

HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA

**FINANCIAL AND
COMPLIANCE
REPORT**

FOR THE YEAR ENDED
JUNE 30, 2020

DONALD NOLAN DAVIES, P.C.
Certified Public Accountant

HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA
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**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA**

ORGANIZATION

JUNE 30, 2020

BOARD OF TRUSTEES

Thomas McLaughlin
Jack Babon
Kate Walker
Diane Beck
Lori Christensen
Rich Thornock
Rod Sharkey

Chairman
Vice-Chairman
Trustee
Trustee
Trustee
Trustee
Trustee

OFFICIALS

Doug Reisig, Ed. D.
Noreen Anderson
Kirsten Pabst
Erin Lipkind

School District Superintendent
Clerk of the Board/Business Manager
County Attorney
County Superintendent of Schools

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

This management's discussion and analysis provides an overview of the School's financial activities for the fiscal year ended June 30, 2020. Please read it along with the School's financial statements which begin on page 12.

FINANCIAL HIGHLIGHTS

The School completed the remodel of the classrooms and purchased a Bobcat, playground equipment and a security system in 2020.

Expenses exceeded revenues for the year for the School by approximately \$199,000. The COVID 19 pandemic began during the 2020 and the School continued to provide instruction through a variety of measures.

USING THIS ANNUAL REPORT

This annual report consists of financial statements for the School as a whole with more detailed information for certain School funds. The Statement of Net Position and the Statement of Activities (pages 12 and 13) provide information about the activities of the School as a whole and present a long-term view of the School's finances (they include capital assets and long-term liabilities).

Fund financial statements present a short-term view of the School's activities (they include only current assets expected to be collected in the very near future and liabilities expected to be paid in the very near future). They present detailed information about the School's general, miscellaneous projects, building, and debt service funds. There is also financial information about the custodial funds for which the School acts as a trustee.

THE SCHOOL AS A WHOLE

One important question asked about the School's finances is, "Is the financial condition of the School better or worse off as a result the year's activities?" The information in the government-wide financial statements helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting (and reports depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies.

The change in net position (the difference between total assets and total liabilities) over time is one indicator of whether the School's financial health is improving or deteriorating. However, you need to consider other nonfinancial factors in making an assessment of the School's health, such as changes in enrollment, changes in the State's funding of educational costs, changes in the economy, changes in the School's tax base, etc.

Changes in the School's net position (rounded to the nearest \$1,000) were as follows:

	2020	2019	Change	%
Current assets	\$4,148,000	\$3,670,000	\$478,000	13%
Capital assets - net	34,175,000	34,603,000	(428,000)	(1)%
Other assets	138,000	1,168,000	(1,030,000)	(88)%
Total assets	38,461,000	39,441,000	(980,000)	(2)%
Deferred outflows	2,099,000	2,128,000	(29,000)	(1)%
Current liabilities	(1,806,000)	(2,159,000)	353,000	(16)%
Non-current liabilities	(39,624,000)	(39,909,000)	285,000	(1)%
Total liabilities	(41,430,000)	(42,068,000)	638,000	(2)%
Deferred inflows	(386,000)	(558,000)	172,000	(31)%
Net position	(\$1,256,000)	(\$1,057,000)	(\$199,000)	19%
Net position consists of:				
Net investment in capital assets	\$9,400,000	\$8,388,000	\$1,012,000	12%
Restricted	1,474,000	1,548,000	(74,000)	(5)%
Unrestricted	(12,130,000)	(10,993,000)	(1,137,000)	10%
Net position	(\$1,256,000)	(\$1,057,000)	(\$199,000)	19%

The increase in capital assets net of related debt reflects the School's debt payments and capital purchases which exceeded the depreciation expense. Other Assets were decreased as the bond proceeds were spent on the building project. Current liabilities decreased due to less payables at the end of the year related to the work completed by the project contractor but not paid as of June 30th. The net change in non-current liabilities was a combination of the bond payments and the changes in the Pension and other post employment liabilities. Unrestricted net position decreased as funds were spent on the building project and the increased liability relating to the certified staff's sick leave payout provisions.

Changes in the School's program revenues (rounded to the nearest \$1,000) were as follows:

	2020	2019	Change	%
Federal grants:				
School food program	\$501,000	\$332,000	\$169,000	51%
Other federal programs	805,000	891,000	(86,000)	(10)%
State grant funding	1,573,000	1,154,000	419,000	36%
Charges for services:				
School food program	195,000	238,000	(43,000)	(18)%
Student activities	35,000	36,000	(1,000)	(3)%
Medicaid	642,000	684,000	(42,000)	(6)%
Donations and other program revenue	143,000	70,000	73,000	104%
Total program revenue	\$3,894,000	\$3,405,000	\$489,000	14%

Program revenues increased from increased food program reimbursements due to COVID 19 and the District providing meals under the Summer Food Service Program. The increase in the state grant funding resulted from the increase in the funding of the on-behalf of payments to the Teachers' retirement system and the receipt of a maintenance aid grant.

Changes in the School's general revenue (rounded to the nearest \$1,000) were as follows:

	2020	2019	Change	%
School property taxes	\$7,342,000	\$7,274,000	\$68,000	1%
State revenue	6,617,000	6,387,000	230,000	4%
County property taxes	1,387,000	1,405,000	(18,000)	(1)%
Investment earnings and other	83,000	334,000	(251,000)	(75)%
Total general revenue	15,429,000	15,400,000	29,000	0%
Total program revenue	3,894,000	3,405,000	489,000	14%
Total revenue	\$19,323,000	\$18,805,000	\$518,000	3%

The increase in state revenue is a result of the School's increasing enrollment. Other general revenues were relatively stable showing small increases due to enrollment increases. Investment earnings dropped as the balance of bond funds decreased during the building project.

Changes in the School's expenses (rounded to the nearest \$1,000) were as follows:

	2020	2019	Change	%
Instruction - regular programs	\$8,085,000	\$6,778,000	\$1,307,000	19%
Instruction - other programs	2,273,000	2,329,000	(56,000)	(2)%
Support services	1,929,000	2,280,000	(351,000)	(15)%
Administration	1,878,000	1,907,000	(29,000)	(2)%
Operation and maintenance	1,410,000	1,764,000	(354,000)	(20)%
Student transportation	1,070,000	928,000	142,000	15%
School food	755,000	786,000	(31,000)	(4)%
Depreciation expense	1,007,000	985,000	22,000	2%
Interest expense	991,000	1,034,000	(43,000)	(4)%
Extracurricular activities	124,000	171,000	(47,000)	(27)%
Total expenses	19,522,000	18,962,000	560,000	3%
Less program revenues	3,894,000	3,405,000	489,000	14%
Net expenses	15,628,000	15,557,000	71,000	0%
Less general revenues	15,429,000	15,400,000	29,000	0%
Change in net position	(199,000)	(157,000)	(42,000)	
Net Position - Beginning	(1,057,000)	(931,000)	(126,000)	14%
Change in Accounting Principles		31,000	(31,000)	100%
Restate Beginning Balance	(1,057,000)	(900,000)	(157,000)	17%
Ending balance	(\$1,256,000)	(\$1,057,000)	(\$199,000)	19%

Regular instructional programs increased from the increase in pension expenses and increased sick leave benefit to the certified staff as well as normal increases in salaries and staffing levels.

Expenses decreased in support services for the medicaid services as a result of the closure of the school due to COVID 19 during the Spring of 2020. Operation and Maintenance expenses decreased after the major building project was completed. Student transportation increases were from the transportation contract and the COVID related expenses.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant of the School's funds. The School is required to provide detailed information for its "major" funds. Major funds are defined as the general fund and other funds where the assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures exceed 10% of total government fund amounts. In the current fiscal year the miscellaneous project, building and debt service funds exceeded at least one of these thresholds. The miscellaneous project fund accounts for federal and state grants and other local revenues. The building fund accounts for the proceeds from the School's general obligation bond, which was issued to pay for the costs of designing, construction, furnishing and equipping improvements to the Hellgate Elementary School Campus, combined with other local sources. The debt service fund accounts for tax revenue collected and the subsequent payment of the School's general obligation bonds.

The government funds provide a short-term view of the School's operations. They are reported using an accounting method called modified accrual accounting which measures amounts using only cash and other short-term assets and liabilities (receivables and payables) that will soon be converted to cash or will soon be paid with cash.

Total government fund balances decreased \$182,000 in 2020 as compared to the government-wide decrease in net position of \$199,000. See page 17 for a detailed explanation of the differences between the changes in government fund balances and changes in net position.

All budgeted fund expenditures were within the budget authority and there were no significant variations between the budget and actual revenues and expenditures which are detailed on the supplemental schedule on page 44. The general fund had a \$217,000 budget amendment due to unanticipated enrollment increases.

CAPITAL ASSET AND DEBT ADMINISTRATION

The School continues to pay on the general obligation bonds. The School completed the remodel of classrooms and purchased needed equipment as well as recorded the increased depreciation expense. See Notes 4 and 5 on pages 24 and 25 for more information on the capital assets and long term debt.

THE FUTURE OF THE SCHOOL

Covid-19. Its impacts can be, and are, felt everywhere in American society and in American institutions. Hellgate Elementary is no exception. The student enrollment for the 2020/2021 school year is lower than the student enrollment from the 2019/2020 school year - not significantly lower, but lower, nonetheless. Where some of these student have gone, could be anyone's guess, at this point. The school district has implemented an in-person learning model, on a staggered start time and staggered end-time schedule to reduce the number of children arriving at school, at the same

time, to promote social/physical distancing. The school district has re-purposed teachers, holding an elementary teaching license, from positions, such as librarians, physical education teachers, world language teachers, music teachers, etc. and placed them into regular classroom teaching roles to reduce student class size. The school district has developed and implemented a creative distance learning education model for those parents and students who have expressed hesitancy to be on-campus during the Covid-19 event. The school district has initiated an outreach to home school parents and students, living within the boundaries of Hellgate Elementary, to encourage those individuals to re-enroll in the school district and take advantage of the distance learning program. The school district has done all this, while at the same time, unlike many other school districts in Western Montana, maintaining a five-day per school week schedule and encouraging our students to be on campus, every day, to take part in the in-person learning program, and to nurture developing social skills through peer-to-peer contact. All of this has been undertaken even while the school district, more than ever, is still experiencing the "revolving door" of student enrollment making student enrollment projections less reliable than if the school district had a more stable student population base. Maybe an end to Covid-19 will help ease the "revolving door" scenario. However, I still believe, one way or the other, it is safe to say that student enrollment will rebound, and rebound significantly, as single family homes and multiple family apartment units continue to be built in the Hellgate Elementary school district and throughout the Wye/Mullan Corridor.

In September of 2016, the Hellgate Elementary School District voters decided to support a bond election question for the construction of a new 7th and 8th grade building to reduce crowding in the existing facilities and pave the way to accommodate increasing student enrollment numbers. However, even with the new facility that could conceivably allow the school district to absorb another 500 students, pushing the district's enrollment over the 2,000 student mark, there is concern among school trustees that the school district may need to embark on the purchase of additional land to position the district for yet, another bond issue to build another school building. The driving force behind this concern among school trustees is the unknown surrounding the rapid residential development taking place within the school district. Though more students will come, no city/county agency or organization can give an accurate estimate as to how many children will enroll in the school district as a result of the new housing construction boom. Compounding this, no city/county agency or organization can give an accurate assessment to the school district as to how many families with school-aged children, currently enrolled at Hellgate Elementary, will remain in their homes as opposed selling their homes thus creating an aging population of school-aged children that the school district will need to replace in order to continue with its current instructional and operational pattern.

Estimates done by the school district, which are just as reliable as any other estimates that may or may not be completed by outside organizations, suggest that by the year 2027/2028, student enrollment will stand at approximately 1,742 students as the school district's student enrollment has increased over 500 students from the 2000/2001 school year to the 2020/2021 school year (20 years). So, it is statistically safe to say that given another eight years, the school district could increase its student enrollment numbers by another 250 students.

Though the state funding picture is questionable, especially due to Covid-19 and the partial "shut-down" of Montana's economic engine (that being small businesses), the long-term financial picture for the school district continues to look solid. However, the school district continues to be in a guarded financial posture with concern about rising fixed costs for district operation and maintenance, potential future building needs and construction, and on-going program analysis to optimize district financial resources in order to provide quality and meaningful educational experiences for students, especially given Montana's current fiscal condition. Funding from the

state, it appears, will hopefully continue to grow if only in keeping with its statutory requirements. The lack of funding resources from the state will only place increased financial burden and strain upon the school district and local taxpayers with, unfortunately, no end in sight. The school district, even more than in past years, is looking for ways to maximize its financial resources by examining its academic program offerings; eliminating, where possible, non-essential certified, classified, and administrative staff positions; tightly controlling financial allowances to fund classroom and district supply, textbook, and equipment requests; and finding creative ways to replace any district retirees that might choose to retire at the end of the current school year. The school district simply has no choice but to strictly prioritize, for continuation, essential programs and services while at the same time, seek to eliminate of non-essential programs and services.

This type of approach to school operations, which is, at times, difficult, has required district leadership to align resources, services, and structures while retaining the core mission of increasing the achievement of every student, with reduced fiscal resources to accomplish the mission. The school district and school board must, now more than ever, undertake a review of the district's mission and vision with an eye on establishing long-term core beliefs and educational goals to guide the district's processes and procedures. The school board's mandate throughout this budget and mission/vision review process must remain two-fold:

1. Every child must meaningfully graduate...
2. All of our students must have the skill set to find ways to succeed in the ever-changing global society and economy...

In conclusion, the Hellgate Elementary Board of Trustees, more than ever, is maximizing the expenditure of taxpayer funds and providing quality educational opportunities for students. That is, of course, non-negotiable. School trustees have initiated a process that allows for review and analysis of school district functions and expenditures and it includes an examination of each district activity, its expected outcome, its impact on students, and ultimately, its cost. Ultimately, all decisions made by the Hellgate Elementary Board of Trustees must be made based upon the answer to three questions (1) is the decision educationally defensible; (2) is the decision socially acceptable to the Hellgate Elementary community; and (3) is the decision fiscally responsible. The financial future of Hellgate Elementary and the academic future of Hellgate Elementary students clearly rest in the balance.

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Hellgate Elementary School
District No. 4, Missoula County
Missoula, Montana

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hellgate Elementary School, District No. 4, Missoula County, Missoula, Montana, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School'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 U.S. generally accepted accounting principles; 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Audit Opinion

In my 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 Hellgate Elementary School, District No. 4, Missoula County, Missoula, Montana, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 2 through 7, the schedule of revenues, expenditures, and encumbrances - budget and actual - general fund on page 45, the schedule of changes in District's total other post employment benefits and related ratios on page 47, the Montana Teachers' Retirement System Schedule of School's Proportionate Share of the Net Pension Liability on page 48, the Montana Teachers' Retirement System Schedule of School's Contributions on page 48, the Montana Public Employees' Retirement System Schedule of School's Proportionate Share of the Net Pension Liability on page 52, and the Montana Public Employees' Retirement System Schedule of School's Contributions on page 52, 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 by placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplemental information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures applied do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hellgate Elementary School's basic financial statements. The schedule of expenditures of federal awards on pages 55 and 56 is required by the *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The schedule of school district enrollment on page 57 and the schedule of revenues, expenditures, and changes in fund balance by student activity on page 58 are supplementary information required by the State of Montana. These schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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

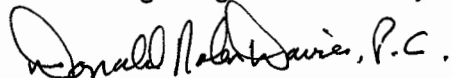
financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards.

In my opinion, the schedule of expenditures of federal awards, the schedule of school district enrollment and the schedule of revenues, expenditures and changes in fund balances by student activity are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other supplemental information listed in the accompanying table of contents, and appearing on pages 59 through 62, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, I have also issued a report dated January 26, 2021 on my consideration of Hellgate Elementary School's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Hellgate Elementary School's control over financial reporting and compliance.

 Donald Robert Davis, P.C.

January 26, 2021

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**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA**

**STATEMENT OF NET POSITION
JUNE 30, 2020**

	2020
ASSETS:	
Current Assets:	
Cash and Investments	\$3,588,173
Property Taxes Receivable	369,565
Due from Other Governments	190,555
Total Current Assets	4,148,293
Non-Current Assets:	
Capital Assets	43,669,170
Less Accumulated Depreciation	(9,494,468)
Capital Assets - Net	34,174,702
Due from Missoula City Water	138,303
Total Assets	38,461,298
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Outflows - Other Postemployment Benefits	222,382
Deferred Outflows - Pensions	1,876,895
Total Deferred Outflows of Resources	2,099,277
LIABILITIES:	
Current Liabilities	
Accounts Payable	41,376
Current Portion of Long-term Debt	1,764,355
Total Current Liabilities	1,805,731
Non-current Liabilities:	
General Obligation Bonds	24,663,034
Early Retirement Incentives	6,765
Other Post Employment Benefits	1,957,385
Net Pension Liability	12,110,062
Compensated Absences	887,386
Total Non-current Liabilities	39,624,632
Total Liabilities	41,430,363
DEFERRED INFLOWS OF RESOURCES:	
Deferred Inflows - OPEB	188,862
Deferred Inflows - Pensions	197,094
Total Deferred Inflows of Resources	385,956
NET POSITION:	
Net investment in Capital Assets	9,399,702
Restricted	1,474,537
Unrestricted	(12,129,983)
Total Net Position	(\$1,255,744)

See Notes to Financial Statements

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	Expenses	--Program Revenue--		Net (Expense) Revenue 2020
		Charges for Services	Operating Grants	
GOVERNMENT OPERATIONS				
Instruction:				
Regular Programs	\$8,085,475	\$17,289	\$838,679	(\$7,229,507)
Other Programs	2,272,924		1,424,868	(848,056)
Support Services	1,928,871	642,136	9,296	(1,277,439)
Administration	1,877,914		35,019	(1,842,895)
Operation and Maintenance	1,409,543		48,010	(1,361,533)
Student Transportation	1,069,677		147,326	(922,351)
School Food	754,986	194,894	501,210	(58,882)
Extracurricular	123,636	35,395		(88,241)
Interest Expense	991,233			(991,233)
Unallocated Depreciation	1,007,129			(1,007,129)
Total	\$19,521,388	\$889,714	\$3,004,408	(15,627,266)
GENERAL REVENUES:				
School Property Taxes				7,342,273
State Revenue				6,616,656
County Property Taxes				1,387,238
Investment Earnings				71,598
Other				11,199
Total General Revenues				15,428,964
CHANGE IN NET POSITION				(198,302)
NET POSITION				
Beginning of the Year				(1,057,442)
End of the Year				<u>(\$1,255,744)</u>

See Notes to Financial Statements

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA**

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020**

	----- MAJOR FUNDS -----					
	General Fund	Miscellaneous Programs Fund	Debt Service Fund	Building Fund	Other Governmental Funds	Total
ASSETS:						
Cash and Investments	\$1,284,200	\$814,394		\$42,670	\$1,446,909	\$3,588,173
Property Taxes Receivable . . .	171,974		\$110,141		87,450	369,565
Due from Other Governments	69,921	41,612		138,303	79,022	328,858
Interfund Balances	37,018		(37,018)			0
Total Assets	\$1,563,113	\$856,006	\$73,123	\$180,973	\$1,613,381	\$4,286,596
LIABILITIES:						
Accounts Payable	\$11,405	\$1,234			\$28,737	\$41,376
Total Liabilities	\$11,405	\$1,234	\$0	\$0	\$28,737	\$41,376
DEFERRED INFLOWS OF RESOURCES:						
Property Taxes	\$171,974		\$110,141		\$87,450	\$369,565
Missoula City Water				\$138,303		138,303
Total Deferred Inflows	\$171,974	\$0	\$110,141	\$138,303	\$87,450	\$507,868
FUND BALANCE:						
Restricted		\$35,872			\$1,351,215	\$1,387,087
Assigned	\$234,478	818,900		\$42,670	145,979	1,242,027
Unassigned	1,145,256		(\$37,018)			1,108,238
Total Fund Balance	1,379,734	854,772	(37,018)	42,670	1,497,194	3,737,352
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$1,563,113	\$856,006	\$73,123	\$180,973	\$1,613,381	\$4,286,596

See Notes to Financial Statements

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

JUNE 30, 2020

Total fund balance on the governmental funds statement		\$3,737,352
Add capital assets not reported on government funds statement . .	\$43,669,170	
Less accumulated depreciation	<u>(9,494,468)</u>	34,174,702
Less liabilities not reported on government funds statement:		
General obligation bonds (including unamortized bond premium of \$1,487,060)	(26,262,060)	
Pension Liability	(12,110,062)	
Other Post Employment Benefit Obligation	(1,957,385)	
Termination Benefits	(20,910)	
Compensated absences	<u>(1,038,570)</u>	(41,388,987)
Deferred inflows for property taxes receivable recognized as revenue in the government-wide statement of net position		369,565
Deferred inflows for Missoula City Water receivable recognized as revenue in government-wide statement of net position		138,303
Deferred outflows of resources related to OPEB		222,382
Deferred inflows of resources related to OPEB		(188,862)
Deferred outflows of resources related to pensions		1,876,895
Deferred inflows of resources related to pensions		<u>(197,094)</u>
Net Position		<u><u>(\$1,255,744)</u></u>

See Notes to Financial Statements

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA**
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

-----MAJOR FUNDS-----						
	General Fund	Miscellaneous Projects Fund	Debt Service Fund	Building Fund	Other Governmental Funds	Total
REVENUES:						
School Property Taxes	\$3,141,348		\$2,368,153		\$1,790,739	\$7,300,240
Intergovernmental:						
County					1,460,901	1,460,901
State	8,012,123	\$653,939			130,969	8,797,031
Federal		804,972			501,210	1,306,182
School Food Sales					194,894	194,894
Student Activities					35,395	35,395
Interest and Other	42,463	39,018	14,838	\$13,283	51,509	161,111
Total Revenues	11,195,934	1,497,929	2,382,991	13,283	4,165,617	19,255,754
EXPENDITURES:						
Instruction:						
Regular Programs	6,115,084	28,862		36,116	804,255	6,984,317
Other Programs	848,933	719,134			704,857	2,272,924
Instructional Support	1,187,037	458,750		9,260	273,824	1,928,871
Administration	1,311,556	108,090			344,634	1,764,280
Operation and Maintenance	1,123,595	445		156,751	128,752	1,409,543
Transportation		13,280			1,056,397	1,069,677
Food Service	61,989	7,067			683,604	752,660
Extracurricular	84,495	185			38,956	123,636
Debt Service			2,545,963			2,545,963
Capital Outlay	81,004	8,204		477,123	19,994	586,325
Total Expenditures	10,813,693	1,344,017	2,545,963	679,250	4,055,273	19,438,196
Excess (deficiency) of Revenues over Expenditures	382,241	153,912	(162,972)	(665,967)	110,344	(182,442)
Other Sources (Uses):						
Transfers in (out)	(20,572)				20,572	0
Total Other Sources and Uses	(20,572)	0	0	0	20,572	0
CHANGE IN FUND BALANCE	361,669	153,912	(162,972)	(665,967)	130,916	(182,442)
FUND BALANCES:						
Beginning of the year	1,018,065	700,860	125,954	708,637	1,366,278	3,919,794
Ending	\$1,379,734	\$854,772	(\$37,018)	\$42,670	\$1,497,194	\$3,737,352

See Notes to Financial Statements

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA**

**RECONCILIATION OF THE
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2020

Change in fund balance on the governmental funds statement		(\$182,442)
Expenses on the government-wide statement of activity not included in the governmental funds statement:		
Depreciation expense	(\$1,009,455)	
Decrease in retirement incentives	20,295	
Increase in compensated absences	(222,033)	
Increase in pension related liabilities, inflows and outflows	(773,094)	
Other changes in capital assets	(5,258)	
Decrease in deferred revenue from Missoula City Water for share of construction costs	(4,462)	
Bond premium on 2017 series bonds	114,730	
Increase in property taxes receivables	42,033	
OPEB expense	<u>(204,941)</u>	(2,042,185)
Expenditures reported on the governmental funds statement not included on the government-wide statement of activity:		
Capital outlays	586,325	
Principal payments of general obligation bonds	<u>1,440,000</u>	<u>2,026,325</u>
Change in net position reported on the government-wide statement of activity		<u><u>(\$198,302)</u></u>

See Notes to Financial Statements

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA**

CUSTODIAL FUNDS

**STATEMENT OF FIDUCIARY NET POSITION
AND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

FIDUCIARY NET POSITION

ASSETS:

Cash - Interlocal Agreement Fund	\$1,800
Cash - COBRA Insurance Fund	4,914
Total Assets	\$6,714

LIABILITIES:

Due to Others	\$4,914
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NET POSITION:

Interlocal Government Agreement	\$1,800
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CHANGES IN FIDUCIARY NET POSITION

ADDITIONS:

Interest	\$2
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DEDUCTIONS:

CHANGES IN FIDUCIARY NET POSITION	2
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NET POSITION, BEGINNING OF YEAR	1,798
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NET POSITION, END OF YEAR	\$1,800
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See Notes to the Financial Statements

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Hellgate School District (School) have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

A. Reporting Entity - Based on the criteria for determining a reporting entity (separate legal entity and fiscal or financial dependency on other governments), the School is considered to be an independent reporting entity and has no component units. All operations of the School are controlled by a Board of Trustees, elected in school-wide elections, and responsible for all of the School's activities. The financial statements include all of the School's operations controlled by the Board of Trustees.

B. Basis of Presentation and Basis of Accounting

Government-wide Statements - The statement of net position and the statement of activities show information about the overall financial position and activities of the School with the exception of the custodial funds. With the adoption of GASB 84, the student activity fund, which accounts for the extracurricular activities of the School's students is now reported under governmental fund financial statements, and the interlocal agreement fund and COBRA fund are reported on the custodial fund financial statements section.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The activities of the School are generally financed through property taxes, state equalization funding, and federal and state grants. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. On the accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which eligibility requirements have been met. Eliminations have been made to minimize the double counting of internal activities.

The statement of activities presents a comparison between direct expenses and program revenues for the functions of the School's government activities. Direct expenses are those that are specifically associated with a program or function. The School does not charge indirect expenses to programs or functions. Program revenues include fees for services (primarily school lunch and medicaid fees) and grants and contributions that are restricted to a particular program. Revenues that are not classified as program revenues, including all property taxes and investment earnings, are presented as general revenues. Generally, the School applies restricted resources to expenses incurred before using unrestricted resources when both types are available.

Fund Financial Statements - These statements provide information about the School's funds, including a separate statement for the School's custodial funds. The emphasis of fund financial statements is on major government funds. Each major fund is displayed in a separate column. All of the remaining funds are aggregated and reported in a single column as other government funds.

Hellgate Elementary School 2020 - Notes to Financial Statements

Generally accepted accounting principles require that the general fund be reported as a major fund and that all other government funds whose assets, liabilities, revenues, or expenditures exceed 10% or more of each total amount for all government funds also be reported as major funds. Accordingly, the School reports the following major government funds:

General Fund. This is the School's primary operating fund and it accounts for all financial resources of the School except those accounted for in other funds.

Miscellaneous Projects Fund. This fund accounts for federal and state grants, medicaid, and other miscellaneous revenues not accounted for in other funds.

Debt Service Fund. This fund accounts for the tax proceeds which are used to pay for the general obligations bonds.

Building Fund. This fund accounts for the proceeds from the School's general obligation bond which was issued to pay for the costs of designing, construction, furnishing and equipping improvements to the Hellgate Elementary School Campus.

These funds (except the custodial funds which use the total resources focus and accrual basis of accounting) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. State and other government revenues applicable to the current fiscal year and collected soon after year-end are recognized as revenue. Property tax revenues are reported on the cash basis because most property taxes receivable are delinquent at June 30 and amounts collected soon after year-end are not significant. Deferred property tax revenues are recorded as deferred inflows of resources in the government funds for these receivables.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and payments for compensated absences which are recognized as expenditures when paid. Capital asset acquisitions are reported as expenditures in government funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of the School's grant agreements, certain programs are funded by specific cost-reimbursement grants and general revenues. Generally, the School applies cost reimbursement funds first to finance such programs with remaining costs paid by general revenues.

- C. Cash and Investments - State law permits investment of school funds in insured savings or time deposits, bank repurchase agreements, direct obligations of the U. S. Government, and the State's unified investment program. Except for the student activity fund, all cash and investments are held by the County Treasurer. Investments are stated at estimated fair value which approximates cost.

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB Statement No. 72 requires or permits in the statement of net position at the end of each reporting period. The School had no nonrecurring fair

Hellgate Elementary School 2020 - Notes to Financial Statements

value measurement. Cash on hand, demand, savings and time deposits, STIP and short-term investments with original maturities of three months or less from the date of acquisition are considered cash equivalents.

- D. Inventories - Inventories are considered to be immaterial and are not recorded.
- E. Property Taxes - Property taxes receivable at June 30 consist primarily of delinquent property taxes from the current and prior year levies. Property taxes receivable are offset by deferred inflows of resources in the fund financial statements. The School does not record an allowance for uncollectible taxes because it is considered to be immaterial.

Property taxes are levied in August of each fiscal year, based on assessments as of the prior January 1. Real property taxes are usually billed in October and are payable 50% on November 30 and 50% on May 31. Property taxes are maintained and collected by the County Treasurer.

- F. Capital Assets - Capital assets are carried at actual cost or at estimated historical cost based on appraisals. Major additions and betterments with a cost in excess of \$5,000 are recorded as additions to fixed assets. Repair and maintenance costs are not capitalized. Depreciation is computed using the straight-line method and the estimated useful lives are as follows:

Land improvements	20 - 50 years
Buildings and improvements.	10 - 50 years
Equipment	5 - 30 years

- G. Compensated Absences - Sick leave for certified personnel (teaching employees) is awarded at 11 days per year up to a maximum of 130 days. Upon termination and, depending on longevity, certified personnel are eligible for sick leave compensation at 40% of the teacher's salary to a maximum of the number of days allowed.

Sick leave is accumulated for classified employees at the rate of 12 working days for each year of service. Vacation leave for administrative and classified (non teaching) employees is earned at 15 to 24 days a year depending on the number of years employed. Part-time classified employees are entitled to prorated benefits upon fulfillment of the qualifying period of time.

Classified employees are eligible for compensation at one fourth of the accumulated sick leave amount upon resignation or retirement. Vacation leave, within certain limitations, may be payable to administrative and classified (non teaching) employees on termination. The School, in its sole discretion and/or subject to the terms of the collective bargaining agreement, may provide cash compensation for unused vacation leave in lieu of the accumulation of vacation leave.

- H. Retirement Incentives - These incentives consist of payments for retirees health insurance costs for a specific period of time as approved annually by the Board.

Hellgate Elementary School 2020 - Notes to Financial Statements

- I. Deferred Inflows of Resources - Deferred revenue in the government fund financial statements consists of property taxes receivable as discussed above, and the Missoula City Water receivable (see Note 3).

- J. Pensions - The Montana Teachers' Retirement System (TRS) and Public Employee Retirement System (PERS) prepare its financial statement 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 TRS and PERS.

For this purpose, TRS plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms.

For this purpose, PERS member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred.

Investments are reported at fair value. MPERA adhered to all U.S. generally accepted accounting principles. MTRS and MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

2. CASH AND INVESTMENTS

The School participates in the Missoula County Treasurer's investment program. Funds deposited with the County Treasurer are pooled and invested in accordance with State law. Funds are withdrawn from the investment program as needed to pay warrants. Earnings are allocated to the School based on average month-end cash balances and are distributed monthly. The investment pool is not registered with or monitored by the Securities and Exchange Commission (SEC).

It is not practical to determine the investment risk, collateral, or insurance coverage for the School's share of these pooled investments. Information about the pooled investments is included in the County's annual financial statements.

Student activity trust funds are deposited in FDIC insured accounts.

3. DUE FROM MISSOULA CITY WATER

The School performed work on the water lines during construction and the previous owner, Mountain Water, agreed to reimburse the School for these costs. Mountain Water is now owned by the City of Missoula. The annual payments will be \$4,462 beginning in fiscal year 2009 -10 and are payable over 40 years.

Hellgate Elementary School 2020 - Notes to Financial Statements

4. CAPITAL ASSETS - Capital asset activity during 2020 was as follows:

	Balance June 30, 2019	Additions	Deletions	Other Changes	Balance June 30, 2020
Cost of assets:					
Non-Depreciable:					
Land	\$1,060,143				\$1,060,143
Depreciable:					
Land improvements	3,890,420	\$18,992	(\$7,012)		3,902,400
Buildings and improvements	35,233,151	442,985			35,676,136
Equipment	2,906,143	124,348			3,030,491
Total	43,089,857	586,325	(7,012)	0	43,669,170
Accumulated depreciation:					
Land improvements	(924,988)	(151,221)	1,754		(1,074,455)
Buildings and improvements	(6,587,545)	(714,209)			(7,301,754)
Equipment	(974,234)	(144,025)			(1,118,259)
Total	(8,486,767)	(1,009,455)	1,754	0	(9,494,468)
Net capital assets	\$34,603,090	(\$423,130)	(\$5,258)	\$0	\$34,174,702

Depreciation expense of \$1,009,455 is primarily on general purpose buildings and special improvements, was not allocated to various functions, except for \$2,326 which is allocated to School Food program.

5. LONG-TERM DEBT - Changes in general long-term debt during 2020 are as follows:

	Balance June 30, 2019	Additions	Payments and other reductions	Balance June 30, 2020	Due Within One Year
General obligation bonds:					
2016 Series - Refunding	\$7,320,000		(\$735,000)	\$6,585,000	\$750,000
2017 Series	18,895,000		(705,000)	18,190,000	740,000
Unamortized bond premium	1,601,790		(114,730)	1,487,060	109,026
Pension Liabilities - TRS (see footnote 11)	10,055,047	\$605,733		10,660,780	
Pension Liabilities - PERS (see footnote 12)	1,381,178	68,104		1,449,282	
Retirement incentives	41,205	14,145	(34,440)	20,910	14,145
Other Post Employment Benefits - (see footnote 8)	1,510,228	447,157		1,957,385	
Compensated absences	816,537	222,033		1,038,570	151,184
Total	\$41,620,985	\$1,357,172	(\$1,589,170)	\$41,388,987	\$1,764,355

2016 Refunding General Obligation Bonds - On March 31, 2016, the School issued \$8,215,000 in general obligation bonds with an average interest rate of 2.909% to advance refund

Hellgate Elementary School 2020 - Notes to Financial Statements

\$8,035,000 of the callable portion of outstanding 2008 general obligation bonds with an average interest rate of 4.187%. The net proceeds of \$8,113,010 (after payment of underwriter fees, insurance, and other issuance costs totaling \$101,990) and \$584,731 of bond premiums, were used to purchase U.S. government securities.

Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the general obligation bonds. As a result, the general obligation bonds are considered to be defeased and the liability for those bonds has been removed from the long-term debt.

The School advance refunded the bonds to reduce its total debt service payments over the next 13 years by approximately \$775,314 and to obtain an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$697,889.

2017 General Obligation Bonds - In January 4, 2017, the District issued \$19,800,000 of general obligation bonds. These serial bonds are payable over 20 years with variable principal payments due annually on June 15 and interest payments due semiannually on June 15 and December 15. Interest rates range from 3.5% to 5.25% with an average coupon rate of 4.948%. Bonds maturing on or after June 15, 2028 are subject to early redemption on June 15, 2027 or thereafter at a price equal to the unpaid principal plus accrued interest.

Future debt service requirements, including interest, are as follows:

Year Ended June 30,General Obligation Bonds.....				Total
	2016 Series Refunding		2017 Series		
	Principal	Interest	Principal	Interest	
2021.....	\$750,000	\$184,300	\$740,000	\$871,362	\$2,545,662
2022.....	770,000	169,300	775,000	834,362	2,548,662
2023.....	790,000	153,900	805,000	807,238	2,556,138
2024.....	805,000	138,100	830,000	779,062	2,552,162
2025.....	825,000	119,988	860,000	750,012	2,555,000
2026.....	850,000	97,300	890,000	719,912	2,557,212
2027.....	880,000	71,800	935,000	675,412	2,562,212
2028.....	915,000	36,600	980,000	628,662	2,560,262
2029.....			1,030,000	579,662	1,609,662
2030.....			1,080,000	528,162	1,608,162
2031.....			1,135,000	474,162	1,609,162
2032.....			1,195,000	417,412	1,612,412
2033.....			1,255,000	357,662	1,612,662
2034.....			1,315,000	294,912	1,609,912
2035.....			1,380,000	229,162	1,609,162
2036.....			1,455,000	156,712	1,611,712
2037.....			1,530,000	80,325	1,610,325
Total.....	\$6,585,000	\$971,288	\$18,190,000	\$9,184,193	\$34,930,481
Unamortized Bond Premium ..			\$1,487,060		\$1,487,060
Total.....			\$19,677,060		\$36,417,541

Hellgate Elementary School 2020 - Notes to Financial Statements

Compensated absence payments can be made by the compensated absences fund or by the affected fund, usually the general fund. Post employment benefits can be paid by the affected fund, usually the general fund. Vacation pay is classified as compensated absences due within one year. Accrued sick leave is classified as non-current.

6. INTERFUND BALANCES/TRANSFERS

The School transferred \$20,572 of funds between the general fund and compensated absence fund as permitted by state law. The general fund is owed \$37,018 from the debt service fund for covering a short term negative cash position.

7. OTHER POST-EMPLOYMENT BENEFITS - OPEB

Plan Description: As required by State law (MCA 2-18-704) the District allows its retiring employees with at least five years of service and who are at least 50 years of age, along with their eligible spouses and dependents, the option to continue participation in the District's group health insurance plan until the retiree becomes eligible for Medicare coverage. This option creates a defined benefit other post-employment benefits plan (OPEB) since retirees are typically older than the average age of active plan participants and therefore receive a benefit of lower insurance rates. The OPEB plan is a single-employer defined benefit plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75. The District covers OPEB costs when they come due, on a pay-as-you-go basis.

Benefit provided: The OPEB plan provides healthcare insurance benefits for retirees, eligible spouses and dependents as MCA 2-18-704. The retiree benefits are the same as those provided for active employees. Per the District's union contracts, the District paid \$565 for single and family units and \$615 for two party and parent/child units per full time employee for health insurance in 2020; valued to Medicare eligibility.

Employees covered by benefit terms: As of June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	8
Active employees.	<u>119</u>
 Total	 <u>127</u>

Total OPEB Liability: The District's total OPEB liability of \$1,957,385 as of June 30, 2020 and was determined by an actuarial valuation as of that date. The measurement and valuation date was June 30, 2020.

Actuarial assumptions and other inputs: The total OPEB liability at the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increases	2.50%
Discount rate	2.66%
Healthcare cost trend rates	6.10% grading to 5.00% over 6 years

Discount rate: Based on S & P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2020

Hellgate Elementary School 2020 - Notes to Financial Statements

Mortality rates: Both from 6/30/2019 PERS and TRS Pension Actuarial Valuation

PERS: RP-2000 Combined Mortality Table Projection AA to 2020, Males 1 year setback.

TRS: RP-2000 Combined Mortality Table Projection BB to 2022, 2-year setback

Census Date: Provided by District to Actuary in July 2020

Cost Method: Entry age normal, determined as a level percent of projected pay

Funding Policy: Pay as you go

Participation Rate: 45% of active employees are assumed to elect the District's healthcare coverage in retirement

Spousal Coverage: 75% of those assumed to elect coverage in retirement are assumed to elect coverage for their spouse in retirement. Husbands are assumed to be 3 years older than wives. Actual spouse information was used where available.

Changes in Total OPEB liability:

	Fiscal Year Ending June 30, 2020
Beginning OPEB Liability	\$1,510,228
Service costs	164,478
Interest	50,744
Differences between expected and actual experience	10,157
Changes in assumptions	229,158
Employer Contributions	(7,380)
Net change in Total OPEB Liability	447,157
Balance at June 30, 2020	<u>\$1,957,385</u>

Changes in Benefit terms - none.

Changes in assumptions and other inputs - Discount Rate decreased from 3.36% to 2.66%. Participation Rate for retirees covering spouses increased from 70% to 75%. Payroll Trend decreased from 3.0% to 2.5%.

OPEB Expense: During fiscal year 2020, the District recognized OPEB expense of \$204,941.

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the total OPEB liability reported by the District as well as how that liability would change if the discount rate used to calculate the OPEB liability were decreased or increased by 1 percent.

	1% Decrease <u>(1.66%)</u>	Discount Rate <u>(2.66%)</u>	1% Increase <u>(3.66%)</u>
Total OPEB liability	<u>\$2,137,639</u>	<u>\$1,957,385</u>	<u>\$1,792,213</u>

Hellgate Elementary School 2020 - Notes to Financial Statements

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the total OPEB liability reported by the District as well as how that liability would change if the healthcare trend rate used to calculate the OPEB liability were decreased or increased by 1 percent.

	<u>1% Decrease</u> (5.1% graded)	<u>Healthcare Cost Trend Rate*</u> (6.1% graded)	<u>1% Increase</u> (7.1% graded)
Total OPEB liability	<u>\$1,717,129</u>	<u>\$1,957,385</u>	<u>\$2,248,258</u>

* see the actuarial assumptions and other inputs disclosure above to determine the healthcare cost trends used to calculate the OPEB liability.

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB: The District reported deferred outflows of resources of \$0 for employer contributions made after the Measurement date and before the Reporting Date. Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as in 2020.

Future recognition of deferred flows in OPEB Expense: Amounts reported as deferred Inflows and outflows of resources related to OPEB as of 6/30/2020 will be recognized in OPEB Expense as follows:

<u>Year</u>	<u>Actual to Expected</u>	<u>Changes in</u>	<u>Total</u>
2020	\$1,111	\$25,072	\$26,183
2021	1,111	25,072	26,183
2022	1,111	25,072	26,183
2023	1,111	25,072	26,183
2024	1,111	25,072	26,183
2025	1,111	25,072	26,183
2026	1,111	25,072	26,183
2027	1,111	25,072	26,183
2028	1,111	25,072	26,183
2029	158	3,510	3,668
Total	<u>\$10,157</u>	<u>\$229,158</u>	<u>\$239,315</u>

Deferrals from prior years are combined with the current year deferrals for calculation of the OPEB expense for the current year. The combined deferrals for this valuation are shown in the following table.

<u>Deferral Date</u>	<u>Actual to Expected</u>		<u>Changes in Assumptions</u>	
	<u>Inflows</u>	<u>Outflows</u>	<u>Inflows</u>	<u>Outflows</u>
2018	(\$9,905)		(\$4,338)	
2019	(16,153)			\$1,362
2020		\$1,111		\$25,072
Total	<u>(\$26,058)</u>	<u>\$1,111</u>	<u>(\$4,338)</u>	<u>\$26,434</u>

Hellgate Elementary School 2020 - Notes to Financial Statements

8. GOVERNMENT-WIDE RESTRICTED NET POSITION

State law authorizes certain funds and establishes the criteria for property tax levies for specific purposes. The School classifies the net position of these funds in the government-wide statements as a restricted component of net position.

Restricted Net Position consists of the following:

Retirement	\$394,787
Transportation	203,463
School Food	99,498
Compensated Absences	97,773
Building Reserve	322,065
Tuition	46,720
Instruction - Special Programs	35,872
Technology Acquisition	31,702
Adult Education	242,657
	<hr/>
Total Restricted Net Position	<u>\$1,474,537</u>

9. GOVERNMENT FUND BALANCE REPORTING

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, requires classifying fund balances into specifically defined classifications. Committed and assigned funds must be so designated by the School Board and/or assigned by the Superintendent. There were no committed funds at June 30, 2020.

Restricted fund balances are reported in aggregate on the face of the balance sheet. Of the total, the amount restricted due to external requirements is \$1,387,087.

The School spends restricted amounts first. When an expenditure is incurred for purposes for which committed, assigned or unassigned amounts are available, the School spends first committed, then assigned, and lastly unassigned funds.

Restricted fund balances consist of the following:

Restricted for expenditures related to:

Retirement	\$394,787
Technology Acquisition	26,020
Transportation	151,062
Building and Equipment Repairs and Maintenance	316,970
School Food	99,498
Tuition	26,303
Compensated Absences	97,773
Adult Education	238,802
Miscellaneous Programs	35,872
	<hr/>
Total Restricted Fund Balance	<u>\$1,387,087</u>

Hellgate Elementary School 2020 - Notes to Financial Statements

Assigned fund balances consist of the following:

Assigned for Encumbrances:	
General Fund	\$234,478
Miscellaneous Projects Fund	14,717
Extracurricular Fund	14,000
Building Fund	46,620
Assigned for Student Activities	27,098
Assigned for Operation and Maintenance	905,114
Total Assigned Fund Balances	<u>\$1,242,027</u>

Unassigned fund balances consist of the following:

General Funds	<u>\$1,108,238</u>
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Total fund balance as shown on the Balance Sheet - Government Funds . . . \$3,737,352

10. RETIREMENT PLANS

The School participates in two statewide, mandatory, cost-sharing, multiple employer, defined benefit retirement plans which cover all employees, except certain substitute teachers and part-time, non-teaching employees. The Montana Teachers' Retirement System (TRS) covers teaching employees, including principals and superintendents. The Montana Public Employees' Retirement System (PERS) covers other non-teaching employees. The plans are established by State law and are administered by the State of Montana. The plans provide retirement, disability, and death benefits to plan members and beneficiaries.

A summary of the School's proportionate share of pension liabilities and related activity at June 30, 2020, is presented below:

	The School's proportionate share associated with TRS	The School's proportionate share associated with PERS	The School's total pension amounts
Total pension liability	\$33,993,364	\$5,542,214	\$39,535,578
Fiduciary net position	23,332,584	4,092,932	27,425,516
Net pension liability	<u>\$10,660,780</u>	<u>\$1,449,282</u>	<u>\$12,110,062</u>
Deferred outflows of resources	\$1,611,755	\$265,140	\$1,876,895
Deferred inflows of resources	\$39,131	\$157,963	\$197,094
Pension expense	\$2,228,898	\$231,305	\$2,460,203

11. PENSION LIABILITIES - TEACHERS' RETIREMENT SYSTEM

Plan Description - Teachers' Retirement system (TRS) is a mandatory-participation multiple-employer cost-sharing defined-benefit public pension plan that provides retirement services

Hellgate Elementary School 2020 - Notes to Financial Statements

to individuals employed as teachers, administrators, and in other professional and skilled positions employed in public education in Montana.

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

Net Pension Liability

In accordance with GASB statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Montana Teachers' Retirement System (TRS or the System). Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective Net Pension Liability (NPL). In accordance with Statement 68, the System has a special funding situation in which the State of Montana is legally responsible for making contributions directly to TRS that are used to provide pension benefits to the retired members of TRS. Due to the existence of a special funding situation, employers are also required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer. The following table displays the amounts and the percentages of Net Pension Liability for the fiscal years ended June 30, 2020 and June 30, 2019 (reporting dates).

	Net Pension Liability as of 6/30/20	Net Pension Liability as of 6/30/19	Percent of Collective NPL as of 6/30/20	Percent of Collective NPL as of 6/30/19	Change in Percent of Collective NPL
District's Proportionate Share.....	\$10,660,780	\$10,055,047	0.5529%	0.5417%	0.0112%
State of Montana Proportionate Share associated with District.....	6,455,058	6,249,306	0.3348%	0.3367%	-0.0019%
Total	<u>\$17,115,838</u>	<u>\$16,304,353</u>	<u>0.8877%</u>	<u>0.8784%</u>	<u>0.0093%</u>

At June 30, 2020, the District recorded a liability of \$10,660,780 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of July 1, 2019. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The District's proportion of the Net Pension Liability was based on the District's contributions received by TRS during the measurement period July 1, 2018 through June 30, 2019, relative to the total District contributions received from all of TRS' participating employers. At June 30, 2020, the District's proportion was 0.5529 percent.

Change in actuarial assumptions and other inputs: The Guaranteed Annual Benefit Adjustment (GABA) for Tier Two members is a variable rate between 0.5% and 1.5% as determined by the Board. Since an increase in the amount of the GABA is not automatic and

Hellgate Elementary School 2020 - Notes to Financial Statements

must be approved by the Board, the assumed increase was lowered from 1.50% to the current rate of 0.50.

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

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

Pension Expense

At June 30, 2020, the School recognized a Pension Expense of \$2,228,898 for its proportionate share of the TRS' Pension Expense. The School also recognized grant revenue of \$787,374 for the support provided by the State of Montana for its proportionate share of the Pension Expense that is associated with the School.

	Pension Expense as of June 30, 2020
School District's Proportionate Share	\$1,441,524
State of Montana Proportionate Share associated with the School	787,374
	<hr/>
Total	<u>\$2,228,898</u>

Deferred Inflows and Outflows

At June 30, 2020, the School reported its proportionate share of TRS' deferred outflows of resources and deferred inflows of resources related to TRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$70,566	
Changes in actuarial assumptions	532,318	\$23,902
Difference between projected and actual investment earnings	103,341	
Changes in proportion and differences between actual and expected contributions	158,481	15,229
*Contributions paid to TRS subsequent to the measurement date - Fiscal Year 2020 Contributions	747,049	
	<hr/>	
Total	<u>\$1,611,755</u>	<u>\$39,131</u>

Helgate Elementary School 2020 - Notes to Financial Statements

*Amounts reported as deferred outflows of resources related to pensions resulting from the School's contribution subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability in the year ended June 30, 2021.

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

Year ended June 30:	Amount recognized in Pension Expense as an Increase or (decrease) to Pension Expense
2021.....	\$554,159
2022.....	\$135,867
2023.....	\$49,983
2024.....	\$85,566
2025.....	\$0
Thereafter	\$0

Summary of Benefits

Through June 30, 2013, all members enrolled in TRS participated in a single-tiered plan ("Tier One"). Employees with a minimum of 25 years of service or who have reached age 60 with 5 years of service are eligible to receive an annual retirement benefit equal to creditable service years divided by 60 times the average final compensation. Final compensation is the average of the highest three consecutive years of earned compensation. Benefits fully vest after 5 years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits. Beginning July 1, 2013, new members in TRS participate in a second benefit tier ("Tier Two"), which differs from Tier One as follows:

- Tier Two uses a 5 year average final compensation (as opposed to 3 year AFC in tier One).
- Tier Two provides for unreduced service retirement benefits at age 60 with 5 years of creditable service or at age 55 with at least 30 years of creditable service (rather than at age 60 with 5 years of service or at any age with creditable service in 25 years in Tier One).
- Tier Two provides for early retirement benefits with 5 years of creditable service at age 55 (rather than age 50 in Tier One).
- Tier Two has a one percent higher normal employee contribution rate (though a temporary 1% supplemental employee contribution rate is also now currently in place for Tier One members), and
- Tier Two provides for an enhanced benefit calculation - $1.85\% \times \text{AFC} \times \text{years of creditable service}$ - for members retiring with at least 30 years of creditable service and at least 60 years of age (rather than $1.6667 \times \text{AFC} \times \text{years of creditable service}$)

Helgate Elementary School 2020 - Notes to Financial Statements

A guaranteed annual benefit adjustment (GABA) is payable on January 1st of each calendar year for each retiree who has received at least 36 monthly retirement benefit payments prior to that date. The GABA is applicable to both Tier One and Tier Two members. The GABA for Tier One members is 1.5% of the benefit payable as of January 1st. For Tier Two members the GABA each year may vary from 0.5% to 1.5% based on the retirement systems’s funding status and the period required to amortize any unfunded accrued actuarial liability as determined in the prior actuarial valuation.

TRS Stand-alone Statements

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

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 Employees including State agency and University System Employers. Finally, the State is also required to contribute \$25 million in perpetuity payable July 1st of each year.

The table below shows the legislated contribution rates for TRS members, employers and the State for School Districts on Other Employers.

	School Districts and Other Employers			
	<u>Members</u>	<u>Employers</u>	State of Montana	Total employee
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%
Jul y 1, 2013 to June 30, 2014	8.15%	8.47%	2.49%	19.11%
Jul y 1, 2014 to June 30, 2015	8.15%	8.57%	2.49%	19.21%
Jul y 1, 2015 to June 30, 2016	8.15%	8.67%	2.49%	19.31%
Jul y 1, 2016 to June 30, 2017	8.15%	8.77%	2.49%	19.41%
Jul y 1, 2017 to June 30, 2018	8.15%	8.87%	2.49%	19.51%
Jul y 1, 2018 to June 30, 2019	8.15%	8.97%	2.49%	19.61%
Jul y 1, 2019 to June 30, 2020	8.15%	9.07%	2.49%	19.71%
Jul y 1, 2020 to June 30, 2021	8.15%	9.17%	2.49%	19.81%
Jul y 1, 2021 to June 30, 2022	8.15%	9.27%	2.49%	19.91%
Jul y 1, 2022 to June 30, 2023	8.15%	9.37%	2.49%	20.01%
Jul y 1, 2023 to June 30, 2024	8.15%	9.47%	2.49%	20.11%

Actuarial Assumptions

The Total Pension Liability as of June 30, 2020, is based on the results of an actuarial valuation date of July 1, 2019. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2019 valuation were based on the results of the last actuarial experience study, dated May 3, 2018. Among those assumptions were the following:

- Total Wage Increase for Non-University Members* 3.25% - 7.76%
 - Total Wage Increase for University Members 4.25%
 - Investment Return 7.50%
 - Price Inflation 2.50%

 - Post-retirement 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 Member If the retiree has received benefits for at least 3 years, the retirement allowance will be increased by 0.5% on January 1st.
 - Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
 - For Males and Females: RP 2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years. The tables include margins for mortality improvement which is expected to occur in the future.
 - Mortality among disabled members was updated to the following
 - For Males: RP 2000 Disabled Mortality Table for Males, set back three years, with mortality improvements projected by Scale BB to 2022.
 - For Females: RP 2000 Disabled Mortality Table for Females, set forward two years, with mortality improvements projected by Scale BB to 2022.
- *Total Wage Increases includes 3.25% general wage increase assumption.

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. In addition to the contributions the State general fund will contribute \$25 million annually to the System payable July 1st of each year. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. No municipal bond rate was incorporated in the discount rate.

Hellgate Elementary School 2020 - Notes to Financial Statements

Target Allocations

Asset Class	Target Asset Allocation (a)	Real Rate of Return Arithmetic Basis (b)	Long-Term Expected Portfolio Real Rate of Return* (a) x (b)
US Equity	35.00%	6.05%	2.12%
International Equity	18.00%	7.01%	1.26%
Private Equity	10.00%	10.53%	1.05%
Natural Resources	3.00%	4.00%	0.12%
Core Real Estate	7.00%	5.65%	0.40%
TIPS	3.00%	1.40%	0.04%
Intermediate Duration Bonds	19.00%	2.17%	0.41%
High Yield Bonds	3.00%	4.09%	0.12%
Cash	2.00%	0.78%	0.02%
Total	<u>100.00%</u>		<u>5.54%</u>
Inflation			<u>2.50%</u>
Expected arithmetic nominal return			<u>8.04%</u>

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

The average long term capital market assumptions published in the Survey of Capital Market Assumptions 2019 Edition by Horizon Actuarial Service, LLC, yield a median real return of 4.91%. The recommended assumption of 5.00% for the real return reflects granting each source some degree of credibility. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as June 30, 2020, is summarized in the above table. Combined with the 2.50% inflation assumption, the resulting nominal return is 7.5%.

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

	1.0% Decrease (6.50%)	Current Discount Rate	1.0% Increase (8.50%)
School District proportion of Net Pension Liability	\$14,581,254	\$10,660,780	\$7,376,063

12. PENSION LIABILITIES - PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Plan Description

The PERS-Defined Benefit Retirement Plan (PERS-DBRP), and Defined Contribution Retirement Plan (PERS-DCRP) are both administered by the Montana Public Employee Retirement Administration (MPERA), are multiple-employer, cost-sharing plans 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. All new members from the universities also have a third option to join the university system's Montana University System Retirement Program (MUS-RP).

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Member rates and benefits are established by state law and can only be amended by the Legislature. Benefits depend on eligibility and individual account balances. Participants are immediately vested in their own contribution and attributable income. Benefits are based on eligibility, years of service, and highest average compensation.

Participants are vested after 5 years of membership services 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.

Net Pension Liability

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). As GASB Statement 68, *Accounting and Financial Reporting for Pensions* allows, a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL, as of June 30, 2019, was determined by taking the results of the June 30, 2018 actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

The proportionate shares of the District's and the state of Montana's NPL for June 30, 2019 and 2018, are displayed below. The District's proportionate share equals the ratio of the District's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for a particular employer to the total state contributions paid. The District recorded a liability of \$1,449,282 and the District proportionate share was 0.69333 percent.

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As of measurement date:	Net Pension Liability as of 6/30/19	Net Pension Liability as of 6/30/18	Percent of Collective NPL as of 6/30/19	Percent of Collective NPL as of 6/30/18	Change in Percent of Collective NPL
District's Proportionate Share	\$1,449,282	\$1,381,178	0.0693%	0.0662%	0.0032%
State of Montana Proportionate Share associated with District.	\$515,830	\$508,182	0.0247%	0.0243%	0.0003%
Total.	\$1,965,112	\$1,889,360	0.0940%	0.0905%	0.0035%

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

Changes in benefit terms: There were no changes in benefits terms since the previous measurement date.

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

Pension Expense

At June 30, 2019 measurement date, the District recognized a Pension Expense of \$196,286 for its proportionate share of the Plan's pension expense and recognized grant revenue of \$4,183 for the state of Montana's proportionate share of the pension expense associated with the employer. Additionally, the District recognized grant revenue of \$30,836 from the Coal Severance Tax Fund.

As of measurement date:	Pension Expense as of 6/30/2019	Pension Expense as of 6/30/2018
District's Proportionate Share.	\$196,286	\$115,386
District's Grant Revenue - State of Montana Proportionate Share.	4,183	33,916
District's Grant Revenue - State of Montana Coal Tax	30,836	
Total.	\$231,305	\$149,302

Recognition of Deferred Inflows and Outflows

At June 30, 2019, the District reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. Actual Experience	\$68,722	\$68,195
Projected Investment Earnings vs. Actual Investment Earnings	17,572	
Changes in Assumptions	61,526	
Changes in proportion and differences between District contributions and proportionate share of contributions		89,768
District contributions subsequent to the measurement date (Fiscal Year 2020 Contributions)	117,320	
	<hr/>	
Total	<u>\$265,140</u>	<u>\$157,963</u>

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

For the Measurement Year ended June 30:	Amount recognized in Pension Expense as an Increase or (decrease) to Pension Expense
2020	\$42,709
2021	(\$75,160)
2022	\$6,537
2023	\$15,771
Thereafter	\$0

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 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 1, 2011: Age 55, 5 years of membership service.

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

- Varies depending on when retiring and number of years of service.

Vesting - 5 years of membership service

Helgate Elementary School 2020 - Notes to Financial Statements

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 members 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 on or after July 1, 2007
- Members hired on or after July 1, 2013
 - a. 1.5% 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.

Stand-Alone Statements

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

Overview of Contributions

Member and employer contribution rates are established by state law and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.

The Montana Legislature has the authority to establish and amend contribution rates. Member and employer contribution rates are shown in the table below.

Hellgate Elementary School 2020 - Notes to Financial Statements

Fiscal Year	Member		State & Employer	Local Government Employer		School Districts Employer	
	Hired	>07/01/11		State		State	
2020	7.900%	7.900%	8.770%	8.670%	0.100%	8.400%	0.370%
2019	7.900%	7.900%	8.670%	8.570%	0.100%	8.300%	0.370%
2018	7.900%	7.900%	8.570%	8.470%	0.100%	8.200%	0.370%
2017	7.900%	7.900%	8.470%	8.370%	0.100%	8.100%	0.370%
2016	7.900%	7.900%	8.370%	8.270%	0.100%	8.000%	0.370%
2015	7.900%	7.900%	8.270%	8.170%	0.100%	7.900%	0.370%
2014	7.900%	7.900%	8.170%	8.070%	0.100%	7.800%	0.370%
2012-2013	6.900%	7.900%	7.170%	7.070%	0.100%	6.800%	0.370%
2010-2011	6.900%		7.170%	7.070%	0.100%	6.800%	0.370%
2008-2009	6.900%		7.035%	6.935%	0.100%	6.800%	0.235%
2000-2007	6.900%		6.900%	6.800%	0.100%	6.800%	0.100%

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
2. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increased an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions, including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
3. Non Employer Contributions
 - a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
 - iii. The State contributed 0.37% a Statutory Appropriation from the General Fund of \$33,454,182.
 - b. Not Special Funding
 - i. The State contributes a portion of Coal Severance Tax income and earnings from the Coal Severance Tax fund.

Actuarial Assumptions

The Total Pension Liability (TPL) on June 30, 2019 actuarial valuation was determined using the following actuarial assumptions.

Hellgate Elementary School 2020 - Notes to Financial Statements

- Investment Return (net of admin expense) 7.65%
- Admin Expense as % of Payroll 0.26%
- General Wage Growth* 3.50%
 - * includes Inflation at 2.75%
- Merit Increases 0% to 6.3%
- Post-retirement Benefit Increases
 - Guaranteed Annual Benefit Adjustment (GABA)
 - After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of all other adjustments to the member's benefit. The adjustment varies depending on the date the member was hired.
- Mortality assumptions among contribution members, terminated vested members, service retired members, and beneficiaries are based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projection.

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which 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 a statutory appropriation from the general fund. The interest was contributed monthly and the severance tax was contributed quarterly. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 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. A municipal bond rate was not incorporated in the discount rate.

Sensitivity Analysis

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

	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
Entity's Net Pension Liability . .	\$2,082,206	\$1,449,282	\$917,390

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. The most recent experience study, performed for the period of July 1, 2011 to June 30, 2016 was obtained in a report dated May 2017, and can be located on the MPERA website. Several factors are considered in evaluating the long-term rate of return including historical rates of return, rate of return assumptions adopted by similar public sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges were combined to produce the long-term rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation, as of June 30, 2019, are summarized below.

Asset Class	Target Assets Allocation	Long -Term Expected Real Rate Return Arithmetic Basis
Cash Equivalents	3.00%	4.09%
Domestic Equity	36.00%	6.05%
Foreign Equity	18.00%	7.30%
Fixed Income	23.00%	2.17%
Private Equity	12.00%	10.53%
Real Estate	8.00%	5.65%
Total	<u>100.00%</u>	

Defined Contribution Plan

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

Hellgate Elementary School 2020 - Notes to Financial Statements

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, 2019, the District did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 320 employers that have participants in the PERS-DCRP totaled \$714,024.

13. RISK MANAGEMENT

The School faces a number of risks including (1) loss or damage to property, (2) general liability, (3) workers compensation, and (4) employee medical insurance. Commercial insurance policies are purchased for loss or damage to property and general liability. There were no changes in how the School managed its risk during the last three years.

The School participates in the Montana Unified School Trust (MUST), a self-insured trust providing group health benefits and plan administration for Montana school districts and the Montana Schools Group Workers Compensation Risk Retention Program (WCRRP) for workers compensation coverage. All school district participants are jointly and severally liable for the liabilities of these public risk pools.

The pools issue audited financial statements. Information about the amount of claim liabilities, changes in claims liabilities, amount of claims paid, operating results, and other information is available from WCRRP and MUST.

14. SUBSEQUENT EVENTS

Beginning in March 2020, the United States economy began suffering adverse effects from the Covid 19 virus crisis ("CV19 Crisis"). The District, in compliance with the various State, County and District resolutions, temporarily closed the District's schools and provided off-campus instruction through a variety of internet and other methods. The future impact of the CV19 Crisis on the District cannot be reasonably estimated at this time.

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA**

**SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES:			
Property Taxes	\$3,078,333	\$3,078,333	\$3,141,348
Intergovernmental:			
State	7,224,749	7,224,749	7,224,749
Interest	43,819	43,819	33,390
Other	27,205	27,205	9,073
Total Revenues	10,374,106	10,374,106	10,408,560
EXPENDITURES AND ENCUMBRANCES:			
Current Operations:			
Instruction - Regular Programs			5,344,611
Instruction - Other Programs			846,519
Instructional Support			1,174,453
Administration			1,309,353
Operation and Maintenance			1,228,152
Student Transportation			
School Food			61,989
Extracurricular			90,528
Capital Outlay			138,696
Transfers Out			20,572
Total Expenditures, Transfer Out, and Encumbrances	10,374,106	10,590,735	10,214,873
Excess (Deficiency) of Revenue Over Expenditures, Encumbrances	0	(216,629)	193,687
Change in Encumbrances			167,982
Excess (Deficiency) of Revenues Over Expenditures	\$0	(\$216,629)	\$361,669

See Notes to Budget and Actual Schedule

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA**

NOTES TO BUDGET AND ACTUAL SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2020

State law requires the School to prepare budgets for certain funds - generally funds supported by property tax revenues. Budgets are prepared on the modified accrual basis. Budgeted fund expenditures are limited by State law to the total budgeted amount which may be amended as defined by State law. The budget amounts presented for the general fund are the original and final budgets. The building (capital projects) and miscellaneous programs funds are not required to be budgeted.

The general fund budget is based on the State of Montana's foundation program which is based primarily on enrollment. Budgets of other funds are based on expected revenues and expenditures. The Board must approve the final budget by the fourth Monday in August.

State law permits the inclusion of obligations (encumbrances) for construction-in-progress and the purchase of personal property as expenditures for budget purposes. The School's general fund had \$66,495 of obligations outstanding at June 30, 2019 and \$234,477 at June 30, 2020.

The School Board passed a general fund budget amendment for \$216,629 in December 2019 due to unanticipated enrollment increase.

State law requires only that a fund's total expenditures not exceed total budgeted expenditures.

The School recorded the State's \$787,374 on-behalf-of payments and related TRS pension expense in the general fund for the governmental funds statements as required by GASB Statement No. 85.

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA
JUNE 30, 2020**

**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB AND RELATED RATIOS
Last 10 Fiscal Years***

	6/30/2018	6/30/2019	6/30/2020
Beginning OPEB Liability, Restated	\$1,545,813	\$1,549,154	\$1,510,228
Service Costs	106,238	105,450	164,478
Interest	56,068	52,052	50,744
Differences between expected and actual experience	(84,590)	(141,982)	10,157
Changes in assumptions or other inputs	(37,475)	11,974	229,158
Employer contributions	(36,900)	(66,420)	(7,380)
Net Change in Total OPEB Liability	3,341	(38,926)	447,157
Balance at June 30	<u>\$1,549,154</u>	<u>\$1,510,228</u>	<u>\$1,957,385</u>
 Plan Fiduciary Net Position	 \$0	 \$0	 \$0
 Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	 0%	 0%	 0%
 Covered Employee Payroll	 \$7,566,044	 \$7,793,025	 \$9,056,179
 OPEB Liability to Covered Employee Payroll	 20.5%	 19.4%	 21.6%

Notes to Schedule:

Change in Assumptions:

Discount Rate	3.45%	3.36%	2.66%
Medical Trend	6.2%	6.0%	6.1%

No assets accumulated in a trust to pay for the related benefits.

** The amounts presented for each fiscal year were determined as of June 30th. The above schedule is presented by combining the required schedules from GASB 75 paragraphs 170a and 170b. The schedule is intended to show information for 10 years, additional years will be displayed as they become available.*

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA**

FOR THE YEAR ENDED JUNE 30, 2020

MONTANA TEACHERS' RETIREMENT SYSTEM

**SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

As of the measurement date:	2020	2019	2018	2017	2016	2015
School's proportion of the net pension liability	0.5529%	0.5417%	0.5412%	0.5117%	0.5060%	0.4823%
School's proportionate share of the net pension liability associated with the School	\$10,660,780	\$10,055,047	\$9,124,638	\$9,347,493	\$8,313,648	\$7,421,298
State of Montana's proportionate share of the net pension liability associated with the School	6,455,058	6,249,306	5,792,112	6,092,665	5,572,398	5,085,198
Total	\$17,115,838	\$16,304,353	\$14,916,750	\$15,440,158	\$13,886,046	\$12,506,496
School's covered payroll	\$7,504,938	\$7,235,867	\$7,137,919	\$6,641,500	\$6,458,344	\$6,081,719
School's proportionate share of the net pension liability as a percentage of its covered payroll	142.05%	138.96%	127.83%	140.74%	128.73%	122.03%
Plan fiduciary net position as a percentage of the total pension liability	68.64%	69.09%	70.09%	66.69%	69.30%	70.36%

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

SCHEDULE OF THE SCHOOL'S PENSION PLAN CONTRIBUTIONS

As of the reporting date:	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$747,049	\$680,393	\$708,925	\$711,004	\$581,867	\$598,962
Contributions in relation to the contractually required contributions	\$747,049	\$680,393	\$708,925	\$711,004	\$581,867	\$598,962
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0
School's covered payroll	\$7,872,416	\$7,504,938	\$7,235,867	\$7,137,919	\$6,641,500	\$6,458,344
Contributions as a percentage of covered payroll	9.49%	9.07%	9.80%	9.96%	8.76%	9.27%

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

See notes to TRS Schedules

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA
FOR THE YEAR ENDED JUNE 30, 2020**

MONTANA TEACHERS' RETIREMENT SYSTEM

**NOTES TO THE
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
and
SCHEDULE OF THE SCHOOL'S PENSION PLAN CONTRIBUTIONS**

CHANGES OF BENEFIT TERMS:

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

The 2013 Montana Legislature passed House Bill 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 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 0.50% 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): - if the most recent actuarial valuation show 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 0.50% floor up to 1.5%, as set by the Board.

House Bill 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 Fiscal Year 2014.
- 1% Supplemental employer contribution. This will increase the current employer rates:
 - School district 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 0.10% each fiscal year for fiscal year 2014 through 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 House Bill 377 are required to contribute a supplemental contribution equal to an additional 1% of the member's earned compensation.
- Each employer is required to contribute 9.85% of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position to the System.

CHANGES IN ACTUARIAL ASSUMPTIONS AND OTHER INPUTS:

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

- assumed rate of inflation was reduced from 3.25% to 2.5%
- Payroll growth assumption was reduced from 4.00% to 3.25%
- Investment return assumption was reduced from 7.75% to 7.5%
- Wage growth assumption was reduced from 4.00% to 3.25%
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
 - For Males and Females: RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years. The tables include margins for mortality improvement which is expected to occur in the future.
 - Morality among disabled members was updated to the following:
 - For Males: RP2000 Disabled Mortality Table, set back three years, with mortality improvements projected by Scale BB to 2022
 - For Females: RP 2000 Disabled Mortality Table, set forward two years, with mortality improvements projected by Scale BB to 2022.

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 member "to account for larger than average annual compensation increase observed in the years immediately preceding retirement" if 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 3.5% to 3.25%.
- Payroll Growth Assumption was reduced from 4.5% 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: RP2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018

For Females: RP2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP2000 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: RP2000 Healthy Annuitant Mortality Table set forward one year, with mortality improvements projected by Scale BB to 2018

For Females: RP2000 Healthy Annuitant Mortality Table for set forward five years, with mortality improvements projected by Scale BB to 2018

METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS:

Actuarial cost method	Entry age
Amortization method	Level Percentage of pay, open
Remaining amortization period	31 years
Asset valuation method	4-year smoothed market
Inflation	2.50%
Salary increase	3.25 to 7.76%, including inflation for Non-University Members and 4.25% for University Members;
Investment rate of return	7.50%, net of pension plan investment expense, and including inflation.

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA
FOR THE YEAR ENDED JUNE 30, 2020**

**MONTANA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

As of measurement date:	2019	2018	2017	2016	2015	2014
School's proportion of the net pension liability as a percentage	0.0693%	0.0662%	0.0825%	0.0806%	0.0789%	0.0817%
School's net pension liability	\$1,449,282	\$1,381,178	\$1,606,069	\$1,373,652	\$1,103,279	\$1,017,689
State of Montana's net pension liability associated with the School . . .	515,830	508,182	75,619	64,198	51,843	47,574
Total	\$1,965,112	\$1,889,360	\$1,681,688	\$1,437,850	\$1,155,122	\$1,065,263
School's covered payroll	\$1,181,205	\$1,138,204	\$1,058,957	\$998,579	\$952,320	\$958,351
School's proportionate share of the net pension liability as a percentage of its covered payroll	122.700%	121.350%	151.670%	137.560%	115.850%	111.220%
Plan fiduciary net position as a percentage of the total pension liability	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

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

SCHEDULE OF THE SCHOOL'S PENSION PLAN CONTRIBUTIONS

As of most recent Fiscal year end (reporting date):	2020	2019	2018	2017	2016	2015
Contractually required defined benefit contribution	\$117,320	\$98,040	\$92,178	\$85,623	\$80,742	\$75,901
Plan Choice Rate Required Contributions	\$0	\$0	\$0	\$0	\$723	\$1,353
Contributions in relation to the contractually required contributions . . .	\$117,320	\$98,040	\$92,178	\$85,623	\$81,464	\$77,253
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0
District's covered payroll	\$1,396,662	\$1,181,205	\$1,138,024	\$1,058,957	\$998,579	\$952,320
Contributions as a percentage of covered payroll	8.40%	8.33%	8.10%	8.09%	8.16%	8.11%

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

See Notes to PERS Schedules

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA**

**MONTANA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTES TO THE
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
and
SCHEDULE OF THE SCHOOL'S PENSION PLAN CONTRIBUTIONS**

CHANGE IN BENEFIT TERMS

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

Working Retiree Limitations - for PERS:

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

Refunds

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

Interest credited to member accounts

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

Lump-sum payouts

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

Disabled PERS Defined Contribution (DC) Members

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

CHANGES IN ACTUARIAL ASSUMPTIONS AND METHODS - Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 30, 2016 experience study:

General Wage Growth*	3.50%
Investment rate of return	7.65%,
*includes inflation at	2.75%

Merit salary increases	0% to 8.47%
Asset valuation method	4 - year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of pay, open
Mortality (Healthy members)	For males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year.
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table, with no projections
Admin Expense as % of payroll	0.26%

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

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

Project Title	CFDA Number	Project Number	Grant Award	Expendi- tures
U.S. DEPARTMENT OF AGRICULTURE:				
Passed through Montana Office of Public Instruction:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	N/A	N/A	\$50,414
School Lunch Program	10.555	N/A	N/A	163,136
School Snack	10.556	N/A	N/A	567
Summer Food Service Program for Children	10.559	N/A	N/A	244,742
School Food Commodities	10.555	N/A	N/A	<u>39,352</u>
Total Department of Agriculture - Child Nutrition Cluster				<u>498,211</u>
U.S. DEPARTMENT OF EDUCATION:				
State Administered - Office of Public Instruction:				
Title I, Part A, Improving Basic Programs	84.010A	32-0586-3120	\$317,145	280,070
Title I, Part A, Improving Basic Programs	84.010A	32-0586-3119	\$310,657	12,348
Total Title I, Part A Improving Basic Programs				<u>292,418</u>
Title 1, Part C, Migrant Education	84.011A	32-0586-3620	\$132,174	45,766
Title 1, Part C, Migrant Education	84.011A	32-0586-3619	\$118,530	77,551
Total Title I, Part C, Migrant Education				<u>123,317</u>
Special Education Cluster (IDEA):				
IDEA, Part B, Children with Disabilities	84.027	32-0586-7720	\$291,072	291,072
IDEA, Preschool Section 619	84.173	32-0586-7920	\$12,512	12,512
Total Special Education Cluster (IDEA)				<u>303,584</u>
Title II, Part A, Teacher/Principal Training and Recruitment	84.367	32-0586-1420	\$68,960	<u>68,966</u>
Title III, Part A English Language Acquisition and Language Enhancement - MCPS Consortium	84.365A	32-0583-4120	\$4,884	<u>4,027</u>
Total Department of Education				<u>792,312</u>
Total Federal Funds				<u>\$1,290,523</u>

See Notes to the Schedule of Expenditure of Federal Awards

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY**

**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
DISTRICT NO.4, MISSOULA COUNTY
MISSOULA, MONTANA**

NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2020

1. Basis of Presentation - Accounting Policies

The accounting policies used in preparing the schedule of expenditure of federal awards are the same as those used in the preparation of the fund financial statements as described in Note 1. B to the financial statements (Fund Financial Statements) except that school lunch and breakfast federal reimbursement revenues and food commodities received are also reported as expenditures.

2. Program Clusters

The Child Nutrition Cluster consists of CFDA 10.553, 10.555, 10.556, and 10.559 and the Special Education Cluster includes CFDA 84.027A and 84.173A. Each program cluster is treated as one program for major program determination and testing.

3. Indirect Cost Rate

The School did not elect to use the 10% de minimis indirect cost rate.

N/A = Not Applicable or Not Available

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA**

SCHEDULE OF SCHOOL DISTRICT ENROLLMENT

FOR THE YEAR ENDED JUNE 30, 2020

	MAEFAIRS Records	District Reports	Difference
FALL ENROLLMENT, OCTOBER 2019			
Kindergarten - Full Day	174	174	0
Grades 1 - 6	1,009	1,009	0
Grades 7 - 8	357	357	0
	1,540	1,540	0
Total	1,540	1,540	0

SPRING ENROLLMENT, FEBRUARY 2020

Kindergarten - Full Day	175	175	0
Grades 1 - 6	991	991	0
Grades 7 - 8	357	357	0
	1,523	1,523	0
Total	1,523	1,523	0

PART-TIME ENROLLMENT:

None

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA**

EXTRACURRICULAR FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BY STUDENT ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2020**

Student activity	Balance June 30, 2019	Revenues	Expend- itures	Transfers In (Out)	Balance June 30, 2020
101 Referees/District		\$5,565	\$5,565		\$0
102 Copper League	\$4,594	7,850	4,084		8,360
317 Class of 2022.	0			\$769	769
316 Class of 2021.	883			2,973	3,856
315 Class of 2020.	899		1,750	851	0
314 Class of 2019.	317		(100)	(417)	0
310 Wings Store (B. Hall).	1,649	125	249		1,525
105 Special Ed Student Fundraisers ..	5,142	250	1,237		4,155
304 7-8 Middle School - Misc	920	13,310	9,156	(4,226)	848
212 PK-1 Library	175				175
412 3-5 Library	1,567		1,142	586	1,011
410 7-8 Library	1,106	4,208	3,657	(586)	1,071
309 PE Donations (Building #3)	1,858	2,286	2,979	50	1,215
896 PK-1 Cola Fund	926	29			955
10 2-3 Cola Fund		29			29
895 4-6 Cola Fund	293	35			328
894 7-8 Cola Fund	227	13			240
103 Robotics Club	71				71
211 PK-1 Building #2	15,213	1,278			16,491
Total	\$35,840	\$34,978	\$29,719	\$0	\$41,099

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA**

SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2020

DESCRIPTION OF THE SCHOOL DISTRICT

School District Number 4 is an elementary school for grades kindergarten through 8th grade. The School District is located just west of the City of Missoula. The School District encompasses 33 square miles within and adjacent to the City of Missoula. The estimated population of the School District as of 2014 was 13,202.

The average fall enrollment of students (excluding pre-kindergarten students) attending the District's schools is as follows:

	For the year ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Kindergarten - 6th Grade	1,039	1,045	1,065	1,121	1,160	1,216	1,164	1,139	1,160	1,183
Grades 7 - 8	267	272	277	287	295	294	301	312	356	357
School District Total . . .	<u>1,306</u>	<u>1,317</u>	<u>1,342</u>	<u>1,408</u>	<u>1,455</u>	<u>1,510</u>	<u>1,465</u>	<u>1,451</u>	<u>1,516</u>	<u>1,540</u>
Increase (decrease)		11	25	66	47	55	(45)	(14)	65	24
Percentage Change from Prior Year		1%	2%	5%	3%	4%	(3)%	(1)%	4%	2%

SCHOOL DISTRICT PROPERTY TAX VALUATIONS

As of January 1,	Assessed (Market) Valuation	Taxable Valuation	Taxable Value as a % of Assessed Value
2011	\$1,129,793,529	\$30,498,849	2.700%
2012	\$1,150,421,731	\$30,332,644	2.637%
2013	\$1,209,199,910	\$30,981,614	2.562%
2014	\$1,232,565,097	\$30,454,841	2.471%
*2015	\$1,971,998,235	\$32,117,454	1.629%
2016	\$2,016,456,002	\$32,979,424	1.636%
2017	\$2,275,844,361	\$36,652,276	1.610%
2018	\$2,315,746,483	\$38,152,434	1.648%
2019	\$2,315,746,483	\$38,152,434	1.648%
2020	\$2,598,490,280	\$41,056,623	1.580%

* The State of Montana Legislature passed House Bill 157 which resulted in the increase in the market value from 2014 to 2015.

SCHOOL DISTRICT TAX LEVIES (in mills)

	Year ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General	85.56	90.86	92.01	91.63	92.63	90.59	88.40	85.64	81.39	74.98
Transportation	22.50	24.83	22.52	24.66	25.33	21.56	23.12	19.52	22.64	25.44
Debt Service	45.17	33.22	26.82	26.43	27.79	14.08	25.38	70.57	72.64	58.95
Technology	3.29	3.28	3.30	3.23	3.28	3.11	3.03	2.73	2.71	2.44
Adult Education	0.60	0.75	0.21	1.01	1.00	1.01	1.00	0.90	1.99	2.19
Tuition	1.10	0.01			4.28	3.11	3.79	6.82	6.78	12.18
Building Reserve								4.67	4.56	2.91
Total School Levies	158.22	152.95	144.86	146.96	154.31	133.46	144.72	190.85	192.71	179.09

OTHER TAX LEVIES (in mills)

	Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
University Millage	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Statewide School Equalization ..	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00
County-wide School Levy	104.62	100.94	100.17	104.60	105.64	104.35	103.73	101.91	102.40	101.37
Missoula County	142.13	142.47	145.04	150.32	160.09	167.96	172.32	174.44	179.26	183.63
Fort Missoula Park Open Space ..							13.43	12.09	12.27	11.08
Missoula County Open Space ..		3.04	3.33	3.45	2.74	2.74	3.22	3.10	3.15	1.84
Hellgate Elementary	158.22	152.95	144.86	146.96	154.31	133.46	144.72	190.85	192.71	179.09
Missoula Co. High School	74.63	76.44	71.92	72.19	72.77	75.11	85.01	103.10	100.03	92.25
Urban Transportation	16.45	17.69	19.51	21.05	34.26	40.47	40.47	36.78	37.29	37.99
Rural Levies:										
Missoula Rural Fire District. . .	97.98	97.97	100.33	102.39	112.59	112.61	114.33	110.38	113.69	141.94
Road	23.22	23.24	23.38	23.38	23.38	23.35	25.38	24.30	25.38	24.31
Animal Control	1.60	1.60	1.61	1.61	1.61	1.61	1.61	1.54	1.42	1.44
Medical Levy	1.82	2.19	2.19	2.18	2.18	3.51	3.38	3.23	3.12	2.99
Health	9.14	9.15	9.20	9.20	9.20	9.20	9.20	8.81	8.05	8.59
Fairgrounds										3.00
Total	675.81	673.68	667.54	683.33	724.77	720.37	762.80	816.53	824.77	835.52
City of Missoula	225.56	233.24	240.90	243.52	245.62	252.81	260.08	252.27	242.17	237.24

TAX COLLECTIONS

The following table demonstrates the tax collection history for real estate taxes levied by the School's general fund for the fiscal years ending June 30, 2009 through 2020. Total tax collections include delinquencies from prior tax years and motor vehicle tax, but excludes penalty and interest.

Year Ended June 30,	Current Total Tax Levy	Real Estate Tax Collections	Current Collections as a Percent of Levy	Total Tax Collections	Total Collections as a Percent of Levy
2011	\$2,602,768	\$2,214,948	85.10%	\$2,411,892	92.67%
2012	\$2,771,374	\$2,379,326	85.85%	\$2,865,584	103.40%
2013	\$2,790,880	\$2,439,815	87.42%	\$2,828,884	101.36%
2014	\$2,838,858	\$2,627,439	92.55%	\$2,808,410	98.93%
2015	\$2,824,303	\$2,663,947	94.32%	\$2,800,980	99.17%
2016	\$2,885,780	\$2,818,530	97.67%	\$2,991,936	103.68%
2017	\$2,915,695	\$2,739,668	93.96%	\$2,866,815	98.32%
2018	\$3,138,704	\$2,960,239	94.31%	\$3,116,378	99.29%
2019	\$3,001,470	\$2,825,875	94.15%	\$2,989,008	99.58%
2020	\$2,955,838	\$2,896,646	98.00%	\$2,954,972	99.97%

MAJOR TAXPAYERS

The following table lists the major taxpayers within the School District for the year ended June 30, 2020 listed in declining order of taxable value.

Taxpayer	Business	Taxable Value	% of Total Taxable Value (\$41,056,623)	Market Value
1. Northwest Energy	Transmission/Distribution	\$1,000,560	2.44%	\$8,337,990
2. Gateway Limited Partnership	Commercial Rentals	841,079	2.05%	44,501,409
3. Roseburg Forest Products Co.	Wood Products	715,158	1.74%	38,003,276
4. Verizon Wireless	Wireless Communications	546,425	1.33%	9,107,096
5. Yellowstone Pipeline Co.	Transmission/Distribution	526,525	1.28%	4,387,711
6. Montana Rail Link Inc	Railroad	478,826	1.17%	17,596,980
7. Mountain States Leasing	Commercial Properties	468,997	1.14%	26,716,526
8. Tollefson Properties LLC	Commercial Rentals	444,566	1.08%	32,872,876
9. TKG Grant Creek Inn LLC	Commercial Properties	382,164	0.93%	20,220,300
Consumer Direct Grant Creek 10. Campus LLC	Commercial Properties	359,381	0.88%	19,014,919
Total		\$5,763,681	14.04%	\$220,759,083

MAXIMUM BONDED INDEBTEDNESS - State statutes limit the maximum bonded indebtedness to 100% of the School District's facility guaranteed mill valuation or \$41,057,420.

Maximum bonded indebtedness under this exception is as follows:

	District Taxable Value Per Student	Average Number Belonging for Fiscal Year June 30, 2020	Percent Allowed	Maximum Bonded Indebtedness
School District	\$41,057	1,568	100%	\$64,377,376
Less Bonds Outstanding				
2016 refunding issue				(6,585,000)
2017 Issue				<u>(18,190,000)</u>
Remaining Bonding Capacity				<u>\$39,602,376</u>

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DONALD NOLAN DAVIES, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Board of Trustees
Hellgate Elementary School
District Number 4, Missoula County
Missoula, Montana

I have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hellgate Elementary School, District No. 4, Missoula County, Missoula, Montana, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Hellgate Elementary School's basic financial statements, and have issued my report thereon dated January 26, 2021.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, that I consider to be a significant deficiency.

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 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 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. I consider the deficiency, **2020-001**, described in the accompanying schedule of findings and questioned costs to be a significant deficiency.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Hellgate Elementary School's financial statements are free from material misstatement, I 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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion.

The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

ENTITY'S RESPONSE

The District's response to the findings identified in my engagement is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the engagement to audit the financial statements and, accordingly, I express no opinion on it.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result 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.

 Donald Robin Davies P.C.

January 26, 2021

DONALD NOLAN DAVIES, P.C.
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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Hellgate Elementary School
District Number 4, Missoula County
Missoula, Montana

REPORT ON COMPLIANCE FOR ITS MAJOR FEDERAL PROGRAM

I have audited the compliance of Hellgate Elementary School, District No. 4, Missoula County, Missoula, Montana, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Hellgate Elementary School's major federal program for the year ended June 30, 2020. Hellgate Elementary School's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for Hellgate Elementary School's major federal program based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I 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 Hellgate Elementary School's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for its major federal program. However, my audit does not provide a legal determination of Hellgate Elementary School's compliance.

Opinion of each Major Federal Program

In my opinion, Hellgate Elementary School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

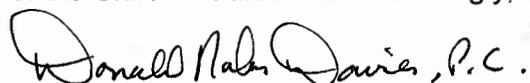
Management of Hellgate Elementary School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Hellgate Elementary School's internal control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

My 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.

I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



January 26, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA

FOR THE YEAR ENDED JUNE 30, 2020

SECTION I - SUMMARY OF THE AUDITOR'S RESULTS

Financial Statements

- 1. Type of auditor's report issued: Unmodified opinion

- 2. Internal control over financial reporting:
 Material weaknesses identified? _____ yes ___X___ no
 Significant deficiencies identified not
 considered to be material weaknesses? ___X___ yes _____ none reported

- 3. Noncompliance material to the
 financial statements noted? _____ yes ___X___ no

Federal Awards

- 4. Internal control over major programs:
 Material weaknesses identified? _____ yes ___X___ no
 Significant deficiencies identified not
 considered to be material weaknesses? _____ yes ___X___ none reported

- 5. Type of auditor's report issued on
 compliance for major programs: Unmodified opinion

- 6. Any audit findings disclosed that are required
 to be reported under Section 200.516.?
_____ yes ___X___ no

- 7. Identification of major programs:

 U.S. Department of Education
 CFDA No. 84.027, 84.173 Special Education Cluster (IDEA)

- 8. Dollar threshold used to distinguish
 between Type A and Type B programs: \$750,000

- 9. Auditee qualified as low-risk auditee? ___X___ yes _____ no

SECTION II - FINANCIAL STATEMENT FINDINGS

FINDINGS - SIGNIFICANT DEFICIENCY

2020-001 AUDITOR PREPARED FINANCIAL STATEMENTS

Criteria: As part of the School's internal control structure, it is the School's responsibility to prepare its financial statements and disclosures in accordance with generally accepted accounting principles (GAAP).

Condition: The School does not prepare the financial statements and related note disclosures in accordance with generally accepted account principles (GAAP) for the audit. The auditor assists in drafting these documents from the trial balance and the client reviews, approves, and accepts responsibility for them.

Cause: Although management is knowledgeable in the affairs of the School, management does not have adequate knowledge of GAAP to prepare financial statements and disclosures that meet these requirements without assistance.

Effect: If the School did not receive assistance in the completion of these financial statements and disclosures, the financial statements could be materially misstated if new or unusual transactions occurred or new pronouncements were issued that affect the School.

Context: GAAP reporting adjustments are only made for year-end reporting for the audit report, therefore, this condition has limited effect on the day-to-day operations of the School. It is common for a small organization to rely on the audit firm to prepare the financial statements; however, an audit firm cannot be considered part of the School's internal control by professional standards currently in effect.

Repeat Finding: finding **2019-001** in prior year.

Recommendation: *It is likely not cost effective for the School to have staff with this knowledge, however the School may want to consider hiring an outside consultant to review the prepared financial statements and notes to correct this internal control deficiency.*

Views of Responsible Officials: There is no disagreement with the finding. Please see page 70 for the corrective action planned.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Summary Schedule of Prior Audit Findings- The prior audit report contained one recommendation. The action taken on this recommendation is as follows:

<u>Finding Number</u>	<u>Recommendation</u>	<u>Action Taken</u>
2019-001	AUDITOR PREPARED FINANCIAL STATEMENTS	Repeated

The School has considered the recommendation but has found it to be not cost effective to implement the recommendation at this time. They will continue to monitor the report preparation process. See **2020-001** above.



**HELLGATE
ELEMENTARY
SCHOOL**

DISTRICT NO. 4
2385 FLYNN LANE
MISSOULA, MONTANA 59808
(406)728-5626 FAX (406)728-5636

January 13, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

FINDINGS – SIGNIFICANT DEFICIENCY

Corrective Action Plan: A Response to Audit Recommendations

2020-001 AUDITOR PREPARED FINANCIAL STATEMENTS

Hellgate Elementary understands and appreciates the recommendation (*Section II - Financial Statement Findings, Paragraph 2020-001 in the 2019/2020 School Year Audit Report*) from Mr. Donald Davies, Certified Public Accountant, that “as part of the School's internal control structure, it is the School's responsibility to prepare its financial statements and disclosures in accordance with generally accepted accounting principles (GAAP). The auditor assists in drafting these documents from the trial balance and the client reviews, approves, and accepts responsibility for them. Although management is knowledgeable in the affairs of the School, management does not have adequate knowledge of GAAP to prepare financial statements and disclosures that meet these requirements without assistance. If the School did not receive assistance in the completion of these financial statements and disclosures, the financial statements could be materially misstated if new or unusual transactions occurred or new pronouncements were issued that affect the School. It is common for a small organization to rely on the audit firm to prepare the financial statements; however, an audit firm cannot be considered part of the School's internal control by professional standards currently in effect.”

With that stated, however, a small but efficient staff, constrained by the realities of limited school district financial resources, does not always have the opportunity to provide for additional individuals to evaluate the audit prepared financial statements. Those statements are developed, during the auditing process, by qualified and Montana licensed auditors that the school district, in compliance with legal requirements, is required to hire. Quite frankly, I believe this regulation to be unnecessary, if an organization has the opportunity to actually employ honest auditing companies and accounting personnel.

Sincerely,

Douglas Reisig, Ed.D.
Superintendent, Hellgate Elementary
Missoula, Montana 59808