by the Montana Department of Revenue based on market values. A revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by State statute as a fixed percentage of market value.

Property taxes are collected by the County Treasurer who credits to the School District funds their respective share of the collections. The tax levies are collectible in two installments, which become delinquent after November 30 and May 31. Property taxes are liens upon the property being taxed. After a period of three years, the County may begin foreclosure proceedings and sell the property at auction. The School District receives its share of the sale proceeds of any such auction.

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% per month plus a penalty of 2%. After a period of three years, the County may begin foreclosure proceedings and sell real property at auction. In the case of personal property, the property may be seized and sold after the taxes become delinquent.

1. c. 3. INVENTORIES

Food inventory and supplies are carried in an inventory account at average cost and are subsequently charged to expenditures when consumed.

1. c. 4. CAPITAL ASSETS

The School District's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Historical cost was established at the initial booking of the capital assets by determining actual costs or estimating using standard costing procedures. The School District considers capital assets to be items in excess of $5,000 with a useful life in excess of one year. The costs of normal maintenance and repair are not capitalized. Land and construction in progress are not depreciated. Depreciation on the other capital assets is provided over their estimated useful lives on the straight-line method. The useful lives of these assets have been estimated as follows:

Capital Asset Classes	Lives
Buildings	7 – 50 years
Improvements other than buildings	20 years
Machinery and Equipment	5 – 25 years

1. c. 5. DEFERRED OUTFLOWS/ INFLOWS OF RESOURCES

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position reports 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.

<u>Pension Liability– Deferred outflow/inflow</u>
The School District recognizes a net pension liability for each qualified pension plan in which it participates. Changes in the net pension liability during the fiscal year are recorded as pension expense, or as deferred inflows of resources, or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience, are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense.

<u>Property Taxes – Deferred inflows</u>
The School District reports deferred inflows under the modified accrual basis of accounting in the governmental funds for property taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. In the governmental fund balance sheet, they are reported as unavailable from property taxes receivable.

1. c. 6. VACATION AND SICK LEAVE

Classified School District employees accumulate vacation and sick leave for later use or for payment upon termination, death, or retirement. Classified School District employees earn vacation leave at the rate of 15 days per year during the first 10 years of employment, and at increasing rates thereafter to a maximum of 24 days per year after 20 years of employment. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is the amount earned in the most recent two-year period. At termination, employees are paid for any accumulated vacation leave at the current rate of pay. Classified School District employees earn sick leave at the rate of one day per month. There is no limit on the accumulation of unused sick leave. However, upon termination, only 25% of accumulated sick leave is paid at the current rate of pay. Classified employees with 8 or more consecutive years of employment with the School District will be paid 30% of their accumulated sick leave.

Certified School District employees shall accrue 10 days of discretionary leave at the beginning of each year. Unused discretionary leave will be accumulated to 160 days per employee. After eight consecutive years of employment with the School District certified employees who terminate employment shall be paid a lump of 30% of their accumulated discretionary leave at their current rate of pay.

Liabilities incurred because of unused vacation and sick leave accumulated by employees are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds and when accrued on the statement of activities. The amount expected to be paid within one year is $ 53,231 and it is generally paid out of the general fund.

1. c. 7. NET POSITION AND FUND BALANCE

Statement of Net Position include the following:

- <u>Net Investment in Capital Assets</u> – The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvement of these capital assets.
- <u>Restricted</u> – The component of net position that is either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- <u>Unrestricted</u> – The difference between the assets and liabilities that is not reported in the other element of net position.

Governmental fund financial statements include the following fund balances:

- Non-spendable – Includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – Includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Unassigned – Amounts that are available for any purpose; these amounts are reported only in the general fund or funds that have negative fund balances.

As of June 30, 2017, fund balance components other than unassigned fund balance consist of the following:

Purpose	Nonspendable	Restricted
Instructional and Support Services	$ 0	$ 625,416
Operations and Maintenance	0	19,731
Student Transportation	0	187,822
School Food	44,124	0
Third Party Grantor Restrictions	2,073	802,711
Employer Retirement Benefits	0	290,413
Future Technology	0	194,139
Future Capital Costs	0	2,053,109
Total	$ 46,197	$ 4,173,341

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance are available, the School District considers restricted funds to have been spent first.

1. d. OTHER

1. d. 1. USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. d. 2. COUNTY PROVIDED SERVICES

The School District is provided various financial services by Fergus County. The County also serves as cashier and treasurer for the School District for tax and assessment collections and other revenues received by the County which are subject to distribution to the various taxing jurisdictions located in the County. The collections made by the County on behalf of the School District are accounted for in an agency fund in the School District's name. No service charges have been recorded by the School District or the Fergus County.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2017, the summary of cash, cash equivalents for governmental and fiduciary funds is as follows:

Account Type	Governmental Activities	Fiduciary Funds	Total
Cash and Cash Equivalents	$ 5,518,466	$ 1,164,447	$ 6,682,913

The carrying amount of cash on hand, deposits and investments at June 30, 2017, is as follows:

	Amount
Cash on Hand	$ 50
Demand Accounts	245,569
County Investment Pool	6,437,294
Total	$ 6,682,913

County investment pool: Cash resources of the School District are held and managed by the Fergus County Treasurer pursuant to State Law. They are combined with cash resources of other governmental entities within Fergus County to form a pool of cash and cash equivalents. Investments of pooled cash consist primarily of repurchase agreements, U.S. government securities, STIP, money market accounts, and certificates of deposit and are carried at fair value. The School District's exposure to credit risk is not available to the School District. Risk in the event of loss is unclear in state law, but appears to be the liability of the Fergus County government. Because of the custodial involvement of the Fergus County government, and the commingling of cash in County deposits in the name of the Fergus County Treasurer, full risk classifications are available in the Fergus County's annual report. There is no known maturity and credit rating of the Fergus County Investment Pool.

Custodial credit risk-deposits: The cash of the extracurricular funds is held separately by the School District, not at Fergus County and the deposits may be subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2017, the deposits in the extracurricular fund were covered by FDIC insurance.

NOTE 3. TAXES RECEIVABLE

The School District is permitted by State statutes to levy taxes up to certain fixed limits for various purposes. The assessed value of the roll as of January 1, 2016, upon which the levy for the 2017 fiscal year was based, was $12,393,975 for the Elementary School District and $13,415,791 for the High School District. The tax rates assessed for the year ended June 30, 2017 to finance School District operations and applicable taxes receivable for the elementary and high schools follows:

Elementary Fund	Mill Levies	Taxes Receivable
General*	137.76	$ 50,879
Transportation	26.86	9,553
Bus Depreciation		6
Tuition	2.96	1,072
Technology	4.96	1,843
Debt Service*	16.10	5,737
Building Reserve	7.91	2,771
High School Fund		
General*	69.52	26,888
Transportation	8.98	3,435
Bus Depreciation	4.32	1,549
Tuition	3.63	1,326
Adult Education	6.07	2,299
Technology	4.04	1,549
Building Reserve*	7.30	2,641
Total	300.41	$ 111,548

NOTE 4. DUE FROM OTHER GOVERNMENTS

Due from other governments represent amounts due to the School District for costs incurred but not reimbursed by third party grantors. The amounts reported and the organization due from are noted below:

Elementary Fund	Amount	Due From	Reason
School Food Services *	$ 870	State of MT	State matching funds
Miscellaneous*	5,602	State of MT	MTSS conference reimbursement
Miscellaneous*	82,391	State of MT	Title I School-wide grant
High School Fund			
Miscellaneous	6,105	State of MT	Carl Perkins grant
Traffic Education	6,390	State of MT	Per pupil reimbursement
Total	$ 101,358		

NOTE 5. INTERFUND RECEIVABLE/PAYABLE

Interfund receivables and payables represent loan resources from one fund to another fund experiencing a temporary cash shortage. Each fund is a separate fiscal entity and therefore presents Interfund borrowing on fund level financial statements. Liabilities arising from Interfund borrowing do not constitute general long-term debt. The amounts reported and the purpose of the Interfund borrowing are noted below:

Interfund Receivable	Amount	Interfund Payable	Purpose of the Transfer
General (Elem.) *	$ 1,236	Debt Service (Elem.) *	Tax collections did not cover debt payments.
General (HS)*	452	Tuition (HS)	Tax collections did not cover expenditures.
Total	$ 1,688		

* Denotes Major Funds

NOTE 6. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

6. a. At June 30, 2017, the schedule of changes in general capital assets follows:

Governmental Activities:	Balance July 1, 2016	Additions	Deletions	Adjustments/ Transfers	Balance June 30, 2017
Non-depreciable:					
Land	$ 590,530	$ 0	$ 0	$ 0	$ 590,530
Construction in progress	147,071	240,153	0	(147,071)	240,153
Total Non-depreciable	$ 737,601	$ 240,153	$ 0	$ (147,071)	$ 830,683
Depreciable:					
Buildings	$ 11,994,688	$ 88,919	$ 0	$ 0	$ 12,083,607
Improvements other than buildings	1,219,782	143,938	0	0	1,363,720
Machinery and equipment	3,405,631	363,069	(270,182)	147,071	3,645,589
Total Depreciable	$ 16,620,101	$ 595,926	$ (270,182)	$ 147,071	$ 17,092,916
Accumulated Depreciation:					
Buildings	$ (6,716,302)	$ (313,393)	$ 0	$ 0	$ (7,029,695)
Improvements other than buildings	(882,676)	(40,542)	0	0	(923,218)
Machinery and equipment	(2,699,130)	(187,573)	270,182	0	(2,616,521)
Total Depreciation	$ (10,298,108)	$ (541,508)	$ 270,182	$ 0	$ (10,569,434)
Net Depreciable Assets	6,321,993	54,418	0	147,071	6,523,482
Net General Capital Assets	$ 7,059,594	$ 294,571	$ 0	$ 0	$ 7,354,165

6. b. General capital asset depreciation expense was charged to governmental functions as follows:

Function	Amount
Instructional	$ 17,718
Media	2,800
School Administration	8,081
Operation & Maintenance	286,327
Transportation	145,714
School Food	8,612
Extracurricular	7,432
Unallocated	64,824
Total Depreciation Expense	$ 541,508

NOTE 7. CURRENT LIABILITIES

Current liabilities represent amounts due to creditors, suppliers or others within a short period of time.

7. a. OTHER CURRENT LIABILITIES

Elementary Fund	Amount	Due To	Reason
Miscellaneous *	$ 5,949	MT TRS	Retiree health & dental payment

* Denotes Major Funds

7. b. UNEARNED INCOME

The amount displayed on the financial statements as unearned income, $13,813, relates to students who have prepaid for school lunch meals.

NOTE 8. CHANGES IN LONG-TERM DEBT

8. a. At June 30, 2017, the schedule of changes in general long-term debt follows:

Governmental Activities	Balance July 1, 2016	New Debt and Other Additions	Principal Payments and Other Reductions	Balance June 30, 2017	Due within One Year
Bonds and Notes Payable:					
QZAB Bonds	$ 2,087,250	$ 0	$ (2,087,250)	$ 0	$ 0
Other Liabilities:					
Compensated Absences	$ 660,439	$ 0	$ (152,736)	$ 507,703	$ 53,231
Retirement Incentive	107,000	60,000	(51,000)	116,000	51,000
Accrued Pension	9,232,140	1,258,623	0	10,490,763	0
Other Post-Employment Benefits (OPEB)	1,231,110	160,936	0	1,392,046	0
Total Other Liabilities	$ 11,230,689	$ 1,479,559	$ (203,736)	$ 12,506,512	$ 104,231
Total Governmental Activities - Long-Term Debt:	$ 13,317,939	$ 1,479,559	$ (2,290,986)	$ 12,506,512	$ 104,231

8. b. QZAB BONDS

The elementary school district issued QZAB bonds in fiscal year 2009 for the repair of the middle school roof and replacement of a heating and ventilation system in elementary school buildings. QZAB bonds are direct obligations and pledge the full faith and credit of the School District. These bonds all mature in 8 years. The elementary district will make payments into a sinking fund with the U.S. Bank of $260,906. Interest is earned on the sinking fund at 0.2%, which is the same interest rate as the bonds. Therefore, when the bonds mature in 8 years, the sinking fund will have the total payment. The bonds were paid in full during fiscal year ended June 30, 2017

8. c. RETIREMENT INCENTIVE

The School District offered certified teachers a one-time incentive to retire as of June 30, 2015 and 2016. The incentive offered $500 per month for each teacher, who accepted the offer, for a period of 36 months for a total liability of $18,000 per teacher. The changes in the retirement incentive liability are noted below.

Description	Issue Date	Length of Loan	Maturity Date	Amount Issued	Outstanding June 30, 2016
Retirement Incentive	Sept 2015	3 years	8/15/2018	$ 48,000	$ 4,000
Retirement Incentive	Sept 2016	3 years	8/15/2019	72,000	52,000
Retirement Incentive	Sept 2017	3 years	8/15/2017	60,000	60,000
				$ 180,000	$ 116,000

Debt service requirements to maturity for principal on the retirement incentive long term obligations are as follows:

For the year ended 6/30:	Elementary Principal	High School Principal
2018	$ 39,500	$ 13,500
2019	39,000	15,000
2020	6,500	2,500
Totals	$ 85,000	$ 31,000

NOTE 9. DEFERRED INFLOWS OF RESOURCES

9. a. PROPERTY TAXES

Elementary Fund	Amount	Reason
General*	$ 50,879	Taxes Receivable
Transportation	9,553	Taxes Receivable
Bus Depreciation	6	Taxes Receivable
Tuition	1,072	Taxes Receivable
Technology	1,843	Taxes Receivable
Debt Service*	5,737	Taxes Receivable
Building Reserve	2,771	Taxes Receivable
High School Fund		Taxes Receivable
General*	26,888	Taxes Receivable
Transportation	3,435	
Bus Depreciation	1,549	Taxes Receivable
Tuition	1,326	Taxes Receivable
Adult Education	2,299	Taxes Receivable
Technology	1,549	Taxes Receivable
Building Reserve*	2,641	Taxes Receivable
Total	$ 111,548	Taxes Receivable

* Denotes Major Funds

NOTE 10. DEFICIT FUND BALANCES

Deficit fund balance result from commitments exceeding the resources. The following is a listing of deficit fund balances.

Elementary Fund	Amount	How School District plans to correct
Debt Service	$ 1,236	Receipt of delinquent taxes
High School Fund		
Tuition	452	Receipt of delinquent taxes
Total	$ 1,688	

* Denotes Major Funds

NOTE 11. PRIOR PERIOD ADJUSTMENTS

High School Fund	Governmental Funds	Reason
Traffic Education	$ 1,478	Did not receive State reimbursement for traffic education
* Denotes Major Funds		
Governmental Type Activities	0	
Total	$ 1,478	

NOTE 12. INTERFUND OPERATING TRANSFERS IN/OUT

High School Fund - In	Amount	Elementary Fund - Out	Purpose of Transfer
Interlocal agreement*	$ 90,976	General*	
High School Fund - In		High School Fund - Out	
Interlocal agreement*	22,242	General*	
Total	$ 113,218		

* Denotes Major Funds

NOTE 13. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The School District provides the same health care plan to all of its members. The School District had more than 100 plan participants and thus hired an actuarial valuation to determine the OPEB liability. Valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and estimated amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the current plan. The valuation assumed that 45% of plan participants would elect to continue coverage after retirement. Funding Policy - The government pays OPEB liabilities on a pay as you go basis. The trust fund for future liabilities has not been established.

Funding status and progress as of July 1, 2014 was as follows:

Actuarial Accrued Liability (AAL)	$ 3,025,181
Actuarial value of plan assets	0
Unfunded Actuarial Accrued Liability (UAAL)	3,025,181
Funded ratio (actuarial value of plan assets/AAL	0%
Covered payroll (active plan members)	$ 6,601,580
UAAL as a percentage of covered payroll	45.83%

Annual OPEB Cost and Net OPEB Obligations - The government's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameter of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed (30) years. The following table shows the components of the government's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the government's net OPEB obligation for the valuation performed at July 1, 2014.

Annual Required Contribution (ARC)	$ 234,769
Interest on net OPEB obligation	52,322
Adjustment to ARC	44,081
Annual OPEB cost (expense)	331,172
Contribution made	(85,118)
Increase in net OPEB obligation	246,054
Net OPEB obligation - beginning of year	1,231,110
Net OPEB obligation - end of year	$ 1,392,046

Actuarial Methods and Assumptions - The following actuarial methods and assumptions were used:

Actuarial Cost Method	Unit Credit Cost Method
Average age of retirement (based on historical data)	65
Discount rate (average anticipated rate)	4.25%
Average Salary Increase	2.5%

Health care cost rate trend

Year	% Increase
2018	6.50%
2019	6.00%
2020	5.50%
2021 and after	4.50%

NOTE 14. OTHER COMMITMENTS

14. a. ENCUMBRANCES

The School District's encumbrance policy is for fiscal year-end encumbrances exceeding $1,000 to be considered significant encumbrances. All encumbrances are classified as assigned or restricted in the funds noted below:

Elementary Fund	Amount
Building Reserve	$ 139,152
High School Fund	
Building Reserve	330,658
Total	$ 469,810

* Denotes Major Funds

14. b. CONSTRUCTION OR SIMILAR COMMITMENTS

The elementary had a boiler contract for $51,400 started in FY 2017 still had $21,000 encumbered to complete in FY 2017.

The elementary had a contract for window replacement at the junior high for $265,245 that was started in FY 2017 and still had $107,884 encumbered to complete in FY 2018.

The high school had a roofing contract for $327,918 signed in FY 2017 that was all encumbered for FY 2018.

NOTE 15. RISK MANAGEMENT

The School District, is exposed to various types of risk of loss, including: a) damage to and loss of property and contents; b) employee torts; c) professional liability, i.e. errors and omissions; d) environmental damage; e) workers' compensation, i.e. employee injuries and f) medical insurance costs of employees. Several methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and contents damage, employee torts, professional liabilities, and employee medical insurance. The School District has joined with other School Districts throughout the state into an interlocal common risk pool to insure workers' compensation for all participating School Districts in a self-insurance pool. The Workers Compensation Risk Retention Program is managed by a board of directors elected annually. Members are responsible for fully funding the Workers Compensation Risk Retention Program through the payment of annual premiums accessed. There is no other liability to the School District other than timely payments of premiums. The School District can withdraw from the Workers Compensation Risk Retention Program with 60 days' notice at any time. The School District has no coverage for potential losses from environmental damages.

Levels of insurance have not changed materially from the prior year and settlements have not exceeded insurance coverage limits during the current or each of the two previous years.

NOTE 16. EMPLOYEE RETIREMENT SYSTEM

The School District participates in two state-wide, cost-sharing multiple employer defined benefit retirement plans which cover all School District employees, except certain substitute teachers and part-time, non-teaching employees. The Teachers' Retirement System (TRS) covers teaching employees, including administrators and aides. The Public Employee Retirement System (PERS) covers nonteaching employees. The plans are established under State law and are administered by the State of Montana.

Both plans issue publicly available annual reports, stand-alone financial statements, actuarial valuations, experience studies and plan audited financial statements. Those reports may be obtained from the following:

Teachers Retirement System
P.O. Box 200139
1500 Sixth Avenue
Helena, MT 59620-0139
Phone: 406-444-3134
www.trs.mt.gov

Public Employees Retirement System
P.O. Box 200131
100 N. Park Avenue Suite 200
Helena, MT 59620-0131
Phone: 406-444-3154
www.mpera.mt.gov

16. a. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF RETIREMENT SYSTEMS

The Montana Public Employee Retirement Administration (MPERA) and the Teachers' Retirement System (TRS) 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 and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA and TRS. For this purpose, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred.

Investments are reported at fair value. MPERA and TRS adhere to all applicable Governmental Accounting Standards Board (GASB) statements.

16. b. PUBLIC EMPLOYEE RETIREMENT SYSTEM (PERS)

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 covers the State, local governments, certain employees of the Montana University System, and school districts.

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

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

16. b. 1. SUMMARY OF BENEFITS

Eligibility for benefit (Service retirement):

Hired prior to July 1, 2011: Age 60, 5 years of membership service; Age 65, regardless of membership service; or any age, 30 years of membership service.

Hired on or after July 1, 2011: Age 65, 5 years of membership service; Age 70, regardless of membership service.

Early retirement, actuarially reduced:
Hired prior to July 1, 2011: Age 50, 5 years of membership service; or any age, 25 years of membership service.

Hired on or after July 1, 2011: Age 55, 5 years of membership service.

Vesting: 5 years of membership service

Member's highest average compensation (HAC):
Hired prior to July 1, 2011: highest average compensation during any consecutive 36 months;

Hired on or after July 1, 2011: highest average compensation during any consecutive 60 months;

Compensation Cap:
Hired on or after July 1, 2013: – 110% annual cap on compensation considered as 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 other adjustments to the member's benefit.

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

16. b. 2. OVERVIEW OF CONTRIBUTIONS

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

	Member		State &	Local Government		School Districts	
FiscalYear	Hired	Hired	Universities				
	<07/01/11	>07/01/11	Employer	Employer	State	Employer	State
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 rates.
2. Employer contributions to the system:
   a. Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period has dropped below 25 years and remains below the 25 years following the reduction of both the additional employer and member contributions rates.
   b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
   c. The Plan Choice Rate (PCR), that directed a portion of employer contributions for DC members to the PERS defined benefit plan, are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
3. Non-Employer Contributions:
   a. Special Funding
      i. The State contributes 0.1% of members' compensation on behalf of local government entities.
      ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
   b. Not Special Funding
      i. The State contributes a portion of Coal Severance Tax income and earnings from the Coal Trust Permanent Trust fund.

Special Funding

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

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

16. b. 3. ACTUARIAL ASSUMPTIONS

The Total Pension Liability (TPL) used to calculate the NPL was determined by taking the results of the June 30, 2015, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2016. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2016, valuation were based on the results of the last actuarial experience study, dated June 2010, for the six-year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

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

Postretirement Benefit Increases
3% for members hired prior to July 1, 2007
1.5% for members hired between July 1, 2007 and June 30, 2013
Members hired on or after July 1, 2013:

- 1.5% for each year PERS is funded at or above 90%
- 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
- 0% whenever the amortization period for PERS is 40 years or more

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

16. b. 4. DISCOUNT RATE

The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non- employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2117. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. No municipal bond rate was incorporated in the discount rate.

16. b. 5. TARGET ALLOCATIONS

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 2003 through 2009, is outlined in a report dated June 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return 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 by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2015, is summarized in the below table.

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

16. b. 6. DEFINED CONTRIBUTION PLAN

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

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

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

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

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

16. c. TEACHERS' RETIREMENT SYSTEM (TRS)

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. The TRS staff administers the system in conformity with the laws set forth in Title 19, chapter 20 of the Montana Code Annotated, and in Title 2, Chapter 44 of the Administrative Rules of Montana.

16. c. 1. 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 age 60 with 5 years of service, or any age with 25 years creditable service 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 calculated prior to July 1, 2013, was 1.5% of the benefit payable as of January 1st. Effective July 1, 2013, the GABA to be calculated for Tier One and Tier Two members 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.

16. c. 2. 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.

School District and Other Employers

	Members	Employers	General fund	Total employee and 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, 2017	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%

16. c. 3. ACTUARIAL ASSUMPTIONS

The Total Pension Liability as of June 30, 2016, is based on the results of an actuarial valuation date of July 1, 2016. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2016 valuation were based on the results of the last actuarial experience study, dated May 1, 2014. Among those assumptions were the following:

Total Wage Increases*	4% - 8.51% for Non-University members and 5.00% for University members
Investment Return	7.75%
Price Inflation	3.25%

- Postretirement Benefit Increases
  - Tier One Members: If the retiree has received benefits for at least 3 years, the retirement allowance will be increased by 1.5% on January 1st.
  - Tier Two Members, the retirement allowance will be increased by an amount equal to or greater than 0.5% but no more than 1.5% if the most recent actuarial valuation shows the System to be at least 90% funded and the provisions of the increase is not projected to cause the funded ratio to be less than 85%.

- Mortality among contributing members, service retired members, and beneficiaries

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

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

16. c. 4. DISCOUNT RATE

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

16. c. 5. TARGET ALLOCATIONS

Asset Class	Target Asset Allocation	Real Rate of Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return*
Broad US Equity	36.00%	4.80%	1.73%
Broad International Equity	18.00%	6.05%	1.09%
Private Equity	12.00%	8.50%	1.02%
Intermediate Bonds	23.40%	1.50%	0.35%
Core Real Estate	4.00%	4.50%	0.18%
High Yield Bonds	2.60%	3.25%	0.08%
Non-Core Real Estate	4.00%	7.50%	0.30%
	100%		4.75%
		Inflation	3.25%
		Expected arithmetic nominal return	8.00%

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

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

16. d. SENSITIVITY ANALYSIS

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

	1.0% Decrease (6.75%)	Current Discount Rate	1.0% Increase (8.75%)
PERS			
Net Pension Liability	2,836,551,371	$ 1,947,626,401	1,201,441,171
School District's Net Pension Liability	$ 3,496,507	$ 2,409,599	$ 1,473,336
TRS			
Net Pension Liability	$ 2,451,115,994	$ 1,826,842,979	$ 1,301,274,169
School District's Net Pension Liability	$ 10,842,677	$ 8,081,164	$ 5,756,274

16. e. 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 PERS and TRS. Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective Net Pension Liability, Pension Expense, Deferred Inflows and Deferred Outflows of resources associated with pensions.

In accordance with Statement 68, PERS and TRS have special funding situations in which the State of Montana is legally responsible for making contributions directly to PERS and TRS on behalf of the employers. Due to the existence of this special funding situation, local governments and school districts are 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.

Special Funding (MPORS)
The Plan has a special funding situation in which the state of Montana is legally responsible for making contributions directly to the Plan on behalf of the employers. Due to the existence of this special funding situation, the state is required to report a proportionate share of a local government's collective NPL that is associated with the non-state employer.

PERS	Net Pension Liability as of 6/30/17	Net Pension Liability as of 6/30/16	Percent of Collective NPL as of 6/30/17	Percent of Collective NPL as of 6/30/16	Change in Percent of Collective NPL
School District Proportionate Share	$ 2,409,599	$ 1,935,544	0.1415%	0.1385%	0.0030%
State of Montana Proportionate Share associated with Employer	112,614	90,951	0.0066%	0.0065%	0.0001%
Total	$ 2,522,213	$ 2,026,495	0.1481%	0.1450%	0.0031%

TRS	Net Pension Liability as of 6/30/17	Net Pension Liability as of 6/30/16	Percent of Collective NPL as of 6/30/17	Percent of Collective NPL as of 6/30/16	Change in Percent of Collective NPL
School District Proportionate Share	$ 8,081,164	$ 7,296,596	0.4424%	0.4441%	(0.0017%)
State of Montana Proportionate Share associated with Employer	5,267,725	4,891,615	0.2884%	0.2977%	(0.0093%)
Total	$ 13,348,889	$ 12,188,211	0.7308%	0.7418%	(0.0110%)

At June 30, 2017, the employer recorded a liability of $2,409,599 and $8,081,164 for PERS and TRS, respectively, for its proportionate share of the Net Pension Liability. At June 30, 2017, the employer's proportion was 0.1415 percent and 0.4424 percent for PERS and TRS, respectively.

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date.

Changes in actuarial assumptions and methods: Any changes can be obtained from PERS or TRS as in the first part of this note.

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

Changes in proportionate share: There were no changes between the measurement date of the collective Net Pension Liability and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

16. f. PENSION EXPENSE

PERS	Pension Expense as of 6/30/17	Pension Expense as of 6/30/16
School District's Proportionate Share	$ 170,905	$ 73,421
State of Montana Proportionate Share associated with the Employer	9,437	5,651
Grant revenue from the State of Montana Coal Tax Fund	42,217	46,451
Total	$ 222,559	$ 125,451

TRS	Pension Expense as of 6/30/17	Pension Expense as of 6/30/16
School District's Proportionate Share	$ 676,591	$ 484,629
State of Montana Proportionate Share associated with the Employer	299,569	236,163
Total	$ 976,160	$ 720,792

At June 30, 2017, the employer recognized a Pension Expense of $ 222,559 and $976,160 for its proportionate share of the PERS and TRS Pension Expense, respectively. The employer also recognized grant revenue of $51,654 and $299,569 for the support provided by the State of Montana for its proportionate share of the Pension Expense that is associated with the employer for PERS and TRS, respectively.

16. g. DEFERRED INFLOWS AND OUTFLOWS

At June 30, 2017, the employer reported its proportionate share of PERS and TRS deferred outflows of resources and deferred inflows of resources related to PERS and TRS from the following sources:

	PERS Deferred Outflows of Resources	PERS Deferred Inflows of Resources	TRS Deferred Outflows of Resources	TRS Deferred Inflows of Resources
Differences between actual and expected experience	$ 13,001	$ 7,976	$ 43,208	$ 17,178
Changes in assumptions	0	0	51,427	50,793
Difference between projected and actual earnings on pension plan investments	226,695	0	520,389	0
Changes in proportion differences between employer contributions and proportionate share of contributions	19,440	0	73,707	9,595
Difference between actual and expected contributions	0	0	0	0
#Contributions paid subsequent to the measurement date – FY 2017 Contributions	141,381	0	592,541	0
Total	$ 400,518	$ 7,976	$ 1,281,272	$ 77,566

#Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018.

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

Year ended June 30:	PERS Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense	TRS Deferred Outflows of Resources (a)	TRS Deferred Inflows of Resources (b)	TRS Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense (a) – (b)
2018	$ 10,975	$ 163,418	$ 29,006	$ 134,412
2019	$ 10,975	$ 51,592	$ 28,421	$ 23,171
2020	$ 128,823	$ 286,920	$ 20,140	$ 266,780
2021	$ 80,948	$ 186,801	$ 0	$ 186,801
2022	$ 0	$ 0	$ 0	$ 0
Thereafter	$ 0	$ 0	$ 0	$ 0

16. h. PENSION AMOUNTS TOTAL FOR EMPLOYER – EMPLOYER'S PROPORTION OF PERS AND TRS PENSION AMOUNTS

	The employer's proportionate share associated with PERS	The employer's proportionate share associated with TRS	The employer's Total Pension Amounts
Total Pension Liability	$ 9,527,873	$ 24,257,402	$ 33,785,275
Fiduciary Net Position	$ 7,118,274	$ 16,176,238	$ 23,294,512
Net Pension Liability	$ 2,409,599	$ 8,081,164	$ 10,490,763
Deferred Outflows of Resources	$ 400,518	$ 1,281,272	$ 1,681,790
Deferred Inflows of Resources	$ 7,976	$ 77,566	$ 85,542
Pension Expense	$ 222,559	$ 976,160	$ 1,198,719

NOTE 17. COOPERATIVE

17. a. SPECIAL EDUCATION

The Lewistown School District No. 1 is a member of the Central Montana Learning Resource Center, a Special Education Cooperative. The financial records of the Cooperative are prepared and maintained by the Cooperative Clerk. The financial records of the Cooperative are separate from those of Lewistown School District No. 1, and the financial statements of the Cooperative are not included in the School Districts' financial statements. The Cooperative's financial statements are audited separately from those of the School District. All revenue received, including Federal, State, or other types of grant payments, and the financial support provided by each of the Cooperative's members are deposited into the Cooperative's funds, which are maintained in the custody of the Fergus County Treasurer. The Superintendent of Public Instruction may directly deposit to the Cooperative the State and Federal portion of any participating member School District's budgeted costs for contracted special education services. All capital assets of the Cooperative are included in the Cooperative's financial statements.

A Joint Board of Directors governs the Cooperative. The Joint Board has the power to set policies, enter into contracts, review the performance of the Cooperative annually, review the financial management of the Cooperative annually, and set and approve the annual fiscal budget of the Cooperative.

NOTE 18. JOINT VENTURE AGREEMENTS

Joint ventures are legal entities or other organizations that result in a contractual arrangement and that are owned, operated, or governed by two or more participants. Each participant retains both an ongoing financial interest and an ongoing financial responsibility.

18 a. MULTIDISTRICT COOPERATIVE

Section 20-3-363, MCA allows for the creation of a multidistrict cooperative between any School District and other public entity under Title 20, Chapter 9 Part 7, MCA. The parties in a multidistrict cooperative may mutually agree to perform any services, activities, and undertakings of the participants and provide for the joint funding and operation and maintenance of all participants in the agreement.

18. a. 1. TECHNICAL SUPPORT

The School District has entered into an agreement with Lewistown Elementary, Fergus High School, Denton Elementary, Denton High School, Grass Range Elementary, Grass Range High School, Harlowton Elementary School, Harlowton High School, Ayers Elementary, Roy K-12 Schools, Winifred K-12 Schools, Moore Elementary, Moore High School, Deerfield Elementary, Spring Creek Colony Elementary, King Colony Elementary, Hobson K-12 Schools, Judith Gap Elementary, Judith Gap High School, Stanford K-12 Schools and the Central Montana Learning Resource Center Cooperative to provide technology services to each participating school district and cooperative.

Fergus High School is the designated prime agency and is responsible for the financial administration of the multidistrict cooperative. The activity of the multidistrict cooperative is accounted for in fund 82 of the Fergus High School.

NOTE 19. RECREATIONAL FACILITIES AND EQUIPMENT

The School District and the City of Lewistown entered into an agreement whereby the School District would use the Lewistown Civic Center for activities such as basketball, volleyball, softball, soccer, floor hockey, superstars, badminton, snowshoeing, roller skating, cross country skiing, and table tennis. The School District Costs to include an initial payment of $5,057. The School District also pays the city for a school resource officer. Fees for this service were $51,489 in the fiscal year ended June 30, 2017.

NOTE 20. EVELYN ECCLES FOUNDATION

At the end of each school year, Trustees may "select from the graduating class a student or students, male or female, who have best demonstrated his/her ability to conduct scientific research of any kind or character which looks to the advancement of the best interests of society" and provide a loan from the fund to aid in their securing higher education.

If a student is selected, the Trustees will determine the amount of the loan, “In amounts sufficient to materially aid and enable students to attend an Institution of higher learning.” A no-Interest promissory note (signed by student and parent as cosigner) will be executed which shall become due and payable at such time as may be arranged, but not in excess of ten years after the loan agreement has been made. The objective of the foundation is to create a revolving fund to be constantly available.

Students selected may receive a $2,000 loan for each four years with a payback of $125 per month for 64 months beginning four years from execution of the notes.

At June 30, 2017 there was one student with an outstanding loan balance that was being paid back on a monthly basis. The receivable balance of $5,380 is reported in the fiduciary endowment funds.

LEWISTOWN SCHOOL DISTRICT NO. 1

SCHEDULE OF FUNDING PROGRESS
Other Post-Employment Benefits Other Than Pensions (OPEB)
For the year ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b)-(a))/(c)
7/1/2010*	$ -	$ 3,783,331	$ 3,783,331	0%	$ N/A	N/A
7/1/2011*	$ -	$ 3,995,369	$ 3,995,369	0%	$ N/A	N/A
7/1/2012*	$ -	$ 4,182,059	$ 4,182,059	0%	$ N/A	N/A
7/1/2013**	$ -	$ 4,196,710	$ 4,196,710	0%	$ 7,517,359	55.8%
7/1/2014**	$ -	$ 4,352,207	$ 4,352,207	0%	$ 7,517,359	57.9%
7/1/2015**	$ -	$ 4,553,594	$ 4,553,594	0%	$ 7,517,359	60.6%
7/1/2016***	$ -	$ 2,880,854	$ 2,880,854	0%	$ 6,601,580	43.6%
7/1/2017***	$ -	$ 3,025,181	$ 3,025,181	0%	$ 6,601,580	45.83%

*Assumptions are based on 2008 data.
**Assumptions are based on the actuarial values as of July 1, 2012.
***Assumptions as based on the actuarial values as of July 1, 2015

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

LEWISTOWN SCHOOL DISTRICT NO. 1

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
(Determined as of the measurement date)
For the year ended June 30, 2017

PUBLIC EMPLOYEES RETIREMENT SYSTEM

Year ended June 30:	Employer's proportion of the net pension liability	Employer's proportionate share of the net pension liability associated with the Employer (a)	State of Montana's proportionate share of the net pension liability associated with the Employer (b)	Total (a)+(b)=(c)	Employer's covered-employee payroll (d)	Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll (a)/(d)	Plan fiduciary net position as a percentage of the total pension liability
2014	0.1394%	$ 1,736,425	$ 81,172	$ 1,817,597	$ 1,632,445	111.22%	79.87%
2015	0.1385%	$ 1,935,544	$ 90,951	$ 2,026,495	$ 1,670,709	115.85%	78.40%
2016	0.1415%	$ 2,409,599	$ 112,614	$ 2,522,213	$ 1,751,664	137.56%	74.71%

TEACHERS RETIREMENT SYSTEM

Year ended June 30:	Employer's proportion of the net pension liability	Employer's proportionate share of the net pension liability associated with the Employer (a)	State of Montana's proportionate share of the net pension liability associated with the Employer (b)	Total (a)+(b)=(c)	Employer's covered-employee payroll (d)	Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll (a)/(d)	Plan fiduciary net position as a percentage of the total pension liability
2014	0.4362%	$ 6,712,796	$ 4,599,979	$ 11,312,775	$ 5,501,106	122.03%	70.36%
2015	0.4441%	$ 7,296,596	$ 4,891,615	$ 12,188,211	$ 5,537,456	131.77%	69.30%
2016	0.4424%	$ 8,081,164	$ 5,267,725	$ 13,348,889	$ 5,651,304	143.00%	66.69%

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

LEWISTOWN SCHOOL DISTRICT NO. 1

SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS
(Determined as of the reporting date)
For the year ended June 30, 2017

PUBLIC EMPLOYEES RETIREMENT SYSTEM

Year ended June 30:	Contractually required contributions (a)	Plan Choice Rate Required Contribution (b)	Contributions in relation to the contractually required contributions (c)	Contribution deficiency (excess) (a)+(b)-(c)=(d)	Employer's covered-employee payroll (e)	Contributions as a percentage of covered-employee payroll ((a)+(b))/(d)
2015	$ 133,157	$ 478	$ 133,635	$ 0	$ 1,670,709	8.00%
2016	$ 141,634	$ 295	$ 141,929	$ 0	$ 1,751,664	8.10%
2017	$ 141,000	$ 381	$ 141,381	$ 0	$ 1,742,460	8.11%

TEACHERS RETIREMENT SYSTEM

Year ended June 30:	Contractually required contributions (a)	Contributions in relation to the contractually required contributions (b)	Contribution deficiency (excess) (a)-(b)=(c)	Employer's covered-employee payroll (d)	Contributions as a percentage of covered-employee payroll (a)/(d)
2015	$ 520,550	$ 520,550	$ 0	$ 5,537,456	9.40%
2016	$ 601,312	$ 601,312	$ 0	$ 5,651,304	10.64%
2017	$ 592,541	$ 592,541	$ 0	$ 5,848,407	10.13%

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

NOTES TO THE SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND
SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS
(June 30, 2016 Measurement Date)
For the year ended June 30, 2017

NOTE 1. PUBLIC EMPLOYEE RETIREMENT SYSTEM (PERS)

1. a. CHANGES OF BENEFIT TERMS

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

2013 Legislative Changes:
House Bill 454 - Permanent Injunction Limits Application of the GABA Reduction passed under HB 454
Guaranteed Annual Benefit Adjustment (GABA) - for PERS

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

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007 and before July 1, 2013
- Members hired on or after July 1, 2013
    - a. 1.5% each year PERS is funded at or above 90%;
    - b. 1.5% reduced by 0.1% for each 2.0% PERS is funded below 90%; and,
    - c. 0% whenever the amortization period for PERS is 40 years or more.

2015 Legislative Changes:
General Revisions - House Bill 101, effective January 1, 2016
Second Retirement Benefit - for PERS

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

Revise DC Funding Laws - House Bill 107, effective July 1, 2015
Employer Contributions and the Defined Contribution Plan – for PERS and MUS-RP

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

1. b CHANGES IN ACTUARIAL ASSUMPTIONS AND METHODS

Method and assumptions used in calculations of actuarially determined contributions
The following addition was adopted in 2014 based on implementation of GASB Statement 68:

Admin Expense as % of Payroll 0.27%

NOTES TO THE SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS (continued)
(June 30, 2016 Measurement Date)
For the year ended June 30, 2017

There were no changes following the 2013 Economic Experience study.

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

General Wage Growth*	4.00%
*Includes inflation at	3.00%
Merit increase	0% to 6.0%
Investment rate of return	7.75 percent, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

NOTE 2. TEACHERS' RETIREMENT SYSTEM (TRS)

2. a. CHANGES OF BENEFIT TERMS

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

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

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

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

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

- Annual State contribution equal to $25 million paid to the System in monthly installments.
- One-time contribution payable to the Retirement System by the trustees of a school district maintaining a retirement fund. The one-time contribution to the Retirement System shall be the amount earmarked as an operating reserve in excess of 20% of the adopted retirement fund budget for the fiscal year 2013. The amount received was $22 million in FY 2014.

- 1% supplemental employer contribution. This will increase the current employer rates:
  - School Districts contributions will increase from 7.47% to 8.47%
  - The Montana University System and State Agencies will increase from 9.85% to 10.85%.
  - The supplemental employer contribution will increase by 0.1% each fiscal year for fiscal year 2014 thru fiscal year 2024. Fiscal years beginning after June 30, 2024 the total supplemental employer contribution will be equal to 2%.
- Members hired prior to July 1, 2013 (Tier 1) under HB 377 are required to contribute a supplemental contribution equal to an additional 1% of the member's earned compensation.
- Each employer is required to contribute 9.85% of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position to the System.

2. b. CHANGES IN ACTUARIAL ASSUMPTIONS AND OTHER INPUTS:

The following changes to the actuarial assumptions were adopted in 2016:
- The normal cost method has been updated to align the calculation of the projected compensation and the total present value of plan benefits so that the normal cost rate reflects the most appropriate allocation of plan costs over future compensation.

The following changes to the actuarial assumptions were adopted in 2015:
- Correctly reflect the proportion of members that are assumed to take a refund of contributions upon termination and appropriately reflect the three-year COLA deferral period for Tier 2 Members.
- The 0.63% load applied to the projected retirement benefits of the university members "to account for larger than average annual compensation increases observed in the years immediately preceding retirement" is not applied to benefits expected to be paid to university members on account of death, disability and termination (prior to retirement eligibility.
- The actuarial valuation was updated to reflect the assumed rate of retirement for university members at age 60 is 8.50% as stated in the actuarial valuation report.
- The actuarial valuation was updated to reflect the fact that vested terminations are only covered by the $500 death benefit for the one year following their termination and, once again when the terminated member commences their deferred retirement annuity (they are not covered during the deferral period). Additionally, only the portion of the terminated members that are assumed to "retain membership in the System" are covered by the $500 death benefit after termination.

The following changes to the actuarial assumptions were adopted in 2014:
- Assumed rate of inflation was reduced from 3.50% to 3.25%
- Payroll Growth Assumption was reduced from 4.50% to 4.00%
- Assumed real wage growth was reduced from 1.00% to 0.75%
- Investment return assumption was changed from net of investment and administrative expenses to net of investment expenses only.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
  - For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.
  - For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.
- Mortality among disabled members was updated to the following:
  - For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.
  - For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

Method and assumptions used in calculations of actuarially determined contributions:

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

Lewistown School District No. 1
Fergus County
Lewistown, Montana 59457

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(Budget and Actual)
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2017

	General (Elem.)			General (HS)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District levies	$ 1,707,460	$ 1,707,460	$ 1,700,687	$ 932,787	$ 932,787	$ 930,771
Interest	5,133	5,133	6,067	2,538	2,538	2,567
Other	-	-	-	-	-	-
State	4,456,487	4,456,487	4,457,853	2,303,145	2,303,145	2,303,681
Total revenues	6,169,080	6,169,080	6,164,607	3,238,470	3,238,470	3,237,019
EXPENDITURES:						
Current:						
Instructional services			3,778,863			1,562,419
Support services			198,717			108,906
Educational media services			214,768			128,166
General administrative services			954,460			559,562
Operation & maintenance services			726,702			595,178
Transportation services			5,156			34,345
School food services			132,291			20,191
Extracurricular			57,433			192,471
Capital outlay			9,714			18,990
Total expenditures	6,169,080	6,169,080	6,078,104	3,242,469	3,242,469	3,220,228
Excess (deficiency) of revenues over expenditures	-	-	86,503	(3,999)	(3,999)	16,791
OTHER FINANCING SOURCES/USES:						
Fund transfers (out)			(90,976)			(22,242)
Total other financial sources/uses	-	-	(90,976)	-	-	(22,242)
Net changes in fund balances	-	-	(4,473)	(3,999)	(3,999)	(5,451)
FUND BALANCE:						
Beginning of the year			502,998			338,732
End of the year			$ 498,525			$ 333,281

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Lewistown School District No. 1
Fergus County
Lewistown, Montana 59457

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(Budget and Actual)
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2017

	Flexibility Fund (Elem.)			Flexibility Fund (HS)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District levies	$ -	$ -	$ -	$ -	$ -	$ -
Interest	-	-	1,576	-	-	1,291
Other	-	-	650	-	-	1,200
State	31,231	31,231	31,231	7,000	7,000	7,000
Total revenues	31,231	31,231	33,457	7,000	7,000	9,491
EXPENDITURES:						
Current:						
Instructional services			43,202			7,000
Support services			-			-
Educational media services			-			-
General administrative services			-			-
Operation & maintenance services			-			-
Transportation services			-			-
School food services			-			-
Extracurricular			-			-
Capital outlay			-			-
Total expenditures	185,578	185,578	43,202	168,259	168,259	7,000
Excess (deficiency) of revenues over expenditures	(154,347)	(154,347)	(9,745)	(161,259)	(161,259)	2,491
OTHER FINANCING SOURCES/USES:						
Fund transfers (out)			-			-
Total other financial sources/uses	-	-	-	-	-	-
Net changes in fund balances	(154,347)	(154,347)	(9,745)	(161,259)	(161,259)	2,491
FUND BALANCE:						
Beginning of the year			154,346			161,259
End of the year			$ 144,601			$ 163,750

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

NOTES TO THE BUDGET VS ACTUAL SCHEDULE
For the year ended June 30, 2017

NOTE 1. BUDGETS

1. a. BUDGETS

Budgets are adopted on a basis consistent with the State of Montana budget laws which are consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are adopted for the general fund, budgeted special revenue funds including (Transportation, Bus Depreciation, Tuition, Retirement, Adult Education, Technology, Flexibility), debt service fund, and budgeted capital project funds (Building Reserve). All annual appropriations lapse at fiscal year end, unless the School District elects to encumber supplies and personal property ordered but not received at year end.

1. a. 1 GENERAL BUDGET POLICIES:

The School District's funds are either budgeted or non-budgeted in accordance with State statutes. Budgeted funds are those of which a legal budget must be adopted to have expenditures from such funds and are noted above. All other funds are non-budgeted, meaning a legal budget is not required in order to spend the cash balance of such a fund. The Schedule of Revenues, Expenditures, and Changes in Fund Balances, Budget vs. Actual, has been prepared on the modified accrual basis of accounting and contains financial information for only the major general and special revenue fund budgeted funds. The major funds debt service and building reserve are not included in the schedule because they are not special revenue funds and the school food service and miscellaneous programs funds are non-budgeted funds.

1. a. 2 BUDGET OPERATION:

The School District operates within the budget requirements for School Districts as specified by State law. The financial report reflects the following budgetary standards:

- By the second Monday in July, the County Assessor transmits a statement of the assessed valuation and taxable valuation of all property in the School District's borders.
- Before the fourth Monday in July, the County Superintendent estimates the revenue required for each fund.
- Before the fourth Monday in August, the Board of Trustees must meet to legally adopt the final budget. The final budget for the general fund is fund total only.
- Once adopted, the budget can be amended by subsequent Board action. An increase of the total budget of a given fund requires the adoption of an amended budget in accordance with State statutes.
- According to State statutes, the expenditures of a budgeted fund may not legally exceed the adopted budget.
- At the end of a fiscal year, unencumbered appropriations lapse unless specifically obligated by the School District.

NOTE 2. BUDGET AMENDMENT

The original budgets were not amended so the original budget and the final budget are the same.

NOTES TO THE BUDGET VS ACTUAL SCHEDULE (continued)
For the year ended June 30, 2017

NOTE 3. COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ALL SUB-FUNDS OF THE GENERAL FUND

	Sub-fund General (Elem.)	Sub-fund Metal Mines Tax Reserve (Elem.)	Sub-fund Flexibility Fund (Elem.)	Sub-fund General (HS)	Sub-fund Metal Mines Tax Reserve (HS)	Sub-fund Flexibility Fund (HS)	Total General
REVENUES:							
District levies	$ 1,700,687	$ -	$ -	$ 930,771	$ -	$ -	$ 2,631,458
Interest	6,067	952	1,576	2,567	1,351	1,291	13,804
Other	-	-	650	-	-	1,200	1,850
State	4,457,853	-	31,231	2,303,681	-	7,000	6,799,765
Total revenues	6,164,607	952	33,457	3,237,019	1,351	9,491	9,446,877
EXPENDITURES:							
Current:							
Instructional services	3,778,863	-	43,202	1,562,419	-	7,000	5,391,484
Support services	198,717	-	-	108,906	-	-	307,623
Educational media services	214,768	-	-	128,166	-	-	342,934
General administrative services	954,460	-	-	559,562	-	-	1,514,022
Operation & maintenance services	726,702	-	-	595,178	-	-	1,321,880
Transportation services	5,156	-	-	34,345	-	-	39,501
School food services	132,291	-	-	20,191	-	-	152,482
Extracurricular	57,433	-	-	192,471	-	-	249,904
Capital outlay	9,714	-	-	18,990	-	-	28,704
Total expenditures	6,078,104	-	43,202	3,220,228	-	7,000	9,348,534
Excess (deficiency) of revenues over expenditures	86,503	952	(9,745)	16,791	1,351	2,491	98,343
OTHER FINANCING SOURCES/USES:							
Fund transfers (out)	(90,976)	-	-	(22,242)	-	-	(113,218)
Total other financial sources/uses	(90,976)	-	-	(22,242)	-	-	(113,218)
Net changes in fund balances	(4,473)	952	(9,745)	(5,451)	1,351	2,491	(14,875)
FUND BALANCE:							
Beginning of the year	502,998	89,152	154,346	338,732	168,870	161,259	1,415,357
Ending of the Year (GAAP)	498,525	90,104	144,601	333,281	170,221	163,750	$ 1,400,482
Current year encumbrances	-	-	-	-	-	-	-
Ending of the Year (Budget)	$ 498,525	$ 90,104	$ 144,601	$	$ 170,221	$ 163,750	

In the reconciliation the elementary and high school general funds, elementary and high school flexibility funds and elementary and high school metal mines tax reserve funds, are added together to get to the aggregate general fund shown as a major fund on the Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds. The elementary and high school flexibility funds, and elementary and high school metal mines tax reserve funds, are maintained as special revenue funds for accounting purposes, however, for external financial reporting they are added to the general fund because they have unassigned fund balance like the general fund.

On the Statement of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) All Budgeted Major Governmental Funds display budgeted information for the general and major special revenue funds. The Statement presents budgetary information for the elementary and high school general funds and elementary flexibility funds because they are reported as major funds and have legally adopted budgets. The following major funds are not reported because the elementary and high school metal mines tax reserve funds are non-budgeted special revenue funds.

LEWISTOWN SCHOOL DISTRICT NO. 1

SCHEDULE OF REVENUES, EXPENSES AND BALANCES EXPENDABLE TRUST –
STUDENT ACTIVITY FUNDS
For the year ended June 30, 2017

Activity Account Name	Beginning Balance 7/1/2016	Revenues	Expenses	Transfers	Ending Balance 6/30/2017
ANNUAL	$ 716	$ 9,433	$ 9,161	$ -	$ 988
AP TESTING	2,925	4,546	4,180	-	3,291
BAND	172	181	310	-	43
EASTERN MT JAZZ FESTIVAL	13	-	-	-	13
BPA	368	5,860	5,753	-	475
CT MT MENTORS	265	-	44	-	221
CHEERLEADERS	10,162	8,983	11,838	-	7,307
NHS/CLAWS	134	999	1,080	-	53
EAGLE RENAISSANCE	2,304	560	565	-	2,299
FCLUB	2,271	79	254	-	2,096
FFA	7,052	25,833	27,364	-	5,521
FCCLA	15,887	36,042	46,512	-	5,417
FLY FISHING	1,218	140	135	-	1,223
SPANISH CLUB	2,727	3,986	4,543	-	2,170
HOW CLUB	1,262	654	1,523	-	393
VICA/SKILLS USA	629	2,068	2,661	-	36
KEY CLUB	4,021	1,646	1,757	-	3,910
ART CLUB	1,235	-	19	-	1,216
SCIENCE CLUB	5,437	1,916	4,145	-	3,208
SKI CLUB	6,453	1,846	1,831	-	6,468
STUDENT COUNCIL	703	8,641	6,063	-	3,281
THESPIANS	1,735	-	654	-	1,081
TROPHY	2,281	-	-	-	2,281
VOCAL MUSIC	1,624	975	412	-	2,187
DIST. 8 MUSCH FESTIVAL	3,307	3,230	5,167	-	1,370
WEIGHT CLUB	1,265	-	116	-	1,149
AP GOVT	160	1,316	1,361	-	115
CAREER FAIR	3,850	-	-	-	3,850
EAGLE WEAR	208	2,419	1,787	-	840
Astronomy Club	-	204	-	-	204
CLASS OF 2016	-	-	-	-	-
CLASS OF 2017	3,351	-	3,151	-	200
CLASS OF 2018	245	8,469	6,237	-	2,477
CLASS OF 2019	368	-	-	-	368
CLASS OF 2020	250	-	157	-	93
SCHOOL SPONSORED X-CURR	53,408	156,618	171,152	-	38,874
GIRLS SOFTBALL/BOYS CROSS COUNTRY	27,220	28,404	32,803	-	22,821
GENERAL ACTIVITIES	60,943	13,716	14,539	-	60,120
LC SERVICE COUNCIL	1,160	479	537	-	1,102
BUILDERS CLUB	142	-	-	-	142
CHEERLEADERS	1,354	37	-	-	1,391
CONSUMER TECH	678	2,953	2,895	-	736
FACS	1,075	4,761	4,748	-	1,088
BC, SC STORE	657	4,748	4,739	-	666
MUSIC	2,624	139	483	-	2,280
PHOTO CLUB	2,979	2,413	3,234	-	2,158
SERVICE LEARNING	285	-	92	-	193
SKI CLUB	1,317	6,660	6,787	-	1,190
STUDENT COUNCIL	350	533	536	-	347
NEWS	170	-	-	-	170
GIS CLUB	313	-	-	-	313
COMPUTER SERV LEARNING	129	-	-	-	129
FIELD TRIP SKI DAY	858	-	-	-	858
ROBOTICS CLUB	439	-	-	-	439
SCIENCE OLYMPIAD	375	1,470	1,208	-	637
EXPEDITION YELLOWSTONE	3,629	5,761		-	5,992
Total	$ 244,703	$ 358,718	$ 395,931	$ -	$ 207,490

LEWISTOWN SCHOOL DISTRICT NO. 1

SCHEDULE OF REPORTED ENROLLMENT
For the year ended June 30, 2017

Elementary

	FALL ENROLLMENT – OCTOBER, 2016			SPRING ENROLLMENT – FEBRUARY, 2017		
	Reported	Audited	Variance	Reported	Audited	Variance
Kindergarten Full	110	110	0	108	108	0
Grade 1 - 6	538	538	0	531	531	0
Grade 7 - 8	173	173	0	170	170	0
Total	821	821	0	809	809	0
Part-time Students						
Less than 181 hours	0	0	0	0	0	0
Less than 359 hours	0	0	0	2	2	0
Less than 539 hours	1	1	0	0	0	0
Less than 719 hours	3	3	0	2	2	0
Total Part-time	4	4	0	4	4	0

High School

	Reported	Audited	Variance	Reported	Audited	Variance
Grade 9 - 12	352	352	0	344	344	0
Part-time Students						
Less than 181 hours	0	0	0	0	0	0
Less than 359 hours	0	0	0	1	1	0
Less than 539 hours	2	2	0	0	0	0
Less than 719 hours	1	1	0	2	2	0
Total Part-time	3	3	0	3	3	0
19-year olds included	0	0	0	0	0	0

Lewistown School District No. 1
Fergus County
Lewistown, Montana 59457

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Amount Passed to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
PASSED THROUGH MONTANA OFFICE OF PUBLIC INSTRUCTION:				
National School Lunch Program (Donated Food) (fn2)	10.555	N/A	$ -	36,779
National School Lunch Program (fn1)	10.555	N/A	$ -	278,367
Total U.S. Department of Agriculture				$ 315,146
U.S. DEPARTMENT OF EDUCATION				
PASSED THROUGH CENTRAL MT LEARNING RESOURCE CENTER COOPERATIVE				
Special Education Grants to States	84.027	N/A	$ -	68,500
PASSED THROUGH MONTANA OFFICE OF PUBLIC INSTRUCTION				
Title I Grants to Local Education Agencies				
- Part A, Improving Basic Programs	84.010	014-0258-32-17	$ -	385,534
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	N/A	$ -	35,349
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)	84.334	014-0259-84-17	$ -	325
Vocational Education--Basic Grants to States (Carl Perkins)	84.048	014-0259-81-17	$ -	18,129
Total U.S. Department of Education				$ 507,837
Total Federal Financial Assistance				$ 822,983

The accompanying notes to the SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS are an integral part of this schedule.

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2017

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Lewistown School District No. 1 under programs of the federal government for the fiscal year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of the Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Lewistown School District No. 1, it is not intended to and does not present the financial position, changes in net position or cash flows of Lewistown School District No. 1.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting as used in the governmental financial statements. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award,* wherein certain types of expenditures are not allowable or are limited as to reimbursement Pass-through entity identifying numbers are presented where available

NOTE 3. INDIRECT COST RATE

Lewistown School District No. 1 has elected not to use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

NOTE 4. FOOTNOTES

Fn1 – No separate funds or accounts maintained, the School District assumes first in first out for program money.
Fn2 – The value of commodities (revenues, expenses or inventory) are not displayed in the basic financial statements.
N/A – Not applicable/ available.

STROM & ASSOCIATES, P.C.
Certified Public Accountants

3203 3rd Ave N. Suite 208
PO Box 1980
Billings, MT 59103

Phone: 406-252-2765
E-mail: audit@stromcpa.net

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*

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Lewistown School District No. 1
Fergus County
Lewistown, MT 59457

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 Lewistown School District No. 1 as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Lewistown School District No. 1's basic financial statements and have issued our report thereon dated December 27, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lewistown School District No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lewistown School District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
December 27, 2017

STROM & ASSOCIATES, P.C.
Certified Public Accountants

3203 3rd Ave N. Suite 208
PO Box 1980
Billings, MT 59103

Phone: 406-252-2765
E-mail: audit@stromcpa.net

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
Uniform Guidance

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Lewistown School District No. 1
Fergus County
Lewistown, MT 59457

Report on Compliance for Each Major Federal Program

We have audited Lewistown School District No. 1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lewistown School District No. 1's major federal programs for the year ended June 30, 2017. Lewistown School District No. 1's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lewistown School District No. 1's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal* Awards (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lewistown School District No. 1's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Lewistown School District No. 1's compliance.

Opinion on Each Major Federal Program

In our opinion, Lewistown School District No. 1's, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Lewistown School District No. 1, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lewistown School District No. 1's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lewistown School District No. 1's internal control over compliance.

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

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

Purpose of this Report

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

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
December 27, 2017

LEWISTOWN SCHOOL DISTRICT NO. 1

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2017

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

1. The auditor, Strom & Associates, PC, has issued an unmodified opinion on Lewistown School District No. 1's financial statements as of and for the year ended June 30, 2017.

2. Our audit did not identify any material weaknesses relating to internal controls over financial reporting and its operation.

3. Our audit did not identify any significant deficiencies in internal controls over financial reporting and its operation.

3. Our audit did not identify any noncompliance which was material to the financial statements.

Federal Awards:

4. Our audit did not identify any material weaknesses relating to internal controls over federal programs.

5. Our audit did not identify any significant deficiencies in internal controls over federal programs.

5. The auditor, Strom & Associates, PC, has issued an unmodified opinion on Lewistown School District No. 1's compliance with major federal awards programs as of and for the year ended June 30, 2017.

6. The audit disclosed no audit findings which are required to be reported under section 200.516 of Uniform Guidance.

7. The major program for Lewistown School District No. 1 for the year ended June 30, 2017 was

CFDA Number	Name of Federal Program or Cluster
84.010	Title I Grants to Local Education Agencies

8. The threshold used to distinguish between Type A and Type B programs was $750,000.

9. This School District does qualify as a low risk audit client.

B. Findings relating to the financial statements which are required to be reported in accordance with "Governmental Auditing Standards."

Prior year findings/status:

The following is the status of prior year findings and there were no finding for the fiscal year ended June 30, 2017.

2016-001 – Compensated Absences	Not repeated
2016-002 – Student Activities	Not repeated

C. Findings and questioned costs for Federal awards, as defined in section 200.516 of Uniform Guidance.

The audit disclosed no findings or questioned costs relating to federal awards as defined in section 200.516 of Uniform Guidance in the prior audit report or for the fiscal year ended June 30, 2017.