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

FINANCIAL AND COMPLIANCE REPORT

FOR THE YEAR ENDED
JUNE 30, 2019

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, 2019

BOARD OF TRUSTEES

Thomas McLaughlin	Chairman
Jack Babon	Vice-Chairman
Kate Walker	Trustee
Diane Beck	Trustee
Lori Christensen	Trustee
Rich Thornock	Trustee
Rod Sharkey	Trustee

OFFICIALS

Doug Reisig, Ed. D.	School District Superintendent
Noreen Anderson	Clerk of the Board/Business Manager
Kirsten Pabst	County Attorney
Erin Lipkind	County Superintendent of Schools

HELLGATE ELEMENTARY SCHOOL

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

This management's discussion and analysis provides an overview of the School's financial activities for the fiscal year ended June 30, 2019. Please read it along with the School's financial statements which begin on page 12.

FINANCIAL HIGHLIGHTS

The School substantially completed the $22,000,000 facility enhancement project which included constructing a new middle school facility (grades 7 and 8) as well as other projects around campus.

Expenses exceeded revenues for the year for the School by approximately $157,000. The District implemented GASB Statement No. 84 *Fiduciary Activities*. This resulted in a restatement of beginning net position of $31,000.

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 fund 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:

	2019	2018	Change	%
Current assets	$3,670,000	$3,711,000	($41,000)	(1)%
Capital assets - net	34,603,000	27,405,000	7,198,000	26%
Other assets	1,168,000	11,694,000	(10,526,000)	(90)%
Total assets	39,441,000	42,810,000	(3,369,000)	(8)%
Deferred outflows	2,128,000	1,550,000	578,000	37%
Current liabilities	(2,159,000)	(4,281,000)	2,122,000	(50)%
Non-current liabilities	(39,909,000)	(40,770,000)	861,000	(2)%
Total liabilities	(42,068,000)	(45,051,000)	2,983,000	(7)%
Deferred inflows	(558,000)	(209,000)	(349,000)	167%
Net position	($1,057,000)	($900,000)	($157,000)	17%
Net position consists of:				
Net investment in capital assets	$8,388,000	$6,888,000	$1,500,000	22%
Restricted	1,548,000	1,338,000	210,000	16%
Unrestricted	(10,993,000)	(9,126,000)	(1,867,000)	20%
Net position	($1,057,000)	($900,000)	($157,000)	17%

The increase in capital assets net of related debt reflects the School's debt payments and capital purchases exceeding 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. Unrestricted net position decreased as funds were spent on the building project. The 2018 amounts have been restated to include the student activity fund.

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

	2019	2018	Change	%
Federal grants:				
School food program	$332,000	$337,000	($5,000)	(1)%
Other federal programs	891,000	706,000	185,000	26%
State grant funding	1,154,000	984,000	170,000	17%
Charges for services:				
School food program	238,000	231,000	7,000	3%
Student activities	36,000	39,000	(3,000)	(8)%
Medicaid and other	684,000	923,000	(239,000)	(26)%
Other program revenue	70,000	65,000	5,000	8%
Total program revenue	$3,405,000	$3,285,000	$120,000	4%

Overall the program revenues were stable with an increase in state funding related to increased use of medicaid services. Increases in enrollment resulted in increased federal and state grants. Medicaid charges decreased due to timing of receipt of funds.

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

	2019	2018	Change	%
School property taxes	$7,274,000	$6,997,000	$277,000	4%
State revenue	6,387,000	6,234,000	153,000	2%
County property taxes	1,405,000	1,288,000	117,000	9%
Investment earnings and other	334,000	372,000	(38,000)	(10)%
Total general revenue	15,400,000	14,891,000	509,000	3%
Total program revenue	3,405,000	3,285,000	120,000	4%
Total revenue	$18,805,000	$18,176,000	$629,000	3%

The increase in school property taxes is a result of the School beginning to make the payments on the 2017 series bonds. Other general revenues were relatively stable showing small increases due to enrollment increases. Investment earning 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:

	2019	2018	Change	%
Instruction - regular programs	$6,778,000	$6,552,000	$226,000	3%
Instruction - other programs	2,329,000	1,869,000	460,000	25%
Support services	2,280,000	2,146,000	134,000	6%
Administration	1,907,000	1,658,000	249,000	15%
Operation and maintenance	1,764,000	1,150,000	614,000	53%
Student transportation	928,000	848,000	80,000	9%
School food	786,000	636,000	150,000	24%
Depreciation expense	985,000	497,000	488,000	98%
Interest expense	1,034,000	679,000	355,000	52%
Extracurricular activities	171,000	140,000	31,000	22%
Total expenses	18,962,000	16,175,000	2,787,000	17%
Less program revenues	3,405,000	3,285,000	120,000	4%
Net expenses	15,557,000	12,890,000	2,667,000	21%
Less general revenues	15,400,000	14,891,000	509,000	3%
Change in net position	(157,000)	2,001,000	(2,158,000)	
Net Position - Beginning	(931,000)	(2,427,000)	1,496,000	(62)%
Change in Accounting Principles	31,000	(474,000)	505,000	100%
Restate Beginning Balance	(900,000)	(2,901,000)	2,001,000	(69)%
Ending balance	($1,057,000)	($900,000)	($157,000)	17%

Expenses increased in support services for the medicaid services and operation and maintenance for non-capital costs related to the building project. Other instructional expenses increased due to several factors including increased federal awards, classification of expenses, technology equipment purchases in conjunction with the building project, and increased personnel costs. Administration expenses increased due to more supplies and personnel costs. School food costs were the result of increased enrollment and cost of supplies increasing. Depreciation expense for the new building was added in 2019. Interest expense increased due to timing of the bonds payments which had a full year of interest for the 2017 bonds.

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 $8,437,000 in 2019 as compared to the government-wide decrease in net position of $157,000. This is mostly due to capitalization of costs on the building project, depreciation expenses, and the payments of the general obligation bonds. 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 45. The general fund had a $286,000 budget amendment due to unanticipated enrollment increases.

CAPITAL ASSET AND DEBT ADMINISTRATION

The School continues to pay on the general obligation bonds. The School is in the 3rd year of the school facilities enhancement project and has substantially completed the building project and purchased needed equipment as well as record the increased deprecation 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

The student enrollment for the 2019/2020 school year is higher than the student enrollment from the 2018/2019 school year – not significantly higher, but higher, nonetheless. Though the school district still has a somewhat "revolving door" of student enrollment making student enrollment projections less reliable than if the school district had a more stable student population base, it is safe to say that student enrollment will continue to increase as single family homes and multiple family apartment units continue to be built in the Hellgate Elementary school district.

In September of 2016, the Hellgate Elementary School District voters decided to support a bond election question. The approximate $20 million dollar bond proposal addressed the costs involved in a three-part project. First, the project involved 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. Second, the project addressed the need for a continuous roadway system circling the exterior boundary of the Hellgate Elementary campus. This new roadway system now allows traffic to enter on Siren Road, travel around the exterior of the campus and exit onto Flynn Lane near England Boulevard. Moreover, the project expanded parking space areas on the campus to help alleviate current parking issues. Third, the project addressed the need for additional school/community/family recreation areas. That part of the project involved constructing a track, soccer fields, and additional useable greenway space areas on property already owned by the school district. That project is now complete and the district is benefitting from the elements contained in the building project.

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 needs 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. No 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 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. Conversely, a study commissioned by Missoula County Public Schools in 2014 (McKibben Demographic Research) suggested that Hellgate Elementary student enrollment would plateau and by 2023/2024 sit at approximately 1,520 students. The school trustees tend to agree more with the school district cohort survival analysis as opposed to an outside analysis because they see the residential development on a daily basis and remember how the school district's student enrollment increased over 500 students from the 2000/2001 school year to the 2019/2020 school year (20 years).

Similar to previous writings on the future of the school district, unlike other Missoula area school districts, Hellgate Elementary does not have an open enrollment policy. To attend school at Hellgate Elementary, a student must live within the Hellgate Elementary boundaries and those in-district students have driven the increasing enrollment the school district is experiencing. For example, in 2010, student enrollment stood at 1,297 students. Currently, during the 2019/2020 school year, student enrollment is 1,540 students. Student enrollment growth projections indicate that by the 2027/2028 school year, Hellgate Elementary student enrollment will stand at over 1,700 students. That is 200 hundred more students than the district has now. What was the issue that prompted the Hellgate Elementary Board of Trustees to offer the 2016 bond to its voters? In a nut shell, the district had no facility space to accommodate the increasing student enrollment and accommodate current and future student enrollment. Today, it does. However, even with the new facility, the school district might not have enough facility space and will need to build, yet again.

Though the state funding picture is questionable, 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 continue to grow only in keeping with its statutory requirements. That lack of funding resources has placed 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 non-essential programs and services. Case in point is the new middle school master schedule which has been built to meet the Montana Accreditation Guidelines for middle school with only a small addition of class offering to accommodate local school district wants and desires for specialty classes.

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 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, 2019, 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 Schools, District No. 4, Missoula County, Missoula, Montana, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Change in Accounting

As described in Note 1 to the financial statements, in fiscal year 2019, the District adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. My opinion is not modified with respect to this matter.

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 56 and 59 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 February 4, 2020 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 Nolan Davies, P.C.

February 4, 2020

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

STATEMENT OF NET POSITION
JUNE 30, 2019

	2019
ASSETS:	
Current Assets:	
Cash and Investments	$3,259,552
Property Taxes Receivable	327,532
Due from Other Governments	82,970
Total Current Assets	3,670,054
Capital Assets	43,089,857
Less Accumulated Depreciation	(8,486,767)
Capital Assets - Net	34,603,090
Restricted Cash and Investments	1,025,171
Due from Missoula City Water	142,765
Total Assets	39,441,080
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Outflows - Other Postemployment Benefits	10,612
Deferred Outflows - Pensions	2,117,741
Total Deferred Outflows of Resources	2,128,353
LIABILITIES:	
Current Liabilities	
Accounts Payable	447,899
Current Portion of Long-term Debt	1,711,914
Total Current Liabilities	2,159,813
Non-current Liabilities:	
General Obligation Bonds	26,262,060
Early Retirement Incentives	4,920
Other Post Employment Benefits	1,510,228
Net Pension Liability	11,436,225
Compensated Absences	695,638
Total Non-current Liabilities	39,909,071
Total Liabilities	42,068,884
DEFERRED INFLOWS OF RESOURCES:	
Deferred Inflows - OPEB	219,308
Deferred Inflows - Pensions	338,683
Total Deferred Inflows of Resources	557,991
NET POSITION:	
Net investment in Capital Assets	8,388,090
Restricted	1,547,607
Unrestricted	(10,993,139)
Total Net Position	($1,057,442)

See Notes to Financial Statements

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

		--Program Revenue--		
	Expenses	Charges for Services	Operating Grants	Net (Expense) Revenue 2018
GOVERNMENT OPERATIONS				
Instruction:				
Regular Programs	$6,777,939		$475,127	($6,302,812)
Other Programs	2,329,361		1,474,011	(855,350)
Support Services	2,280,298	$684,275		(1,596,023)
Administration	1,906,518		33,916	(1,872,602)
Operation and Maintenance	1,764,430			(1,764,430)
Student Transportation	927,648		131,331	(796,317)
School Food	785,911	237,502	332,410	(215,999)
Extracurricular	170,619	36,309		(134,310)
Interest Expense	1,033,962			(1,033,962)
Unallocated Depreciation	984,819			(984,819)
Total	$18,961,505	$958,086	$2,446,795	(15,556,624)
GENERAL REVENUES:				
School Property Taxes				7,274,421
State Revenue				6,386,829
County Property Taxes				1,404,694
Investment Earnings				195,426
Other				138,022
Total General Revenues				15,399,392
CHANGE IN NET POSITION				(157,232)
NET POSITION				
Beginning of the Year				(931,189)
Cumulative change in accounting principles				30,979
Net Position - Beginning of the year - restated				(900,210)
End of the Year				($1,057,442)

See Notes to Financial Statements

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

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	------ MAJOR FUNDS -------					
	General Fund	Miscellaneous Programs Fund	Debt Service Fund	Building Fund	Other Governmental Funds	Total
ASSETS:						
Cash and Investments	$966,355	$704,244	$125,954	$1,120,560	$1,367,610	$4,284,723
Property Taxes Receivable	158,557		103,063		65,912	327,532
Due from Other Governments	69,185	9,323		147,227		225,735
Total Assets	$1,194,097	$713,567	$229,017	$1,267,787	$1,433,522	$4,837,990
LIABILITIES:						
Accounts Payable	$17,475	$12,707		$416,385	$1,332	$447,899
Total Liabilities	$17,475	$12,707	$0	$416,385	$1,332	$447,899
DEFERRED INFLOWS OF RESOURCES:						
Property Taxes	$158,557		$103,063		$65,912	$327,532
Missoula City Water				$142,765		142,765
Total Deferred Inflows	$158,557	$0	$103,063	$142,765	$65,912	$470,297
FUND BALANCE:						
Restricted			$125,954	$613,248	$1,252,678	$1,991,880
Assigned	$66,495	$700,860		95,389	113,600	976,344
Unassigned	951,570					951,570
Total Fund Balance	1,018,065	700,860	125,954	708,637	1,366,278	3,919,794
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$1,194,097	$713,567	$229,017	$1,267,787	$1,433,522	$4,837,990

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, 2019

Total fund balance on the governmental funds statement		$3,919,794
Add capital assets not reported on government funds statement. .	$43,089,857	
Less accumulated depreciation	(8,486,767)	34,603,090
Less liabilities not reported on government funds statement:		
General obligation bonds (including unamortized bond premium of $1,601,790)	(27,816,790)	
Pension Liability	(11,436,225)	
Other Post Employment Benefit Obligation	(1,510,228)	
Termination Benefits	(41,205)	
Compensated absences	(816,537)	(41,620,985)
Deferred inflows for property taxes receivable recognized as revenue in the government-wide statement of net position		327,532
Deferred inflows for Missoula City Water receivable recognized as revenue in government-wide statement of net position		142,765
Deferred outflows of resouces related to OPEB.		10,612
Deferred inflows of resources related to OPEB		(219,308)
Deferred outflows of resources related to pensions		2,117,741
Deferred inflows of resources related to pensions		(338,683)
Net Position		($1,057,442)

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, 2019

	----------MAJOR FUNDS----------					
	General Fund	Miscellaneous Projects Fund	Debt Service Fund	Building Fund	Other Governmental Funds	Total
REVENUES:						
School Property Taxes	$3,150,264		$2,680,632		$1,424,414	$7,255,310
Intergovernmental:						
County					1,475,140	1,475,140
State	7,444,558	$684,275			61,922	8,190,755
Federal		891,409			331,373	1,222,782
School Food Sales					237,502	237,502
Student Activities					36,309	36,309
Interest and Other	71,023	33,763	14,504	$118,948	103,835	342,073
Total Revenues	10,665,845	1,609,447	2,695,136	118,948	3,670,495	18,759,871
EXPENDITURES:						
Instruction:						
Regular Programs	5,573,727	65,991		32,646	687,573	6,359,937
Other Programs	1,054,164	740,736			534,461	2,329,361
Instructional Support	1,275,758	596,836		4,965	402,739	2,280,298
Administration	1,488,863	36,633			327,337	1,852,833
Operation and Maintenance	1,124,930			530,111	109,389	1,764,430
Transportation		6,880			920,768	927,648
Food Service	125,028	1,474		1,959	654,396	782,857
Extracurricular	126,887	1,304			42,428	170,619
Debt Service			2,539,113			2,539,113
Capital Outlay	125,135	161,175		7,808,168	95,484	8,189,962
Total Expenditures	10,894,492	1,611,029	2,539,113	8,377,849	3,774,575	27,197,058
Excess (deficiency) of Revenues over Expenditures	(228,647)	(1,582)	156,023	(8,258,901)	(104,080)	(8,437,187)
Other Sources (Uses):						
Transfers in (out)	(20,854)				20,854	0
Total Other Sources and Uses	(20,854)	0	0	0	20,854	0
CHANGE IN FUND BALANCE	(249,501)	(1,582)	156,023	(8,258,901)	(83,226)	(8,437,187)
FUND BALANCES:						
Beginning of the year	1,267,566	702,442	(30,069)	8,967,538	1,418,525	12,326,002
Change in Accounting Principle					30,979	30,979
Beginning Balance - restated	1,267,566	702,442	(30,069)	8,967,538	1,449,504	12,356,981
Ending	$1,018,065	$700,860	$125,954	$708,637	$1,366,278	$3,919,794

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, 2019

Change in fund balance on the governmental funds statement		($8,437,187)
Expenses on the government-wide statement of activity not included in the governmental funds statement:		
Depreciation expense	($987,873)	
Decrease in retirement incentives	41,205	
Increase in compensated absences	(41,271)	
Increase in pension related liabilities, inflows and outflows	(375,707)	
Bond premium on refunding bonds		
Other changes in capital assets	(4,163)	
Decrease in deferred revenue from Missoula City Water for share of construction costs	(4,462)	
Bond premium on 2017 series bonds	120,151	
Increase in property taxes receivables	19,111	
OPEB expense	(61,998)	(1,295,007)
Expenditures reported on the governmental funds statement not included on the government-wide statement of activity:		
Capital outlays	8,189,962	
Principal payments on general obligation bonds	1,385,000	
Interest payable on bonds	0	9,574,962
Change in net position reported on the government-wide statement of activity		($157,232)

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, 2019

FIDUCIARY NET POSITION

ASSETS:	
Cash - Interlocal Agreement Fund	$1,798
Cash - COBRA Insurance Fund	6,061
Total Assets	$7,859
LIABILITIES:	
Due to Others	$6,061
NET POSITION:	
Interlocal Government Agreement	$1,798

CHANGES IN FIDUCIARY NET POSITION

ADDITIONS:	
Cobra insurance	$6,061
DEDUCTIONS:	
Cobra insurance	6,061
CHANGES IN FIDUCIARY NET POSITION	0
NET POSITION, BEGINNING OF YEAR	32,777
Change in accounting principle	(30,979)
Beginning Net Position - Restated	1,798
NET POSITION, END OF YEAR	$1,798

See Notes to the Financial Statements

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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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 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 fund. 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.

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 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	20 - 50 years
Equipment	5 - 25 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 one-third 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.

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. Change in accounting principle - Fiduciary Activities - The District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities* in fiscal year 2019. This statement addresses the classification of funds that are accounted for in the fiduciary statements. The Extracurricular Fund does not meet the newly established criteria which identifies fiduciary activities, and therefore was reclassified to the Special Revenue Fund. The implementation of this statement resulted in a restatement of beginning net position of $30,979 in the governmental funds and government-wide financial statements.

K. 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 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.

Cash and investments from the sale of the 2017 bonds are restricted for the capital expansion project. 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.

4. CAPITAL ASSETS - Capital asset activity during 2019 was as follows:

	Balance June 30, 2018	Additions	Deletions	Other Changes	Balance June 30, 2019
Cost of assets:					
Non-Depreciable:					
Land	$1,060,143				$1,060,143
Construction in progress	13,396,980	$7,912,823		($21,309,803)	0
Depreciable:					
Land improvements	1,740,304		($8,780)	2,158,896	3,890,420
Buildings and improvements	17,453,172	13,069		17,766,910	35,233,151
Equipment	1,258,076	264,070		1,383,997	2,906,143
Total	34,908,675	8,189,962	(8,780)	0	43,089,857
Accumulated depreciation:					
Land improvements	(778,239)	(151,366)	4,617		(924,988)
Buildings and improvements	(5,888,510)	(699,035)			(6,587,545)
Equipment	(836,762)	(137,472)			(974,234)
Total	(7,503,511)	(987,873)	4,617	0	(8,486,767)
Net capital assets	$27,405,164	$7,202,089	($4,163)	$0	$34,603,090

Depreciation expense of $987,873 is primarily on general purpose buildings and special improvements, was not allocated to various functions, except for $3,054 which is allocated to School Food program.

5. LONG-TERM DEBT - Changes in general long-term debt during 2019 are as follows:

	Balance June 30, 2018	Additions	Payments and other reductions	Balance June 30, 2019	Due Within One Year
General obligation bonds:					
2016 Series - Refunding	$8,035,000		($715,000)	$7,320,000	$735,000
2017 Series	19,565,000		(670,000)	18,895,000	705,000
Unamortized bond premium.	1,721,941		(120,151)	1,601,790	114,730
Pension Liabilities - TRS (see footnote 12)	9,124,368	$930,679		10,055,047	
Pension Liabilities - PERS (see footnote 13)	1,606,069		(224,891)	1,381,178	
Retirement incentives	82,410		(41,205)	41,205	36,285
Other Post Employment Benefits - (see footnote 8)	1,549,154		(38,926)	1,510,228	
Compensated absences	775,266	41,271		816,537	120,899
Total	$42,459,208	$971,950	($1,810,173)	$41,620,985	$1,711,914

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 $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.

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.

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

Year Ended June 30,	..........General Obligation Bonds.......... 2016 Series Refunding Principal	Interest	2017 Series Principal	Interest	Total
2020	$735,000	$199,000	$705,000	$906,613	$2,545,613
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	$7,320,000	$1,170,288	$18,895,000	$10,090,806	$37,476,094
Unamortized Bond Premium			$1,601,790		$1,601,790
Total			$20,496,790		$39,077,884

6. INTERFUND BALANCES/TRANSFERS

The School transferred $20,854 of funds between the general fund and compensated absence fund as permitted by state law.

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 2019; valued to medicare eligibility.

Employees covered by benefit terms: As of June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	9
Active employees	99
Total	108

Total OPEB Liability: The District's total OPEB liability of $1,510,228 was measured as of June 30, 2019 and was determined by an actuarial roll forward valuation of June 30, 2019.

Actuarial assumptions and other inputs: The total OPEB liability at the June 30,2019 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	3.00%
Discount rate	3.36%
Healthcare cost trend rates	6.2% as of 2018 grading to 5.00% over 6 years

Discount rate: Based on S & P Municipal Bond 20 year high grade rate index as of July 2, 2019

Mortality rates: Both from 6/30/2017 PERS and TRS Pension Actuarial Valuation

PERS: RP-2000 Combined Mortality Table Projection AA to 2020, Males 1 year setback. White Collar Mortality Table with RP-2016 Generational Improvement Scale.

TRS: RP-2000 Combined Mortality Table Projection BB to 2018, 4-year setback for males, two year setback for females.

Census Date: Provided by District to Actuary in May 2018

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

Funding Policy: Pay as you go

Average remaining service lives as of June 30, 2019 is 8.79 years.

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

Spousal Coverage: 70% 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, 2019
Beginning OPEB Liability	$1,549,154
Service costs	105,450
Interest	52,052
Differences between expected and actual experience	(141,982)
Changes in assumptions	11,974
Employer Contributions	(66,420)
Net change in Total OPEB Liability	(38,926)
Balance at June 30, 2019	$1,510,228

Changes in Benefit terms - none.

Changes in assumptions and other inputs - Discount Rate - decreased from 3.45% to 3.36%

OPEB Expense: During fiscal year 2019, the District recognized OPEB expense of $61,988.

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 (2.36%)	Discount Rate (3.36%)	1% Increase (4.36%)
Total OPEB liability	$1,649,864	$1,510,228	$1,382,676

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.

	1% Decrease (5.2% graded)	Healthcare Cost Trend Rate* (6.2% graded)	1% Increase (7.2% graded)
Total OPEB liability	$1,326,059	$1,510,228	$1,731,959

* 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 $66,420 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 2019.

Future recognition of deferred flows in OPEB Expense: Amounts reported as deferred Inflows and outflows of resources related to OPEB as of 6/30/2019 will be recognized in OPEB Expense as follows:

Year	Actual to Expected Experience	Changes in Assumptions	Total
2019	($16,153)	$1,362	($14,791)
2020	(16,153)	1,362	(14,791)
2021	(16,153)	1,362	(14,791)
2022	(16,153)	1,362	(14,791)
2023	(16,153)	1,362	(14,791)
2024	(16,153)	1,362	(14,791)
2025	(16,153)	1,362	(14,791)
2026	(16,153)	1,362	(14,791)
2027	(12,758)	1,078	(11,680)
Total	($141,982)	$11,974	($130,008)

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.

Deferral	Actual to Expected Experience		Changes in Assumptions	
Date	Inflows	Outflows	Inflows	Outflows
2018	($9,905)		($4,338)	
2019	(16,153)			$1,362
Total	($26,058)		($4,338)	$1,362

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:

Debt Service	$229,017
Retirement	459,279
Transportation	241,075
School Food	38,761
Compensated Absences	83,871
Building Reserve	253,151
Tuition	57,457
Technology Acquisition	24,105
Adult Education	160,891
Total Restricted Net Position	$1,547,607

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, 2019.

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 $1,991,880.

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:	
Building Project - Capital Outlay	$613,248
Retirement	459,279
Technology Acquisition	18,761
Transportation	199,093
Building and Equipment Repairs and Maintenance	247,598
School Food	38,761
Tuition	47,252
Compensated Absences	83,871
Adult Education	158,063
Debt Service	125,954
Total Restricted Fund Balance	$1,991,880
Assigned fund balances consist of the following:	
Assigned for Encumbrances:	
General Funds	$66,495
Miscellaneous Projects Fund	945
School Food Fund	1,019
Building Fund	27,853
Assigned for Student Activities	35,396
Assigned for Operation and Maintenance	844,636
Total Assigned Fund Balances	$976,344
Unassigned fund balances consist of the following:	
General Funds	$951,570
Total fund balance as shown on the Balance Sheet - Government Funds	$3,919,794

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, 2019, 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	$32,527,636	$5,208,044	$37,735,680
Fiduciary net position	22,472,589	3,826,866	26,299,455
Net pension liability	$10,055,047	$1,381,178	$11,436,225
Deferred outflows of resources	$1,797,223	$320,518	$2,117,741
Deferred inflows of resources	$135,853	$202,830	$338,683
Pension expense	$1,511,460	$149,302	$1,660,762

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

	Net Pension Liability as of June 30, 2019	Net Pension Liability as of June 30, 2018	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.	$10,055,047	$9,124,638	0.5417%	0.5412%	0.0005%
State of Montana Proportionate Share associated with District	6,249,306	5,792,112	0.3367%	0.3435%	-0.0068%
Total	$16,304,353	$14,916,750	0.8784%	0.8847%	-0.0063%

At June 30, 2019, the District recorded a liability of $10,055,047 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of July 1, 2018. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The District's proportion of the Net Pension Liability was based on the District's contributions received by TRS during the measurement period July 1, 2017 through June 30, 2018, relative to the total District contributions received from all of TRS' participating employers. At June 30, 2019, the District's proportion was 0.5417 percent.

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.

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, 2019, the District recognized a Pension Expense of $1,511,460 for its proportionate share of the TRS' Pension Expense. The District also recognized grant revenue of $475,127 for the support provided by the State of Montana for its proportionate share of the Pension Expense that is associated with the District.

	Pension Expense as of June 30, 2019
School District's Proportionate Share	$1,036,333
State of Montana Proportionate Share associated with the District	475,127
Total	$1,511,460

Deferred Inflows and Outflows

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$71,756	$6,274
Changes in actuarial assumptions	819,645	14,885
Difference between projected and actual investment earnings		90,763
Changes in proportion and differences between actual and expected contributions	225,429	23,931
*Contributions paid to TRS subsequent to the measurement date - Fiscal Year 2018 Contributions	680,393	
Total	$1,797,223	$135,853

*Amounts reported as deferred outflows of resources related to pensions resulting from the District's contribution subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability in the year ended June 30, 2020.

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
2020	$566,426
2021	$436,592
2022	$24,771
2023	($46,814)
2024	$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% x AFC x years of creditable service - for members retiring with at least 30 years of creditable service and at least 60 years of age (rather than 1.6667 x AFC x years of creditable service)

A guaranteed annual benefit adjustment (GABA) is payable on January 1st of each calendar year for each retiree who has received at least 36 monthly retirement benefit payments prior to that date. The GABA is applicable to both Tier One and Tier Two members. The GABA for Tier One members is 1.5% of the benefit payable as of January 1st. For Tier Two members the GABA each year may vary from 0.5% to 1.5% based on the retirement 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

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

- Total Wage Increase 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.

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%	6.68%	2.34%
International Equity	18.00%	6.98%	1.26%
Private Equity	10.00%	10.15%	1.02%
Natural Resources	3.00%	4.09%	0.12%
Core Real Estate	7.00%	5.38%	0.38%
TIPS	3.00%	1.78%	0.05%
Intermediate Duration Bonds	19.00%	2.15%	0.41%
High Yield Bonds	3.00%	4.36%	0.13%
Cash	2.00%	0.81%	0.02%
Total	100.00%		5.73%
Inflation			2.50%
Expected arithmetic nominal return			8.23%

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

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies for the System. The most recent analysis, performed for the period covering fiscal years 2013 through 2017, is outlined in a report dated May 3, 2018. Several factors are considered in evaluating the long-term rate of return assumption, including long term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation). Estimates of variability and correlations of each asset class, were developed by the System's investment consultant. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The long-term rate of return assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The average long term capital market assumptions published in the Survey of Capital Market Assumptions 2017 Edition by Horizon Actuarial Service, LLC, yield a median real return of 5.07%. 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, 2018, is summarized in the above table. Combined with the 2.50% inflation assumption, the resulting nominal return is 7.5%.

Sensitivity Analysis

	1.0% Decrease (6.50%)	Current Discount Rate	1.0% Increase (8.50%)
School District proportion of Net Pension Liability.	$13,825,995	$10,055,047	$6,896,578

In accordance with GASB 68 regarding the disclosure of the sensitivity of the Net Pension Liability to charges 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.

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, 2018, was determined by taking the results of the June 30, 2017 actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The 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, 2018 and 2017, 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 $1,381,178 and the District proportionate share was 0.0662 percent.

As of measurement date:	Net Pension Liability as of 6/30/18	Net Pension Liability as of 6/30/17	Percent of Collective NPL as of 6/30/18	Percent of Collective NPL as of 6/30/17	Change in Percent of Collective NPL
District's Proportionate Share	$1,381,178	$1,606,069	0.0662%	0.0825%	-0.0163%
State of Montana Proportionate Share associated with District . .	508,182	75,619	0.0977%	0.3854%	-0.2877%
Total.	$1,889,360	$1,681,688	0.1639%	0.4679%	-0.3040%

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, 2018 measurement date, the District recognized a Pension Expense of $115,386 for its proportionate share of the Plan's pension expense and recognized grant revenue of $33,916 for the state of Montana's proportionate share of the pension expense associated with the employer.

As of measurement date:	Pension Expense as of 6/30/2018	Pension Expense as of 6/30/2017
District's Proportionate Share	$115,386	$177,148
District's Grant Revenue - State of Montana Proportionate Share.	33,916	4,031
District's Grant Revenue - State of Montana Coal Tax		22,975
Total.	$149,302	$204,154

Recognition of Deferred Inflows and Outflows

At June 30, 2018, the District reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. Actual Experience.	$105,029	$0
Projected Investment Earnings vs. Actual Investment Earnings . . .		21,450
Changes in Assumptions	117,448	
Changes in proportion and differences between District contributions and proportionate share of contributions.		181,380
District contributions subsequent to the measurement date (Fiscal Year 2019 Contributions)	98,040	
Total	$320,517	$202,830

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
2019.	$66,087
2020.	$37,597
2021.	($75,223)
2022.	($8,813)
2023.	$0
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

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 July1, 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.

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.

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

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution 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.

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

Actuarial Assumptions

The Total Pension Liability (TPL) on June 30, 2018 actuarial valuation was determined using the following actuarial assumptions.

- 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 2121. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the 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	$1,997,503	$1,381,178	$875,077

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, 2018, are summarized below.

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

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 employment per 19-3-2117(5), MCA. Such forfeitures are used to cover the administrative expenses of the PERS-DCRP.

At the plan level for the measurement period ended June 30, 2018, the District did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 300 employers that have participants in the PERS-DCRP totaled $746,144.

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

On September 20, 2016, the School District's voters approved a $19,800,000 mill levy to issue general obligation bonds for a facilities enhancement project. The School built a new 7-8 grade building on the existing campus as well as completed other necessary upgrades to the existing campus. The project was substantially completed during 2018-19 with the building being available for students for the 2019/2020 school year. The School's remaining unspent bond proceeds, that are accounted for in the building fund, are set aside for the completion of the enhancement project.

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, 2019

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES:			
Property Taxes	$3,001,470	$3,001,470	$3,150,264
Intergovernmental:			
State	6,997,563	7,001,400	6,969,431
Interest	32,258	32,258	43,819
Other	9,447	9,448	27,204
Total Revenues	10,040,738	10,044,576	10,190,718
EXPENDITURES AND ENCUMBRANCES:			
Current Operations:			
Instruction - Regular Programs			5,043,521
Instruction - Other Programs			1,056,917
Instructional Support			1,294,509
Administration			1,489,922
Operation and Maintenance			997,046
Student Transportation			
School Food			66,651
Extracurricular			118,114
Capital Outlay			650
Transfers Out			20,854
Total Expenditures, Transfer Out, and Encumbrances	10,040,738	10,326,644	10,088,184
Excess (Deficiency) of Revenue Over Expenditures, Encumbrances	0	(282,068)	102,534
Change in Encumbrances			(352,035)
Excess (Deficiency) of Revenues Over Expenditures	$0	($282,068)	($249,501)

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, 2019

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 fund (capital projects) is 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 $418,530 at June 30, 2018.

The School Board passed a general fund budget amendment for $285,906 in November 2018 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 $475,127 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, 2019

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

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

Notes to Schedule:

Change in Assumptions:		
Discount Rate	3.45%	3.36%
Medical Trend	6.2%	6.0%

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, 2019

MONTANA TEACHERS' RETIREMENT SYSTEM

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

As of the measurement date:	2019	2018	2017	2016	2015
School's proportion of the net pension liability	0.5417%	0.5412%	0.5117%	0.5060%	0.4823%
School's proportionate share of the net pension liability associated with the School	$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	6,249,306	5,792,112	6,092,665	5,572,398	5,085,198
Total.	$16,304,353	$14,916,750	$15,440,158	$13,886,046	$12,506,496
School's covered payroll	$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	138.96%	127.83%	140.74%	128.73%	122.03%
Plan fiduciary net position as a percentage of the total pension liability	69.09%	70.09%	66.69%	69.30%	70.36%

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

SCHEDULE OF THE SCHOOL'S PENSION PLAN CONTRIBUTIONS

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

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:

<u>Change in actuarial assumptions and other inputs</u>: 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	22 years
Asset valuation method	4-year smoothed market
Inflation	3.25%
Salary increase	4.00 to 8.51%, including inflation for Non-University Members and 5.00% for University Members;
Investment rate of return	7.75%, net of pension plan investment expense, and including inflation.

HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA
FOR THE YEAR ENDED JUNE 30, 2019

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

As of measurement date:	2018	2017	2016	2015	2014
School's proportion of the net pension liability as a percentage	0.0662%	0.0825%	0.0806%	0.0789%	0.0817%
School's net pension liability	$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	508,182	75,619	64,198	51,843	47,574
Total	$1,889,360	$1,681,688	$1,437,850	$1,155,122	$1,065,263
School's covered payroll	$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	121.350%	151.670%	137.560%	115.850%	111.220%
Plan fiduciary net position as a percentage of the total pension liability	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):	2019	2018	2017	2016	2015
Contractually required defined benefit contribution	$98,040	$92,178	$85,623	$80,742	$75,901
Plan Choice Rate Required Contributions	$0	$0	$0	$723	$1,353
Contributions in relation to the contractually required contributions	$98,040	$92,178	$85,623	$81,464	$77,253
Contribution deficiency (excess)			$0	$0	$0
District's covered payroll	$1,181,205	$1,138,024	$1,058,957	$998,579	$952,320
Contributions as a percentage of covered payroll	8.30%	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, 2019

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 6.30%
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, 2019

Project Title	CFDA Number	Project Number	Grant Award	Expenditures
U.S. DEPARTMENT OF AGRICULTURE:				
Passed through Montana Office of Public Instruction:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	N/A	N/A	$74,874
School Lunch Program	10.555	N/A	N/A	219,022
School Snack	10.556	N/A	N/A	396
Summer Food Service Program for Children	10.559	N/A	N/A	3,785
School Food Commodities	10.555	N/A	N/A	33,296
Total Department of Agriculture - Child Nutrition Cluster				331,373
U.S. DEPARTMENT OF EDUCATION:				
State Administered - Office of Public Instruction:				
Title I, Part A, Improving Basic Programs	84.010A	32-0586-3118	$312,600	149
Title I, Part A, Improving Basic Programs	84.010A	32-0586-3119	$310,657	298,310
Total Title I, Part A Improving Basic Programs				298,459
Title 1, Part C, Migrant Education	84.011A	32-0586-3618	$81,400	72,227
Title 1, Part C, Migrant Education	84.011A	32-0586-3619	$118,530	26,047
Total Title I, Part C, Migrant Education				98,274
Special Education Cluster (IDEA):				
IDEA, Part B, Children with Disabilities	84.027	32-0586-7719	$283,075	283,076
IDEA, Part B, Children with Disabilities	84.027	32-0586-7718	$146,575	146,575
Total IDEA, Part B Program				429,651
IDEA, Preschool Section 619	84.173	32-0586-7919	$11,992	11,972
Total Special Education Cluster (IDEA)				441,623
Title II, Part A, Teacher/Principal Training and Recruitment	84.367	32-0586-1418	$69,085	69,085
Title III, Part A English Language Acquisition and Language Enhancement	84.365A	32-0583-4119	$3,244	3,244
Total Department of Education				910,685
Total Federal Funds				$1,242,058

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, 2019

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, 2019

	MAEFAIES Records	District Reports	Difference
FALL ENROLLMENT, OCTOBER 2018			
Kindergarten - Full Day	171	171	0
Grades 1 - 6	989	989	0
Grades 7 - 8	356	356	0
Total	1,516	1,516	0
SPRING ENROLLMENT, FEBRUARY 2019			
Kindergarten - Full Day	171	171	0
Grades 1 - 6	977	977	0
Grades 7 - 8	354	354	0
Total	1,502	1,502	0
PART-TIME ENROLLMENT:	Hrs/yr 540 - 719	Hrs/yr 540 - 719	
FALL:			
Kindergarten Full E1	2	2	0
SPRING:			
7-8 Grade M1	1	1	0
Transition 1st - 6 Grades E1	1	1	0

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, 2019

Student activity	Balance June 30, 2018	Revenues	Expend-itures	Transfers In (Out)	Balance June 30, 2019
Referees/District		$4,253	$4,253		$0
Copper League	$3,698	6,970	6,074		4,594
Class of 2021		200	548	$1,231	883
Class of 2020	0		242	1,141	899
Class of 2019	172		858	1,003	317
Class of 2018	458		(100)	(558)	0
Class of 2016	0		(100)	(100)	0
Wings Store (B. Hall)	1,622	303	276		1,649
Special Ed Student Fundraisers	4,943	1,624	1,425		5,142
3-5 Building #1 Misc	1,064	102	1,166		0
Building #3 Misc.	450	9,256	6,069	(2,717)	920
K-2 Library (Building #2)	57	200	82		175
3-5 Library (Building #1)	1,165	800	327	(71)	1,567
6-8 Library (Building #3)	1,041	9,981	9,987	71	1,106
Middle School PE Donation (Building #3)	1,364	1,361	867		1,858
K-2 Cola Fund	879	47			926
3-5 Cola Fund	241	52			293
6-8 Cola Fund	194	33			227
Robotics Club	71				71
Misc Charges	0				0
K-2 Building #2	13,560	1,572	(81)		15,213
Total	$30,979	$36,754	$31,893	$0	$35,840

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

SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2019

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,										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Kindergarten - 6th Grade. .	1,010	1,040	1,039	1,045	1,065	1,121	1,160	1,216	1,164	1,139	1,160
Grades 7 - 8.	283	277	267	272	277	287	295	294	301	312	356
School District Total . . .	1,293	1,317	1,306	1,317	1,342	1,408	1,455	1,510	1,465	1,451	1,516
Increase (decrease).		24	(11)	11	25	66	47	55	(45)	(14)	65
Percentage Change from Prior Year		2%	(1)%	1%	2%	5%	3%	4%	(3)%	(1)%	4%

SCHOOL DISTRICT PROPERTY TAX VALUATIONS

	As of January 1,	Assessed (Market) Valuation	Taxable Valuation	Taxable Value as a % of Assessed Value
	2007	$900,240,512	$27,338,923	3.037%
	2008	$957,517,404	$29,101,856	3.039%
	2009	$1,049,810,940	$30,246,018	2.881%
	2010	$1,095,202,722	$30,417,936	2.777%
	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%

* 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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General	85.20	85.56	90.86	92.01	91.63	92.63	90.59	88.40	85.64	81.39
Transportation	21.76	22.50	24.83	22.52	24.66	25.33	21.56	23.12	19.52	22.64
Debt Service	45.43	45.17	33.22	26.82	26.43	27.79	14.08	25.38	70.57	72.64
Technology	3.31	3.29	3.28	3.30	3.23	3.28	3.11	3.03	2.73	2.71
Adult Education . . .	0.47	0.60	0.75	0.21	1.01	1.00	1.01	1.00	0.90	1.99
Tuition	0.98	1.10	0.01			4.28	3.11	3.79	6.82	6.78
Building Reserve . .									4.67	4.56
Total School Levies	157.15	158.22	152.95	144.86	146.96	154.31	133.46	144.72	190.85	192.71

OTHER TAX LEVIES (in mills)

	Year Ended June 30,										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
University Millage	6.00	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	40.00
County-wide School Levy.	104.62	104.62	104.62	100.94	100.17	104.60	105.64	104.35	103.73	101.91	102.40
Missoula County	138.94	142.13	142.13	142.47	145.04	150.32	160.09	167.96	172.32	174.44	179.26
Fort Missoula Park Open Space									13.43	12.09	12.27
Missoula County Open Space				3.04	3.33	3.45	2.74	2.74	3.22	3.10	3.15
Hellgate Elementary . . .	156.86	157.15	158.22	152.95	144.86	146.96	154.31	133.46	144.72	190.85	192.71
Missoula Co. High School	76.46	74.63	74.63	76.44	71.92	72.19	72.77	75.11	85.01	103.10	100.03
Urban Transportation. . .	16.30	16.45	16.45	17.69	19.51	21.05	34.26	40.47	40.47	36.78	37.29
Rural Levies:											
Missoula Rural Fire District	94.13	97.98	97.98	97.97	100.33	102.39	112.59	112.61	114.33	110.38	113.69
Road.	23.22	23.22	23.22	23.24	23.38	23.38	23.38	23.35	25.38	24.30	25.38
Animal Control	1.60	1.60	1.60	1.60	1.61	1.61	1.61	1.61	1.61	1.54	1.42
Medical Levy.	1.84	1.82	1.82	2.19	2.19	2.18	2.18	3.51	3.38	3.23	3.12
Health	9.14	9.14	9.14	9.15	9.20	9.20	9.20	9.20	9.20	8.81	8.05
Total	669.11	674.74	675.81	673.68	667.54	683.33	724.77	720.37	762.80	816.53	824.77
City of Missoula	212.23	222.45	225.56	233.24	240.90	243.52	245.62	252.81	260.08	252.27	242.17

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 2019. 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
2009	$2,529,791	$2,145,857	84.82%	$2,506,569	99.08%
2010	$2,576,834	$2,146,205	83.29%	$2,525,413	98.00%
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%

MAJOR TAXPAYERS

The following table lists the major taxpayers within the School District for the year ended June 30, 2019 listed in declining order of taxable value.

	Taxpayer	Business	Taxable Value	% of Total Taxable Value ($38,152,434)	Market Value
1.	Northwest Energy	Transmission/Distribution	$890,736	2.33%	$7,422,832
2.	Gateway Limited Partnership	Commercial Rentals	782,889	2.05%	41,422,738
3.	Roseburg Forest Products Co.	Wood Products	759,586	1.99%	40,673,479
4.	Yellowstone Pipeline Co.	Transmission/Distribution	545,772	1.43%	4,548,102
5.	Montana Rail Link Inc	Railroad	475,136	1.25%	17,409,786
6.	Verizon Wireless	Wireless Communications	425,605	1.12%	7,093,411
7.	TKG Grant Creek Inn LLC	Commercial Properties	364,513	0.96%	19,286,400
8.	Mountain States Leasing	Commercial Properties	360,678	0.95%	20,822,018
9.	Tollefson Properties LLC	Commercial Rentals	341,748	0.90%	25,201,860
10.	MW Mullan Associates	Commercial Properties	327,681	0.86%	24,263,144
		Total.	$5,274,344	13.82%	$208,143,770

MAXIMUM BONDED INDEBTEDNESS - State statutes limit the maximum bonded indebtedness to 100% of the School District's taxable valuation or $36,644,052. However, for school districts that qualify for guaranteed tax base aid, the law permits maximum bonded indebtedness equal to 100% of the statewide taxable valuation per student (average number belonging).

Maximum bonded indebtedness under this exception is as follows:

	Statewide Taxable Value Per Student	Average Number Belonging for Fiscal Year June 30, 2019	Percent Allowed	Maximum Bonded Indebtedness
School District	$36,700	1,533	100%	$56,261,100
Less Bonds Outstanding				
2016 refunding issue				(7,320,000)
2017 Issue				(18,895,000)
Remaining Bonding Capacity				$30,046,100

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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, 2019, 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 February 4, 2020.

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, **2019-001**, 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.

Denise R. Lewis, P.C.

February 4, 2020

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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 EACH 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 each of Hellgate Elementary School's major federal programs for the year ended June 30, 2019. Hellgate Elementary School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the 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 each of Hellgate Elementary School's major federal programs 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 each 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 each of its major federal program for the year ended June 30, 2019.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, 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.

Wendell Nelson Davies, P.C.

February 4, 2020

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

FOR THE YEAR ENDED JUNE 30, 2019

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 Agriculture
     CFDA No.10.553, 10.555, 10.556, 10.559 — Child Nutrition Cluster
   - 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? _____ yes __X__ no

SECTION II - FINANCIAL STATEMENT FINDINGS

FINDINGS - SIGNIFICANT DEFICIENCY

2019-001 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 **2018-001** 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 72 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:

Finding Number	Recommendation	Action Taken
2018-001	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 **2019-001** above.

HELLGATE ELEMENTARY SCHOOL

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

February 4, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS

FINDINGS – SIGNIFICANT DEFICIENCY

Corrective Action Plan: A Response to Audit Recommendations

2019-001 AUDITOR PREPARED FINANCIAL STATEMENTS

Hellgate Elementary understands and appreciates the recommendation *(Section II - Financial Statement Findings, Paragraph 2019-001 in the 2018/2019 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
Douglas Reisig, Ed.D.
Superintendent, Hellgate Elementary
Missoula, Montana 59808

Over One Century of Quality Education
(Established in 1869)