

The audit this year includes a new requirement in reporting required by the Government Accounting Standards Bureau (GASB). This new requirement classified as GASB Statement 68 (Accounting and Financial Reporting for Pensions) requires all governmental employers nationwide to recognize and report certain amounts associated with their participation in their retirement systems. For our district, this includes the Montana Teachers' Retirement System (TRS) and Public Employees Retirement System (PERS). This new requirement has had a significant impact on our financial position. Employers are required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer. This has added a new Net Pension Liability of \$68,076,185 which includes \$58,255,724 for TRS and \$9,820,461 for PERS. Please refer to pages 49-65 of the audit for additional information and detail.

The accompanying financial statements and report are intended for the original recipient. They must be presented in their entirety and may not be modified in any manner.





GREAT FALLS SCHOOL DISTRICT 1 & A

FINANCIAL REPORT

June 30, 2015

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GREAT FALLS PUBLIC SCHOOLS

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Great Falls, Montana 59403
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LETTER OF TRANSMITTAL

The Great Falls School District is the second largest district in the state and the third largest employer in Great Falls. Approximately two thousand local residents are employed by the school district in a variety of capacities. This includes teachers of just over 10,000 students enrolled in 21 schools. Approximately 600 support staff provide adult supervision in special education, assist in classrooms, prepare and serve meals, clean and maintain 1.9 million square feet of buildings, repair boilers and plumbing, and maintain 295 acres of grounds. Another 300, mostly part-time people, coach students in after school sports programs and approximately 250 people are employed on a fairly regular basis as substitute teachers.

Great Falls, the seat for Cascade County operations, serves as a major hub for businesses for the central and northern part of the state. There are excellent medical, college and vocational technology education options for people in this area of the state as well. Because of the size of the community and number of businesses located here, there is a stable source of employment. More retired people are moving into the district to take advantage of the excellent health care system. Malmstrom Air Force Base also has a major impact on the vitality of the community. Below are a number of identified topics which will or may have an impact on the general operations of the Great Falls School District.

FUNDING

Basic Needs

The district has dedicated \$600,000 in reserves for the past three fiscal years in order to maintain the same educational program. The 2014 legislative session provided additional funding for schools; the district estimated a windfall of approximately \$170,840 when comparing the anticipated estimated increases (\$1,714,705) to the estimated new State Funding (\$1,885,545). Because the district has been using approximately \$600,000 in reserves each year to support the general operations of the district, the windfall turned into a \$429,160 shortfall. These annual increases are estimated each year by determining existing spending levels, incorporating any changes in State funding and projecting increases in costs in the salary schedules, health insurance, operational costs, and impacts of wage increases.

Mill Levy Election

The school board chose not to run district levy elections because of the estimated \$1,885,545 in new funding for the district. As the trustees set the budget for the 2015-16 school year, approximately \$430,000 in reserves was designated to help meet increasing costs and maintain the same levels of educational programming.

Multi-district Agreements

The District continued its participation in two Multi-district Agreements. The first included a technology based agreement with Cascade Public Schools, Belt Public Schools, Centerville Public Schools, Sun River Valley Public Schools, and Vaughn Elementary School. The second agreement was between the high school and elementary district. The high school/elementary

FUNDING (CONTINUED)

Multi-district Agreements (Continued)

agreement provides an avenue to help balance the fiscal discrepancy which exists due to increasing enrollment in the elementary and decreasing enrollment in the high school. The agreements were amended and re-approved by all schools to accommodate the changes implemented by legislative action.

Safety Transfer

The legislative session, in the form of Senate Bill 348, provided the opportunity for schools to transfer money from a budgeted fund in order to address Safety issues in the district. The district transferred \$175,000 from the Transportation Fund for this purpose. The money was mainly used to replace doors throughout the district which were not working properly.

Federal Funding

Federal funding has remained relatively consistent since sequestration occurred in 2012-2013, impacting the 2013-2014 school year. Decreases in Title 1, Title II and Title III funds have limited the ability of the district to provide services in school wide programs, but these have been offset by increased state and federal funds in preschool and vocational funding. An example is the Decrease in Title I in the amount of \$67,000 and increases in State Jobs for Montana Graduates of approximately \$60,000.

Perhaps the greatest concern is the ongoing decrease in Impact Aid funds. These funds, used for staffing positions and to address unanticipated costs have decreased from approximately \$1,000,000 per year to approximately \$700,000 per year, primarily due to ever increasing competition for federal dollars to offset state support and local impact as a result of the recent recession.

While the relative stability of funding is a vital component to our overall educational program, the earmarks for said funds present challenges locally. Federal Funds must be managed to assure a ratio of staffing to operating expenses. Without this balance each year brings staffing cuts. In February of 2015, 9.5 positions were cut from Title 1 programs across the district. These roles, specifically targeted at serving students, were not consistent with the shift in funding, where the increased state focus on vocational training resulted in increased vocational funding. Overall, greater flexibility in funding will be critical to Great Falls Public Schools, without this the school district remains understaffed to assure that new hires, hired into one year only positions, can be non-renewed as necessary to assure staff are highly qualified as per shifting grant requirements.

ENROLLMENT

A major component of the school funding formula is student enrollment. The Great Falls Public School District currently has two trends occurring. The elementary district is experiencing annual increases at the lower grade levels. The high school district continues to slightly decline on an annual basis, but the decline is less due to the concerted efforts of Graduation Matters. Current enrollment in the high school is 3,064 students and the elementary had a student count of 7,537. The elementary increases continue to impact the number of classrooms which exceed the state accreditation standards.

EDUCATIONAL PROGRAMMING INFORMATION

Pre-School Program Early Learning Family Center

The Skyline School continues to serve as an excellent location for the pre-school program. The District leases out space to Great Falls Parent Participation Preschool, Benefis Health Systems, Opportunities Incorporated, Cascade County, and Quality Life Concepts. The rental income helps support the ongoing costs associated with heating and lighting this building which in turn, helps support the quality educational programs for young children. The Great Falls School District is a model for the benefits of pre-school education for the state of Montana. Statistics demonstrate the positive impact this pre-school program has had on preparing students for kindergarten.

Student Demographics

Seventy six percent of the students attending school in Great Falls are Caucasian. Native Americans comprise eleven percent of the students, which makes Great Falls the second biggest district for Native American students. Nine percent of the students are classified as Multiracial and African Americans make up three percent of our student demographics. 9.75% of the students are classified as needing Special Education services and 4.21% are Limited English Proficient.

Poverty and Homeless Students

During the 2014-2015 school year, over forty-eight percent of elementary students in Great Falls Public Schools came from families that qualify for free or reduced lunch. Great Falls has the highest percent of Free/Reduced Lunch eligibility students in the AA schools in Montana. In 2006-2007 GFPS identified 37 students as homeless. This number rose to 293 students for the 2012-2013 school year and 313 students for the 2013-2014 school year. It declined slightly in 2014-2015 to 245 students. This high number of homeless students has had a major impact on not only the students who are homeless, but the transportation budget as well because the District is required to allow each homeless student to attend the school they were enrolled in at the time they became homeless.

Data for Achievement Funding

The State added this funding component in the State funding formula which is earmarked specifically for a comprehensive data system to track student performance. The District has had the goal of creating a student performance data dashboard for a number of years. This funding allows the District to better track a variety of student performance in real time, rather than a just a few times per year.

ENERGY PROJECTS AND FACILITIES IMPROVEMENTS

Facilities

The Great Falls School District has a reputation for the quality of the care of District facilities. Because all of the buildings in the District have an average age of 57 years, millions of dollars are needed to repair heating systems, circulate adequate fresh air, save energy on utility use, and bring schools in line with life safety requirements such as: security, alarm systems, and egress/lock systems. During the 2010-2011 school year, the District borrowed, through the State Inter-cap Loan Program, \$8.3 million at an interest rate of 1.09%, to address energy issues in the

ENERGY PROJECTS AND FACILITIES IMPROVEMENTS (CONTINUED)

Facilities (Continued)

District. Energy cost savings are on target each year to provide enough money to make the annual payment needed on the loan. The school board has been actively involved in analyzing the district facility needs and has created a facility Master Plan due to aging facilities and increasing enrollment in the elementary. This plan involved a number of community meetings and discussions about a variety of topics including the addition of a middle school and the addition of an elementary school as well as replacing two elementary school buildings.

Completed Facility Improvements

During the 2014-2015 school year, many facility improvements were completed including paving, boiler work, parking lot asphalt, carpeting, sidewalk replacements, drain collection, trash compactors, landscaping, and fire alarm system upgrades. The District also focused on safety issues which included the replacement of many doors throughout the district. The safety items were identified through periodic safety meetings. The swimming pool at Great Falls High School also received a complete cleaning.

Technology

The District's goal is to infuse the tools of modern business and research into the school setting by increasing student access to technology. The District receives \$225,000 in funding annually through a technology levy to improve the infrastructure in the District. The District will continue to address infrastructure issues. The District also received a Striving Readers Grant which helped integrate technology into the learning environment. The District also submitted an E-Rate Application to improve wireless access throughout the district.

DISTRICT RESERVES – GASB 54

In July of 2011, the trustees approved Policy 7515 which implemented Governmental Accounting Standards Board (GASB) 54. This accounting standard requires districts to designate fund balances into specific categories of non-spendable, restricted, committed, assigned, and unassigned. This policy, which is required of all governmental units, has helped the district provide a clearer picture of reserves and their purpose.

CONTACT FOR ADDITIONAL INFORMATION

If you have questions about this report or need additional information, contact the Director of Business Operations for the Great Falls School District, Brian Patrick 406-268-6050.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
ORGANIZATION
June 30, 2015

BOARD OF TRUSTEES

Jan Cahill Chairperson
Laura Vukasin Vice-Chairperson
Jeff Gray Trustee
Ann Janikula Trustee
Bob Moretti Trustee
Jason Brantley Trustee
Don Ryan Trustee

OFFICIALS

Tammy Lacey District Superintendent of Schools
Jamie Bailey County Superintendent of Schools
John Parker County Attorney
Brian Patrick Director of Business Operations

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Great Falls School District 1 & A
Cascade County
Great Falls, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Great Falls School District 1 & A, Cascade County, Great Falls, Montana (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Great Falls School District 1 & A, Cascade County, Great Falls, Montana, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplemental information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis and the other required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

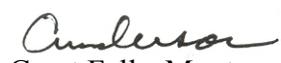
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplemental schedules on pages 75 and 76 are presented for purposes of additional analysis as required by the Montana Office of Public Instruction and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The other supplemental schedules on pages 75 and 76 and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section on pages 1 through 4 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.


Great Falls, Montana
December 22, 2015

 & Co., P.C.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2015 (Unaudited)

The discussion and analysis of Great Falls School District 1 & A, Cascade County, Great Falls, Montana's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2015 are as follows:

- Total current assets, which include cash, investments, receivables, inventories and prepaid expenses, increased by \$239,366.
- Long term assets decreased by \$3,202,961 due to not requesting a general fund levy for operational support which provided for the increased use of investments to fund general operational costs of the district.
- In total, net position decreased \$75,899,525, from \$35,788,878, after restatement, to a negative \$40,110,647, which represents a 212.08 percent decrease. In fiscal year 2014 net position decreased \$1,029,979 after restatement. The fiscal year 2015 decrease is due to the new requirements of implementing GASB 68 and GASB 71, as the District is required to report pension liabilities for TRS and PERS. Reporting these liabilities has a negative impact of \$74,792,276 to the District's net position.
- Total revenues for the district increased by \$3,817,862 which can be attributed to increases in all revenue categories, with the exception of charges for services and operating grants and contributions. These increases were offset by transfers of \$921,203.
- General revenues accounted for \$80,350,789 in revenue or 83.49 percent of all revenues. Program specific revenues, in the form of charges for services and operating grants and contributions, accounted for \$15,894,320 or 16.51 percent of total revenues of \$96,245,109. When compared to fiscal year 2014, general revenues increased by \$4,674,389 while program specific revenues decreased by \$856,527, for a net increase in total revenues of \$3,817,862.
- From 2014 to 2015, Instructional Services expenditures increased by \$2,080,875 which is a 3.56 percent increase.
- The School District had \$97,360,830 in expenses. \$15,835,519 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes, state and county equalization and federal impact aid) of \$81,330,793 were not adequate to provide for these programs so reserves were used to fund the difference.
- Among the major funds, the general fund had \$67,826,884 in revenues, \$66,734,778 in expenditures, and \$766,475 of transfers out, leading to a decrease in fund balance of \$325,636.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2015 (Unaudited)

USING THIS GENERAL ACCEPTED ACCOUNTING PRINCIPLES (GAAP) REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Great Falls School District 1 & A, Cascade County, Great Falls, Montana as a financial whole, an entire operating entity. These statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term, as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Great Falls School District 1 & A, Cascade County, Great Falls, Montana, the general fund is by far the most significant fund.

REPORTING THE SCHOOL DISTRICT AS A WHOLE

Statement of Net Position and Statements of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private – sector companies. These bases of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader whether, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, current property tax laws in Montana restricting revenue growth, facility condition, required educational programs and other factors.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the School District's major funds begins on page 20. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major Governmental funds are the general fund and the Elementary District's miscellaneous programs fund and impact aid fund.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Year Ended June 30, 2015 (Unaudited)

**REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS
 (CONTINUED)**

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides.

Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net position for 2015 compared to 2014.

Table 1 – Net Assets

	2015	2014	Annual Change	
			Amount	Percent
ASSETS AND DEFERRED OUTFLOWS				
Current assets, including cash, investments, receivables, inventories, and prepaid expenses	\$ 27,031,092	\$ 26,791,726	\$ 239,366	0.89%
Long-term assets, including investments and capital assets comprised of land, buildings, improvements, machinery/equipment	<u>23,902,845</u>	<u>27,105,536</u>	<u>(3,202,691)</u>	-11.82%
Total assets	<u>50,933,937</u>	<u>53,897,262</u>	<u>(2,963,325)</u>	-5.50%
Deferred outflows of resources	<u>7,420,880</u>	-	<u>7,420,880</u>	
Total assets and deferred outflows of resources	<u>58,354,817</u>	<u>53,897,262</u>	<u>4,457,555</u>	8.27%
LIABILITIES AND DEFERRED INFLOWS				
Current liabilities	4,358,096	4,214,809	143,287	3.40%
Long-term liabilities	<u>81,664,991</u>	<u>13,893,575</u>	<u>67,771,416</u>	487.79%
Total liabilities	<u>86,023,087</u>	<u>18,108,384</u>	<u>67,914,703</u>	375.05%
Deferred inflows of resources	<u>12,442,377</u>	-	<u>12,442,377</u>	
Total liabilities and deferred inflows of resources	<u>98,465,464</u>	<u>18,108,384</u>	<u>80,357,080</u>	443.76%
NET POSITION				
Net investment in capital assets	4,957,226	4,208,078	749,148	17.80%
Restricted	17,823,436	18,224,754	(401,318)	-2.20%
Unrestricted	<u>(62,891,309)</u>	<u>13,356,046</u>	<u>(76,247,355)</u>	-570.88%
Total net position	<u>\$ (40,110,647)</u>	<u>\$ 35,788,878</u>	<u>\$ (75,899,525)</u>	-212.08%

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Year Ended June 30, 2015 (Unaudited)

THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

Total current and long term assets of governmental activities decreased by \$2,963,325. Cash and cash equivalents decreased by \$534,353 and taxes receivable decreased by \$1,101,358. Due from other governments decreased by \$1,363,925, other current assets decreased by \$69,310, and capital assets increased by \$277,141. Current liabilities increased by \$143,287, while long-term liabilities in the form of debt for the energy project improvements and compensated absences payable increased by \$67,771,416. Unrestricted net position, the part of net position that can be used to finance day to day activities without constraints, decreased by \$76,247,355. The increase in long-term liabilities and decrease in unrestricted net positions is due to GASB Statement No. 68 which required districts to state the long term impact of potential retirements.

Table 2 shows the changes in net position for fiscal years 2015 and 2014.

Table 2 – Changes in Net Assets

	2015	2014	Annual Change		Percent of Total
			Amount	Percent	
REVENUES					
Program revenues:					
Charges for services	\$ 1,120,118	\$ 1,355,079	\$ (234,961)	-17.34%	1.16%
Operating grants and contributions	14,774,202	15,395,768	(621,566)	-4.04%	15.35%
General revenues:					
District levy	21,742,335	21,584,840	157,495	0.73%	22.59%
Direct state aid	30,624,576	29,848,309	776,267	2.60%	31.82%
State guaranteed tax base subsidy	12,028,805	11,930,578	98,227	0.82%	12.50%
Other state revenue	3,175,106	2,648,202	526,904	19.90%	3.30%
PERS and TRS support revenue	2,546,608	-	2,546,608		
Federal impact aid revenue	684,863	489,755	195,108	39.84%	0.71%
County retirement distribution	9,240,000	8,551,341	688,659	8.05%	9.60%
Interest and increase in fair market value of investments	375,161	67,815	307,346	453.21%	0.39%
Miscellaneous	848,156	564,515	283,641	50.25%	0.88%
Special item - gain on sale of assets	6,382	(8,955)	15,337	-171.27%	0.01%
Transfers	(921,203)	-	(921,203)		-0.96%
Total revenues	<u>96,245,109</u>	<u>92,427,247</u>	<u>3,817,862</u>	4.13%	100.00%

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2015 (Unaudited)

THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

Table 2 – Changes in Net Assets (Continued)

	2015	2014	Annual Change		Percent of Total
			Amount	Percent	
PROGRAM EXPENSES					
Regular Programs:					
Instructional services	\$ 45,178,652	43,515,567	1,663,085	3.82%	46.40%
Supportive services	4,769,547	4,370,921	398,626	9.12%	4.90%
Education. media services	1,883,827	1,739,098	144,729	8.32%	1.93%
General admin. services	2,006,204	1,815,599	190,605	10.50%	2.06%
School admin. services	4,701,928	4,633,503	68,425	1.48%	4.83%
Business services	2,429,270	2,233,102	196,168	8.78%	2.50%
Operation and maintenance services	9,875,358	9,905,091	(29,733)	-0.30%	10.14%
Special programs:					
Instructional services	13,623,401	13,218,039	405,362	3.07%	13.99%
Supportive services	2,158,060	1,976,045	182,015	9.21%	2.22%
School admin. services	299,565	275,343	24,222	8.80%	0.31%
Student transportation services	891,478	999,788	(108,310)	-10.83%	0.92%
Vocational programs:					
Instructional services	1,802,037	1,789,609	12,428	0.69%	1.85%
Extracurricular activities	1,617,186	1,592,146	25,040	1.57%	1.66%
School food services	4,016,903	3,689,047	327,856	8.89%	4.13%
Student transportation services	1,996,003	1,760,402	235,601	13.38%	2.05%
Resources transferred to other districts	6,515	9,107	(2,592)	-28.46%	0.01%
Interest on long term debt	104,896	110,780	(5,884)	-5.31%	0.11%
Total expenses	<u>97,360,830</u>	<u>93,633,187</u>	<u>3,727,643</u>	3.98%	100.00%
Change in net position	<u>\$ (1,115,721)</u>	<u>\$ (1,205,940)</u>	<u>\$ 90,219</u>	-7.48%	

Governmental Activities

Total property tax levies in the form of a District Levy made up 22.59 percent of revenues for governmental activities for Great Falls School District 1 & A, Cascade County, Great Falls, Montana for fiscal year 2015.

General revenues accounted for \$80,350,789 or 83.49 percent of total revenues. These general revenues increased when compared to fiscal year 2013 by \$4,674,389. This is primarily the result of increases in most of the revenue categories. Total mills to local taxpayers increased by 13.68 mills from the previous year mainly due to an approved levy election which increased the General Fund budgets by \$1,600,000. \$1,000,000 was attributed to new programming and \$600,000 was designated to address the annual increasing costs in the existing budget. Interest income increased due to an increase in fair value from the prior year.

Charges for services, primarily revenue from food services sales, decreased by \$234,961 due to three schools qualifying for the Federal Community Eligibility Provision program, which allowed all students to eat for free, thereby reducing the revenue generated. Additional decreases were due to the reclassification of the Print Center to an internal service fund in fiscal year 2015. Operating grants and contributions decreased by \$621,566, due to less federal and state grants received.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Year Ended June 30, 2015 (Unaudited)

THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

Governmental Activities (Continued)

Instructional service expenses include activities dealing directly with interaction between teachers and students. Instructional service expenses, included in regular, special and vocational program categories, compose 62.25 percent of the district expenses.

	2015	2014	Annual Change		Percent of Total Expenses
			Amount	Percent	
Instructional services					
Regular programs	\$ 45,178,652	\$ 43,515,567	\$ 1,663,085	3.82%	46.40%
Special programs	13,623,401	13,218,039	405,362	3.07%	13.99%
Vocational programs	1,802,037	1,789,609	12,428	0.69%	1.85%
Total instructional services	<u>\$ 60,604,090</u>	<u>\$ 58,523,215</u>	<u>\$ 2,080,875</u>	3.56%	62.25%

The remaining 37.75 percent of district expenses consist of expenses relating to the following support areas: supportive services, educational media services, general administrative services, school administrative services, business services, operation and maintenance services, central services, student transportation services, and school food services.

Supportive services include activities which provide administration, technical and logistical support to enhance instruction including student aides for a day care, playground, study hall, bus aides, guidance services, counseling services, psychological services, speech pathology service, occupational and physical therapy services, curriculum development and staff development services.

Educational media services include activities concerned with the use of teaching and learning resources, audiovisual services, computer assisted instruction and library and media services.

General administrative services include activities of establishing policy by the Board of Trustees and administering policy by the Superintendent in connection with operating the District.

School administrative services include activities concerned with overall administrative responsibility for a group of schools.

Business services include activities concerned with paying for, transporting, exchanging and maintaining goods and services for the School District. Included are fiscal and internal services necessary for operating the School District. The business services portion of the budget increased by \$196,168. This is an 8.78% increase from the previous year.

Operation and maintenance services include activities concerned with keeping the physical plant open, comfortable, and safe for use and in effective working condition and state of repair. The operation and maintenance services portion of the budget decreased by \$29,733. This is a 0.30% decrease from the previous year.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2015 (Unaudited)

THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

Governmental Activities (Continued)

Central services include activities for supporting the School District's information technology system including administrative network, data processing for managerial, administrative and student data analysis.

Student transportation services include activities concerned with the conveyance of students to and from school as provided by State and Federal law. An increase of \$127,291 in student transportation services was due primarily to the increase in homeless students in the District, as the District is required to transport these students to the school they were attending when they became homeless. It is the responsibility of the district to transport them regardless of their new location.

Extracurricular activities include school sponsored activities that are not part of the regular instructional programs and they also include school sponsored athletic sports involving competition between schools. Increased funding in the general fund budget was provided to more accurately express actual costs for these programs. Extracurricular activities spent \$25,040 more than the prior fiscal year, which equates to a 1.57% increase in expenditures.

School food services include activities concerned with providing food to students and staff in a school or school district. It includes the preparation and serving of regular and incidental meals, lunches, or snacks in connection with school activities and the delivery of food. School food services spent \$327,856 more than the prior fiscal year, which is an 8.89% increase, and is due to renovations to food service facilities including a new freezer at CMR High School and minor remodeling to meet health codes in many kitchen and lunchroom areas.

The dependence on tax revenues is apparent. Over 51 percent of the School District's instructional services activities (\$60,604,090) are supported through local taxes (district levy and county retirement distribution) and for all activities, general revenue support is 82.59 percent. The community as a whole is the primary support for Great Falls School District 1 & A, Cascade County, Great Falls, Montana.

The School District's Funds

Information about the activity of the School District's major funds for the fiscal year ended June 30, 2015 begins on page 20. These funds are accounted for using the modified accrual basis of accounting. Governmental funds in total had revenues of \$95,714,140 and expenditures of \$97,248,649, which was an increase of \$3,727,643 in expenditures from the prior year. The excess of expenditures over revenues for the year was \$1,534,509, before other financing uses of \$908,797. This was a planned increase by the District to utilize existing reserves. The use of these funds allowed the District to meet the general operational needs.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Year Ended June 30, 2015 (Unaudited)

GENERAL FUND BUDGETING HIGHLIGHTS

The School District's budget is prepared according to Montana law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. During fiscal year 2014, the School District continued to fine-tune the classification of expenditure accounts based upon recommended State accounting guidelines. Significant budgetary changes in services categories resulted in the process. Program expenditures were reclassified in supportive services, educational media services, and business services, and budget variances compared to the prior fiscal year changed due to the re-categorization of accounts.

CAPITAL ASSETS

At the end of fiscal year 2015, the School District had \$11,583,742 invested in land, buildings, machinery and equipment, net of depreciation.

Table 3 shows fiscal year 2015 balances compared to fiscal year 2014:

Table 3 – Capital Assets (Net of Depreciation)

	2015	2014	Annual Change		Percent of Total
			Amount	Percent	
Land	\$ 1,348,339	\$ 1,348,339	\$ -	0.00%	11.64%
Buildings	8,141,683	8,261,094	(119,411)	-1.45%	70.29%
Machinery and equipment	2,093,720	1,697,168	396,552	23.37%	18.07%
Totals	<u>\$ 11,583,742</u>	<u>\$ 11,306,601</u>	<u>\$ 277,141</u>	2.45%	100.00%

Overall net capital assets increased by \$277,141 when compared to fiscal year 2014. Decreases in the net cost of buildings were mainly the result of depreciation expense, while increases in the net cost of machinery and equipment were the result of purchases made. See notes to the basic financial statements for a breakdown of depreciation expense on page 42.

DEBT ADMINISTRATION

At June 30, 2015, the School District has a long term debt obligation of \$81,664,991. The majority of this debt, \$68,076,185, comes from a required change in how the district is required to document the PERS and TRS pension liabilities. The compensated absences payable of \$7,458,691 is the District's long-term debt accrual for future compensation for unclaimed leave accumulated per law. The remainder of \$6,130,115 comes from low interest energy bonds initiated in 2010 to fund a major energy renovation in the district. These fifteen year bonds are being paid by using the savings in projected energy costs.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2015 (Unaudited)

DEBT ADMINISTRATION (CONTINUED)

Long-term debt balances are as follows:

Compensated absences payable	\$ 7,458,691
Bonds payable	6,130,115
PERS pension liability	9,820,461
TRS pension liability	<u>58,255,724</u>
	<u>\$ 81,664,991</u>

For an analysis of the activity in long-term debt for fiscal year 2015, see the long-term debt note to the basic financial statements beginning on page 43.

CURRENT FINANCIAL ISSUES AND CONCERNS

Great Falls School District 1 & A, Cascade County, Great Falls, Montana, has been a stable and well-managed community institution for many years. Declining enrollment at the high school level, due to demographic shifts felt throughout Montana, continues to have a fiscal impact on the District. The Board of Trustees is dedicated to leadership in human resource development to make Great Falls Public Schools the employer of choice for educators in Montana. The Board also supports a focus on up-to-date technology systems for work and learning, enhanced partnerships with parents and other community organizations, and instructional practices that flex with the times and meet the broad range of students learning needs and aspirations.

The Board of Trustees ran a levy election in June of 2014 for \$1,600,000. The successful passage of this levy allowed for new programming and temporarily addressed the need to access reserves to maintain the same educational program. For the 2015-16 school year, the board chose not to ask the voters for additional funding in the form of a mill levy. This was in part due to the increase in funding from House Bill 27 in the legislature which provided an additional \$1.885 million in State funding for our district. This increase did not completely cover the increasing costs, so the district will be using approximately \$430,000 in reserves to maintain the existing program.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finance and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Brian Patrick, Director of Business Operations, Great Falls School District 1 & A, Cascade County, 1100 4th Street South, Great Falls, MT 59403 or e-mail at brian_patrick@gfps.k12.mt.us.

FINANCIAL STATEMENTS

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
STATEMENT OF NET POSITION
June 30, 2015

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current assets:	
Cash and investments	\$ 23,359,961
Taxes receivable	1,493,827
Due from other governments	1,287,751
Other current assets	1,608
Inventories	259,347
Prepaid expenses	<u>628,598</u>
Total current assets	<u>27,031,092</u>
Noncurrent assets:	
Cash and investments	12,319,103
Capital assets:	
Land and improvements	1,348,339
Buildings and improvements	47,595,287
Machinery and equipment	5,038,949
Less accumulated depreciation	<u>(42,398,833)</u>
Total capital assets, net of depreciation	<u>11,583,742</u>
Total noncurrent assets	<u>23,902,845</u>
Deferred outflows of resources:	
Pension contributions and adjustments	<u>7,420,880</u>
Total deferred outflows of resources	<u>7,420,880</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 58,354,817</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
Current liabilities:	
Other current liabilities	\$ 3,748,174
Unearned revenue	113,521
Current portion of bonds payable	<u>496,401</u>
Total current liabilities	<u>4,358,096</u>
Noncurrent liabilities:	
Compensated absences payable	7,458,691
Bonds payable (net of current portion)	6,130,115
Net OPEB obligation	-
PERS pension liability	9,820,461
TRS pension liability	<u>58,255,724</u>
Total noncurrent liabilities	<u>81,664,991</u>
Deferred inflows of resources:	
Pension adjustments	<u>12,442,377</u>
Total deferred inflows of resources	<u>12,442,377</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>98,465,464</u>
NET POSITION	
Net investment in capital assets	4,957,226
Restricted for:	
Debt service	1,110
Program	17,822,326
Unrestricted	<u>(62,891,309)</u>
TOTAL NET POSITION	<u>(40,110,647)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 58,354,817</u>

The Notes to Financial Statements are an integral part of this statement.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
GOVERNMENTAL ACTIVITIES:					
Regular Programs:					
Instructional services	\$ 45,178,652	\$ 112,404	\$ 71,745	\$ -	\$ (44,994,503)
Supportive services	4,769,547	368	-	-	(4,769,179)
Educational media services	1,883,827	-	-	-	(1,883,827)
General administrative services	2,006,204	-	-	-	(2,006,204)
School administrative services	4,701,928	-	-	-	(4,701,928)
Business services	2,429,270	-	-	-	(2,429,270)
Operation and maintenance services	9,875,358	79,606	-	-	(9,795,752)
Special Programs:					
Instructional services	13,623,401	-	11,173,061	-	(2,450,340)
Supportive services	2,158,060	-	-	-	(2,158,060)
School administrative services	299,565	-	-	-	(299,565)
Student transportation services	891,478	-	-	-	(891,478)
Vocational Programs:					
Instructional services	1,802,037	-	-	-	(1,802,037)
Extracurricular activities	1,617,186	-	-	-	(1,617,186)
School food services	4,016,903	927,740	2,729,037	-	(360,126)
Student transportation services	1,996,003	-	800,359	-	(1,195,644)
Resources transferred to other districts	6,515	-	-	-	(6,515)
Interest on long-term debt	104,896	-	-	-	(104,896)
Total Governmental Activities	<u>\$ 97,360,830</u>	<u>\$ 1,120,118</u>	<u>\$ 14,774,202</u>	<u>\$ -</u>	<u>(81,466,510)</u>

GENERAL REVENUES:

District levy	21,742,335
Direct state aid	30,624,576
State guaranteed tax base subsidy	12,028,805
Other state revenue	3,175,106
PERS and TRS support revenue	2,546,608
Federal impact aid revenue	684,863
County retirement distribution	9,240,000
Interest and increase in fair market value of investments	375,161
Miscellaneous	848,156
Special item - gain on sale of capital assets	6,382
Transfers	<u>(921,203)</u>
Total general revenues	<u>80,350,789</u>
Change in net position	<u>(1,115,721)</u>
Net position at July 1	35,788,878
Prior period adjustments	<u>(74,783,804)</u>
Net position at July 1, as restated	<u>(38,994,926)</u>
Net position at June 30	<u>\$ (40,110,647)</u>

The Notes to Financial Statements are an integral part of this statement.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Miscellaneous Programs Elementary	Impact Aid Elementary	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 11,635,997	\$ 5,002,724	\$ 8,654,865	\$ 10,209,383	\$ 35,502,969
Taxes receivable	1,273,798	-	-	220,029	1,493,827
Due from other governments	-	1,133,852	-	153,899	1,287,751
Other current assets	1,410	-	-	-	1,410
Inventories	146,458	-	-	112,889	259,347
Prepaid expenses	<u>501,249</u>	<u>-</u>	<u>-</u>	<u>127,349</u>	<u>628,598</u>
TOTAL ASSETS	<u>\$ 13,558,912</u>	<u>\$ 6,136,576</u>	<u>\$ 8,654,865</u>	<u>\$ 10,823,549</u>	<u>\$ 39,173,902</u>
LIABILITIES					
Other current liabilities	\$ 3,748,174	\$ -	\$ -	\$ -	\$ 3,748,174
Unearned grant revenue	<u>-</u>	<u>113,521</u>	<u>-</u>	<u>-</u>	<u>113,521</u>
TOTAL LIABILITIES	<u>3,748,174</u>	<u>113,521</u>	<u>-</u>	<u>-</u>	<u>3,861,695</u>
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue for taxes receivable	<u>1,273,798</u>	<u>-</u>	<u>-</u>	<u>220,029</u>	<u>1,493,827</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,273,798</u>	<u>-</u>	<u>-</u>	<u>220,029</u>	<u>1,493,827</u>
FUND BALANCES					
Nonspendable	647,707	-	-	240,238	887,945
Restricted	870,803	-	8,654,865	8,297,768	17,823,436
Committed	6,732,871	-	-	-	6,732,871
Assigned	<u>285,559</u>	<u>6,023,055</u>	<u>-</u>	<u>2,065,514</u>	<u>8,374,128</u>
TOTAL FUND BALANCE	<u>8,536,940</u>	<u>6,023,055</u>	<u>8,654,865</u>	<u>10,603,520</u>	<u>33,818,380</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 13,558,912</u>	<u>\$ 6,136,576</u>	<u>\$ 8,654,865</u>	<u>\$ 10,823,549</u>	<u>\$ 39,173,902</u>

The Notes to Financial Statements are an integral part of this statement.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 June 30, 2015

Total fund balance - governmental funds \$ 33,818,380

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

Capital assets used in governmental activities are not reported as assets in governmental funds. The cost of the assets is \$53,982,575, and the accumulated depreciation is \$42,398,833. 11,583,742

Property taxes receivable expected to be collected in the following year, but are not available soon enough to pay for the current period's expenditures, and therefore are reflected as unearned revenue in governmental funds. 1,493,827

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of compensated absences payable of \$7,458,691, bonds payable of \$6,626,516, the net other post-employment benefits obligation of \$0, the PERS pension liability of \$9,820,461, and the TRS pension liability of \$58,255,724. (82,161,392)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in governmental funds. Deferred outflows for PERS were \$740,033 and TRS were \$6,680,847, for a total of \$7,420,880. Deferred inflows for PERS were \$2,557,960 and TRS were \$9,884,417, for a total of \$12,442,377. (5,021,497)

An internal service fund is used by management to charge the costs of purchasing services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 176,293

Total net position - governmental activities \$(40,110,647)

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	General Fund	Miscellaneous Programs Elementary	Impact Aid Elementary	Other Governmental Funds	Total Governmental Funds
REVENUES					
District levy	\$ 20,117,270	\$ -	\$ -	\$ 2,725,883	\$ 22,843,153
Interest and decrease in fair market value of investments	9,817	119,349	170,026	75,969	375,161
Miscellaneous	-	108,346	-	739,810	848,156
Direct state aid	30,624,576	-	-	-	30,624,576
State guaranteed tax base subsidy	12,028,805	-	-	-	12,028,805
State special education	2,131,500	-	-	-	2,131,500
Other state payments	2,877,178	-	-	297,928	3,175,106
Federal/state/local aid	-	8,462,529	618,763	3,432,987	12,514,279
County reimbursement	-	-	-	9,639,508	9,639,508
State reimbursement	-	-	-	413,778	413,778
Tuition and fees	37,738	-	-	154,640	192,378
Lunch sales	-	-	-	927,740	927,740
Total	<u>67,826,884</u>	<u>8,690,224</u>	<u>788,789</u>	<u>18,408,243</u>	<u>95,714,140</u>
EXPENDITURES					
Current:					
Regular Programs:					
Instructional services	35,882,220	544,900	139,455	7,498,521	44,065,096
Supportive services	4,102,842	280,350	-	333,405	4,716,597
Educational media services	1,691,148	-	-	171,087	1,862,235
General administrative services	1,671,385	-	6,404	250,177	1,927,966
School administrative services	4,189,503	-	-	482,252	4,671,755
Business services	1,952,985	-	76,640	396,325	2,425,950
Operation and mainten- ance services	8,663,245	-	192,154	870,853	9,726,252
Special Programs:					
Instructional services	3,171,979	8,558,747	378,666	1,456,286	13,565,678
Supportive services	1,357,563	760,327	-	-	2,117,890
School administrative services	16,550	282,929	-	-	299,479
Student transportation services	-	-	-	891,116	891,116
Vocational Programs:					
Instructional services	1,729,150	-	-	53,742	1,782,892
Extracurricular activities	1,482,621	-	-	102,428	1,585,049
School food services	-	-	-	3,966,939	3,966,939
Student transportation services	-	-	-	1,996,242	1,996,242
Resources transferred to other districts	-	-	-	6,515	6,515
Capital outlay	246,684	151,271	259,156	406,984	1,064,095
Debt service	576,903	-	-	-	576,903
Total	<u>66,734,778</u>	<u>10,578,524</u>	<u>1,052,475</u>	<u>18,882,872</u>	<u>97,248,649</u>
Excess of revenues over expenditures	<u>1,092,106</u>	<u>(1,888,300)</u>	<u>(263,686)</u>	<u>(474,629)</u>	<u>(1,534,509)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfer in (out)	(766,475)	87,013	-	(241,741)	(921,203)
Sale of capital assets	5	-	-	12,401	12,406
	<u>(766,470)</u>	<u>87,013</u>	<u>-</u>	<u>(229,340)</u>	<u>(908,797)</u>
NET CHANGE IN FUND BALANCE	<u>325,636</u>	<u>(1,801,287)</u>	<u>(263,686)</u>	<u>(703,969)</u>	<u>(2,443,306)</u>
Fund balance at July 1	8,210,237	7,824,342	8,918,551	11,300,084	36,253,214
Prior period adjustment	1,067	-	-	7,405	8,472
Fund balance at July 1, as restated	<u>8,211,304</u>	<u>7,824,342</u>	<u>8,918,551</u>	<u>11,307,489</u>	<u>36,261,686</u>
Fund balance at June 30	<u>\$ 8,536,940</u>	<u>\$ 6,023,055</u>	<u>\$ 8,654,865</u>	<u>\$ 10,603,520</u>	<u>\$ 33,818,380</u>

The Notes to Financial Statements are an integral part of this statement.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
 REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 TO THE STATEMENT OF ACTIVITIES
 For The Year Ended June 30, 2015

Total net change in fund balance - governmental funds \$ (2,443,306)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$1,064,095) exceeds depreciation expense (\$780,930). 283,165

Sale of capital assets in governmental funds represents gross proceeds received from the sale, while the statement of activities reflects the gain on the sale (gross proceeds less net cost). (6,024)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues and are unearned in the governmental funds, but have been recognized as revenue in previous periods in the statement of activities. Unearned tax revenues decreased by this amount this year. (1,100,818)

In the statement of activities, certain operating expenses such as compensated absences are measured by the amounts *earned* during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used or *paid*. This is the amount by which vacation and sick leave earned exceeded the amounts used. (191,632)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 472,007

Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. The net of state pension contribution received (\$2,546,608), less the cost of pension benefits earned that exceeded the employee contributions (\$852,014), is reported within governmental activities. 1,694,594

The net revenue of certain activities of an internal service fund is reported within governmental activities. 176,293

Total change in net position - governmental activities \$ (1,115,721)

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
BALANCE SHEET – INTERNAL SERVICE FUND
June 30, 2015

ASSETS

Cash and investments	\$ 176,095
Other current assets	<u>198</u>
 Total assets	 <u><u>\$ 176,293</u></u>

NET POSITION

Unrestricted	\$ <u>176,293</u>
 Total net position	 <u><u>\$ 176,293</u></u>

The Notes to Financial Statements are an integral part of this statement.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION –
INTERNAL SERVICE FUND
For The Year Ended June 30, 2015

OPERATING REVENUES	
Charges for services	\$ <u>210,180</u>
Total operating revenues	<u>210,180</u>
OPERATING EXPENSES	
Personal services - salaries	132
Personal services - benefits	1
Other purchased services	328
Miscellaneous	<u>33,426</u>
Total operating expenses	<u>33,887</u>
Change in net position	176,293
Net position, beginning of year	<u>-</u>
Net position, end of year	<u>\$ 176,293</u>

The Notes to Financial Statements are an integral part of this statement.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUND
 For The Year Ended June 30, 2015

CASH FLOW FROM OPERATING ACTIVITIES	
Cash received from internal services	\$ 209,982
Cash paid to employees	(133)
Cash paid to suppliers for goods and services	<u>(33,754)</u>
Net cash flows from operating activities	<u>176,095</u>
Net increase in cash and cash equivalents	176,095
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 176,095</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ 176,293
Adjustments to reconcile operating income to net cash flows from operating activities:	
Change in receivables	<u>(198)</u>
Net cash from operating activities	<u>\$ 176,095</u>

The Notes to Financial Statements are an integral part of this statement.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 STATEMENT OF NET POSITION
 FIDUCIARY FUNDS
 June 30, 2015

	Endowment Fund	Miscellaneous Trust Fund	Extracurricular Fund	Interlocal Agreement Fund
ASSETS				
Cash and investments	\$ 467,479	\$ 65,440	\$ 1,273,036	\$ 413,747
Prepaid expenses	-	-	-	50,000
Machinery and equipment	-	-	-	87,608
Less accumulated depreciation	-	-	-	(9,454)
TOTAL ASSETS	<u>467,479</u>	<u>65,440</u>	<u>1,273,036</u>	<u>541,901</u>
LIABILITIES				
Other current liabilities	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION				
Net position held in trust for student scholarships	<u>\$ 467,479</u>	<u>\$ 65,440</u>		
Net position held in trust for student activities			<u>\$ 1,273,036</u>	
Net position held in trust for technology purchases				<u>\$ 125,284</u>
Net position held in trust for collaborative purchasing				<u>\$ 416,617</u>

The Notes to Financial Statements are an integral part of this statement.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
 For the Year Ended June 30, 2015

	Endowment Fund	Miscellaneous Trust Fund	Extracurricular Fund	Interlocal Agreement Fund
ADDITIONS				
Contributions/donations from private sources	\$ -	\$ 8,000	\$ -	\$ 125
Transfers from other funds	-	-	-	921,203
Interest and decrease in fair market value of investments	6,257	1,509	-	-
Student extracurricular activity receipts	-	-	2,256,215	-
Total	<u>6,257</u>	<u>9,509</u>	<u>2,256,215</u>	<u>921,328</u>
DEDUCTIONS				
Instruction	-	-	-	60,687
Technology services	-	-	-	9,765
Operations & maintenance	-	-	-	730,297
Student scholarships	6,327	10,980	-	-
Student extracurricular activity expenses	-	-	2,197,747	-
Total	<u>6,327</u>	<u>10,980</u>	<u>2,197,747</u>	<u>800,749</u>
Change in net position	(70)	(1,471)	58,468	120,579
Net position at July 1	<u>467,549</u>	<u>66,911</u>	<u>1,214,568</u>	<u>421,322</u>
Net position at June 30	<u>\$ 467,479</u>	<u>\$ 65,440</u>	<u>\$ 1,273,036</u>	<u>\$ 541,901</u>

The Notes to Financial Statements are an integral part of this statement.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the District are presented below:

Reporting Entity

The District is a primary government, meeting the criteria embodied in GASB Statement No. 61, "The Financial Reporting Entity" of a separately elected governing body, a separate legal standing, and fiscal independency. The District supplies public education services at all levels below the college and university level and actually consists of two legally separate districts - the high school district and the elementary district. Both districts must be maintained separately per state law because of differences in funding provided by the state legislature, but are under common control of a single school board and therefore reported together on the basic financial statements. The school system was established by an act of the State legislature which designated the school board as the governing authority. Members of the school board are elected by the public. The school board has control over hiring and firing employees, the power to contract for schools, authority to purchase equipment, and control over other day-to-day management functions. The school board is responsible for financing the District's deficit and may issue bonds to finance District construction.

The school board was initially responsible for appointing all of the initial members of the board of directors of the Great Falls Public Schools Foundation, a separate 501(c)(3) organization. After the first year of the Foundation, the school board has the responsibility of appointing only a minority membership of the Foundation's board of directors. The relationship between the District and the Foundation does not presently require inclusion of the activity of the Foundation in the financial statements of the District.

Cascade County provides substantial services to the District. Taxes are levied and collected by the county. A portion of the District's cash is maintained and invested by the county treasurer. However, as management policies of the District are the sole responsibility of the school board, the District is not considered to be a component of the county. The county does not significantly influence the operations of the school system; therefore the District is being treated as a separate and independent unit of local government.

Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenues, and expenditures or expenses, as appropriate. The following funds are maintained by the District:

Governmental Fund Types

General Fund (Elementary and High School) - accounts for revenues and expenditures not included in any other fund.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

Special Revenue Funds

Transportation Fund (Elementary and High School) - accounts for the revenues and expenditures for the District's pupil transportation program.

Food Services Fund (Elementary) - accounts for that portion of the school food services program which is self-supporting, including state and federal reimbursements. Other costs are budgeted for and expended through the General and Retirement Funds.

Tuition Fund (Elementary and High School) – accounts for tuition payments for students who are residents of the District but attend school outside the District.

Retirement Fund (Elementary and High School) - accounts for the employer's contribution to the Teachers' Retirement System, the Public Employees' Retirement System, Unemployment Insurance, and Social Security.

Miscellaneous Programs Fund (Elementary and High School) - accounts for federal and state grant and reimbursement moneys received by the District.

Adult Education Fund (Elementary and High School) - accounts for the revenue and expenditures for the District's adult education program.

Traffic Education Fund (High School) - accounts for the revenues and expenditures for the District's driver education program.

Impact Act (P.L. 874) Fund (Elementary and High School) - accounts for the receipt and expenditure of Public Law 81-874 Impact Aid moneys.

Lease Rental Agreement Fund (Elementary and High School) - accounts for the rental and lease payments received from District owned property and the expenditure of that money for the maintenance of the property.

Compensated Absence Fund (Elementary and High School) - accounts for moneys transferred from the General Fund for the purpose of paying accumulated compensated absence benefits that a nonteaching employee is entitled to upon termination.

Technology Fund (Elementary and High School) - accounts for state grant money received to be used for technology related expenditures.

Flexibility Fund (Elementary and High School) - accounts for state grant and voted levy moneys received for the purpose of paying salaries, operating expenses, building expenses, and purchasing supplies and equipment.

Debt Service Fund (Elementary and High School) - accounts for principal and interest payments on outstanding long-term debt and the revenue derived for this purpose from a property tax levy.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

Capital Projects Funds

Building Fund (Elementary and High School) - accounts for building repair projects and the insurance proceeds received for that purpose.

Building Reserve Fund (Elementary and High School) - accounts for revenue and expenditures for voter approved improvements, remodeling, or construction of District facilities.

Internal Service Fund

Print Center (Elementary) - accounts for the Print Center operations of the District, which provides services on a cost reimbursement basis.

Fiduciary Fund Types

Private Purpose Trust Funds

Endowment Fund (High School) - accounts for endowments received which are to be used for student scholarships, whereby only interest may be used.

Miscellaneous Trust Fund (High School) - accounts for endowments received which are to be used for student scholarships, whereby both principal and interest may be used.

Extracurricular Fund (High School) - accounts for various student activities, such as athletics, clubs, classes, student government organizations, student publications, and other such activities. Separate fund accounts within the Extracurricular Fund are maintained to account for these various activities. Such a fund is established under the authority of Section 20-9-504, MCA. The Fund is administered by School District administrators and faculty members and the student organizations, operating under guidelines and policies established by the board of trustees and the Montana Association of School Business Officials handbook *Guidelines to Student Activity Fund Accounting*.

Interlocal Agreement Fund (Elementary) - accounts for (1) technology purchases to be made in conjunction with other participating school districts and (2) collaborative purchasing between the Elementary and High School districts. Such a fund is established under the authority of Section 20-3-363, MCA.

Agency Funds

Accounts Payable Clearing Fund (High School) - accounts for receipts from operating funds for payment of approved expenditure claims of the District. Cash remaining in this fund at year-end represents warrants issued but not yet presented by the payee for payment. The total of the outstanding warrants are netted against the cash balance of the fund on the basic financial statements.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

Agency Funds (Continued)

Payroll Clearing Fund (High School) - accounts for receipts from operating funds for their portions of payroll costs and the payroll disbursements to employees and state and federal agencies. Cash remaining in this fund at year-end represents warrants issued but not yet presented by the payee for payment. The total of the outstanding warrants are netted against the cash balance of the fund on the basic financial statements.

Under state statutes, the General, Transportation, Tuition, Adult Education, Retirement, Technology, Flexibility, Debt Service, and Building Reserve funds are considered budgeted funds, which means that a budget must be adopted in order to spend any money from the funds. The statutes define the Food Services, Compensated Absence, Traffic Education, Miscellaneous Programs, Lease Rental Agreement, Impact Aid (P. L. 874), Building, Endowment, Extracurricular, Miscellaneous Trust and Interlocal Agreement funds as nonbudgeted funds. A budget is not required to spend money from these funds.

Basis of Presentation

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District's financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole, with the exception of the fiduciary fund types. Any interfund activity has been eliminated to minimize any possible double-counting of such internal activities.

The statement of net position presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Government-wide Financial Statements (Continued)

The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from general revenues of the District. The District's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The emphasis of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. A separate statement is presented for the District's fiduciary funds. Generally accepted accounting principles require the general fund be reported as a major fund, as well as all other governmental funds whose assets, liabilities, revenues, or expenditures exceed 10% or more of the total for all governmental funds. Accordingly, the District reports the general fund, the Elementary District's miscellaneous programs fund, and the Elementary District's impact aid fund as major funds.

Measurement Focus/Basis of Accounting

The government-wide financial statements of the District are reported using the economic resources measurement focus under the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the year for which they are levied. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements of the District are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Revenues are recorded when susceptible to accrual, that is, when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Certain revenues of the District require specific revenue recognition terms. Under this measurement focus, the District considers property taxes as available if they are collected within 30 days after the date the taxes become delinquent. Uncollected property taxes become delinquent each May 31. Therefore, property tax levies collected through June 30 are reported as revenue in the fiscal year ended June 30.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus/Basis of Accounting (Continued)

Amounts not collected by June 30 are reported as unearned revenue. In applying the susceptible to accrual concept to grant revenues, two types of revenues must be considered. In one type, moneys must be expended on the specific purpose or project before any amounts will be paid to the District. Therefore, revenues are recognized based upon the expenditures recorded. In the other type, moneys are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These moneys are recognized as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenues of the District are recognized as revenue when both the measurable and available criteria are met.

Expenditures are recognized when the liability is incurred, except for unmatured interest on general long-term debt.

New Accounting Pronouncement

The District has adopted the provisions of the following GASB pronouncements for the year ended June 30, 2015:

- Statement No. 68 – *Accounting and Financial Reporting for Pensions*. This statement establishes standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement is effective for fiscal years beginning after June 15, 2014.
- Statement No. 71 – *Pension Contributions Made Subsequent to the Measurement Date*. This statement addresses a transition issue related to GASB Statement No. 68 and is also effective for the District's fiscal year ended June 30, 2015. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The statement specifies that these contributions be reported as deferred cash outflows.

Budgets and Budgetary Accounting

A budget is adopted by the board of trustees each fiscal year for the General Fund and those other governmental fund types classified by state law as budgeted funds. A listing of these funds is included above under "Fund Accounting." All budgets are formulated in accordance with state law. The board of trustees must meet on or before August 25 to consider all budget information and must have that final budget adopted by the fourth Monday in August. Budget appropriations not expended or obligated lapse at the end of the fiscal year.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (Continued)

The District's budget is prepared on the basis of accounting described above for the governmental fund financial statements. The legal level of control (the level on which expenditures may not legally exceed appropriations) is at the fund level. The General Fund budget is based on the state's BASE aid, which is designed to equalize taxing effort throughout the state and bases the budgets primarily on enrollment. Budgets of other funds are based primarily on estimated expenditures and revenues. Budgeted fund expenditures are limited by state law to budgeted amounts, except that they can be increased for emergencies as defined by state law. Transfers may be made between expenditure objects and/or functions within the same fund.

Cash and Investments

All cash and investments of the District's funds, including the cash and investments of the Extracurricular Fund, are held by First Interstate Bank, the county treasurer, and the Big Sky Investment Pool managed by First Interstate Bank.

Capital Assets

All purchased capital assets are valued at historical cost where historical cost records are available and at estimated historical cost where no historical records exist. Purchases of capital assets with a cost of \$5,000 or greater are included as additions to capital assets. Donated capital assets are recorded at estimated fair market value as of the date received. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Machinery and equipment	5-15 years

Inventories

Inventories of food are valued at cost and expensed when used in operations. Inventories of materials and supplies are also valued at cost and expensed when used in operations.

Liability for Compensated Absences

Compensated absences for vacation and sick leave are recorded as expenditures in the governmental funds when taken. Vacation leave, within certain limitations, may be payable to the employee on termination. Sick leave is accumulated for administrative, certified (teaching) and classified (non-teaching) employees at the rate of 12 working days for each year of service. Part-time employees are entitled to prorated benefits upon fulfillment of the qualifying period of time. Upon termination, classified employees are eligible for compensation at one-fourth of the accumulated sick leave amount.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable

Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted

Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed

Amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees. The Board of Trustees is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through a majority vote on a motion proposed by the Board of Trustees.

Assigned

Amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. Intent can be expressed by the Board of Trustees or by the District's superintendent of schools to which the Board of Trustees delegates that authority.

Unassigned

All other spendable amounts that are not categorized in the above fund balance categories.

The requirements of GASB No. 54 include the restatement of fund balances for reporting on the fund financial statements if a substantial portion of inflows into a special revenue fund are not derived from restricted or committed revenue sources. Of the inflows into the Elementary and High School District's compensated absences funds, a substantial portion is not derived from restricted or committed revenue sources.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Interfund Transactions

During the course of its operations, the District has transaction between funds for Print Center activities. These transactions are generally recorded as charges for services revenue and operations expenditures. These transactions are eliminated in the government-wide financial statements.

NOTE 2. CASH AND INVESTMENTS

Montana statutes authorize the District to invest in direct obligations of the United States government; in savings or time deposits in a state or national bank, building or loan association, savings and loan association, or credit union located in the state and insured by the FDIC, FSLIC, or NCUA; in repurchase agreements or in the State Short-Term Investment Pool (S.T.I.P.).

A portion of the cash and investments of the District are held by the county treasurer in the District's name. These monies are not invested in the County pool, and are not generating any investment income for the District. The remaining portion of the District's cash and investments are held in checking accounts, certificates of deposit, and repurchase agreements managed by First Interstate Bank as part of the Big Sky Investment Pool, a unified investment program established and sponsored by the Montana School Boards Association (MTSBA) for participation by MTSBA member school districts under the auspices of and in compliance with MCA Title 7, Chapter 11 (the provisions governing interlocal cooperative agreements) and MCA Title 20, Chapter 9, Part 7 (educational cooperative agreements). The pool is not SEC-registered. Investments of the Big Sky Investment Pool consist of U. S. Government money market funds and U. S. Government Agency Securities. The District receives a pro-rata share of investment earnings from both the county-wide and Big Sky pool at each distribution date. Under generally accepted accounting principles, the District is required to comply with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools." This pronouncement requires governmental entities to record certain investments in external investment pools at fair value, rather than historical cost. The District's investment in U.S. Government Securities is shown at fair value, with the current period's net increase in fair value of \$304,800 being included with interest income on the Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

At June 30, 2015, the District's cash and investments consisted of the following:

Investment Type	Fair Value	Investment Maturities Less than 1-Year	1-5 Years
County-wide investment pool	\$ 383,591	\$ 383,591	\$ -
Checking accounts	6,445,667	6,445,667	-
Certificates of deposit	1,931,770	853,755	1,078,015
Repurchase agreements	14,013,888	14,013,888	-
U.S. government money market funds	3,067,530	3,067,530	-
U.S. government agencies	<u>12,056,320</u>	<u>815,232</u>	<u>11,241,088</u>
	<u>\$ 37,898,766</u>	<u>\$ 25,579,663</u>	<u>\$ 12,319,103</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District follows Montana State law as it pertains to the type of investments in the District portfolio.

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Obligations of or guaranteed by the U.S. government do not require disclosure of credit quality. Investments within S.T.I.P. have credit risk as measured by major credit rating services. This risk is that the issuer of a S.T.I.P. investment may default in making timely principal and interest payments. The Montana Board of Investment's policy requires that S.T.I.P. investments have the highest investment grade rating in the short-term category by at least one Nationally Recognized Statistical Rating Organization (NRSRO). The three NRSRO's recognized by S.T.I.P. include Standard and Poor's (S&P), Moody's, and Fitch. The short-term credit ratings presented below for S.T.I.P. in total are provided by S&P's rating services. An A1+ rating is the highest short-term rating by the S&P rating service. If a S.T.I.P. investment received a long-term rating, such as AAA, this rating was converted to a short-term rating. If an S&P rating is not available, a Moody's rating has been used.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Credit Quality Ratings for S.T.I.P. as of June 30, 2015:

Investment Type	Fair Value	Credit Quality Rating
Asset Backed Commercial Paper	\$ 779,579,000	A1
Corporate Commercial Paper	101,299,000	A1
Corporate Variable-Rate	571,672,000	A1+
Certificates of Deposit Fixed	150,000,000	A1
Certificates of Deposit Variable	450,000,000	A1+
Other Asset Backed	27,821,000	NR
U.S. Government Agency Fixed	54,498,000	A1+
U.S. Government Agency Variable	239,008,000	A1+
Money Market Funds (Unrated)	161,592,000	NR
Money Market Funds (Rated)	<u>3,000,000</u>	<u>A1+</u>
	<u>\$ 2,538,469,000</u>	<u>A1</u>

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2015, none of the District's deposits were uninsured and uncollateralized.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District does not have a formal investment policy limiting the amount the District may invest in any one issuer. As there is minimal credit risk associated with investments issued or guaranteed by the U.S. Government, no disclosure of concentration of credit risk is required for these investments. The S.T.I.P. investment policy adopted by the Montana Board of Investments specifies concentration of credit risk exposure by limiting portfolio investment types by 2% per issuer or 3% if the amount is greater than 2% and matures within seven days. Investments explicitly guaranteed by the U.S. Government are excluded from the concentration of credit risk requirement. In October 2008, the U.S. Government extended the explicit guarantee to certain government agencies such as Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (FHLMC-Freddie Mac). Given the explicit guarantee extension, the Board had no concentration of credit risk exposure to Fannie Mae and Freddie Mac in S.T.I.P.

Investments of the S.T.I.P. include certain derivative-type investments, such as asset-backed securities and variable-rate securities.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
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June 30, 2015

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk (Continued)

The asset-backed securities are collateralized by non-mortgage assets pledged by the issuer, and have one or more forms of credit enhancement to raise the quality of the security. Asset-backed securities have less credit risk than do securities not backed by pledged assets, while market risk for asset-backed securities is the same as market risk for similar nonasset-backed securities. Asset-backed securities make up 31.81% of the total S.T.I.P. assets at June 30, 2015.

The variable-rate securities are designed to minimize the investor's interest rate risk by periodically resetting the interest rate to either the prime rate or the London Interbank Offering Rate. Variable-rate securities have credit risk identical to similar fixed-rate securities, while their market risk is less volatile than fixed-rate securities because their value will usually remain at or near par as a result of their interest rates being periodically reset to maintain a current market yield. Variable-rate securities make up 49.66% of the total S.T.I.P. assets at June 30, 2015.

NOTE 3. PROPERTY TAXES RECEIVABLE

The District is permitted by state statutes to levy taxes for various purposes. Property taxes are levied in August of each fiscal year, based on the assessed value as of the prior January 1. Taxes are normally billed in October and are payable 50% by November 30 and 50% by May 31. Property tax lien dates are December 1 and June 1. The taxes levied by the District for the year ended June 30, 2015 were properly established and were within the legal limits as approved by the voters. Property taxes are accounted for and collected by the county treasurer.

As described in Note 1, property taxes are recorded as receivable when they are billed by the county treasurer. Amounts not collected by June 30, but expected to be received in the future, are reported as revenue in the government-wide financial statements when billed and as unearned revenue in the governmental fund financial statements.

Protested taxes are also recorded as receivable when the original assessment is billed by the county treasurer as the District is not entitled to receive any of the protested amount until the protest is settled.

Uncollected property taxes are attached as an enforceable lien on the underlying property. After a period of three years, Cascade County, the collecting agent, may begin foreclosure proceedings and sell the property at auction. The District receives its share of the sale proceeds from Cascade County. No allowance for uncollectible property taxes is reflected in the basic financial statements as the District considers all property taxes receivable at June 30, 2015 to be fully collectible.

GREAT FALLS SCHOOL DISTRICT 1 & A
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 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015

NOTE 4. DUE FROM OTHER GOVERNMENTS

Due from other governments of \$1,287,751 consists of \$1,133,852 due to the Elementary District's miscellaneous programs fund and \$82,154 due to the High School District's miscellaneous programs fund from federal grantor agencies, via the State of Montana's Office of Public Instruction, and \$71,745 due to the High School District's traffic education fund from the State of Montana's Office of Public Instruction.

NOTE 5. INVENTORIES

Inventories of the general fund and the Elementary District's food services fund totaling \$259,347 consist of the following:

	General	Food Services
Paper supplies	\$ 50,844	\$ -
Custodial/miscellaneous supplies	45,191	-
Technology supplies	50,423	-
Food (non-O.P.I)	-	62,992
Food supplies	-	49,897
	\$ 146,458	\$ 112,889

NOTE 6. PREPAID EXPENSES

Prepaid expenses of \$628,598 consist of \$531,249 liability insurance premiums paid in June 2015 to provide coverage during the 2015-2016 fiscal year, and \$97,349 annual support fees paid in June 2015 to provide technology support during the 2015-2016 fiscal year. The \$531,249 liability insurance premiums consist of \$501,249 of the general fund and \$30,000 of the High School District's impact aid fund. The \$97,349 annual support fees consist of \$65,224 of the Elementary District's technology fund and \$32,125 of the High School District's technology fund.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015

NOTE 7. CAPITAL ASSETS

A summary of activity in capital assets is as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 1,348,339	\$ -	\$ -	\$ 1,348,339
Total capital assets not being depreciated	<u>1,348,339</u>	<u>-</u>	<u>-</u>	<u>1,348,339</u>
Capital assets being depreciated:				
Buildings	47,249,395	345,892	-	47,595,287
Machinery and equipment	<u>4,338,014</u>	<u>718,203</u>	<u>(17,268)</u>	<u>5,038,949</u>
Total capital assets being depreciated	51,587,409	1,064,095	(17,268)	52,634,236
Less accumulated depreciation:				
Buildings	(38,988,301)	(465,303)	-	(39,453,604)
Machinery and equipment	<u>(2,640,846)</u>	<u>(315,627)</u>	<u>11,244</u>	<u>(2,945,229)</u>
	<u>(41,629,147)</u>	<u>(780,930)</u>	<u>11,244</u>	<u>(42,398,833)</u>
Capital assets being depreciated, net	<u>9,958,262</u>	<u>283,165</u>	<u>(6,024)</u>	<u>10,235,403</u>
Capital assets, net	<u>\$ 11,306,601</u>	<u>\$ 283,165</u>	<u>\$ (6,024)</u>	<u>\$ 11,583,742</u>

Depreciation expense was charged to functions as follows:

Instructional services	\$ 508,536
Supportive services	4,776
General administrative services	64,875
Business services	685
Operation and maintenance services	134,646
Extracurricular activities	19,872
School food services	<u>47,540</u>
Total depreciation expense	<u>\$ 780,930</u>

The deletions total in the above schedule consists of the reduction in the cost of machinery and equipment of \$17,268 due to its disposal during fiscal year 2015, and the related reduction in accumulated depreciation of \$11,244.

NOTE 8. OTHER CURRENT LIABILITIES

Other current liabilities as of June 30, 2015 of \$3,748,174 consist of payroll-related liabilities.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015

NOTE 9. LONG-TERM DEBT

Long-Term Debt Transactions

The following is a summary of long-term debt transactions of the District for the fiscal year ended June 30, 2015:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015
Compensated absences payable	\$ 7,267,059	\$ 191,632 *	\$ -	\$ 7,458,691
Bonds payable	<u>7,098,523</u>	<u>-</u>	<u>(472,007)</u>	<u>6,626,516</u>
Total	<u>\$ 14,365,582</u>	<u>\$ 191,632</u>	<u>\$ (472,007)</u>	<u>\$ 14,085,207</u>

* This is the net increase to compensated absences payable.

Special Improvement District Assessment

The District is charged a special improvement district assessment annually by the City of Great Falls. The District's assessment is for street maintenance, lighting, and curb and gutter improvements made on District owned property. Payments are made from the general funds of both the Elementary and High School Districts.

Compensated Absences Payable

Compensated absences payable, representing vacation and sick leave benefits earned by employees and payable upon termination, are \$7,458,691 and are recorded as a liability in the government-wide financial statements. As benefits earned during the next fiscal year are expected to be used by employees before any accrued benefits, benefits payable at June 30, 2015 are considered a long-term liability. Payment of benefits is expected to be made out of the compensated absences funds of the Elementary and High School Districts.

Bonds Payable

The District issued \$8,365,000 in Qualified School Construction Bonds, \$6,510,000 in the Elementary District and \$1,855,000 in the High School District, to provide financing for the installation and construction of certain energy efficiency improvements to be installed at all facilities within the District. The obligation of the District to make payments on the bonds shall be a limited general obligation payable from any legally available funds as provided under Section 20-9-471, MCA. Unlike general obligation bonds, the full faith and credit and taxing power of the District is not pledged to the repayment of the bonds. The bonds are payable only from money available in the general fund or any other legally available fund of the District, but the District cannot increase mill levies to pay debt service on the bonds. The District anticipates energy cost savings to be sufficient to service the bond debt.

GREAT FALLS SCHOOL DISTRICT 1 & A
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 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015

NOTE 9. LONG-TERM DEBT (CONTINUED)

As the bonds are issued as Qualified School Construction Bonds under Section 54F of the Internal Revenue Code of 1986 (the Code), the bonds are classified as “specified tax credit bonds” within the meaning of Section 6431(f)(3) of the Code. This results in the District being entitled to a credit provided in Section 6431(f). As such, the District’s effective interest rate due on the outstanding principal owed on the bonds is reduced from 6.35% per annum to 1.09% per annum. For the fiscal year ended June 30, 2015, the effective interest rate was slightly higher due to the government sequester reduction, which resulted in a reduced subsidy payment of 7.3%. The effect of the government sequester on fiscal year 2016 is anticipated to be 6.8%.

Bonds payable as of June 30, 2015 are as follows:

<u>Date of Issue</u>	<u>Term</u>	<u>Effective Interest Rate</u>	<u>Annual Serial Payment</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding 6/30/15</u>	<u>Current Portion</u>
<u>Elementary</u>							
4/27/2011	15 years	1.09%	Varies	\$ 6,510,000	\$ (1,352,962)	\$ 5,157,038	\$ 386,320
<u>High School</u>							
4/27/2011	15 years	1.09%	Varies	1,855,000	(385,522)	<u>1,469,478</u>	<u>110,081</u>
Total bonds payable						<u>\$ 6,626,516</u>	<u>\$ 496,401</u>

The annual requirements to amortize all bond debt outstanding as of June 30, 2015, including interest payments of \$428,584, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 496,401	\$ 70,880	\$ 567,281
2017	521,736	65,400	587,136
2018	548,044	59,642	607,686
2019	575,360	53,594	628,954
2020	603,723	47,246	650,969
2021-2025	3,483,319	129,653	3,612,972
2026	<u>397,933</u>	<u>2,169</u>	<u>400,102</u>
Total	<u>\$ 6,626,516</u>	<u>\$ 428,584</u>	<u>\$ 7,055,100</u>

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS

The District has adopted the provisions of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," which requires the District to accrue other post-employment benefits (OPEB) expense related to its post-retirement healthcare plan based on a computed annual required contribution (ARC) that includes the current period's service cost and an amount to amortize unfunded actuarial accrued liabilities. Instead of recording expense on a "pay-as-you-go" basis, the District, under GASB No. 45, records a liability for the difference between the actuarially calculated ARC and the estimated contributions made since the adoption of GASB No. 45. The actuarially calculated OPEB liability as of June 30, 2015 is \$-0-, which is no change from the balance as of June 30, 2014.

The basis for the annual OPEB cost (expense) is the annual required contribution (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Great Falls Public Schools Health Plan (the Health Plan) is a single-employer defined benefit healthcare plan administered by the District. The Health Plan provides medical and prescription drug benefits for retirees and their spouses. The Health Plan's actuary is Healthcare Actuaries. The Health Plan does not issue a separate stand-alone financial report.

The District's board of trustees establishes, and may amend, the contribution requirements of members of the Health Plan. Early retirees pay 100% of the composite active, retiree, and COBRA rate set by Cigna, minus the premium buy-down, which does not vary by number of dependents covered. Medicare retirees pay 100% of the Medicare rate set by Cigna, minus the premium buy-down with an additional premium required for dependents.

For the fiscal year ended June 30, 2015, the District contributed \$212,460 to the Health Plan. The District's contribution was entirely to fund "pay-as-you-go" costs under the Health Plan and not to pre-fund benefits. In addition, for the year ended June 30, 2015, members of the Health Plan who are currently receiving benefits contributed \$1,230,351.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
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 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The following displays the components of the annual OPEB cost, the estimated amount contributed to the Health Plan, and changes in the net OPEB obligation to the Health Plan for the year ended June 30, 2015:

Normal cost - Unit Credit Method	\$ 212,460
Amortization of unfunded actuarial accrued liability (UAAL)	-
Amortization of unfunded actuarial accrued liability (UAAL) at transition	-
Annual Required Contribution (ARC)	212,460
Interest on net OPEB obligation	-
Plan amendment	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	212,460
Contributions made	<u>(212,460)</u>
Decrease in net OPEB obligation	-
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	<u><u>\$ -</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Health Plan, and the net OPEB obligation are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 212,460	100.0%	\$ -
6/30/2014	857,698	100.0%	-
6/30/2013	302,179	100.0%	-

The funded status of the Health Plan as of June 30, 2015, is as follows:

Actuarial accrued liability (AAL) - Unit Credit	\$ 1,469,564
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,469,564</u>
Funded ratio (actuarial value of plan assets) by AAL)	n/a
Covered payroll	\$ 41,733,596
UAAL as a percentage of covered payroll	3.5%

GREAT FALLS SCHOOL DISTRICT 1 & A
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GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions

The basis of projections of benefits for financial reporting purposes is the substantive plan (the Health Plan as understood by the District and members of the Health Plan) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and members of the Health Plan to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The most current actuarial valuation, as of June 30, 2015, used the unit credit actuarial cost method. The actuarial assumptions included a 3.27% investment rate of return (net of administrative expenses) and an initial annual pre-Medicare healthcare cost trend rate of 9.0% for medical/pharmacy to an ultimate rate of 3.8% after 60 years. The initial Medicare healthcare cost trend is 7.0% to an ultimate trend rate of 3.8% after 6 years. All trend rates include a 3.0% inflation assumption. The unfunded actuarial accrued liability (UAAL) is recalculated each year and amortized as a level dollar amount on an open basis over 24 years.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. GASB 45 requires that the schedule of funding progress, presented as required additional information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of Health Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015

NOTE 11. FUND BALANCE

As of June 30, 2015, fund balances are comprised of the following:

	<u>General Fund</u>	<u>Miscellaneous Programs Elementary</u>	<u>Impact Aid Elementary</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
NONSPENDABLE					
Inventories	\$ 146,458	\$ -	\$ -	\$ 112,889	\$ 259,347
Prepaid items	501,249	-	-	127,349	628,598
RESTRICTED					
Student transportation services	-	-	-	1,322,063	1,322,063
School food service	-	-	-	849,714	849,714
Retirement costs	-	-	-	1,561,994	1,561,994
Vacation/sick leave costs	870,803	-	-	-	870,803
Adult education services	-	-	-	371,093	371,093
Traffic education services	-	-	-	462,491	462,491
Facility rental	-	-	-	13,084	13,084
Technology costs	-	-	-	1,209,685	1,209,685
Debt service	-	-	-	1,110	1,110
Building costs	-	-	-	1,415,629	1,415,629
Education services to federally connected children	-	-	8,654,865	787,010	9,441,875
Other purposes	-	-	-	303,895	303,895
COMMITTED					
Budgetary reserves - instruction	6,732,871	-	-	-	6,732,871
ASSIGNED					
Instructional services	38,049	6,023,055	-	2,065,514	8,126,618
Supportive services	13,499	-	-	-	13,499
School administrative services	11,395	-	-	-	11,395
Business services	158,688	-	-	-	158,688
Operation and maintenance services	<u>63,928</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,928</u>
Total fund balances	<u>\$ 8,536,940</u>	<u>\$ 6,023,055</u>	<u>\$ 8,654,865</u>	<u>\$ 10,603,520</u>	<u>\$ 33,818,380</u>

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015

NOTE 12. RETIREMENT PLANS

Pension Amounts Total for Employer – Employer’s proportion of TRS and PERS pension amounts combined

	The employer's proportionate share associated with TRS	The employer's proportionate shared associated with PERS	The employer's total pension amounts
Total pension liability	\$ 196,516,674	\$ 10,279,535	\$ 206,796,209
Fiduciary net position	\$ 138,260,950	\$ 459,074	\$ 138,720,024
Net pension liability	\$ 58,255,724	\$ 9,820,461	\$ 68,076,185
Deferred outflows of resources	\$ 6,680,847	\$ 740,033	\$ 7,420,880
Deferred inflows of resources	\$ 9,884,417	\$ 2,557,960	\$ 12,442,377
Pension expense	\$ 5,600,065	\$ 776,224	\$ 6,376,289

**Teachers Retirement System
 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, Pension Expense, Deferred Inflows and Deferred Outflows of resources associated with pensions. 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.

	<u>Net Pension Liability as of June 30, 2013</u>	<u>Net Pension Liability as of June 30, 2014</u>	<u>Percent of Collective NPL</u>
GREAT FALLS SCHOOL DISTRICT 1 & A Proportionate share	\$ 67,336,212	\$ 58,255,724	3.7857%
STATE OF MONTANA Proportionate share associated with employer	<u>46,118,784</u>	<u>39,899,529</u>	<u>2.5928%</u>
Total	<u>\$ 113,454,996</u>	<u>\$ 98,155,253</u>	<u>6.3785%</u>

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE 12. RETIREMENT PLANS (CONTINUED)

Net Pension Liability (Continued)

At June 30, 2015, the employer recorded a liability of \$58,255,724 for its proportionate share of the Net Pension Liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The employer's proportion of the net pension liability was based on the employer's contributions received by TRS during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of TRS' participating employers. At June 30, 2014, the employer's proportion was 3.7857 percent.

Changes in Actuarial Assumptions and Methods

The following changes in assumptions or other inputs that affected the measurement of the Total Pension Liability have been made since the previous measurement date.

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

Changes in Benefit Terms

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

Changes in Proportionate Share

There were no changes between the measurement date of the collective net pension liability and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

GREAT FALLS SCHOOL DISTRICT 1 & A
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 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015

NOTE 12. RETIREMENT PLANS (CONTINUED)

Pension Expense

	Pension Expense as of June 30, 2014
GREAT FALLS SCHOOL DISTRICT 1 & A	
Proportionate share	\$ 3,365,836
STATE OF MONTANA	
Proportionate share associated with employer	2,234,229
	\$ 5,600,065

At June 30, 2015, the employer recognized a Pension Expense of \$5,600,065 for its proportionate share of the TRS' pension expense. The employer also recognized grant revenue of \$2,234,229 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the employer.

Recognition of Beginning Deferred Outflow – GASB 71

At June 30, 2015, the employer recognized a beginning deferred outflow of resources for the employers FY 2014 contributions of \$4,458,510.

Deferred Inflows and Outflows

At June 30, 2015, the employer reported its proportionate share of TRS' deferred outflows of resources and deferred inflows of resources related to TRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 576,284	\$ -
Changes in actuarial assumptions	1,320,321	-
Differences between projected and actual investment earnings	-	9,022,998
Difference between actual and expected contributions	-	861,419
Changes in proportion	N/A	N/A
*Contributions paid to TRS subsequent to the measurement date - FY 2015 Contributions	4,784,242	\$ -
Total	\$ 6,680,847	\$ 9,884,417

*Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

GREAT FALLS SCHOOL DISTRICT 1 & A
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 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015

NOTE 12. RETIREMENT PLANS (CONTINUED)

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

Year ended June 30:	Deferred Outflows of Resources (a)	Deferred Inflows of Resources (b)	Amount recognized in Pension Expenses as an increase or (decrease) to Pension Expense (a) - (b)
2016	\$ 632,202	\$ 2,471,104	\$ (1,838,902)
2017	632,202	2,471,104	(1,838,902)
2018	632,202	2,471,104	(1,838,902)
2019	-	2,471,104	(2,471,104)
2020	-	-	-
Thereafter	-	-	-

Plan Description

Teachers' Retirement System (TRS or the System) is a mandatory-participation, multiple-employer cost-sharing defined-benefit public pension plan that provides retirement services to individuals employed as teachers, administrators, and in other professional and skilled positions employed in public education in Montana.

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

Summary of Benefits

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

- Tier Two uses a 5-year average final compensation (as opposed to 3-year AFC in Tier One)
- Tier Two provides for unreduced service retirement benefits at age 60 with 5 years of creditable service or at age 55 with at least 30 years of creditable service (rather than at age 60 with 5 years of service or at any age with creditable service in 25 years in Tier One)

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NOTE 12. RETIREMENT PLANS (CONTINUED)

Summary of Benefits (Continued)

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

A guaranteed annual benefit adjustment (GABA) is payable on January 1st of each calendar year for each retiree who has received at least 36 monthly retirement benefit payments prior to that date. The GABA is applicable to both Tier One and Tier Two members. The GABA calculated prior to July 1, 2013, was 1.5% of the benefit payable as of January 1st. Effective July 1, 2013, the GABA to be calculated for Tier One and Tier Two members each year may vary from 0.5% to 1.5% based on the retirement system's funding status and the period required to amortize any unfunded accrued actuarial liability as determined in the prior actuarial valuation. The legislative enactment that allows for reduction of the GABA for Tier One members is currently being litigated. A temporary restraining order requires continued calculation of the GABA at the full 1.5% rate for Tier One members pending resolution of the litigation.

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

MCA 19-20-605 requires each employer to contribute 9.85% of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position. Pursuant to MCA 19-20-609, this amount shall increase by 1.00% for fiscal year 2014 and increase by 0.10% each fiscal year through 2024 until the total employer contribution is equal to 11.85% of re-employed retiree compensation.

The tables on the next page show the history of legislated contributions for TRS members, employers, and the State.

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NOTE 12. RETIREMENT PLANS (CONTINUED)

Overview of Contributions (Continued)

	School District and Other Employers			Total Employee & Employer
	Members	Employers	General Fund	
Prior to July 1, 2007	7.15%	7.47%	0.11%	14.73%
July 1, 2007 to June 30, 2009	7.15%	7.47%	2.11%	16.73%
July 1, 2009 to June 30, 2013	7.15%	7.47%	2.49%	17.11%
July 1, 2013 to June 30, 2014	8.15%	8.47%	2.49%	19.11%
July 1, 2014 to June 30, 2015	8.15%	8.57%	2.49%	19.21%
July 1, 2015 to June 30, 2016	8.15%	8.67%	2.49%	19.31%
July 1, 2016 to June 30, 2017	8.15%	8.77%	2.49%	19.41%
July 1, 2017 to June 30, 2018	8.15%	8.87%	2.49%	19.51%
July 1, 2018 to June 30, 2019	8.15%	8.97%	2.49%	19.61%
July 1, 2019 to June 30, 2020	8.15%	9.07%	2.49%	19.71%
July 1, 2020 to June 30, 2021	8.15%	9.17%	2.49%	19.81%
July 1, 2021 to June 30, 2022	8.15%	9.27%	2.49%	19.91%
July 1, 2022 to June 30, 2023	8.15%	9.37%	2.49%	20.01%
July 1, 2023 to June 30, 2024	8.15%	9.47%	2.49%	20.11%

TRS Stand-Alone Statements

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

Actuarial Assumptions

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

- Total Wage Increases* 8.51%
- Investment Return 7.75%
- Price Inflation 3.25%
- Postretirement Benefit Increases 1.50%
(starting three years after retirement)
- Mortality among contributing members, service retired members, and beneficiaries
 - For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.

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NOTE 12. RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions (Continued)

- For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.
- Mortality among disabled members
 - For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.
 - For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

*Total Wage Increases include 4.00% general wage increase assumption and 4.51% merit and longevity increases.

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. In addition to the contributions the State general fund will contribute \$25 million annually to the System payable July 1st of each year. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2116. 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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Real Rate of Return Arithmetic Basis</u>
Broad U.S. Equity	36.00%	4.80%
Broad International Equity	18.00%	6.05%
Private Equity	12.00%	8.50%
Intermediate Bonds	23.40%	1.50%
Core Real Estate	4.00%	4.50%
High Yield Bonds	2.60%	3.25%
Non-Core Real Estate	<u>4.00%</u>	7.50%
	<u>100.00%</u>	

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NOTE 12. RETIREMENT PLANS (CONTINUED)

Target Allocations (Continued)

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

Sensitivity Analysis

	1.0% Decrease (6.75%)	Current Discount Rate	1.0% Increase (8.75%)
The employer's proportion of Net Pension Liability	\$ 80,935,728	\$ 58,255,724	\$ 39,094,608

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

Summary of Significant Accounting Policies

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

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NOTE 12. RETIREMENT PLANS (CONTINUED)

Public Employees Retirement System

Plan Description

The PERS-Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan 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). For members that choose to join the PERS-DCRP or the MUS-RP, a percentage of the employer contributions will be used to pay down the liability of the PERS-DBRP.

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service.

Summary of Benefits

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;

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as part of a member's highest average compensation.

Eligibility for Benefit

Service retirement:

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

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

Early retirement, actuarially reduced:

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

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

Vesting: Age 55, 5 years of membership service

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NOTE 12. RETIREMENT PLANS (CONTINUED)

Summary of Benefits (Continued)

Monthly Benefit Formula

Members hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
- 30 years or more of membership service: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)*

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007
- 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.

*At this time, as a result of permanent injunction issued in the AMRPE vs State litigation, the GABA rate in effect is being used in the calculation. Clarification of the GABA rate for members hired on or after July 1, 2013, is pending.

Total Number of Members (Employees) Covered By Benefit Terms as of June 30, 2015

1. Active plan members: 28,237
2. Inactive members entitled to but not yet receiving benefits or a refund:
 - Vested: 2,925
 - Non-vested: 8,839
3. Inactive members and beneficiaries currently receiving benefits:
 - Service Retirements: 20,080
 - Disability Retirements: 176
 - Survivor Benefits: 425

Overview of Contributions

1. Rates are specified by state law for periodic employer and employee contributions. The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
 - a. Plan members are required to contribute 7.90% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.

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NOTE 12. RETIREMENT PLANS (CONTINUED)

Overview of Contributions (Continued)

- b. The 7.90% member contributions is 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 following the reduction of both the additional employer and additional member contribution rates.
3. Employer contributions to the system:
- a. State and University System employers are required to contribute 8.27% of members' compensation.
 - b. Local government entities are required to contribution 8.17% of members' compensation.
 - c. School district employers contributed 7.90% of members' compensation.
 - d. Following the 2013 Legislative Session, PERS-employer contributions were temporarily increased. Effective July 1, 2013, employer contributions increased 1.0%. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The employer additional contributions including the 0.27% added in 2007 and 2009, terminates on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates.
 - e. Effective July 1, 2013, the additional employer contributions for DCRP and MUS-RP is allocated to the defined benefit plan's Plan Choice Rate unfunded liability.
 - f. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
4. Non Employer Contributions
- a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
 - b. Not Special Funding
 - i. The State contributes from the Coal Tax Severance fund.

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NOTE 12. RETIREMENT PLANS (CONTINUED)

Stand-Alone Statements

The PERS financial information is reported in the Public Employees' Retirement Board's Comprehensive Annual Financial Report for the fiscal year ended. It is available from the PERB at 100 North Park, PO Box 200131, Helena MT 59620-0131, 406-444-3154. CAFR information including our stand alone financial statements can be found on our website at <http://mpera.mt.gov/annualreports.shtml>. The latest actuarial valuation and experience study can be found at our website at <http://mpera.mt.gov/actuarialvaluations.asp>.

Actuarial Assumptions

The Total Pension Liability as of June 30, 2014, is based on the results of an actuarial valuation date of June 30, 2014. There were several significant assumptions and other inputs used to measure the Total Pension Liability. The actuarial assumptions used in the June 30, 2014, valuation were based on the results of the last actuarial experience study, dated May 2010, for the six-year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

- General Wage Growth* 4.00%
- *includes Inflation at 3.00%
- Merit Increases 0% to 6%
- Investment Return 7.75%
- Postretirement Benefit Increases

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

- 1.5% for members hired on or after July 1, 2007

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.

*At this time as a result of permanent injunction issued in the AMRPE vs State litigation, the GABA rate in effect is being used in the calculation. Clarification of the GABA rate for members hired on or after July 1, 2013 is pending.

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

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated.

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NOTE 12. RETIREMENT PLANS (CONTINUED)

Discount Rate (Continued)

The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. No municipal bond rate was incorporated in the discount rate.

Target Allocations

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.80%
Foreign Equity	18.00%	6.05%
Fixed Income	24.00%	1.68%
Private Equity	12.00%	8.50%
Real Estate	8.00%	4.50%

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated May 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2014, is summarized in the above table.

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NOTE 12. RETIREMENT PLANS (CONTINUED)

Sensitivity Analysis

	1.0% Decrease <u>(6.75%)</u>	Current Discount <u>Rate</u>	1.0% Increase <u>(8.75%)</u>
PERS' Net Pension Liability	\$1,982,274,732	\$1,246,010,898	\$625,044,646
Employer's proportion	\$15,623,340	\$9,820,461	\$4,926,303

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

Summary of Significant Accounting Policies

The Montana Public Employee Retirement Administration (MPERA) prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the Net Pension Liability, deferred inflows of resources and deferred outflows of resources related to pensions, Pension Expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA. For this purpose, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

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 Public Employees' Retirement System (PERS). Statement 68 became effective June 30, 2015, and includes requirements to record and report their proportionate share of the collective Net Pension Liability, Pension Expense, Deferred Inflows, and Deferred Outflows of resources associated with pensions.

In accordance with Statement 68, PERS has a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS on behalf of the employers. Due to the existence of this special funding situation, local governments and school districts are required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer.

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NOTE 12. RETIREMENT PLANS (CONTINUED)

Net Pension Liability (Continued)

The State of Montana also has a funding situation that is not Special Funding whereby the State General Fund provides contributions from the Coal Severance Tax and interest. All employers are required to report the portion of Coal Tax Severance Tax and interest attributable to the employer.

	Net Pension Liability as of <u>June 30, 2013</u>	Net Pension Liability as of <u>June 30, 2014</u>	Percent of <u>Collective NPL</u>
Employer			
Proportionate Share	\$12,637,425	\$9,820,461	0.7881520%
State of Montana Proportionate Share associated with Employer	<u>590,757</u>	<u>459,074</u>	<u>3.8722200%</u>
Total	<u>\$13,228,182</u>	<u>\$10,279,535</u>	<u>4.6153720%</u>

At June 30, 2015, the employer recorded a liability of \$9,820,461 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of July 1, 2014. The employer's proportion of the Net Pension Liability was based on the employer's contributions received by PERS during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of PERS' participating employers. At June 30, 2014, the employer's proportion was 0.788152 percent.

Changes in Actuarial Assumptions and Methods

There were no changes in assumptions or other inputs that affected the measurement of the Total Pension Liability.

Changes in Benefit Terms

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

Changes in Proportionate Share

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

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NOTE 12. RETIREMENT PLANS (CONTINUED)

Pension Expense

At June 30, 2015, the employer recognized a Pension Expense of \$776,224 for its proportionate share of the PERS' Pension Expense. The employer also recognized grant revenue of \$312,376 for the support provided by the State of Montana for its proportionate share of the Pension Expense that is associated with the employer.

	Pension expense as of <u>June 30, 2014</u>
Employer's Proportionate Share	\$463,848
State of Montana Proportionate Share associated with the Employer	<u>312,376</u>
Total	<u>\$776,224</u>

Recognition of Beginning Deferred Outflow - GASB 71

At June 30, 2015, the employer recognized a beginning deferred outflow of resources for the employers FY2014 contributions of \$736,501.

Deferred Inflows and Outflows

At June 30, 2015, the employer reported its proportionate share of PERS' deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ -	\$ -
Changes in assumptions	-	-
Difference between projected and actual earnings on pension plan investments	-	2,537,446
Changes in proportion differences between employer contributions and proportionate share of contributions	-	20,514
Difference between actual and expected contributions	-	-
#Contributions paid to PERS subsequent to the measurement date – FY 2015		
Contributions	<u>740,033</u>	<u>-</u>
Total	<u>\$740,033</u>	<u>\$ 2,557,960</u>

#Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016.

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NOTE 12. RETIREMENT PLANS (CONTINUED)

Deferred Inflows and Outflows (Continued)

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

<u>Year ended June 30:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Amounts recognized in Pension Expense as an increase or (decrease) to Pension Expense</u>
2016	\$ -	\$ 641,200	\$ (641,200)
2017	\$ -	\$ 641,200	\$ (641,200)
2018	\$ -	\$ 634,361	\$ (634,361)
2019	\$ -	\$ -	\$ -
2020	\$ -	\$ -	\$ -
Thereafter	\$ -	\$ -	\$ -

Funding Policy

	<u>TRS</u>	<u>PERS</u>
Authority to establish and amend contribution rates to plan:	State legislature	State legislature
Required plan member contributions:	8.15 % of monthly compensation	7.9% of monthly compensation
Required employer contributions:	8.57 % of monthly compensation	7.9 % of monthly compensation
Required state contributions:	2.49% of monthly compensation	.37% of monthly compensation
Required employer contributions received and % of required amount:		
June 30, 2015	\$ 4,287,384 100%	\$ 740,033 100%
June 30, 2014	\$ 4,043,609 100%	\$ 740,825 100%
June 30, 2013	\$ 3,497,546 100%	\$ 625,738 100%

On-behalf payments made by the State of Montana totaled \$1,245,562 and \$34,660 for TRS and PERS, respectively, for the year ended June 30, 2015.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015

NOTE 13. PROPERTY LEASED TO OTHERS

The District leases some of its property to others under operating leases expiring in future years. The following is a schedule of these leases and the minimum future rentals on noncancellable operating leases as of June 30, 2015:

<u>Leased Property</u>	<u>Lessee</u>	<u>Lease Term</u>	<u>Minimum Future Rental</u>
Paris Gibson Square	Paris Gibson Square	7/1/93 to 6/30/2027	\$1/year
Skyline Education Center	Great Falls Parents Participation Preschool	9/1/13 to 8/31/2016	\$7,987/year
Skyline Education Center	Opportunities Inc. (Headstart)	9/1/15 to 9/31/2016	\$23,417/year
Skyline Education Center	Benefis Healthcare System	9/1/13 to 8/31/2016	\$3,046/year
Skyline Education Center	Quality Life Concepts	9/1/13 to 8/31/2016	\$1,062/year
Skyline Education Center	Cascade County (MSU Extension)	9/1/13 to 8/31/2016	\$25,948/year
Chief Joseph Annex	Alliance for Youth	7/1/10 to 6/30/2015	\$0/year
Longfellow School	Opportunities, Inc.	7/1/14 to 6/30/2015	\$4,400/year
Soccer Complex	City of Great Falls	6/1/04 to 6/1/2029	\$1/year
Roosevelt Elementary School	AT&T Mobility, LLC	1/1/13 to 12/31/2018	\$9,000/year
West Elementary School parking lot	Collins Mansion Bed & Breakfast	1/1/12 to 12/31/2017	\$1/year

NOTE 14. TRANSPORTATION CONTRACTS

The District has transportation contracts through June 30, 2019 with Big Sky Bus Lines to provide school buses for the transportation of students to and from school. Fees paid are based on a fixed rate per bus per four and one-half hour day, times 180 days per year, along with a fuel expense reimbursement amount.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE 15. INTERLOCAL AGREEMENTS

Targeted Case Management

The District and the City-County Health Department, Great Falls, Montana, have entered into an interagency agreement to establish and operate a program to serve students with special health care needs and high risk infants and children.

City-County Health Department provides population-based screening for infants at risk for developmental delay and/or special health needs, conduct consultation and/or referral to other disciplines/agencies and monitor referral outcomes, provide anticipatory guidance, risk reduction education and counseling, care coordination including monitoring and reassessment for infants and children at risk for developmental delay and those with special health care needs, and other nursing interventions as needed on behalf of the family, children, and adolescents.

School Resource Officer

The District has entered into an agreement with the City of Great Falls for the services of the City's Police Department for 187 days to enforce compulsory attendance provision of Title 20, Chapter 5, Part 1 of Montana Code Annotated. The City provides the District with four police officers and the equipment necessary to enforce the above mentioned provisions. The District's payment to the City was \$256,036 for the period September 4, 2014 through the last day of school, 2015. The District's payment to the City is to be \$267,759 for the period August 26, 2015 through the last day of school, 2016.

Artist in Residence Program

The District has entered into an agreement with the Paris Gibson Museum of Art (The Square) for the funding of the Artist in Residence Program provided to the District. The Square provides the District with an artist(s) to work in the elementary and secondary schools, sharing creative abilities in classroom, studio performance, or workshop situations with students, faculty, administrators, and/or community members. The District's payment to The Square for the 2014/2015 and 2015/2016 school years is \$4,800 annually.

Multi-District Agreements

The District has entered into an agreement with Cascade Public Schools, Centerville Public Schools, Belt Public Schools, Vaughn Elementary School and Sun River Valley Public Schools to collectively purchase technology supplies and equipment. The District has entered into an agreement between the Elementary and High School districts to collectively purchase classroom supplies and materials, as well as provide operations maintenance for the buildings and equipment.

The Elementary District is the prime agent for the interlocal fund established for purposes of the multidistrict agreements.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE 16. PENDING LITIGATION

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District's legal counsel that these matters will not have a material adverse effect on the basic financial statements of the District.

NOTE 17. RISK MANAGEMENT

The District faces a considerable number of risks of loss, including damage to and loss of property and contents, employee torts, professional liability (i.e. errors and omissions), environmental damage, workers' compensation (i.e. employee injuries), and medical insurance costs of employees. A variety of methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss except for relatively small deductible amounts, are purchased for property and content damage and professional liabilities. Coverage limits and the deductibles in the commercial policies have stayed relatively constant for the last several years. The premiums for the policies are paid out of the District's general fund. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. Given the lack of coverage available, the District has no coverage for potential losses from environmental damages.

The District has contracted with Montana Schools Group Insurance Authority for workers' compensation coverage. Premiums under the policy are paid by the District.

The District obtains medical insurance coverage for its employees through policies offered by Cigna. Premiums under the policies are paid partly by the District and partly by the employees.

NOTE 18. LONG-TERM CONSTRUCTION COMMITMENTS

The District has certain construction projects in progress or awarded to contractors at June 30, 2015. Major projects include, among others, hot water boiler replacements at Lewis & Clark Elementary School; exterior door replacements at Lewis & Clark Elementary School, East Middle School and Great Falls High School; women's restroom renovations at Great Falls High School; and various district-wide repair and replacement projects.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015

NOTE 19. ENCUMBRANCES

The District utilizes encumbrance accounting in its governmental funds. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which a purchase order, contract, or other commitment is issued and, accordingly, encumbrances outstanding at year end are reported as budget expenditures in the current year. Generally, all unencumbered appropriations lapse at year end, except as set forth in Section 20-9-209, MCA. Open encumbrances at fiscal yearend are included in restricted, committed, or assigned fund balance, as appropriate.

Total encumbrances as of June 30, 2015 for the general fund were \$285,559, all assigned, for the elementary miscellaneous programs fund \$30,138, all assigned, and for the non-major funds in the aggregate were \$236,545, of which \$234,867 were restricted and \$1,678 were assigned.

NOTE 20. PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2015 the District recorded in various funds prior period adjustments increasing beginning net position by \$8,472, consisting of reimbursements for prior year expenditures.

Also for the year ended June 30, 2015, the District has implemented GASB Statement No. 68, regarding the reporting of pension liabilities, and GASB Statement No. 71, regarding reporting of pension contributions subsequent to the measurement date of June 30, 2014. Accordingly, beginning net position has been restated to reflect the reimbursements and previously unrecognized pension liabilities as follows:

Beginning net position, as originally reported	\$ 35,788,878
Reimbursements for the prior year	8,472
PERS pension liability, June 30, 2013	(12,637,425)
TRS pension liability, June 30, 2013	(67,336,212)
Retirement contributions in 2014	<u>5,181,361</u>
Net restatement	<u>(74,783,804)</u>
Beginning net position, as restated	<u>\$ (38,994,926)</u>

As the pension expense, deferred inflows and deferred outflows related to the net pension liabilities were not available for the period ending June 30, 2014, the prior year financial statements have not been restated.

REQUIRED SUPPLEMENTAL INFORMATION

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance Favorable (Unfavorable)
	Original Budget	Final Budget		
REVENUES				
District levy	\$ 19,679,822	\$ 19,679,822	\$ 20,117,270	\$ 437,448
Interest	6,569	6,569	1,487	(5,082)
Miscellaneous	32	32	-	(32)
Direct state aid	30,632,576	30,632,576	30,624,576	(8,000)
State guaranteed tax base subsidy	12,033,991	12,033,991	12,028,805	(5,186)
State special education	2,131,500	2,131,500	2,131,500	-
Other state payments	2,871,621	2,871,621	2,877,178	5,557
Tuition and fees	<u>44,714</u>	<u>44,714</u>	<u>37,738</u>	<u>(6,976)</u>
Total	<u>67,400,825</u>	<u>67,400,825</u>	<u>67,818,554</u>	<u>417,729</u>
EXPENDITURES				
Current:				
Regular Programs:				
Instructional services	35,221,965	35,221,965	35,629,446	(407,481)
Supportive services	4,346,164	4,346,164	4,110,015	236,149
Educational media services	1,742,044	1,742,044	1,682,011	60,033
General administrative services	1,478,877	1,478,877	1,536,902	(58,025)
School administrative services	4,193,588	4,193,588	4,187,886	5,702
Business services	2,149,794	2,149,794	1,984,553	165,241
Operation and mainten- ance services	8,921,338	8,921,338	8,464,774	456,564
Central services	119,620	119,620	-	119,620
Special Programs:				
Instructional services	2,878,668	2,878,668	3,171,979	(293,311)
Supportive services	1,368,357	1,368,357	1,357,563	10,794
School administrative services	-	-	16,550	(16,550)
Vocational Programs:				
Instructional services	2,131,909	2,131,909	1,729,150	402,759
Extracurricular activities	1,462,935	1,462,935	1,481,581	(18,646)
Capital outlay	36,296	36,296	183,932	(147,636)
Debt service	<u>427,450</u>	<u>427,450</u>	<u>576,903</u>	<u>(149,453)</u>
Total	<u>66,479,005</u>	<u>66,479,005</u>	<u>66,113,245</u>	<u>365,760</u>
Excess of revenues over expenditures	<u>921,820</u>	<u>921,820</u>	<u>1,705,309</u>	<u>783,489</u>
OTHER FINANCING SOURCES (USES)				
Resources transferred (to) from other funds	(921,820)	(921,820)	(1,219,078)	(297,258)
Sale of capital assets	<u>-</u>	<u>-</u>	<u>5</u>	<u>5</u>
	<u>(921,820)</u>	<u>(921,820)</u>	<u>(1,219,073)</u>	<u>(297,253)</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>486,236</u>	<u>\$ 486,236</u>
Fund balance at July 1			6,893,275	
Prior period adjustment			<u>1,067</u>	
Fund balance at July 1, as restated			<u>6,894,342</u>	
Fund balance at June 30			<u>\$ 7,380,578</u>	

See Accompanying Notes to Budgetary Comparison Schedule.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO BUDGETARY COMPARISON SCHEDULE
 June 30, 2015

NOTE 1. BUDGETARY BASIS OF ACCOUNTING

The major difference between the budgetary basis of accounting and generally accepted accounting principles used in preparing the basic financial statements are the recording of encumbrances under the budgetary basis. Encumbrances allowed under state law are commitments related to unperformed contracts for the purchase of personal property or to complete construction projects. Under the budgetary basis of accounting such encumbrances are allowed to be recorded as expenditures in the year the commitments arise. Encumbrances outstanding at year-end are reported within the fund balance classifications related to the purposes for which resources have already been provided. All unexpended appropriations in funds for which appropriations are adopted lapse at year end, other than those encumbered as set forth in Section 20-9-209, MCA. Encumbered amounts will be added to the following year's budget for each fund encumbering expenditures in order to maintain budget authority. Encumbrances reported at the end of the current fiscal year must be liquidated by the end of the following fiscal year. The District utilized an encumbrance system for budgetary reporting for the year ended June 30, 2015. Encumbrances of \$285,559 of the General Fund are reflected as expenditures on the Budgetary Comparison Schedule - General Fund, for the year ended June 30, 2015.

The "actual" results of operations as presented in the Budgetary Comparison Schedule - General Fund are in accordance with the legally enacted budgetary basis to provide a meaningful comparison of actual results with budget. They do not, however, include the activity of the District's compensated absence funds which were required under GASB Statement No. 54 to be included with the activity of the general fund on the Statement of Revenues, Expenditures, and Changes in Fund Balances.

Adjustments necessary to convert the results of operations as of June 30, 2015 on the modified accrual basis for the general fund to the budgetary basis are as follows:

<u>General Fund</u>	
Excess of revenue over expenditures (GAAP)	\$ 325,636
Due to implementation of GASB Statement No. 54:	
Compensated absence funds' net activity for 6/30/15	(114,506)
Due to expenditure:	
Encumbrances at 6/30/14	560,665
Encumbrances at 6/30/15	<u>(285,559)</u>
Excess of revenue over expenditures (budget)	<u>\$ 486,236</u>

Adjustments necessary to convert fund balance as of June 30, 2015 on the modified accrual basis for the general fund to the budgetary basis are as follows:

<u>General Fund</u>	
Fund balance, 6/30/15 (GAAP)	\$ 8,536,940
Due to implementation of GASB Statement No. 54:	
Compensated absence funds' fund balance, 6/30/15	(870,803)
Due to expenditure:	
Encumbrances at 6/30/15	<u>(285,559)</u>
Fund balance, 6/30/15 (budget)	<u>\$ 7,380,578</u>

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 SCHEDULE OF FUNDING PROGRESS FOR THE HEALTH PLAN
 June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit (b)	Unfunded Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((b-a)/c)
6/30/2015	\$ -	\$ 1,469,564	\$1,469,564	n/a	\$41,733,596	3.5%
6/30/2014	-	-	-	n/a	41,733,596	0.0%
6/30/2013	-	-	-	n/a	41,733,596	0.0%

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITIES
 June 30, 2015

Schedule of Proportionate Share of the Net TRS Pension Liability:

Employer's proportionate share of the net pension liability associated with the Employer	3.78570%
Employer's proportion of the net pension liability	\$ 58,255,724
State of MT proportionate share of the net pension liability associated with the Employer	<u>39,899,529</u>
Total	<u>\$ 98,155,253</u>
Employer's covered-employee payroll	\$ 50,022,585
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	116.459%
Plan fiduciary net position as a percentage of the total pension liability	70.36%

Schedule of Proportionate Share of the Net PERS Pension Liability:

Employer's proportionate share of the net pension liability associated with the Employer	0.78815%
Employer's proportion of the net pension liability	\$ 9,820,461
State of MT proportionate share of the net pension liability associated with the Employer	<u>459,074</u>
Total	<u>\$ 10,279,535</u>
Employer's covered-employee payroll	\$ 9,230,703
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	106.389%
Plan fiduciary net position as a percentage of the total pension liability	79.90%

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 SCHEDULE OF CONTRIBUTIONS
 June 30, 2015

Schedule of TRS Contributions:

Contractually required contributions	\$ 4,784,242
Contributions in relation to the contractually required contributions	\$ 4,784,242
Contribution deficiency (excess)	\$ -
Employer's covered-employee payroll	\$ 50,022,585
Contributions as a percentage of covered-employee payroll	9.5642%

Schedule of PERS Contributions:

Contractually required contributions	\$ 736,501
Contributions in relation to the contractually required contributions	\$ 736,501
Contribution deficiency (excess)	\$ -
Employer's covered-employee payroll	\$ 9,230,703
Contributions as a percentage of covered-employee payroll	7.9788%

OTHER SUPPLEMENTAL SCHEDULES

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 SCHEDULE OF REVENUES AND EXPENDITURES – ALL FUND ACCOUNTS
 EXTRACURRICULAR FUND
 For the Year Ended June 30, 2015

	Beginning Balance	Revenues	Expenditures	Ending Balance
Administration Building				
Unallocated increase in fair market value of investments	\$ -	\$ 16,840	\$ -	\$ 16,840
Adult education	-	580	585	(5)
Alternative education	68,259	46,596	49,194	65,661
Indian education	3,738	6	552	3,192
Special education	492	3,952	3,933	511
	<u>72,489</u>	<u>67,974</u>	<u>54,264</u>	<u>86,199</u>
Elementary Schools				
Lewis & Clark School	385	168	167	386
Lincoln School	1,911	3	-	1,914
Longfellow School	400	1	-	401
Loy School	520	1,888	1,158	1,250
MeadowLark School	2,578	2,877	1,943	3,512
Morningside School	4,283	654	1,332	3,605
Mountain View School	1,813	1,227	842	2,198
Roosevelt School	1,764	1,572	1,731	1,605
Sacajawea School	1,528	3,328	3,381	1,475
Sunnyside School	244	-	-	244
Valleyview School	3,585	2,721	-	6,306
Whittier School	6,345	3,079	3,949	5,475
	<u>25,356</u>	<u>17,518</u>	<u>14,503</u>	<u>28,371</u>
Middle Schools				
East Middle School	35,703	42,327	40,615	37,415
North Middle School	31,294	101,588	93,954	38,928
	<u>66,997</u>	<u>143,915</u>	<u>134,569</u>	<u>76,343</u>
High Schools				
Great Falls High School	448,173	941,751	956,199	433,725
C.M. Russell High School	601,553	1,085,057	1,038,212	648,398
	<u>1,049,726</u>	<u>2,026,808</u>	<u>1,994,411</u>	<u>1,082,123</u>
Total	<u>\$ 1,214,568</u>	<u>\$ 2,256,215</u>	<u>\$ 2,197,747</u>	<u>\$ 1,273,036</u>

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 SCHEDULE OF ENROLLMENT
 Fiscal Year Ended June 30, 2015

	Elementary <u>District</u>	High School <u>District</u>
<u>Fall Enrollment 10/14</u>		
Reported Enrollment Totals per "2014-2015 School Fall Reports"	<u>7,297</u>	<u>3,033</u>
Reported Enrollment Totals per 2014-2015 School Attendance Enrollment Counts	<u>7,297</u>	<u>3,033</u>
<u>Winter Enrollment 12/14</u>		
Reported Enrollment Totals per "2014-2015 School Winter Reports"	<u>7,260</u>	<u>3,007</u>
Reported Enrollment Totals per 2014-2015 School Attendance Enrollment Counts	<u>7,260</u>	<u>3,007</u>
<u>Spring Enrollment 2/15</u>		
Reported Enrollment Totals per "2014-2015 School Spring Reports"	<u>7,225</u>	<u>2,939</u>
Reported Enrollment Totals per 2014-2015 School Attendance Enrollment Counts	<u>7,225</u>	<u>2,939</u>

SINGLE AUDIT SECTION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Trustees
Great Falls School District 1 & A
Cascade County
Great Falls, Montana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Great Falls School District 1 & A, Cascade County, Great Falls, Montana

(the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 22, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item #2015-01, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items #2015-01.

The District's Response to Findings

The District's response to the findings identified in our audit 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 audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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


Great Falls, Montana
December 22, 2015

 & Co., P.C.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

Board of Trustees
Great Falls School District 1 & A
Cascade County
Great Falls, Montana

Report on Compliance for Each Major Federal Program

We have audited Great Falls School District 1 & A, Cascade County, Great Falls, Montana's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

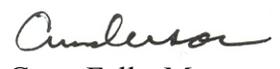
Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each of its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each of its major federal programs and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Great Falls, Montana
December 22, 2015

 & Co., P.C.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

Project	Federal CFDA Number	Project Number	Award	Cash Balance 07/01/14	Cash Receipts	Cash Disbursements	Cash Balance 06/30/15
U. S. Department of Education							
Passed Through State of Montana							
Office of Public Instruction							
<i>Title I - Part A Cluster</i>							
Title I - Part A (Elem)	84.010	07-00-9830-06	\$ 2,729,244	\$ 7,174	\$ -	\$ -	\$ 7,174
Title Awards (Elem)	84.010	07-00-9841-12	8,000	1,828	-	727	1,101
Title I - Part A (Elem)	84.010	07-00-9832-14	2,548,714	(887,299)	891,182	3,883	-
Title I - Part A (Elem)	84.010	07-00-9831-14	880,360	(554,124)	554,124	-	-
Title I - Part A (Elem)	84.010	07-00-9832-15	2,918,369	-	2,392,986	2,907,786	(514,800)
Title I - Part A (Elem)	84.010	07-00-9831-15	268,642	-	218,189	249,659	(31,470)
<i>Subtotal Title I - Part A Cluster</i>				<u>(1,432,421)</u>	<u>4,056,481</u>	<u>3,162,055</u>	<u>(537,995)</u>
<i>Special Education Cluster (IDEA)</i>							
Idea - Preschool (Elem)	84.173	07-00-9879-15	75,106	-	75,106	75,106	-
Idea B (Elem)	84.027	07-00-9877-15	2,383,216	-	1,791,839	2,104,417	(312,578)
Idea B (Elem)	84.027	07-00-9977-14	2,438,957	(528,043)	528,043	-	-
<i>Subtotal Special Education Cluster (IDEA)</i>				<u>(528,043)</u>	<u>2,394,988</u>	<u>2,179,523</u>	<u>(312,578)</u>
Title I - Part D (HS)	84.013	07-00-9942-15	93,461	-	56,717	93,461	(36,744)
Title I - Part D (HS)	84.013	07-00-9942-14	52,154	(1,345)	1,345	-	-
<i>Subtotal Title I Part D</i>				<u>(1,345)</u>	<u>58,062</u>	<u>93,461</u>	<u>(36,744)</u>
Title I - Part E (Elem)	84.371	07-00-9835-14	1,693,406	(226,250)	562,767	336,517	-
Title I - Part E (Elem)	84.371	07-00-9835-15	1,364,471	-	983,790	883,129	100,661
<i>Subtotal Title I Part E</i>				<u>(226,250)</u>	<u>1,546,557</u>	<u>1,219,646</u>	<u>100,661</u>
Title II - Part A (Elem)	84.367	07-00-9814-15	763,036	-	543,395	753,690	(210,295)
<i>Subtotal Title II Part A</i>				<u>-</u>	<u>543,395</u>	<u>753,690</u>	<u>(210,295)</u>
Title III - Part A (Elem)	84.365A	07-00-9841-14	123,213	(24,623)	24,623	-	-
Title III - Part A (Elem)	84.365A	07-00-9841-15	146,867	-	46,583	69,416	(22,833)
<i>Subtotal Title III</i>				<u>(24,623)</u>	<u>71,206</u>	<u>69,416</u>	<u>(22,833)</u>
Adult Basic Ed (Elem)	84.002	07-00-9856-14	85,612	(58,893)	58,893	-	-
Adult Basic Ed (Elem)	84.002	07-00-9856-14	18,730	(92)	92	-	-
<i>Subtotal Adult Basic Ed</i>				<u>(58,985)</u>	<u>58,985</u>	<u>-</u>	<u>-</u>
Vo Ed Carl D Perkins - Basic (HS)	84.048	07-00-9981-15	209,736	-	184,107	209,736	(25,629)
Vo Ed Carl D Perkins - Big Sky Pathways (HS)	84.048	81-6000120	9,887	-	3,692	6,624	(2,932)
Vo Ed Carl D Perkins - Comp (HS)	84.048	07-00-9981-14	194,362	(46,170)	46,170	-	-
<i>Subtotal Vo Ed Carl Perkins</i>				<u>(46,170)</u>	<u>233,969</u>	<u>216,360</u>	<u>(28,561)</u>
Teaching American History (HS)	84.215X	U215X-100025	308,681	-	37,040	37,040	-
Indian Education (Elem)	84.060	07-00-9846-15	13,198	-	13,198	13,198	-
Indian Education (Elem)	84.060	S060A-110490	271,431	-	271,431	271,431	-
Indian Education (Elem)	84.060	S060A-110490	277,408	(48,214)	48,214	-	-
<i>Subtotal Indian Education</i>				<u>(48,214)</u>	<u>332,843</u>	<u>284,629</u>	<u>-</u>
Title X - Part C (Elem)	84.196	07-00-9857-15	9,707	-	9,707	9,707	-
Title X - Part C (Elem)	84.196	07-00-9857-16	24,500	-	-	50	(50)
<i>Subtotal Title X Part C</i>				<u>-</u>	<u>9,707</u>	<u>9,757</u>	<u>(50)</u>
PL 81-874 (Elem)	84.041	N/A	N/A	8,918,551	788,789	1,052,475	8,654,865
PL 81-874 (HS)	84.041	N/A	N/A	819,543	84,950	117,483	787,010
<i>Subtotal PL 81-874</i>				<u>9,738,094</u>	<u>873,739</u>	<u>1,169,958</u>	<u>9,441,875</u>
Total U. S. Department of Education				<u>7,372,043</u>	<u>10,216,972</u>	<u>9,195,535</u>	<u>8,393,480</u>
U. S. Department of Defense							
Passed Through State of Montana							
Office of Public Instruction							
Troops Military Support	12.556	HE1254FY11001	277,411	(162,170)	162,650	480	-
Total U. S. Department of Defense				<u>(162,170)</u>	<u>162,650</u>	<u>480</u>	<u>-</u>
U. S. Department of Agriculture							
Passed Through State of Montana							
Office of Public Instruction							
National School Lunch Program							
Federal Reimbursement (Elem)	10.555	N/A	N/A	-	2,695,706	2,695,706	-
Commodities (Elem)	10.555	N/A	N/A	143,058	271,005	243,511	170,552
Total U. S. Department of Agriculture				<u>143,058</u>	<u>2,966,711</u>	<u>2,939,217</u>	<u>170,552</u>
Total Federal Awards				<u>\$ 7,352,931</u>	<u>\$ 13,346,333</u>	<u>\$ 12,135,232</u>	<u>\$ 8,564,032</u>

See accompanying Notes to Schedule.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2015

NOTE 1. REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance of Great Falls School District 1 & A, Cascade County, Great Falls, Montana. The School District's reporting entity is defined in Note 1 to the School District's basic financial statements. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies are included in the schedule.

NOTE 2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditure of Federal Awards is presented using the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. All federal financial assistance received, cash and noncash, is included as well as all federal financial assistance expended or consumed.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2015

Summary of Auditor Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? None

Significant deficiencies identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements? Yes

Federal Awards:

Internal control over major programs:

Material weakness identified? None

Significant deficiencies identified that are not considered to be material weaknesses? None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of circular A-133? None

The major programs for the year ended June 30, 2015, are as follows:

	<u>CFDA#</u>
Title I Part E	84.371
Impact Aid	84.041
Title II Part A	84.367

Dollar threshold used to distinguish Type A programs: \$364,057

Auditee qualified as low-risk auditee? Yes

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2015

Findings Relating to Financial Statements

Finding #2015-01

Criteria: Section 20-9-208, MCA, and Section 10.10.320(9), ARM, does not allow transfers from budgeted funds to non-budgeted funds, unless specifically authorized by law.

Condition: The District transferred cash (levied funds) from both the Elementary and High School Tuition funds to the Elementary Miscellaneous Programs fund (Medicaid project).

Cause: The District intended to match the revenue with the fund from which the associated expenditures were to be paid from (the Medicaid project).

Effect: The District was out of compliance with Section 20-9-208, MCA, and Section 10.10.320(9), ARM.

Recommendation: The District should consult Section 20-9-208, MCA, and Section 10.10.320(9), ARM, as well as OPI's transfer matrix, in order to ensure compliance before any transfers are made between funds.

Management

Response: The District will review the OPI transfer matrix. It will be used as a guide and reference prior to transferring any funds. The expenses for Special Education costs, as outlined in the law, will be expensed directly from the Tuition Fund throughout the school year so an end of the year transfer will not need to occur.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2015

Findings Relating to Federal Awards

None

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
STATUS OF PRIOR AUDIT FINDINGS
June 30, 2015

Previously noted deficiencies of Great Falls School District 1 & A, Cascade County, Great Falls, Montana, and their current status are as follows:

<u>Finding</u>	<u>Current Status of Recommendation</u>
#2014-01 The District did not transfer the cash in Excess of \$10,000 in the Lease Rental Funds to the General Fund.	Implemented.
#2014-02 The District over reported part-time high school students for ANB reporting in the Montana Digital Academy.	Implemented.
#2014-03 The District did not fully reconcile cash and investment accounts from the bank balances to the book balances.	Implemented.



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