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.



FINANCIAL REPORT

**JUNE 30, 2015** 



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#### 2014–2015

### ORGANIZATION

### **BOARD OF TRUSTEES**

Board Chair		
Vice Chair/Elementary Michael Smith		
Vice Chair/SecondaryAnn Wake		
Trustee		
TrusteeJennifer Newbold		
Trustee		
TrusteeLisa Triepke		
Trustee		
OFFICERS		
District Superintendent		
Director, Business Services/Clerk of BoardPat McHugh		
County Superintendent of Schools Dr. Erin Lipkind		
County AttorneyKirsten H. Pabst		

#### INDEPENDENT AUDITOR'S REPORT

**Board of Trustees** Missoula County Public Schools School District No. 1 Missoula, 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 Missoula County Public Schools, School District No. 1 (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 above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Missoula County Public Schools, School District No. 1, 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.

#### **Emphasis of Matter**

As discussed in Notes 6 and 11 to the financial statements, Missoula County Public Schools, School District No. 1 has adopted the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date, which has resulted in a restatement of the net position as of July 1, 2014. Our opinions are not modified with respect to this matter.

#### **Other Matters**

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the discussion schedule management's and analysis, of funding progress—other postemployment benefits, budgetary comparison—general funds, the schedule of proportionate share of net pension liability, and the schedule of contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States 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 supplementary information required by the Montana Office of Public Instruction and the other supplementary information is presented for additional analysis and is 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 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 supplementary information required by the Montana Office of Public Instruction and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information required by the Montana Office of Public Instruction and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The other supplementary information 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.

#### Prior-Year Comparative Information

We have previously audited the District's June 30, 2014, financial statements, and we expressed unmodified opinions in our report dated March 13, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated, March 18, 2016, 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 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.

Anderson Zen Muchlen + Co, P.C. Missoula, Montana

March 18, 2016

### MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2015

The discussion and analysis of Missoula Public School District, School District No. 1's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

#### FINANCIAL HIGHLIGHTS

During the 2015 fiscal year, the District's General Fund budgets grew by approximately \$1,268,000 or 2.1%. This increase was due primarily to an inflationary increase of 2.07% in the basic and per ANB entitlements. The ANB (student enrollment) increased by 14 in the Elementary District and the General Fund increased by \$885,000. The ANB in the High School District, on the other hand, decreased by 31, and the General Fund increased by only \$384,000. With the budgetary increases, the Board adopted budgets of \$34,184,326 in the Elementary District, and \$27,568,516 in the High School District.

During 2015, the District acquired and constructed approximately \$528,000 in capital assets.

#### **USING THIS FINANCIAL REPORT**

#### Reporting the District as a Whole

This report includes two District-wide statements that focus on operations of the District as a whole. These statements measure inflows and outflows using an economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting is similar to the accounting system used by most private sector companies. This basis takes into account all of the current year's revenues and expenses regardless of when the cash was received or paid.

The *Statement of Net Position* (pages 16 and 17) presents the "assets" (what is owned), deferred outflows, "liabilities" (what is owed), deferred inflows, and the "net position" (the resources that would remain if all obligations were settled) of the District. The statement categorizes assets. Some assets are very liquid, such as cash and cash equivalents; some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes; some assets are invested in "fixed" or "capital" assets, such as buildings, equipment, and other long-lived property; and some assets are available to fund budgets of the following year. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* (page 18) presents information showing how the net position of the District changed during the most recent fiscal year.

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Year Ended June 30, 2015

The Statement of Net Position and the Statement of Activities provide information about the District's school functions, such as instruction, student services, administration, etc. Property taxes, state revenues, and federal revenues support most of these functions of the District. The District has no business-type activities.

#### **Reporting the District's Most Significant Funds**

Fund financial statements provide detailed information about the funds used by the District. State law and Generally Accepted Accounting Principles (GAAP) establish the fund structure of school districts. State law generally requires school districts to segregate money generated for certain specific purposes, like transportation, retirement, and debt service, in separate funds.

The fund financial statements report balances and activities of the "major" funds separately and combine activities of less significant funds under a single category. Significance of funds is determined by the proportional size of the fund, the relative importance of the activities of the fund to the District's operations, and the existence of legal budget requirements.

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance are presented for governmental funds, such as the general fund, special revenue funds, debt service funds, and capital projects funds. These funds use the modified accrual basis of accounting and represent the majority of the District's activities and programs.

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

#### Reporting the District's Trust and Fiduciary Responsibilities

The District is the trustee, or fiduciary, for reporting the elementary and high school endowment funds and the elementary and high school student extracurricular funds. This report includes the activities in the separate Statement of Net Position - Fiduciary Fund and Changes in Fiduciary Net Position (pages 26 and 27). These activities are reported in these statements because the District cannot use these assets to fund its operations. The District is responsible for ensuring these assets are used for their intended purpose.

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Year Ended June 30, 2015

#### **GENERAL FUND BUDGET**

The Elementary District applied for and received a budget amendment of \$250,000 due to an unanticipated change in enrollment. The enrollment increased by approximately 160 students when comparing the Fall enrollment count with the same count from the prior year. Of this increase of \$250,000, the District utilized approximately \$208,000 for books, fees, and severance. Taking into account the budget amendment, there were no other significant variations between the final budget and actual expenditures. The High School District had no significant differences between the original budget and the final budget. Likewise, there were no significant variations between the final budget and actual expenditures.

The District does try to budget certain accounts like utility accounts at a higher than average level so that, in a "worst case" year, adequate budget will be available to cover those excess costs. In a normal year, these accounts will have excess budget, which is then utilized to purchase textbooks and instructional supplies for new curriculum adoptions. The amount of these available excess funds has been shrinking in recent years as more and more pressure is put on the general fund budgets. However, when funds are available near the end of the year, this is the main reason for budget transfers, though the transfers are relatively insignificant in relation to the General Fund budget.

#### THE DISTRICT AS A WHOLE

Net position may serve as a useful indicator of a district's financial position. It is the amount by which assets exceed (or are less than) liabilities. District assets were less than liabilities by approximately \$25.2 million at the close of the most recent fiscal year. The District's net position decreased by approximately \$63,600,000 from FY14 to FY15 primarily because of a new accounting standard. This new standard (GASB 68) requires governments to reflect a portion of a deficit resulting from underfunded pension plans, if that government participates in the plan. This liability is called the net pension liability. The Districts share of the net pension liability totaled approximately \$62,000,000 as of June 30, 2015. Please see Notes to Financial Statements, Note 6.

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Year Ended June 30, 2015

Table 1 summarizes the District's financial position.

#### Table 1

	<u>2015</u>	<u>2014</u>	<u>Variance</u>
Current assets Capital assets Total assets	\$ 29,453,794	\$ 27,427,946	\$ 2,025,848
	<u>37,708,178</u>	<u>38,763,511</u>	(1,055,333)
	67,161,972	66,191,457	970,515
Deferred outflows of resources Total assets and deferred outflows	7,036,937 74,198,909	66,191,457	7,036,937 8,007,452
Current liabilities Noncurrent debt payable Other noncurrent liabilities Pension liability Total liabilities	6,170,499	5,893,425	277,074
	6,222,252	7,531,939	(1,309,687)
	14,203,599	13,932,475	271,124
	61,937,578	-	61,937,578
	88,533,928	27,357,839	61,176,089
Deferred inflows of resources  Total liabilities and deferred inflows	10,848,465	382,132	10,466,333
	99,382,393	27,739,971	71,642,422
NET POSITION			
Net investment in capital assets Restricted Unrestricted	29,902,401	29,665,672	236,729
	8,779,549	8,012,571	766,978
	(63,865,434)	773,243	(64,638,677)
Total net position	\$(25,183,484)	<u>\$ 38,451,486</u>	<u>\$(63,634,970)</u>

Current assets are comprised mostly of cash and property taxes receivable. Current assets increased by approximately \$2,025,000 or 7.4%. This increase was primarily the result of the gain in the Health Insurance Trust Fund where revenues exceeded expenses by approximately \$2,140,000. This gain is the result of the plan experiencing a relatively good year with few very large medical claims.

Capital assets include all land owned by the District and buildings and equipment costing \$5,000 or more. Capital assets decreased by more than \$1,000,000. This change was the net result of depreciation expense totaling nearly \$1,540,000 while additions to capital assets amounted to only \$528,000. Additions were made only to equipment during the 2014-15 fiscal year. Highlights of those additions will be discussed in a later section.

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Year Ended June 30, 2015

Current liabilities consist of non-bond items that are owed as of the financial statement date and are expected to be paid within the next twelve months. Current liabilities increased by \$277,000 as the result of a higher incurred but not reported (IBNR) health medical claims liability in the Insurance Trust Funds. As medical claims expenses were actually lower in FY15 than the prior year, we attribute the increased IBNR liability to a timing difference between the two years, in paying the final week's medical claims for the fiscal year.

Noncurrent debt consists of all bond liabilities, capital leases, and notes payable due in more than one year. Noncurrent liabilities decreased by approximately \$1,310,000 in the 2015 fiscal year. This decrease was primarily the result of the reclassification of \$1,240,000 in bond principal from noncurrent to current.

Net position is the difference between assets and deferred outflows and liabilities and deferred inflows. Some net position is restricted for capital projects and some is restricted for debt service. The Net Investment in Capital Assets portion of net position remained relativity unchanged compared to the prior year. The increase of \$237,000 was mostly due to the fact that the total of principal payments on bonds coupled with the total cost of capital assets purchased were approximately \$200,000 greater than the amount of depreciation expense for the year. Capital Assets purchased during the fiscal year are described in reasonable detail in a later section titled "Capital Asset and Debt Administration."

Restricted net position increased by \$767,000 primarily as the result of revenues exceeding expenses in the District's Building Reserve Capital Projects Funds. Restricted net position in the Capital Projects Funds increased by approximately \$860,000 due to the fact that in the early years of the Building Reserve levies, the District expended a significant amount of funds for the construction of new classrooms as well as deferred maintenance projects. There were reserves in those funds which were used to help carry the projects until the tax levy collections were received. In the later years of the Building Reserve, spending is scaled back in order to restore the reserve balance. Those reserves have accumulated over many years and are in place to help in emergency situations where, for example, an old boiler might fail.

#### **Governmental Activities**

In Montana, school districts must seek voter approval for additional levy authority to operate the school district over what was approved in prior years and what will be received from the state. The amount that school districts can levy for operating expenses in the General Fund is limited by state law. Overall, local property tax collections made up 37% of revenues for governmental activities for Missoula County Public Schools for FY 2015 and approximately 39% for 2014.

The major categories of expenses are presented on Table 4 at page 12. Of these expenses, the largest function is instruction, which comprises 57% of total District expenses.

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Year Ended June 30, 2015

#### Spending Levels Compared to Resource Levels

As shown on page 21, total revenues for governmental funds exceeded the total expenses for the District by approximately \$2,098,000 in the 2015 fiscal year. Approximately half of the excess was in the District's general funds. The excess in the general fund will be discussed in detail in a later section. Approximately \$860,000 of the excess was in the District's building reserve funds, explained previously.

As shown in Table 2, total general revenue increased in FY 2015 by approximately \$4,300,000 (6%). This increase is primarily the result of changes in state revenue. As shown it Table 3, State revenue increased by \$3,824,962 due to the following factors: the State's basic and per ANB entitlement amounts increased by slightly more than 2%; increases in other state funding sources as well as new sources of state revenue added by the State Legislature, amounted to an approximate increase of \$1,400,000; the Elementary District adopted a general fund budget amendment that increased State Funding by \$208,000; and a new account standard (GASB 68) required the District to recognize more than \$2,000,000 in state revenue.

The District participates in two state run retirement plans, the Teachers Retirement System (TRS) and the Public Employees Retirement Division (PERD). GASB 68 requires local governments that participate in certain retirement plans, to report certain amounts on their books if those retirement plans are underfunded based upon an actuarial study. The District reported a large liability related to the State's two retirement plans, as well as a revenue component based upon the State's contribution of a small amount of revenue to the retirement plans as an 'on-behalf of' payment. For the 2014-15 year, the amount required to be recognized as state revenue was more than \$2,000,000.

Program revenue decreased by more than \$435,000 or 2% compared to the prior year. One cause for this was the loss of a grant to aid economically disadvantaged students. This competitive grant was utilized over four years ending with the 2014-15 fiscal year. The revenue in this fiscal year was down about \$200,000 compared to the prior year. The grant was originally intended to be a three-year grant; however the District was permitted to use it over four. A second cause for the increase in program revenue was the fact that in the 2013-14 fiscal year additional monies were needed from the Federal revenue source for students with disabilities. This was a onetime use because in the 2015 year, state law permitted a special tax levy to help cover the costs of high cost special needs students. The additional amount utilized in FY14 was approximately \$300,000. In FY15, the District was able to levy an additional \$200,000 to help cover the increasing costs of serving students with disabilities. The additional levy in 2015 is considered general revenue and the additional Federal revenue utilized in FY14 of \$300,000 was properly classified as program revenue.

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Year Ended June 30, 2015

#### *Table 2*

	<u>2015</u>	<u>2014</u>	Variance
REVENUES			
General revenues	\$ 78,861,970	\$ 74,577,822	\$ 4,284,148
Program revenues	19,717,009	20,152,517	(435,508)
Total revenues	98,578,979	94,730,339	3,848,640
EXPENSES			
Governmental activities	95,443,879	96,097,104	(653,225)
Change in net position	3,135,100	(1,366,765)	4,501,865
Net position, beginning of year	38,451,486	39,818,251	(1,366,765)
Prior period adjustment	(66,770,070)		(66,770,070)
Net position, beginning of year restate	(28,318,584)	39,818,251	(68,136,835)
Net position, end of year	\$(25,183,484)	\$ 38,451,486	\$(63,634,970)

Table 2 reflects a total revenue increase of \$3,848,640 as the result of the changes in program revenues and general revenues. This table also reflects total expenditures as well as a material prior period adjustment. Both of these are covered in another section of this Management's Discussion and Analysis.

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Caparal Payanyas	<u>2015</u>	<u>2014</u>	Variance
General Revenues  District tax-levies  Missoula County State of Montana Investment earnings Other revenues  Total general revenues	\$ 28,845,153 9,141,302 40,844,264 29,577 1,674 \$ 78,861,970	\$ 29,045,326 8,465,062 37,019,302 24,623 23,509 \$ 74,577,822	\$ (200,173) 676,240 3,824,962 4,954 (21,835) \$ 4,284,148
Program Revenues  Charges for services  Operating grants and contributions  Total program revenues	2015 \$ 1,482,027 18,234,982 \$ 19,717,009	2014 \$ 1,650,003 18,502,514 \$ 20,152,517	<u>Variance</u> \$ (167,976)

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Year Ended June 30, 2015

#### ANALYSIS OF FINANCIAL INFORMATION

The following analysis is provided to help the reader understand the major operations of the District - where the resources come from; what the resources are used for; and trends, decisions, and events that are expected to affect the District's financial situation in the future.

What does the District do? The District provides educational services for children in grades kindergarten through 12<sup>th</sup> grade, transportation to and from school, hot lunches, athletic and extracurricular activities, and various services via federal programs.

Where do the resources come from? The majority of resources utilized by the District come from local property taxes, state aid, and state and federal grants. Table 3 shows the components of the general resources (revenues) and the program revenues of the District.

What does it cost? The major expenditure functions of the District include instructional services, support services, operations, administration, capital outlay, transportation, and debt service. Table 4 illustrates the costs of major functions as components of total expenditures.

Instructional expenditures decreased by approximately \$508,000 (approx. 10%) in FY2015. As previously mentioned, there were numerous instructional staff retirements in 2014. The additional cost of instructional staff retirements amounted to nearly \$1,500,000. Additionally, the General Fund increase of \$1,515,000 primarily supported the cost of a 1.5% salary increase in FY2015 for staff, as well as an increase of ten new teachers. Finally, a large portion of the increase in Retirement Fund costs, more than \$1,300,000, was directly related and coded to instruction.

The final function with an expense variation considered to be noteworthy is the increase in student transportation expense by more than \$550,000 or approximately 10.5%. This increase was caused by two items. First, the negotiated 3% increase in busing costs with the District's two transportation vendors; and second, routes were either added or lengthened as the K-8 District saw an increase in enrollment.

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Year Ended June 30, 2015

#### Table 4

	<u>2015</u>	<u>2014</u>	Variance
Instruction	\$ 54,846,151	\$ 55,354,552	\$ (508,401)
Support services	12,947,124	13,267,931	(320,807)
General administration	8,331,393	8,227,755	103,638
Operations and maintenance	8,044,566	8,320,797	(276,231)
Student transportation	5,819,513	5,265,667	553,846
Food services	3,231,280	3,117,108	114,172
Extracurricular activities	2,054,846	2,231,068	(176,222)
Other	2,793	31,608	(28,815)
Interest and fiscal charges	166,213	280,618	 (114,405)
	\$ 95,443,879	\$ 96,097,104	\$ (653,225)

Overall, expenditures decreased by approximately \$653,000 or less than 1%. To help understand this decrease, it will be useful to understand the preparation of the government-wide financial statements. In this preparation, an adjustment is made in the process of eliminating the internal services funds. This adjustment "returns" any excess revenue over expenditures from these funds and credits that excess to the funds that are rolled up in the creation of the government-wide statements. The combined internal service funds had a significant excess of revenues over expenses of \$1,500,000 in FY15. This excess was approximately \$316,000 more than in the prior year. Because the excess is allocated back to the various functions paying for those services provided by the internal service funds, the excess of \$1,500,000 was returned to the various expense functions on the Government-wide Statement of Activity. Therefore, the additional increase of \$316,000 was a credit to expense accounts, which contributed to the reduction of expense in FY15 over FY14.

A second significant factor of expense reduction was the decline of expenditures in the District's Retirement Funds in FY15 compared to FY14. This reduction was approximately \$808,000 and was caused by a couple of items. First, the State legislature had lowered the retirement fund reserves going into the 2013-14 year from 35% to 20%. Any excess reserves were required to be paid into the Teachers Retirement System (TRS) in that year. Therefore, the District remitted \$549,000 to TRS in FY14, which was not repeated in FY15. Additionally, the 2014 fiscal year was a year that saw a larger than normal number of staff retirements. The cost of those retirements in FY14 was approximately \$500,000 greater than that for FY15.

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Year Ended June 30, 2015

#### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

What are capital assets of the District? Capital assets of the District are assets purchased for \$5,000 or more and having a useful life of more than one year. The majority of capital assets include buildings and building improvements and equipment. Technology purchases are mainly funded by the Technology Fund. However, because of the \$5,000 capitalization threshold for the District, these purchases are rarely considered capital assets.

#### *Table 5*

	<u>2015</u>	<u>2014</u>
Land	\$ 1,755,697	\$ 1,755,697
Land improvements	1,222,194	1,222,194
Buildings and improvements	70,304,514	70,304,514
Equipment and other	4,111,193	3,581,858
Total capital assets	77,393,598	76,864,263
Less accumulated depreciation	(39,685,420)	(38,100,752)
Total capital assets, net of accumulated depreciation	\$ 37,708,178	\$ 38,763,511

In looking at Table 5, total capital assets increased by approximately \$529,000 in FY2015. During 2015, the District continued implementation of the new financial ERP system costing approximately \$35,000 in 2015. Also, the District added new network switches, wiring infrastructure, wireless access points, web filters, spam and e-mail archiving software, and equipment totaling more than \$380,000. Other fixed asset additions included the purchase of a new, large high-speed printer, a truck and dump trailer for the grounds department, a new floor scrubber, and a small solar energy system. Please refer to Note 3 for further information on the District's capital assets.

#### **Debt Administration**

In February 2016, the Elementary and High School Districts each went through the bond rating process in anticipation of issuing bonds for a newly approved bond election. In this process, each district received a rating of Aa3. This rating is considered excellent and gives each District the ability to issue general obligation bonds at some of the lowest bond interest rates available to any government entity. The purpose of the bond election was to gain approval from the voters to build, renovate, improve, and purchase capital assets for the District to help maintain assets, improve safety, and improve delivery of educational services to its students. Please refer to Note 4 for further information on the District's debt.

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Year Ended June 30, 2015

#### THE FUTURE OF THE DISTRICT

The District continues to move forward with its 21<sup>st</sup> Century Model of Education. In recent years the District added an International Baccalaureate program, a health sciences program, dual language immersion, as well as the Graduation Matters Missoula program. The goal of these programs is to provide the very best education possible for all District students no matter their circumstances. To this end, the District Board of Trustees, administration, staff, and community members have worked hard over multiple years to come up with a comprehensive long-range facility plan based upon the new 21<sup>st</sup> Century Model of Education. A component of the long-range facility plan is the request for bond funding to help improve District capital assets. The sale of bonds was approved by taxpayers in a November 2015 election. The voters approved both the elementary request as well as the secondary request. The District will utilize bond proceeds to update and improve its buildings. The final list of bond projects was extensive and includes classroom remodel and renovations, technology upgrades, addressing safety issues, and purchasing land to add on to a school.

The bond sale approved by voters totaled \$88,000,000 for the Elementary District and \$70,000,000 for the High School District. The initial issue of bonds in February 2015 totaled \$51,640,000 in the Elementary District, and \$22,785,000 in the High School District.

The District Board of Trustees, administration, and staff have made significant progress on a number of the large bond projects, including selection of architects and contractors for the construction of the Franklin Elementary School and the renovation and addition to the Lowell Elementary School. It is expected that ground will be broken on these two projects at the end of the school year in June. Plans have been made to move school equipment and furniture into two separate "swing spaces" that the students at those two schools will call home for one school year.

Turning attention to regular operations, in the 2016 fiscal year, the District's General Fund Budgets increased nearly \$2,300,000. With this increase, the District provided a 2% salary increase to its staff, added additional classroom and support staff, and increased discretionary budgets, including \$100,000 for curriculum materials on the K-8 level. Because only around \$300,000 of the total increase in budget was in the High School District, increases to discretionary budgets were minimal. However, the Elementary District experienced an increase in enrollment during the 2015-16 year and was able to adopt a budget amendment of \$273,541, which includes additional State funding of \$173,541.

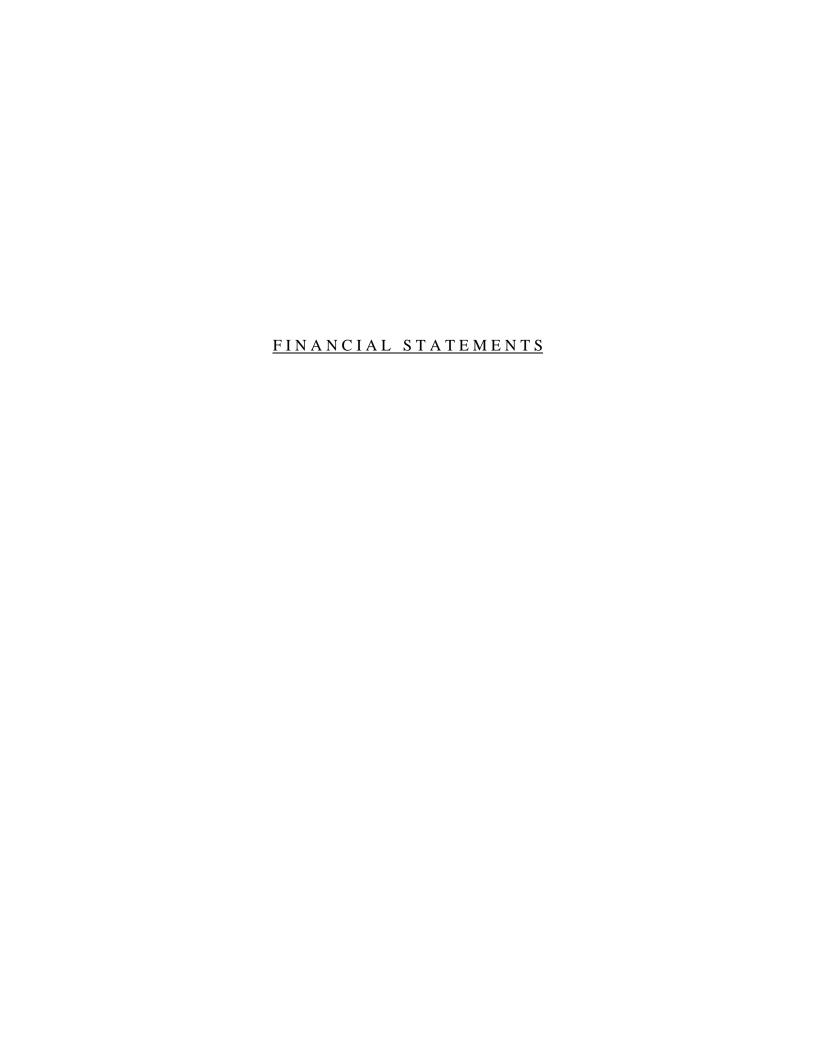
The General Fund budget picture for the 2016-17 fiscal year is shaping up, and it appears that the general funds will grow by over \$2,000,000, including \$1,225,000 for the High School District.

### MANAGEMENT'S DISCUSSION AND ANALYSIS

(CONTINUED) Year Ended June 30, 2015

#### **CONTACT FOR FURTHER INFORMATION**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Executive Director of Business Services, at the District, 915 South Avenue West, Missoula, Montana 59801.



### STATEMENT OF NET POSITION

June 30, 2015

(With Comparative Totals as of June 30, 2014)

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 25,503,810	\$ 20,754,357
Property taxes receivable	1,374,407	3,187,549
Due from other governments	1,844,949	2,461,745
Inventory	419,375	484,293
Prepaid expenses	31,536	50
Other current assets	279,717	539,952
Total current assets	29,453,794	27,427,946
CAPITAL ASSETS		
Land	1,755,697	1,755,697
Land improvements	1,222,194	1,222,194
Buildings and improvements	70,304,514	70,304,514
Machinery and equipment	4,111,193	3,581,858
Less accumulated depreciation	(39,685,420)	(38,100,752)
Total capital assets	37,708,178	38,763,511
Total assets	67,161,972	66,191,457
DEFERRED OUTFLOW OF RESOURCES		
Contributions to pension plans in current fiscal year	7,036,937	_
Total deferred outflows of resources	7,036,937	
Total assets and deferred outflows of resources	<u>\$ 74,198,909</u>	<u>\$ 66,191,457</u>

### STATEMENT OF NET POSITION (CONTINUED)

June 30, 2015

(With Comparative Totals as of June 30, 2014)

#### **LIABILITIES**

CURRENT LIABILITIES		
Accounts payable and other current liabilities	\$ 2,425,390	\$ 1,906,581
Unearned revenue	1,579,497	1,890,396
Bonds payable - due within one year	1,240,000	1,195,000
Capital lease - due within one year	30,940	37,187
Current portion special improvement district and other debt	-	1,000
Compensated absences - due within one year	894,672	863,261
Total current liabilities	6,170,499	5,893,425
NONCURRENT LIABILITIES		
Bonds payable	6,085,000	7,325,000
Special improvement district and other debt	131,005	163,505
Capital lease	6,247	43,434
Compensated absences	9,067,652	8,903,818
OPEB liability	5,135,947	5,028,657
Pension liability	61,937,578	<u>-</u>
Total noncurrent liabilities	82,363,429	21,464,414
Total liabilities	88,533,928	27,357,839
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	10,520,923	-
Unamortized bond premium	327,542	382,132
Total deferred inflows of resources	10,848,465	382,132
NET POSITION		
Net investment in capital assets	29,902,401	29,665,672
Restricted	8,779,549	8,012,571
Unrestricted	(63,865,434)	773,243
Total net position	(25,183,484)	38,451,486
•	(25,105,104)	
Total liabilities, deferred inflows and net position	<u>\$ 74,198,909</u>	<u>\$ 66,191,457</u>

### STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

(With Comparative Totals as of June 30, 2014)

		Program Revenues		Net (Expense)	
		Operating		Revenue and	
		Charges for	Grants and	Changes in I	Net Position
Functions/Programs	Expenses	Services	Contributions	2015	2014
Governmental Activities:			· <del></del>		
Instruction	\$ 54,846,151	\$ 573,599	\$ 9,946,356	\$(44,326,196)	\$(43,423,699)
Support services	12,947,124	88,667	3,902,262	(8,956,195)	(9,427,819)
General administration	8,331,393	-	736,013	(7,595,380)	(7,795,572)
Operations and maintenance	8,044,566	125,705	175,584	(7,743,277)	(8,260,100)
Student transportation	5,819,513	-	925,684	(4,893,829)	(4,463,970)
Food services	3,231,280	694,056	2,243,471	(293,753)	(112,656)
Extracurricular activities	2,054,846	-	157,623	(1,897,223)	(2,185,690)
Other	2,793	-	147,989	145,196	5,537
Interest and fiscal charges	166,213	<del>_</del>	<del>_</del>	(166,213)	(280,618)
Total governmental activities	<u>\$ 95,443,879</u>	<u>\$ 1,482,027</u>	<u>\$ 18,234,982</u>	(75,726,870)	(75,944,587)
		C 1			
		General revenu		20.045.152	20.045.226
		District tax-l		28,845,153	29,045,326
		Missoula County		9,141,302	8,465,062
		State of Montana		40,844,264	37,019,302
		Investment earnings		29,577	24,623
		Other		1,674	23,509
		Total general revenues		78,861,970	74,577,822
		Change in net	position	3,135,100	(1,366,765)
		Net position, beginning of year		38,451,486	39,818,251
		Prior period adjustment		(66,770,070)	
		Net position, beginning of year restated		(28,318,584)	39,818,251
		Net position, en	nd of year	<u>\$(25,183,484)</u>	<u>\$ 38,451,486</u>

### BALANCE SHEET – GOVERNMENTAL FUNDS June 30, 2015

	General Fund	Elementary Miscellaneous Programs	High School Miscellaneous Programs	Elementary Building Reserve	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash and investments	\$ 3,605,907	\$ 1,697,041	\$ 745,193	\$ 2,141,601	\$ 6,814,632	\$ 15,004,374
Property taxes receivable	968,754	-	-	36,604	369,049	1,374,407
Due from other governments	190,533	1,219,771	363,284	-	71,361	1,844,949
Prepaid expenses	7,469	14,073	9,994	-	-	31,536
Inventory	-	-	-	-	20,639	20,639
Other current assets	26,625	33,342	41,190		<u>466</u>	101,623
Total assets	<u>\$ 4,799,288</u>	\$ 2,964,227	<u>\$ 1,159,661</u>	\$ 2,178,205	<u>\$ 7,276,147</u>	<u>\$ 18,377,528</u>
LIABILITIES, DEFERRED INFLOWS A	ND FUND BAL	<u>ANCES</u>				
Due to other governments	\$ -	\$ 579	\$ 9,012	\$ -	\$ 180	\$ 9,771
Due to other funds	-	-		-	-	-
Other current liabilities	492,004	31,508	351,141	89,917	283,622	1,248,192
Unearned grant revenue	_	5,888	-	, -	, _	5,888
Total liabilities	492,004	37,975	360,153	89,917	283,802	1,263,851
DEFERRED INFLOWS OF RESOURCES	S					
Uncollected tax revenue	968,754		<u> </u>	36,604	392,980	1,398,338
Total deferred inflows of resources	968,754			36,604	392,980	1,398,338
FUND BALANCES						
Non-spendable	-	-	-	-	20,639	20,639
Restricted	-	-	-	2,005,702	6,344,263	8,349,965
Assigned	167,990	2,926,252	799,508	45,982	234,463	4,174,195
Unassigned	3,170,540					3,170,540
Total fund balances	3,338,530	2,926,252	799,508	2,051,684	6,599,365	15,715,339
Total liabilities, deferred inflows						
of resources and fund balances	<u>\$ 4,799,288</u>	<u>\$ 2,964,227</u>	<u>\$ 1,159,661</u>	\$ 2,178,205	<u>\$ 7,276,147</u>	<u>\$ 18,377,528</u>

# RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION June $30,\,2015$

Total fund balances - governmental funds	\$	15,715,339
Amounts reported for governmental activities in the statement of net position are different because:		
Add internal service funds net position not reported in the governmental funds statements.		8,624,337
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$76,794,928 and the accumulated depreciation is \$39,507,716.		37,287,212
\$39,307,710.		37,207,212
Property tax revenue is recognized when earned (and the claim to resources is established) rather than when "available." All of the deferred property tax revenue reported in the governmental funds is not available.		1,398,338
Long-term liabilities, including bonds payable, compensated absences, other post employment benefits and pension liabilities		, ,
are not due and payable in the current period and therefore are not reported in the funds.	_	(88,208,710)

\$ (25,183,484)

Total net position - governmental activities

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

Year Ended June 30, 2015

	General Fund	Elementary Miscellaneous Programs	High School Miscellaneous Programs	Elementary Building Reserve	Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
District levies	\$ 21,429,365	\$ -	\$ -	\$ 921,126	\$ 8,283,873	\$ 30,634,364
Investment interest	13,143	-	-	3,358	13,076	29,577
Tuition and fees	27,043	-	26,968	-	1,212,037	1,266,048
County sources	-	-	64,169	-	9,537,894	9,602,063
State sources	41,386,307	227,807	3,675,168	146,663	1,327,725	46,763,670
Federal sources	-	3,298,701	2,882,467	-	2,243,471	8,424,639
Other	1,607	719,801	481,065		127,379	1,329,852
Total revenue	62,857,465	4,246,309	7,129,837	1,071,147	22,745,455	98,050,213
EXPENDITURES						
Current:						
Instruction	38,528,361	3,317,464	3,347,397	57,946	8,716,869	53,968,037
Support services	7,402,304	535,669	3,615,734	-	1,187,862	12,741,569
Administration	7,031,829	200,519	92,484	6,281	931,722	8,262,835
Operations and maintenance	6,791,250	63,558	29,214	253,512	781,661	7,919,195
Student transportation	413,549	11,260	68,316	_	5,403,638	5,896,763
Food service	-	_	24,763	_	3,175,196	3,199,959
Extracurricular	1,691,103	-	98,452	-	194,600	1,984,155
Other	-	-	-	-	1,986	1,986
Capital outlay	-	22,256	52,595	135,226	317,989	528,066
Debt service:						
Principal retirement	-	-	-	-	1,199,215	1,199,215
Interest and fiscal charges					250,088	250,088
Total expenditures	61,858,396	4,150,726	7,328,955	452,965	22,160,826	95,951,868
Revenues under expenditures	999,069	95,583	(199,118)	618,182	584,629	2,098,345
Fund balances, beginning of year	2,339,461	2,830,669	998,626	1,433,502	6,045,069	13,647,327
Change in inventory					(30,333)	(30,333)
Fund balances, end of year	\$ 3,338,530	\$ 2,926,252	\$ 799,508	\$ 2,051,684	\$ 6,599,365	<u>\$ 15,715,339</u>

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

Year Ended June 30, 2015

Net change in fund balances - total governmental funds	\$ 2,098,345
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.	(1,012,293)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,789,211)
Governmental funds report purchases of inventory as expenditures. However, in the statement of activities the cost of inventory is expensed as used.	(30,333)
The governmental funds report increases in notes payable as revenues and repayment of bond principal as an expenditure. These have no effect on net position and are therefore not shown on the statement of activities.	1,283,090
The current period net change in compensated absences, other post employment benefits payable, and pension liabilities did not require the use of current financial resources and, therefore, generated no expenditure to be reported in the governmental funds.	1,077,382
Change in net position of internal service funds	 1,508,120
Change in net position of governmental activities	\$ 3,135,100

### BALANCE SHEET – INTERNAL SERVICE FUNDS June 30, 2015

<u>ASSETS</u>	
Cash and investments	\$ 10,499,436
Other current assets	178,094
Inventory	<u>398,736</u>
Total current assets	11,076,266
Capital assets	598,670
Less accumulated depreciation	(177,188)
Capital assets, net	421,482
Total assets	<u>\$ 11,497,748</u>
<u>LIABILITIES</u>	
Capital lease payable - current portion	\$ 30,940
Other current liabilities	1,167,427
Unearned revenue	1,573,609
Compensated absences	94,672
Total current liabilities	2,866,648
Capital lease payable - long-term portion	6,247
Total liabilities	<u>2,872,895</u>
NET POSITION	
Net investment in capital assets	398,736
Unrestricted	8,226,117
Total net position	8,624,853
Total liabilities and net position	<u>\$ 11,497,748</u>

# STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION – INTERNAL SERVICE FUNDS Year Ended June 30, 2015

OPERATING REVENUES	
Charges for services	\$ 1,333,178
Health insurance premiums	8,406,672
Donations by employees	2,618,820
Other local revenue	7,300
Total operating revenue	12,365,970
OPERATING EXPENSES	
Medical claims	8,565,897
Personnel	685,053
Operations	1,094,007
Administration	3,850
Stop loss insurance	476,246
Depreciation	44,308
Total operating expenses	10,869,361
Operating income	1,496,609
NON-OPERATING REVENUES (EXPENSES)	
Investment interest	16,360
Interest expense	(4,849)
Total non-operating revenues (expenses)	11,511
Change in net position	1,508,120
Net position, beginning of year	7,116,733
Net position, end of year	<u>\$ 8,624,853</u>

### STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUNDS Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES		
Health insurance premiums received	\$	10,988,070
Cash received for internal services		1,217,494
Medical claims paid		(8,285,846)
Cash paid to employees		(653,643)
Cash paid to suppliers for goods and services		(1,549,119)
Net cash flows from operating activities		1,716,956
CASH FLOWS FROM CAPITAL AND RELATED		
FINANCING ACTIVITIES		
Acquisitions of fixed assets		(44,701)
Interest payments on capital lease		(4,849)
Net cash flows from capital and related financing activities		(49,550)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earnings		16,360
Net cash flows from investing activities		16,360
Net increase in cash and cash equivalents		1,683,766
Cash and cash equivalents, beginning of year		8,815,670
Cash and cash equivalents, end of year	<u>\$</u>	10,499,436
RECONCILIATION OF OPERATING INCOME TO NET		
CASH FLOWS FROM OPERTING ACTIVITIES		
Operating income	\$	1,496,609
Adjustments to reconciled operating income to net		
cash flows from operating activities:		
Depreciation		44,308
Change in other assets		(9,601)
Change in receivables		114,243
Change in inventory		34,584
Change in payables		157,068
Change in compensated absences		31,410
Change in deferred revenue		(151,665)
Net cash from operating activities	\$	1,716,956

### STATEMENT OF NET POSITION – FIDUCIARY FUNDS June 30, 2015

	Private-Purpose Trust Funds	Agency Funds	
ASSETS Cash and investments Other current assets Total assets	\$ 1,489,379 <u>-</u> \$ 1,489,379	\$ 4,435,510 151,436 \$ 4,586,946	
<u>LIABILITIES</u> Warrants payable and other current liabilities	\$ 7,014	<u>\$ 4.586,946</u>	
NET POSITION	254.024		
Restricted for endowment	254,824		
Restricted for extracurricular	1,225,390		
Restricted for interlocal	2,151		
Total net position	1,482,365		
Total liabilities and net position	<u>\$ 1,489,379</u>		

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION Year Ended June 30, 2015

	Private-Purpose Trust Funds	
ADDITIONS	·	
Investment interest	\$	39
Contributions		36,610
Student receipts		2,140,571
Total additions		2,177,220
DEDUCTIONS Community		43,827
Extracurricular		1,999,678
Total deductions		2,043,505
Change in net position		133,715
Net position, beginning of year		1,348,650
Net position, end of year	\$	1,482,365

NOTES TO FINANCIAL STATEMENTS June 30, 2015

#### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and practices of the Missoula County Public Schools, School District No. 1 (the District), as reflected in the accompanying financial statements for the fiscal year ended June 30, 2015, conform to accounting principles generally accepted in the United States of America (GAAP) for local government units as prescribed by the Governmental Accounting Standards Board (GASB).

#### **New Accounting Pronouncement**

The County implemented 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 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.

#### **Reporting Entity**

The District operates under a district-wide elected eleven-member Board of Trustees and provides educational services to approximately 8,600 students in seventeen (K-12) schools throughout Missoula, Montana.

GAAP requires that these financial statements present the District (the primary government) and all component units. Component units, as established by GASB Statement No. 14, are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations for which the District is financially accountable have been considered for inclusion in the basic financial statements. As a result of applying the component unit definition criteria above, it has been determined that the District does not have any component units.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

#### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Reporting Entity (Continued)**

The District consists of two separate legal entities: 1) the High School District, and 2) the Elementary District. The High School District includes all of the area covered by the Elementary District plus several other elementary districts in Missoula County. The Elementary District provides education from kindergarten through eighth grade; the High School District provides education from grades nine through twelve. The District also provides programs for preschoolers, adult, and continuing education. Due to differences in funding and the associated tax base, separate accounting records of both entities must be maintained. Both entities are managed by the central Board of Trustees as noted above and by a central administration appointed by and responsible to the Board. Seven of the Board members have voting authority over all District operations; four have voting authority over high school issues only.

#### **Prior Period Comparative Amounts**

The basic financial statements include certain prior year comparative amounts but the notes to the financial statements do not contain the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2014, from which the comparative information was derived.

#### **Government-Wide and Fund Financial Statements**

The District's basic financial statements consist of government-wide 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.

<u>Government-Wide Financial Statements</u> – The statement of net position and statement of activities report information on all of the non-fiduciary activities of the primary government and distinguish between the governmental and business-type activities of the District. All internal activity has been eliminated.

The statement of net position presents the financial condition of the governmental and business-type activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's activities. Direct expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function.

Program revenues include: 1) charges paid by the recipient of the goods or services provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Government-Wide and Fund Financial Statements (Continued)**

<u>Fund Financial Statements</u> – Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

## Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes, state and county aid, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The general fund accounts for all revenues and expenditures related to instruction, administration, and other activities, except those required to be accounted for in another fund.

The elementary and high school miscellaneous programs fund accounts for local, state, or federal grants and reimbursements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Additionally, the government also reports the following fund types:

Internal Service Funds – Used to account for health insurance coverage provided to District employees. They also account for the data processing services, purchasing services, and instructional materials services, which provide services on a cost reimbursement basis.

Fiduciary Funds – The *Private-Purpose Trust Fund* is used to account for resources legally held in trust for student extracurricular activities and student scholarships. All resources of the funds, including any earnings on invested resources, may be used to support the purpose of the fund. *Agency funds* are custodial in nature and do not involve measurement of results of operations.

#### **Governmental Fund Balance Classifications**

The District has adopted Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in government funds.

GASB 54 requires, among other things, that all state and local governmental entities adopt a policy regarding spending priorities of fund balance in governmental funds. The fund balance resources of the District's governmental funds have been categorized as follows:

#### RESOURCE CATEGORIES

- <u>Non-spendable</u>: Resources not in spendable form (i.e. inventory) or those legally required to be maintained intact (i.e., principal portion of permanent trust funds)
- <u>Restricted</u>: Constraint is externally imposed by a third party (grantor, contributor, etc.), State Constitution, or by enabling legislation by the State Legislature
- <u>Committed</u>: Constraint is internally imposed by local government through a resolution
- <u>Assigned</u>: Constraint is internally expressed intent by government body or authorized official through a budget approval process or express assignment
- Unassigned: No constraints and negative fund balance in non-general fund funds.

#### EXPENDITURE ORDER FOR RESOURCE CATEGORIES

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

## NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## **Governmental Fund Balance Classifications (Continued)**

### GENERAL FUND AND SPECIAL REVENUE FUNDS:

First: Restricted Second: Committed Third: Assigned Fourth: Unassigned

### DEBT SERVICE AND CAPITAL PROJECTS FUNDS:

First: Assigned Second: Committed Third: Restricted Fourth: Unassigned

### **Budgets**

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

Fund	Budgeted	Non-Budgeted
General	X	
Special Revenue:		
Transportation	X	
School Food		X
Tuition	X	
Retirement	X	
Miscellaneous Programs		X
Comprehensive Insurance		X
Adult Education	X	
Traffic Education		X
Lease Rental Agreement		X
Compensated Absences		X
Technology	X	
Flexibility	X	
Debt Service	X	
Capital Projects:		
Building		X
Building Reserve	X	
Trust and Agency:		
Endowment Trust		X
Interlocal Agreement		X
Extracurricular Activities		X
Claims Clearing		X
Payroll Clearing		X

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Budgets (Continued)**

The General Fund budget is formulated on basic and per student entitlement amounts and enrollment. Budgets for other funds are based primarily on expected revenues and expenditures. Budgeted fund expenditures are limited by State law to budgeted amounts. However, budgets may be amended for emergencies as defined by State law.

Budget authority may be transferred between expenditure classifications within the same fund. Budgeted amounts shown are the original budgeted amounts and do not reflect line item budget transfers within the funds during the year.

The budget policy is as follows:

- 1) By August 25 the Board of Trustees must meet to legally adopt the final budget. This budget is adopted consistent with the basis of accounting described in Note 1.
- 2) Upon adoption of the final budget, expenditures are limited to the total fund budget. The District has the right to transfer budgetary authority among the various line items of a fund, but not between funds. Unencumbered appropriations lapse at year-end.

### **Property Taxes**

Property taxes are levied in August of each fiscal year, based on assessments as of the prior January 1. Taxes are normally billed in October and payable 50% by November 30 and 50% by May 31. Property taxes are maintained and collected by the County Treasurer; the District records such receipts when reported by the Treasurer. After those dates taxes are considered to be delinquent and a lien is placed upon the property. After three years the County exercises the lien and takes title to the property. Personal property taxes (other than those billed with real estate) are generally due thirty days after billing. Because of the above described collection procedures, estimated uncollectible taxes are minimal and, therefore, not recorded.

Taxes paid under protest are placed in an escrow fund by the County pending settlement of the protest. Under State law (MCA 15-1-402), the School District may demand payment from the protested tax escrow fund of all or part of the protested taxes from the second and subsequent years of the protest. No demand for payment has been made by the District.

#### **Cash and Investments**

Except for certain student activity funds, petty cash, interim accounts, and endowment funds maintained in separate bank accounts, the District's cash and investments are held in either the investment pool managed by the Missoula County Treasurer or the municipal investment account. The County Treasurer invests the pooled cash pursuant to State law (MCA 20-9-213[4]). Allowable investments include eligible securities as authorized by MCA 7-6-202; savings or time deposits in a state or national bank; building and loan association, savings and loan association, or credit union insured by the Federal Deposit Insurance Corporation (FDIC) or NCUA located in the State; repurchase agreements; and the State Short-Term Investment Pool (STIP) as provided in MCA 17-6-204. Investments are valued at cost, which is immaterially different from fair value.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Cash and Investments (Continued)**

For purposes of the statement of cash flows, the Internal Service Funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

#### **Inventories**

Inventory is valued at cost using an average cost method.

### **Capital Assets**

Capital assets, which include land, land improvements, building and improvements, and machinery and equipment is reported in the government-wide financial statements. It is the policy of the District to capitalize all assets with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year.

Capital assets are stated on the basis of historical cost or estimated historical costs when actual costs are not available. Major fixed asset additions are financed primarily through bond proceeds.

Assets acquired through gifts or donations are recorded at their estimated fair market value at the date of acquisition.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	15–25 years
Buildings and improvements	25–60 years
Machinery and equipment	5–20 years

#### **Warrants Payable**

The District makes expenditures by means of warrants. These warrants are orders to the County Treasurer to pay a specified sum to the person named or to the bearer. State law requires that warrants be paid and registered if presented for a budgeted fund with insufficient cash and refused for payment for a non-budgeted fund with insufficient cash. Registered warrants become a liability of the District. Interest accrues thereon until publication of the call for payment. The District has no registered warrants as of June 30, 2015.

#### **Due from Other Governments**

Due from Other Government balances are composed primarily of: 1) revenue accruals in the General Fund for the state entitlement payment, and 2) revenue accruals for the various reimbursable type grants for which revenue is recognized when expenditures are made. If receipts exceed expenditures, the excess is generally deferred until expenditure of funds, but may be recognized as revenue depending on the terms of the particular grant agreement.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

## NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Liability for Compensated Absences**

Compensated absences for vacation and sick leave are recorded as expenditures in the government funds when taken. Vacation leave, within certain limitations, may be payable to employees upon 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. Certified and administrative employees are eligible for compensation at one-half of the accumulated sick leave amount.

Liabilities incurred because of vacation and sick leave accumulated by employees are reported in the long-term debt account group and proprietary fund type to the extent they are vested. Expenditures for unused leave are recorded when paid.

### **Other Postemployment Benefits**

The District recognizes and reports its postemployment health care benefits in accordance with GASB Statement 45, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB).

### **Pension liability**

The District reports its proportionate share of the collective net pension liability, pension expense, deferred inflows, and deferred outflows of resources associated with pension plans that its employees are eligible to participate in. See Note 6 for a more in-depth discussion of this liability and related elements.

### NOTE 2. CASH AND CASH EQUIVALENTS

The District participates in the Missoula County Treasurer's investment program. All funds deposited with the County Treasurer are pooled and invested in certificates of deposit, U.S. Treasury bills, and other short-term bank investments and STIP and are reported with cash at market value. Interest earnings are allocated to the individual funds of the District based on average month-end cash balances.

Short-term investments of the pool consist of the State of Montana Unified Investment Program, a daily repurchase agreement with a local bank, United States agencies, and certificates of deposit account for the management of cash temporarily idle during the year. The pool is valued at cost, which approximates fair value. There is no material difference between the value of the pool shares and the fair value. The pool is not SEC registered.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

### NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

Montana law allows the local governing body to require security for the portion of deposits not guaranteed or insured. Deposit insurance is administered by the FDIC. Since the District invests in a cooperative pool, pledged securities for the various individual deposits and repurchase agreements are managed by the County Treasurer. Montana Code allows the County Treasurer to take collateral up to 50% of deposits, if the institution in which the deposit is made has a net worth to total assets ratio of 6% or more and 100% if the ratio is less than 6%.

Information as to the types and amounts of fully insured deposits and collateral for deposit with securities including derivative type investments held in STIP can be obtained from the Missoula County Treasurer. Risk in the event of loss is unclear in State law, but appears to be the liability of the County government. Because of the custodial involvement of the County government, and the commingling of cash in County deposits in the name of the County Treasurer, the risk classification according to GASB 40 is impracticable.

	Credit	Interest
	Risk	Rate Risk
Missoula County Treasurer		
External Investment Pool	Not Rated	No Maturity

The District also has a municipal investment account (MIA) with a financial institution. The District directs the County Treasurer as to the amount of money to be invested with the MIA on a periodic basis. All deposits are collateralized 100% with U.S. Government securities pledged to the District but held in the institution's name. The interest rate was 0.02% at June 30, 2015, and the balance was \$3,439,021.

The District has a community benefit account bearing interest at 0.15% and is fully insured or collateralized with a financial institution. The balance in this account at June 30, 2015, was \$1,263,679.

At June 30, 2015, the District's balances were:

	Governmental	vernmental Fiduciary	
Cash in county treasury	\$ 21,630,643	\$ 4,940,661	\$ 26,571,304
Cash in municipal investment account	2,556,682	887,894	3,444,576
Cash in certificate of deposit	1,265,066	-	1,265,066
Cash on hand and in banks	51,419	96,334	147,753
	<u>\$ 25,503,810</u>	\$ 5,924,889	<u>\$ 31,428,699</u>

Certain student activity, petty cash, interim accounts, and endowment funds are deposited in interest-bearing checking and savings accounts covered by FDIC insurance.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

## NOTE 3. CAPITAL ASSETS

A summary of capital asset activity for the year ended June 30, 2015, follows:

Governmental activities	June 30, 2014	Additions	Transfers	June 30, 2015
Capital assets not subject to depreciation:				
Land	\$ 1,755,697	\$ -	\$ -	\$ 1,755,697
Construction in process	-	-	-	-
Capital assets subject to depreciation:				
Land improvements	1,222,194	-	-	1,222,194
Buildings and improvements	70,304,514	-	-	70,304,514
Equipment and other	3,581,858	529,335		4,111,193
Total capital assets	76,864,263	529,335		77,393,598
I are accommulated demonstration for				
Less accumulated depreciation for:	(50( 007)	(46 122)	(5.201)	(629.421)
Land improvements	(586,987)	(46,133)	(5,301)	(638,421)
Buildings and improvements	(35,011,566)	(1,332,840)	4,785	(36,339,621)
Equipment and other	(2,502,199)	(205,179)		(2,707,378)
Total accumulated depreciation	(38,100,752)	(1,584,152)	(516)	(39,685,420)
Total capital assets, net of				
accumulated depreciation	<u>\$ 38,763,511</u>	<u>\$ (1,054,817)</u>	<u>\$ (516)</u>	<u>\$ 37,708,178</u>
Internal Service Fund capital assets incl	uded above:			
and the second s				
	June 30, 2014	Additions	Retirements	June 30, 2015
Capital assets subject to depreciation:				
Equipment and other	\$ 597,402	\$ 1,268	\$ -	\$ 598,670
Less accumulated depreciation	(132,880)	(44,308)		(177,188)
Total capital assets, net of				
accumulated depreciation	<u>\$ 464,522</u>	<u>\$ (43,040)</u>	<u>\$ -</u>	<u>\$ 421,482</u>
Depreciation expense has been charged	to functions of	the primary go	vernment, as fo	ollows:
Instruction			\$ 911,266	
HISH UCHOIL			\$ 911,200	

Instruction	\$	911,266
Support services		169,946
General administration		166,016
Operations and maintenance		179,003
Student transportation		11,503
Food services		23,195
Extracurricular activities		78,915
Internal service funds		44,308
	<u>\$</u>	1,584,152

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

### NOTE 3. CAPITAL ASSETS (CONTINUED)

The District leases two of its elementary school buildings to different educational institutions. The Mount Jumbo Elementary school building is leased to Walla Walla University at a rate of 4,748 per month. The term of the agreement is five years and ends on June 8, 2015, and the monthly rent is adjusted each year by 3% - 5% for inflation.

The District also leases the Prescott Elementary school building to the Missoula International School. In August 2011, the lease was renewed for an additional five years until July 31, 2017, at a monthly rate of \$4,583, which increases approximately \$208 per month each year for the first three years. Beginning August 1, 2015, the rate will be adjusted each year up to 3% for inflation.

Both of the lessors also reimburse the District for the cost of utilities and insurance.

The District has office equipment costing \$198,488 under a capital lease. Accumulated depreciation totaled \$49,622.

### NOTE 4. LONG-TERM DEBT

Changes in general long-term debt during 2015 were as follows:

	Balance			Balance	Due Within
	June 30, 2014	Additions	Reductions	June 30, 2015	One Year
General obligation bonds:					
2010 Refunding issue	\$ 4,590,000	\$ -	\$ (590,000)	\$ 4,000,000	\$ 615,000
2013 Refunding issue	3,930,000		(605,000)	3,325,000	625,000
Total bonds payable	8,520,000	-	(1,195,000)	7,325,000	1,240,000
Special improvements	2,000	-	(1,000)	1,000	-
Homevale settlement	162,505	-	(32,500)	130,005	-
Capital lease	80,621	-	(37,187)	43,434	37,187
Compensated absences,					
internal service fund	63,261	25,160	-	88,421	-
Compensated absences	9,703,818	163,834		9,867,652	800,000
Total	<u>\$ 18,532,205</u>	<u>\$ 188,994</u>	\$ (1,265,687)	<u>\$ 17,455,512</u>	\$ 2,077,187

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

### NOTE 4. LONG-TERM DEBT (CONTINUED)

### **General Obligation Bonds**

In February 2013, the District issued \$4,785,000 of general obligation refunding bonds, Series 2013, to advance refund the outstanding Series 2005 General Obligation Refunding Bonds and to pay costs associated with the refunding. The Series 2013 Bonds bear interest ranging from 2.0% to 5.0% and mature in the years 2013 through 2020. Proceeds from the sale of the 2013 bonds, including an initial bond premium of \$436,722 together with \$347,000 from the debt service fund, were deposited into an irrevocable escrow to call the outstanding bonds. The advance refunding resulted in a savings of interest and principal repayments approximating \$570,000.

### 2010 Refunding Bonds

In July 2010, the District issued \$6,810,000 of general obligation refunding bonds, Series 2010, to advance refund the outstanding Series 2001 General Obligation Bonds and to pay costs associated with the refunding. The Series 2010 Bonds bear interest ranging from 2.5% to 3.0% and mature in years through 2018. Proceeds from the sale of the 2010 bonds of \$7,000,106, including an original issue premium of \$190,106 together with \$100,000 from the 2001 debt service reserve were deposited in an irrevocable escrow to call the outstanding 2001 bonds on July 1, 2011. The result of the advance refunding was a reduction in total debt service payments of \$655,112 and an economic gain of \$565,364. The difference between the amount placed into escrow and the outstanding refunded bonds was charged to interest expense in the statement of activities.

### **Notes Payable**

The District agreed to pay \$162,505 to the University of Montana for its portion of the proceeds from the City of Missoula for easements across the Homevale property when the City realigned the South Avenue and Brooks intersection.

Missoula County issued special improvement obligations with interest rates of 7.5% to 8.25% due in varying amounts through June 2024 to fund miscellaneous improvements for the elementary school.

Debt service principal and interest payments required on the bonds and notes payable are as follows:

Year Ended	General Obli	igation Bonds	SID Payable and Homevale		Total	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 1,240,000	\$ 217,338	\$ -	\$ -	\$ 1,240,000	\$ 217,338
2017	1,275,000	189,463	1,000	180	1,276,000	189,643
2018	1,315,000	157,613	-	-	1,315,000	157,613
2019	1,355,000	124,763	-	-	1,355,000	124,763
2020	1,420,000	72,200	-	_	1,420,000	72,200
2021-2026	720,000	21,600	130,005	<u> </u>	850,005	21,600
Total	<u>\$ 7,325,000</u>	<u>\$ 782,977</u>	<u>\$ 131,005</u>	<u>\$ 180</u>	<u>\$ 7,456,005</u>	<u>\$ 783,157</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

### NOTE 4. LONG-TERM DEBT (CONTINUED)

### **Notes Payable (Continued)**

Compensated absence payments can be made by the compensated absences fund or by the affected fund, usually the general fund. The District records an estimate of compensated absences due within one year based on prior three year history of payments made to retirees.

The District is authorized by state law to issue general obligation bonds up to an amount equal to the greater of 1) 50% of the taxable value of the property within the District or 2) 50% of the statewide average taxable valuation per student times the number of students in the District (calculated separately for the Elementary and High School Districts).

The District leased office equipment in 2012 at a cost of \$198,488. The capital lease matures in July 2017. Minimum monthly payments are \$3,484. The following schedule presents future minimum lease payments as of June 30, 2015:

	Capital Lease			
Year Ended June 30,	Pa	yments		
2016	\$	37,187		
2017		8,107		
Total		45,294		
Less interest		(1,860)		
Present value of minimum lease payments	\$	43,434		

Because of implementing GASB 65, bond issuances costs were written off in the current year and bond premiums were reclassified as deferred inflows of resources.

#### NOTE 5. RESERVED FUND BALANCES AND RESTRICTED NET ASSETS

#### **Reserved Fund Balances**

State law permits a reserve for operations in certain budgeted funds. The maximum reserve for operations permitted for the School, which is a percentage of the subsequent year's budgeted expenditures, are as follows:

General Fund	10%
Transportation Fund	20%
Retirement Fund	20%
Adult Education Fund	35%

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

## NOTE 5. RESERVED FUND BALANCES AND RESTRICTED NET ASSETS (CONTINUED)

#### **Restricted Fund Balance**

Restricted fund balances under GASB 54 at June 30, 2015, are as follows:

	Elementary		High School		 Total
Transportation	\$	474,788	\$	370,903	\$ 845,691
Food services		44,688		170,324	215,012
Tuition		102,280		45,570	147,850
Retirement		1,279,982		815,370	2,095,352
Insurance fund		-		8,485	8,485
Adult education		112,631		112,301	224,932
Traffic education		-		206,216	206,216
Compensated absences		7,842		5,576	13,418
Technology acquisition		10,133		80,551	90,684
Flexibility		-		622	622
Debt service		132,035		375,187	507,222
Building		845,460		366,967	1,212,427
Building reserve		2,005,702		776,352	 2,782,054
Total	\$	5,015,541	\$	3,334,424	\$ 8,349,965

State law also permits a reserve for operations in the bond debt service funds equal to the payments required within 17 months after year-end. State law also permits the District to reserve collections of prior year's delinquent and protested property taxes.

### **Assigned Fund Balance**

Assigned fund balances under GASB 54 at June 30, 2015, are as follows:

	Elementary		High School		Total	
Encumbrances	\$ 197,0	029 \$	90,819	\$	287,848	
Program and instruction	2,992,0	634	893,713	_	3,886,347	
Total	\$ 3,189,0	<u> 563                                   </u>	984,532	\$	4,174,195	

#### **Restricted Net Position**

Restricted net position at June 30, 2015, consists of the following:

Capital projects	\$ 4,374,986
Debt service	556,301
Program	 3,848,262
Total	\$ 8,779,549

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

### NOTE 6. RETIREMENT PLANS

The District participates in two state-wide, cost-sharing multiple-employer defined benefit retirement plans, which cover all employees, except certain substitute teachers and part-time, non-teaching employees. The Teachers' Retirement System (TRS) covers certified teaching employees, including principals and other administrators. The Public Employee Retirement System (PERS) covers non-teaching employees. The plans are established under state law with the TRS plan being administered by the Teachers' Retirement System and PERS administered by the Montana Public Employees Retirement Administration. The plans provide retirement, disability, and death benefits to plan members and beneficiaries. The authority to establish, amend and provide cost of living adjustments for the plan is assigned to the state legislature. The following table presents the District's (Employer) proportion of TRS and PERS pension amounts.

	The District's			The District's			
	proportionate share		pr	proportionate share		he District's	
	;	associated	a	associated		Total	
	with			with		Pension	
		TRS		PERS	-	Amounts	
Net pension liability	\$	53,154,264	\$	8,783,314	\$	61,937,578	
Deferred outflows of resources		6,369,319		667,618		7,036,937	
Deferred inflows of resources		8,232,853		2,288,070		10,520,923	
Pension expense		5,424,188		694,160		6,118,348	

### **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) and 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, TRS and PERS have special funding situations in which the State of Montana is legally responsible for making contributions directly to TRS and PERS on behalf of the District. Due to the existence of a special funding situation, the District is 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 District.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

### NOTE 6. RETIREMENT PLANS (CONTINUED)

### **Teachers' Retirement System (TRS)**

	Net Pension		on Net Pension		
	Li	iability as of	Li	iability as of	Percent of
	Ju	ine 30, 2013	June 30, 2014		Collective NPL
Missoula County					
Public Schools					
Proportionate share	\$	61,439,572	\$	53,154,264	3.4542%
State of Montana					
Proportionate share associated					
with the District		42,080,436		36,405,765	<u>2.3658%</u>
Total	\$	103,520,008	\$	89,560,029	5.8199%

At June 30, 2015, the District recorded a liability of \$53,154,264 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 District's proportion of the net pension liability was based on the District'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 District's proportion was 3.4542 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

### NOTE 6. RETIREMENT PLANS (CONTINUED)

### **Teachers' Retirement System (TRS) (Continued)**

Changes in actuarial assumptions and methods (Continued)

- 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 net pension liability.

## **Pension Expense**

	sion Expense June 30, 2014
Missoula County	
Public Schools:	
Proportionate share	\$ 3,385,598
State of Montana: Proportionate share associated	
with the District	 2,038,591
	\$ 5,424,189

At June 30, 2015, the District recognized a pension expense of \$5,424,189 for its proportionate share of the TRS' pension expense. The employer also recognized grant revenue of \$2,038,591 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the District.

#### **Recognition of Beginning Deferred Outflow – GASB 71**

At June 30, 2015, the District recognized a beginning deferred outflow of resources for the Districts FY 2014 contributions of \$5,326,112.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

### NOTE 6. RETIREMENT PLANS (CONTINUED)

### **Deferred Inflows and Outflows**

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

		Deferred Outflows of Resources		rred Inflows Resources
Differences between expected and actual economic experience	\$	525,818	\$	-
Changes in actuarial assumptions		1,204,700		-
Differences between projected and actual investment earnings		-		8,232,853
Difference between actual and expected contributions		157,541		-
*Contributions paid to TRS subsequent to the measurement date - FY 2015 Contributions [to				
be entered by the entity]		4,481,260		<u>-</u>
Total	<u>\$</u>	6,369,319	\$	8,232,853

<sup>\*</sup>Amounts reported as deferred outflows of resources related to pensions resulting from the District'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. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

						Amou	int recognized in
						Pensio	n Expenses as an
		Defen	red Outflows	Defe	erred Inflows	increase	e or (decrease) to
	Year ended	of Resources		of Resources		Pei	nsion Expense
_	June 30:		(a)	(b)			(a) - (b)
	2016	\$	629,353	\$	2,058,213	\$	(1,428,860)
	2017		629,353		2,058,213		(1,428,860)
	2018		629,353		2,058,213		(1,428,860)
	2019		-		2,058,213		(2,058,213)
	2020		-		_		-
	Thereafter		-		-		_

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

### NOTE 6. RETIREMENT PLANS (CONTINUED)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

### NOTE 6. RETIREMENT PLANS (CONTINUED)

### **Summary of Benefits (Continued)**

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 1<sup>st</sup> of each year.

MCA 19-20-605 requires each employer to contribute 9.85% of total compensation paid to all reemployed 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.

#### **Overview of Contributions**

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

## NOTE 6. RETIREMENT PLANS (CONTINUED)

### **Overview of Contributions**

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

## **School District and Other Employers**

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

### **State and University Employers**

				Total Employee
	Members	Employers	General Fund	& Employer
Prior to July 1, 2007	7.15%	7.47%	0.11%	14.73%
July 1, 2007 to June 30, 2009	7.15%	9.47%	0.11%	16.73%
July 1, 2009 to June 30, 2013	7.15%	9.85%	0.11%	17.11%
July 1, 2013 to June 30, 2014	8.15%	10.85%	0.11%	19.11%
July 1, 2014 to June 30, 2015	8.15%	10.95%	0.11%	19.21%
July 1, 2015 to June 30, 2016	8.15%	11.05%	0.11%	19.31%
July 1, 2016 to June 30, 2017	8.15%	11.15%	0.11%	19.41%
July 1, 2017 to June 30, 2018	8.15%	11.25%	0.11%	19.51%
July 1, 2018 to June 30, 2019	8.15%	11.35%	0.11%	19.61%
July 1, 2019 to June 30, 2020	8.15%	11.45%	0.11%	19.71%
July 1, 2020 to June 30, 2021	8.15%	11.55%	0.11%	19.81%
July 1, 2021 to June 30, 2022	8.15%	11.65%	0.11%	19.91%
July 1, 2022 to June 30, 2023	8.15%	11.75%	0.11%	20.01%
July 1, 2023 to June 30, 2024	8.15%	11.85%	0.11%	20.11%

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

### NOTE 6. RETIREMENT PLANS (CONTINUED)

#### **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 retireme	ent)

- Mortality among contributing members, service retired members, and beneficiaries
  - For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.
  - For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.
- Mortality among disabled members
  - For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.
  - For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.
- \* Total wage increases include 4.00% general wage increase assumption 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 TRS 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

### NOTE 6. RETIREMENT PLANS (CONTINUED)

### **Target Allocations**

		Real Rate
	Target Asset	of Return
Asset Class	Allocation	Arithmetic Basis
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	4.00%	7.50%
	100.00%	

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	1.0% Decrease		Current	1.0	% Increase
		(6.75%)		Discount Rate		(8.75%)
The employer's proportion of						
Net Pension Liability	\$	73,848,178	\$	53,154,264	\$	35,671,089

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

### NOTE 6. RETIREMENT PLANS (CONTINUED)

### **Sensitivity Analysis (Continued)**

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.

### **Public Employees' Retirement System (PERS)**

#### **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.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

### NOTE 6. RETIREMENT PLANS (CONTINUED)

#### **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**

5 years of membership service

### 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

### NOTE 6. RETIREMENT PLANS (CONTINUED)

### 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.
  - 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 and would remain 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

### NOTE 6. RETIREMENT PLANS (CONTINUED)

### **Overview of Contributions (Continued)**

- 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

#### **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 the stand alone financial statements can be found on the website at http://mpera.mt.gov/annualreports.shtml.

The latest actuarial valuation and experience study can be found at the website at http://mpera.mt.gov/actuarialvaluations.shtml.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

### NOTE 6. RETIREMENT PLANS (CONTINUED)

#### **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 PERS Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

### NOTE 6. RETIREMENT PLANS (CONTINUED)

### **Target Allocations**

		Real Rate
	Target Asset	of Return
Asset Class	Allocation	Arithmetic Basis
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%
Non-Core Real Estate	8.00%	4.50%
	<u>100.00%</u>	

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.

### **Sensitivity Analysis**

	1.	1.0% Decrease (6.75%)		Current Discount Rate		0% Increase (8.75%)
PERS' net pension						
liability	\$	1,982,274,732	\$	1,246,010,898	\$	625,044,646
The District's proportion of						
net pension liability	\$	13,973,346	\$	8,783,314	\$	4,406,032

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

### NOTE 6. RETIREMENT PLANS (CONTINUED)

### **Sensitivity Analysis (Continued)**

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 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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

### NOTE 6. RETIREMENT PLANS (CONTINUED)

### **Net Pension Liability (Continued)**

	N	Net Pension		et Pension	
	Li	Liability as of		ability as of	Percent of
	Ju	June 30, 2013		ne 30, 2014	Collective NPL
Missoula County					
Public Schools					
Proportionate share	\$	11,302,776	\$	8,783,314	0.7049%
State of Montana					
Proportionate share associated					
with the District		528,367		410,590	<u>3.4279%</u>
Total	\$	11,831,143	<u>\$</u>	9,193,904	4.3286%

At June 30, 2015, the employer recorded a liability of \$8,783,314 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 0.704915 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 net pension liability.

At June 30, 2015, the employer recognized a pension expense of \$694,160 for its proportionate share of the PERS' pension expense. The employer also recognized grant revenue of \$279,386 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the employer.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

### NOTE 6. RETIREMENT PLANS (CONTINUED)

### **Pension Expense (Continued)**

	Pension Expense as of June 30, 201		
Missoula County Public Schools:			
Proportionate share	\$	414,774	
State of Montana:			
Proportionate share associated			
with the District		279,386	
	\$	694,160	

### **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 \$658,374.

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:

	Deferred Outflows of Resources		erred Inflows Resources
Differences between projected and actual investment earnings	\$ -	\$	2,269,464
Changes in proportion differences between employer contributions and proportionate share of contributions	-		18,606
*Contributions paid to TRS subsequent to the measurement date - FY 2015 Contributions [to be entered by the entity]	667,618		<u>-</u>
Total	\$ 667,618	\$	2,288,070

<sup>\*</sup> 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. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

### NOTE 6. RETIREMENT PLANS (CONTINUED)

### **Recognition of Beginning Deferred Outflow - GASB 71 (Continued)**

					Amoun	t recognized in
					Pension	Expenses as an
	Deferred Outflow	vs ]	Deferre	d Inflows	increase	or (decrease) to
Year ended	of Resources		of Re	sources	Pens	sion Expense
June 30:	(a)		(	(b)	(	(a) - (b)
2016	\$	- \$	\$	573,568	\$	(573,568)
2017		-		573,568		(573,568)
2018		-		567,366		(567,366)
2019		-		-		-
2020		-		-		-
Thereafter		-		-		_

### NOTE 7. RISK MANAGEMENT

The District faces a number of risks of loss including a) loss or damage to property, b) general liability, c) workers' compensation, and d) employee medical insurance. There were no significant changes in how the District covered its risks in fiscal year 2015.

The District has established two internal service funds (one for elementary and one for high school employees) to account for and finance its employee medical claims risks. Medical claims are self-insured up to \$100,000 per employee and approximately \$1,000,000 in the aggregate. Claims in excess of these amounts are insured by commercial carriers. Dental claims are also self-insured. The internal service funds charge premiums to the other District funds based on employees in those funds and their respective coverage.

Change in medical claims liabilities were as follows:

	Elementary	High	
	School	School	Total
Claims liability, June 30, 2013	\$ 652,060	\$ 457,764	\$ 1,109,824
Claims incurred in 2014	6,264,976	3,783,024	10,048,000
Claims paid in 2014	(6,463,286)	(3,869,538)	(10,332,824)
Claims liability, June 30, 2014	453,750	371,250	825,000
Claims incurred in 2015	5,695,617	4,226,575	9,922,192
Claims paid in 2015	(5,540,101)	(4,125,971)	(9,666,072)
Claims liability, June 30, 2015	<u>\$ 609,266</u>	<u>\$ 471,854</u>	<u>\$ 1,081,120</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

### NOTE 7. RISK MANAGEMENT (CONTINUED)

Commercial insurance policies are purchased for loss or damage to property and for general liability. The District participates in one statewide public risk pool, the Montana Schools Group Workers' Compensation Risk Retention Program (WCRRP) for workers' compensation coverage.

GASB Statement No. 45 sets the accounting and financial reporting requirements for local governments that provide health care benefits to their retirees. Montana law (MCA 2-18-704) requires local governments to permit retired employees with at least five years of service and at least age 50 to remain in the government's medical insurance plan until they become eligible for Medicare. The law requires retires to pay 100% of the employee premium amount.

The District's medical benefit plans have standard insurance premium amounts that are charged to all members, including retirees. The District pays the premium for the employee and the employee pays the premium for his or her family. Retirees pay their own premium.

### NOTE 8. VOLUNTARY TERMINATION BENEFITS

The District has established an early notification of retirement benefit. If an employee submits a letter of retirement between January 1 and February 27 that results in a retirement from the District and the State retirement system effective on or before June 30, they will receive a one-time payment of \$500, less appropriate deductions, to be paid upon retirement. During the year ended June 30, 2015, 34 employees qualified for this benefit resulting in an expense of \$17,000.

#### NOTE 9. OTHER POSTEMPLOYMENT BENEFITS

The District has adopted the provisions of GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pension Plans. GASB 45 requires employers to calculate the actuarial liability for future retiree benefits and the annual required contribution (ARC) for retirees. Information on the District's health benefit plan is included below.

#### **Plan Description**

The District has a single-employer medical plan that provides medical and dental benefits to eligible employees, retirees, spouses, and dependents. Participation is elected by the retiree at the time of retirement. Benefit provisions are set annually by the Board of Trustees and may be revoked or altered at any time. Missoula County Public Schools is not required to issue a separate financial report for the plan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

### NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

### **Funding Policy**

The District provides no direct subsidy to the health insurance premiums for retirees. Retirees pay for the entire cost of the health insurance premium. Eligible retired employees include former full-time and certain other employees. As of July 2014, there are 155 retirees and/or survivors enrolled for the employer's sponsored health insurance plan.

## **Annual OPEB Cost Obligation and Net OPEB Obligation**

The District's other postemployment benefit (OPEB) cost (expense) is calculated based on the projected unit credit cost method as of June 30, 2015. The objective under this method is to fund each participant's benefits under the plan as they accrue. Thus, the total benefit to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service. Typically, when this method is introduced, there will be an initial liability for benefits credited for service prior to that date, and to the extent that the liability is not covered by assets of the plan, there is an unfunded liability to be funded over a stipulated period in accordance with an amortization schedule.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes on the District's net OPEB obligation:

#### **Annual Required Contribution - June 30, 2015**

Annual required contribution (ARC)	\$ 405,000
Interest on net OPEB obligation	226,290
Adjustment to annual required contribution	 (179,000)
Annual OPEB cost	452,290
Contributions made	 (345,000)
Change in net OPEB obligation	107,290
Net OPEB obligation - beginning of year	 5,028,657
Net OPEB obligation - end of year	\$ 5,135,947

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

### NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

### **Annual OPEB Cost Obligation and Net OPEB Obligation (Continued)**

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal years ended June 30, 2015, 2014, and 2013, are as follows:

	% of Annual					
Fiscal Year	1	Annual	OPEB Cost	N	let OPEB	
Ended	OPEB Cost		OPEB Cost Contributed		Obligation	
June 30, 2013	\$	660,425	0.00%	\$	3,625,575	
June 30, 2014		686,657	0.00%		4,342,000	
June 30, 2015		452,290	76.30%		5,135,946	

## **Funded Status and Funding Progress**

Because the plan has more than 200 members, the District is required to obtain an actuarial valuation at least every two years. The most recent actuarial valuation was performed on July 1, 2014. As of July 1, 2014, the actuarial accrued liability (AAL) for benefits was \$3,903,000, all of which was unfunded. There are no assets set aside to fund these benefits as the District funds post-retirement health insurance benefits on a pay-as-you-go basis.

#### Annual Valuation - June 30, 2015

Actuarial Accrued Liability (AAL)	\$ 3,903,000
Actuarial Value of Assets	
Unfunded Actuarial Accrued Liability (UAAL)	\$ 3,903,000
Funded Ratio (actuarial value of assets / UAAL)	0.00%

Actuarial valuations for 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 the healthcare cost trend. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on values, which the District's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be. Deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage, and changes in marital status, could result in actual costs being less or greater than estimated.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

### NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

#### **Funded Status and Funding Progress (Continued)**

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### **Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The 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 following assumptions were made:

- Retirement rates for the Public Employees' Retirement System (PERS) and the Teacher's Retirement System (TRS) are assumed to follow the RP2000 Healthy Combined Mortality Table projected to 2015 using Scale AA applied on a gender-specific basis.
- The UUAL is being amortized using a level of percentage pay on an open basis of 30 years. The discount used is 4.5% along with a level percentage payroll growth assumption.
- The healthcare cost trend rate (HCCTR) was based on projections from historical rates of the District. The valuation used a HCCTR assumption of 9% (8% post Medicare) in the year July 1, 2012 to June 30, 2013, grading down by 0.50% each year until an ultimate HCCTR rate of 5.0% is reached.
- The Health CPI is assumed to increase at a rate of 3% each year.
- The participation assumption used in this valuation is 45% for pre-65 retirees and 15% for Medicare retirees.
- The results in this valuation incorporate certain provisions of the Patient Protection and Affordable Care Act.

### NOTE 10. COMMITMENTS AND CONTINGENCIES

The District is subject to various legal disputes and claims arising in the normal course of operations. Based on information currently available, it is the opinion of management that the ultimate resolution of pending matters will not have a material adverse effect on the District's financial condition. Accordingly, no provision has been made in the financial statements for these contingencies.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2015

### NOTE 10. COMMITMENTS AND CONTINGENCIES (CONTINUED)

At June 30, 2015, the District had encumbered approximately \$1.3 million against its 2015 budget, representing the estimated amount of unperformed purchase orders or contracts in process at year-end.

### NOTE 11. PRIOR PERIOD ADJUSTMENT

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 previously unrecognized pension liability as follows:

Beginning net position, as originally reported	<u>\$ 38,451,486</u>
Pension liability, June 30, 2013	(72,742,348)
Retirement contributions in 2014	5,972,278
Net restatement	(66,770,070)
Beginning net position, as restated	<u>\$ (28,318,584)</u>

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

## REQUIRED SUPPLEMENTAL INFORMATION

## EMPLOYEE GROUP BENEFITS PLAN – OTHER POSTEMPLOYMENT BENEFITS (OPEB) June 30, 2015

		Actuarial				UAAL as a
	Actuarial	Accrued	Unfunded		Annual	Percentage
Actuarial	Value of	Liability	AAL	Funded	Covered	of Covered
Valuation Date	Assets	(AAL)	(UAAL)	Ratio (%)	Payroll	Payroll (%)
	(a)	(b)	(b-a)	(a/b)	(c)	(b-a/c)
July 1, 2015	-	\$ 3,903,000	\$ 3,903,000	0.00%	\$ 55,265,894	7.06%
July 1, 2014	-	5,811,000	5,811,000	0.00%	51,905,397	11.20%
July 1, 2013	-	5,811,000	5,811,000	0.00%	49,436,798	11.75%
July 1, 2012	-	5,621,548	5,621,548	0.00%	48,635,501	11.56%
July 1, 2011	-	5,621,548	5,621,548	0.00%	44,282,636	12.69%
July 1, 2010	_	20,521,351	20,521,351	0.00%	45,857,026	44.75%
July 1, 2009	-	19,736,638	19,736,638	0.00%	45,857,026	43.04%

### SCHEDULE OF BUDGETARY COMPARISON – GENERAL FUNDS-BUDGET BASIS

	Elementary General Fund				
	Original	Final			
	Budget	Budget	Actual		
REVENUES					
District levies	\$ 11,213,165	\$ 11,213,165	\$ 11,760,918		
Investment interest	6,063	6,063	7,922		
Tuition and fees	41,500	41,500	19,004		
Federal sources	1,425,077	1,425,077	-		
State sources	21,498,521	21,748,521	23,149,131		
Other		<u>-</u>	1,607		
Total revenue	34,184,326	34,434,326	34,938,582		
EXPENDITURES					
Current:					
Instruction	21,500,327	22,102,276	22,305,900		
Support services	5,156,884	4,858,258	4,655,941		
Administration	3,862,597	3,820,965	3,883,555		
Operations and maintenance	3,626,389	3,560,378	3,412,339		
Student transportation	10,944	13,382	14,575		
Extracurricular	73,462	79,068	66,840		
Total expenditures	34,184,326	34,434,326	34,339,150		
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	599,432		
Budget basis fund balances, June 30, 2014			1,431,492		
Pudgat basis fund balances, June 20, 2015			\$ 2,020,024		
Budget basis fund balances, June 30, 2015			<u>\$ 2,030,924</u>		
GAAP basis fund balances, June 30, 2015			\$ 2,030,924		

#### SCHEDULE OF BUDGETARY COMPARISON – GENERAL FUNDS-BUDGET BASIS (CONTINUED) Year Ended June 30, 2015

High School	General Fund	Combined Totals			
Original					
and Final		Original	Final		
Budget	Actual	Budget	Budget	Actual	
\$ 9,290,293	\$ 9,668,447	\$ 20,503,458	\$ 20,503,458	\$ 21,429,365	
3,580	5,221	9,643	9,643	13,143	
35,000	8,039	76,500	76,500	27,043	
1,067,530	-	2,492,607	2,492,607	-	
17,160,267	18,237,176	38,658,788	38,908,788	41,386,307	
11,843		11,843	11,843	1,607	
27,568,513	27,918,883	61,752,839	62,002,839	62,857,465	
16,251,504	16,222,461	37,751,831	38,353,779	38,528,361	
2,751,280	2,746,363	7,908,164	7,609,538	7,402,304	
3,153,910	3,148,274	7,016,507	6,974,875	7,031,829	
3,384,960	3,378,911	7,011,349	6,945,338	6,791,250	
399,688	398,974	410,632	413,070	413,549	
1,627,171	1,624,263	1,700,632	1,706,239	1,691,103	
27,568,513	27,519,246	61,752,839	62,002,839	61,858,396	
\$ -	399,637	\$ -	\$ -	999,069	
<del></del>			<del></del>	,	
	907,969			2,339,461	
				<u></u>	
	<u>\$ 1,307,606</u>			<u>\$ 3,338,530</u>	
	ф. <b>1.007</b> го г			Φ 2.222.722	
	<u>\$ 1,307,606</u>			<u>\$ 3,338,530</u>	

### SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITIES

Sch	ne dul	le of	<b>Proportional</b>	te	Share of the	Net TRS	Pension Liability:
_	_			_			

Employer's proportionate share of the net pension	
liability associated with the Employer	3.45420%
Employer's proportion of the net pension liability	\$ 53,154,264
State of MT proportionate share of the net pension	
liability associated with the Employer	 36,405,765
Total	\$ 89,560,029
Employer's covered-employee payroll	\$ 44,063,040
Employer's proportionate share of the net pension	
liability as a percentage of its covered-employee payroll	120.632%
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	0.70492%
Employer's proportion of the net pension liability	\$ 8,783,314
State of MT proportionate share of the net pension	
liability associated with the Employer	 410,590
Total	\$ 9,193,904
	0.000
Employer's covered-employee payroll	\$ 8,255,840
Employer's proportionate share of the net pension	
liability as a percentage of its covered-employee payroll  Plan fiduciary net position as a percentage of the total pension liability	106.389% 79.90%

#### SCHEDULE OF CONTRIBUTIONS

Year Ended June 30, 2015

#### **Schedule of TRS Contributions:**

Employer's covered-employee payroll

Contributions as a percentage of covered-employee payroll

\$ 4,481,260
\$ 4,481,260
\$ -
\$ 44,063,040
10.1701%
\$ 667,618
\$ 667,618
\$ -
\$ \$ \$ \$

\$

8,521,107

7.8349%

# SUPPLEMENTAL INFORMATION REQUIRED BY THE MONTANA OFFICE OF PUBLIC INSTRUCTION

#### SCHEDULE OF ENROLLMENT

<u>ENROLLMENT</u>	PER ENROLLMENT REPORTS	AUDIT PER DISTRICT RECORDS	Difference
Fall - October 1, 2014			
Elementary School District			
Pre-K-6:			
Pre-Kindergarten	0	0	0
Kindergarten - Half (enrolled 180+ hours per year)	0	0	0
Kindergarten - Half (enrolled <180 hours per year)	0	0	0
Grades K(Full) - 6 (enrolled 360+ hours per year)	4,137	4,137	0
Grades K(Full) - 6 (enrolled 180-359 hours per year)	0	0	0
Grades K(Full) - 6 (enrolled <180 hours per year)	0	0	0
7-8:			
Grades 7 - 8 (enrolled 360+ hours per year)	1,056	1,056	0
Grades 7 - 8 (enrolled 180-359 hours per year)	2	2	0
Grades 7 - 8 (enrolled <180 hours per year)	0	0	0
Total Elementary	5,195	5,195	0
High School District			
9-12:			
Grades 9 - 12 (enrolled 360+ hours per year)	3,526	3,526	0
Grades 9 - 12 (enrolled 180-359 hours per year)	9	9	0
Grades 9 - 12 (enrolled <180 hours per year)	13	13	0
Total High School	3,548	3,548	0
19 Year-olds included in Grades 9-12 above	2	2	0
Job Corps/MT Youth Academy Students included in Grades 9 - 12 above	4	4	0

#### SCHEDULE OF ENROLLMENT

(CONTINUED)

ENROLLMENT	PER ENROLLMENT REPORTS	AUDIT PER DISTRICT RECORDS	Diffe re nce
Winter December 1, 2014			
Elementary School District			
K-6:			
Pre-Kindergarten	0	0	0
Kindergarten - Half (enrolled 180+ hours per year)	0	0	0
Kindergarten - Half (enrolled <180 hours per year)	0	0	0
Grades K (Full) - 6 (enrolled 360+ hours per year)	4,127	4,127	0
Grades K (Full) - 6 (enrolled 180-359 hours per year)	0	0	0
Grades K (Full) - 6 (enrolled <180 hours per year)	0	0	0
7-8:			
Grades 7 - 8 (enrolled 360+ hours per year)	1,054	1,054	0
Grades 7 - 8 (enrolled 180-359 hours per year)	0	0	0
Grades 7 - 8 (enrolled <180 hours per year)	0	0	0
Grades / O (circulated x100 hours per year)			
Total Elementary	5,181	5,181	0
High School District 9-12:			
Grades 9 - 12 (enrolled 360+ hours per year)	3,481	3,481	0
Grades 9 - 12 (enrolled 180-359 hours per year)	10	10	0
Grades 9 - 12 (enrolled <180 hours per year)	15	15	0
Total High School	3,506	3,506	0
19 Year-olds included in Grades 9-12 above	2	2	0
Early Graduates	5	5	0
Job Corps/MT Youth Academy Students included			
in Grades 9 - 12 above	4	4	0

#### SCHEDULE OF ENROLLMENT

(CONTINUED)

ENROLLMENT	PER ENROLLMENT REPORTS	AUDIT PER DISTRICT RECORDS	<b>Difference</b>
Spring - February 2, 2015			
Elementary School District			
K-6:			
Pre-Kindergarten	0	0	0
Kindergarten - Half (enrolled 180+ hours per year)	0	0	0
Kindergarten - Half (enrolled <180 hours per year)	0	0	0
Grades K (Full) - 6 (enrolled 360+ hours per year)	4,136	4,136	0
Grades K (Full) - 6 (enrolled 180-359 hours per year)	0	0	0
Grades K (Full) - 6 (enrolled <180 hours per year)	0	0	0
7-8:			
Grades 7 - 8 (enrolled 360+ hours per year)	1,045	1,045	0
Grades 7 - 8 (enrolled 180-359 hours per year)	2	2	0
Grades 7 - 8 (enrolled <180 hours per year)	0	0	0
Total Elementary	5,183	5,183	0
High School District			
9-12:			
Grades 9 - 12 (enrolled 360+ hours per year)	3,485	3,485	0
Grades 9 - 12 (enrolled 180-359 hours per year)	8	8	0
Grades 9 - 12 (enrolled <180 hours per year)	13	13	0
Total High School	3,506	3,506	0
19 Year-olds included in Grades 9-12 above	2	2	0
Early Graduates	20	20	0
Job Corps/MT Youth Academy Students included			
in Grades 9 - 12 above	7	5	2

### SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID – ELEMENTARY EXTRACURRICULAR FUNDS

	Balance			Balance
	June 30, 2014	Revenue	Expenditures	June 30, 2015
DICTRICT WIDE				
DISTRICT WIDE	Ф 24	Ф	¢.	Φ 24
COATS FOR KIDS	\$ 24	\$ -	\$ -	\$ 24
ROBOTICS	1,359	829	-	2,188
ELEMENTARY PARTICIPATION	17	22,968	22,976	9
HAWTHORNE	222	170	100	215
1ST GRADE	232	172	189	215
3RD GRADE	9	-	-	9
4TH GRADE	901	2	205	698
KINDERGARTEN	27	1,409	1,215	221
FLAGSHIP	134	1	-	135
STUDENT COUNCIL	54	1	<del>-</del>	55
STUDENT ACTIVITY	18,000	8,367	21,133	5,234
FAMILY RESOURCE CENTER	403	1	-	404
5TH GRADE	5	-	-	5
2ND GRADE	794	2	16	780
JEFFERSON				
EXTRACURRIC FINE ART	1,786	24,387	21,786	4,387
MONTANA HMONG YOUTH LEADE	46	-	_	46
MEADOW HILL BANDS	6,507	9,610	11,146	4,971
MEADOW HILL CHOIRS	6,051	8,647	6,659	8,039
MEADOW HILL ORCHESTRAS	-	8,866	7,321	1,545
C.S. PORTER BANDS	4,218	14,006	13,217	5,007
C.S. PORTER CHOIRS	2,174	13,679	13,592	2,261
C.S. PORTER ORCHESTRAS	1,641	6,266	5,470	2,437
WASHINGTON MS BANDS	111	14,456	13,652	915
WASHINGTON MS CHOIRS	5,103	21,705	20,608	6,200
WASHINGTON MS ORCHESTRAS	19,405	25,180	27,438	17,147
WASHINGTON MS GENERAL MUS	53	2,553	2,604	2
LOWELL				
STUDENT ACTIVITY	17	-	-	17
P.E. ENHANCEMENT	91	-	-	91
PAXSON				
FOURTH GRADE	125	1	-	126
SECOND GRADE	39	-	_	39
BASKETBALL	5	-	_	5
Subtotal	69,331	183,108	189,227	63,212
				~-,

## SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID – ELEMENTARY EXTRACURRICULAR FUNDS (CONTINUED) Year Ended June 30, 2015

(Continued from previous page)	Balance June 30, 2014	Revenue	Expenditures	Balance June 30, 2015
Subtotal	69,331	183,108	189,227	63,212
Suotom	0,551	103,100	109,227	03,212
PORTER				
8TH GRADE	1	5,873	5,509	365
7TH GRADE	658	4,770	4,255	1,173
STUDENT COUNCIL	8,726	5,320	7,984	6,062
YEARBOOK	1,198	3,948	3,666	1,480
6TH GRADE	662	2,836	3,516	(18)
MISC STUDENT ACTIVITIES	1,821	4,964	5,891	894
RUSSELL				
MAGAZINE MONEY	481	1	-	482
GIFT WRAP SALES	83	1	-	84
WASHINGTON				
ROBERTS-ELAM-RUSSELL	384	306	591	99
BOOK FAIR - LIBRARY	1,690	113	-	1,803
LOWER-IRELAND-TOLLER	699	4,592	3,766	1,525
STUDENT COUNCIL	1,357	3,365	2,853	1,869
YEARBOOK	3,507	4,238	2,206	5,539
MC ATEE	4,302	18,734	20,904	2,132
MCNEIL	1,337	3	401	939
FIFIELD-FISHER	113	566	417	262
BUILDERS' CLUB	-	-	-	-
BAKER/GREY-GILLHOUSE/MOE/	496	3,057	2,686	867
GILLHOUSE/KEILMAN/SOMERSE	887	4,438	4,695	630
BOUCHR-PICKOL-SCHOWEN-THR	1,835	5,330	3,594	3,571
TECHNOLOGY	29	-	-	29
KEYBOARDING STORE	3,040	6,519	5,314	4,245
BASKETBALL	1,417	2	-	1,419
WASHINGTON SCHOOL	2,596	1,351	514	3,433
Subtotal	106,650	263,435	267,989	102,096

## SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID – ELEMENTARY EXTRACURRICULAR FUNDS (CONTINUED) Year Ended June 30, 2015

(Continued from previous page)	Balance June 30, 2014	Revenue	Expenditures	Balance June 30, 2015
Subtotal	106,650	263,435	267,989	102,096
MEADOW HILL				
8TH GRADE	407	3,382	3,353	436
VOLLEYBALL	969	1,990	1,998	961
SCHOOL STORE	1,038	200	323	915
SCHOLARSHIPS/CLOTHES	114	632	387	359
OFFICE VARIOUS STUDENT PR	563	1,248	1,724	87
FLAGSHIP	1,738	3	_	1,741
LIFE SKILLS	1,312	406	890	828
VISUAL ART	181	379	375	185
MBI	-	591	-	591
ROBOTICS CLUB	1	-	1	-
YEARBOOK	3,362	6,240	7,445	2,157
6TH GRADE	1,775	6,333	6,781	1,327
7TH GRADE	556	4,514	4,600	470
PLAYGROUND	3	-	-	3
STUDENT COUNCIL	2,907	2,040	2,641	2,306
LIBRARY	126	1,093	1,147	72
ALT HS				
ALT HS STUDENT ACTIVITIES	2,811	5,215	8,806	(780)
TOTAL ELEMENTARY	<u>\$ 124,512</u>	<u>\$ 297,701</u>	<u>\$ 308,460</u>	<u>\$ 113,754</u>

### SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID – HELLGATE HIGH SCHOOL EXTRACURRICULAR FUNDS

Year Ended June 30, 2015

	Balance			Balance
_	June 30, 2014	Revenue	Expenditures	June 30, 2015
NATIVE AMERCN MSLA YOUTH	\$ 1,881	\$ 3,466	\$ 5,347	\$ -
NATIVE AMERICAN POWPOW	1,121	6,145	7,266	-
BSHS FUND RAISING FINE AR	149	-	-	149
HS FESTIVALS	30	-	-	30
BSHS FUND RAISING F/A ORC	919	3	-	922
HELLGATE PRINTSHOP	428	559	940	47
FRIDAY FOODS/SNACK PAK	615	5,118	3,403	2,330
MODEL UNITED NATIONS	409	2,131	2,190	350
AMNESTY	520	1	-	521
NATIVE AMERICAN	11	117	80	48
ART	447	1,302	1,414	335
BAND	94	3,993	1,228	2,859
CHORAL	11,992	11,732	12,951	10,773
HOME EC	7,027	3,515	3,738	6,804
IE METALS	9,264	2,597	308	11,553
ORCHESTRA	1,182	4,391	1,332	4,241
SCIENCE	855	1	-	856
SPEECH	18	1,042	1,060	_
DRAMA	4,543	11,830	5,643	10,730
TESTING	3,846	17,948	17,405	4,389
LIBRARY FINES	2,534	331	504	2,361
CHEERLEADERS	164	1,024	75	1,113
CLASS OF 2014	1,231	1	1,016	216
CLASS OF 2015	1,131	252	689	694
CLASS OF 2012	11	-	-	11
BPA	3,363	14,850	18,346	(133)
GERMAN CLUB	250	16	115	151
ACT PROGRAMS/REPORTS	32,141	106,650	101,529	37,262
LETTERMAN	308	-	_	308
CLASS OF 2013	200	-	_	200
KEY CLUB	2,680	3,278	3,688	2,270
N.F.L.	26	-	-	26
NATH'L HONOR SOCIETY	8	2,755	1,937	826
S.A.V.EG.R.E.E.N.	386	111	28	469
Subtotal	89,784	205,159	192,232	102,711

(Continued on next page)

## SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID – HELLGATE HIGH SCHOOL EXTRACURRICULAR FUNDS (CONTINUED) Year Ended June 30, 2015

(Continued from previous page)	Balance June 30, 2014	Revenue	Expenditures	Balance June 30, 2015	
Subtotal	89,784	205,159	192,232	102,711	
FLAGSHIP SKI	2	-	-	2	
COURTYARD (WAS DRILL TEAM	883	1,177	546	1,514	
THROUBADOUR ENCORE	2	872	587	287	
STUDENT GOVERNMENT	1,027	254	480	801	
STUDENT FINES	5,539	1,346	659	6,226	
YEARBOOK	6,568	33,417	31,734	8,251	
NEWSPAPER	2,297	370	235	2,432	
LOCK FINES	931	223	-	1,154	
JAPAN SISTER CITY	618	1,002	774	846	
CONCESSIONS	6,797	7,654	7,021	7,430	
CAPS/GOWNS	12	880	547	345	
IN/OUT	2,829	11,289	8,715	5,403	
OTHER ACTIVITY	1,015	2	-	1,017	
MISSOULA GAAP	10	1	-	11	
P.E./ACTIVITY	1,971	1,828	1,633	2,166	
HELLGATE CARES	3,686	7,908	6,087	5,507	
STUDENT ATHLETIC SCHOLARS	1,855	3	650	1,208	
PE/SKI	435	3,923	4,079	279	
HELLGATE LEGACY	4,688	3,779	4,929	3,538	
HOMECOMING	22	-	-	22	
AUDITORIUM	225	-	-	225	
FLAGSHIP	1,160	2	180	982	
US/CHINA INITIATIVE	1,235	3	-	1,238	
LATIN CLUB	654	6,716	7,364	6	
CLASS OF 2016	18	1,010	242	786	
BAND FUND RAISING	9,356	53,926	43,016	20,266	
ADVANCED PROBLEMS IN SCIE	4,053	8	451	3,610	
BEZOS FAMILY FOUNDATAION	935	1	797	139	
HELLGATE POETRY	839	1	433	407	
SPECIAL ED CANDY	99	2,398	2,334	163	
ROBOTICS	-	14,234	267	13,967	
BAND STUDENT TRAVEL	21,582	165,639	163,211	24,010	
LIFETIME ACTIVITIES	40	1	-	41	
GIRLS SOCCER CONCESSIONS	35	-	-	35	
PROM	6,099	4,423	5,197	5,325	
Subtotal	177,301	529,449	484,400	222,350	

(Continued on next page)

## SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID – HELLGATE HIGH SCHOOL EXTRACURRICULAR FUNDS (CONTINUED) Year Ended June 30, 2015

(Continued from previous page)	Balance June 30, 2014	Revenue	Expenditures	Balance June 30, 2015
(Continued from previous page)	Julie 30, 2014	Kevenue	Experiditures	June 30, 2013
Subtotal	177,301	529,449	484,400	222,350
SENIOR PROJECT - SENIOR PRO	786	1,702	1,700	788
STUDENT ACADEMIC COMPETIT	1,260	682	1,105	837
IB TESTING FEES	100	26,187	26,198	89
CURLING CLUB	1,313	1,604	1,568	1,349
ATHLETIC GENERAL	147,562	53,710	43,635	157,637
ACTIVITY CARD	15,693	18,411	15,425	18,679
PARTICIPATION FEE	43	39,343	420	38,966
SEASON TICKETS	10,545	9,144	10,075	9,614
BOYS BASKETBALL	524	2,046	2,024	546
GIRLS BASKETBALL	1,001	2,002	2,030	973
CROSS COUNTRY	11	-	-	11
FOOTBALL	3,209	2,010	1,171	4,048
GOLF	2	3,002	1,841	1,163
SOCCER/BOYS	2	2,072	-	2,074
SOFTBALL	14	2,002	1,894	122
SWIMMING	107	1,000	1,050	57
TENNIS	32	1,002	-	1,034
TRACK	918	1,002	1,006	914
VOLLEYBALL	-	2,003	247	1,756
WRESTLING	39	1,002	32	1,009
TRAINING ROOM	2,411	4,569	3,517	3,463
UNIFORMS	2,358	959	3,000	317
SOCCER/GIRLS	1,571	2,006	<del>_</del>	3,577
TOTAL Hellgate High School	<u>\$ 366,802</u>	<u>\$ 706,909</u>	\$ 602,338	<u>\$ 471,373</u>

## SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID – SEELEY SWAN HIGH SCHOOL EXTRACURRICULAR FUNDS Year Ended June 30, 2015

	Balance June 30, 2014	Revenue	Expenditures	Balance June 30, 2015	
				3 dile 30, 2013	
GREENHOUSE FUND	\$ 55	\$ 93	\$ -	\$ 148	
TRACK CLUB	5,550	13,218	49	18,719	
BUSINESS	-	134		134	
ART	401	259	95	565	
BAND	111	-	111	-	
CHORAL	1	-	-	1	
HOME EC	464	1	320	145	
IE WOODS	274	1	-	275	
MATH	332	1,611	1,452	491	
SCIENCE	4	914	767	151	
DRAMA	2,023	4	_	2,027	
TESTING	36	280	295	21	
POP FUND	5,136	9	967	4,178	
CLASS OF 2018	-	1,384	14	1,370	
CHEERLEADERS	2	403	-	405	
CLASS OF 2014	337	(82)	126	129	
CLASS OF 2015	1,121	471	1,250	342	
CLASS OF 2012	96	1,049	-	1,145	
KEY CLUB	381	1	-	382	
LEADERSHIP GROUP	1,863	104	262	1,705	
NATH'L HONOR SOCIETY	546	1	476	71	
SPANISH	4,757	37	_	4,794	
STUDENT GOVERNMENT	508	317	497	328	
STUDENT FINES	339	3	_	342	
YEARBOOK	659	6,388	6,630	417	
LIBRARY	2,467	5	78	2,394	
CONCESSIONS	16,274	10,576	11,875	14,975	
IN/OUT	6,439	1,493	1,384	6,548	
OTHER ACTIVITY	5,857	11	_	5,868	
STUDENT STORE/BUSINESS	2,494	5	_	2,499	
CLASS OF 2016	1,219	1,626	659	2,186	
ATHLETIC GENERAL	21,411	4,869	300	25,980	
PARTICIPATION FEE	11,050	5,969	5,520	11,499	
BASKETBALL BOYS	8,872	1,420	4,494	5,798	
BASKETBALL GIRLS	4,293	1,415	1,037	4,671	
FOOTBALL	1,366	3,159	3,044	1,481	
GOLF	1,875	22	1,450	447	
TRACK/GIRLS	3	-	-	3	
TRACK	18,468	12,485	7,847	23,106	
VOLLEYBALL	3,084	1,724	1,436	3,372	
OTHER ATHLETICS	8,257	16	, - -	8,273	
TOTAL Seeley Swan High School	\$ 138,425	\$ 71,395	\$ 52,435	\$ 157,385	

## SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID – SENTINEL HIGH SCHOOL EXTRACURRICULAR FUNDS Year Ended June 30, 2015

	Balance	D	F ".	Balance	
	June 30, 2014	Revenue	Expenditures	June 30, 2015	
GOLF CLUB	\$ 326	\$ 7,787	\$ 7,150	\$ 963	
DANCE TEAM	431	746	347	830	
SOCCER CLUB	286	7,187	4,770	2,703	
SOFTBALL CLUB	7,171	9,022	10,807	5,386	
SWIM CLUB	227	666	745	148	
SCIENCE CLUB	1,030	102	599	533	
HALO	-	200	100	100	
VOLLEYBALL CLUB	5,096	27,771	26,986	5,881	
ROCKY MTN WRESTLING	25,767	12,326	6,380	31,713	
CLIMATE	667	6	-	673	
MODEL UN	6	122	85	43	
AMNESTY INTERNATIONAL	11	85	85	11	
WRESTLING CLUB	1,057	2	126	933	
SPARTAN GUARD	-	501	500	1	
NATIVE AMERICAN	22	1	-	23	
RECYCLING	-	2,040	745	1,295	
BUS. PROF OF AMERICA	-	-	-	-	
ART	209	51	-	260	
BAND	6,073	9,554	8,304	7,323	
CHORAL	4,438	31,624	32,832	3,230	
COUNSELING	5,573	32,123	34,417	3,279	
FAMILY & CONSUMER SCIENCE	1,617	61	38	1,640	
IE METALS	192	95	110	177	
IE WOODS	277	1,914	2,188	3	
MATH	2,055	2,358	2,803	1,610	
ORCHESTRA	2	5,787	5,607	182	
SCIENCE	432	100	400	132	
SPECIAL ED	778	1,302	250	1,830	
SPEECH	1	7,413	6,755	659	
SOCIOLOGY	1,197	(68)	48	1,081	
LITERARY CLUB	1,056	1,033	784	1,305	
CHEERLEADERS	2,972	12,512	11,515	3,969	
CLASS OF 2014	2,286	1,011	2,635	662	
CLASS OF 2015	-	167	167	-	
CLASS OF 2011	-	360	360	-	
COMPUTER CLUB	627	1,341	440	1,528	
DECA	4,800	177,312	175,851	6,261	
FRENCH CLUB	120	3	-	123	
KEY CLUB	668	2,217	2,510	375	
KOPEE	153	1	- -	154	
ENGINEERING	- -	2,065	2,045	20	
NATH'L HONOR SOCIETY	903	3,435	3,286	1,052	
Subtotal	78,526	362,335	352,770	88,091	

(Continued on next page)

## SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID – SENTINEL HIGH SCHOOL EXTRACURRICULAR FUNDS (CONTINUED) Year Ended June 30, 2015

	Balance			Balance
(Continued from previous page)	June 30, 2014	Revenue	Expenditures	June 30, 2015
Subtotal	78,526	362,335	352,770	88,091
HANDBOOK FUND	4,139	3,214	3,543	3,810
SPARTAN AMBASSADOR	-	350	250	100
SKI CLUB	30	-	_	30
SPANISH	10	2,911	2,911	10
THESPIANS	1,857	3,875	2,560	3,172
THROUBADOUR ENCORE	3,772	6,837	6,619	3,990
WEIGHT ROOM CAPITAL CAMPA	206	301	144	363
TRACK CLUB	2,770	6,355	6,071	3,054
STUDENT GOVERNMENT	934	1,593	1,609	918
S.A.V.E.	112	278	364	26
SOCCER GIRLS	106	1,030	918	218
STUDENT FINES	816	784	582	1,018
YEARBOOK	4,751	45,200	45,365	4,586
LIBRARY	3,188	523	449	3,262
NEWSPAPER	643	2,146	1,490	1,299
LOCK FINES	2	=	1	1
JOURNEY'S	37	=	-	37
CHEMISTRY COMPETITIONS	-	1,134	-	1,134
VENDING MACHINE/SPED	636	8,899	8,505	1,030
STUDENTS AT RISK	1,084	3,345	3,795	634
TENNIS CLUB	1,863	7,671	7,904	1,630
MCPS INDIAN CLUB	17	-	-	17
SENTINEL LEGACY ACCOUNT	19,844	5,957	13,609	12,192
SENTINEL DESIGN ACADEMY	1,477	2,271	1,135	2,613
SMALL ENGINES	3,203	403	2,207	1,399
GAY/STRAIGHT ALLIANCE	301	1	-	302
JAPAN TRAVEL	1,965	9,453	7,817	3,601
HEALTH OCC STUDENTS OF AM	10	7,411	5,933	1,488
ENVIROMENTAL CLUB	8,645	300	7,031	1,914
ROBOTICS CLUB	2	125	1	126
SKILLS USA	83	58	133	8
BRAIN BOWL	1,293	755	1,471	577
CAPSTONE	250	1	-	251
POWER TECH REVENUE	650	1	28	623
ATHLETIC GENERAL	42,086	91,216	92,738	40,564
ACTIVITY CARDS	74	168	164	78
PARTICIPATION FEE	19	50,460	16,122	34,357
Subtotal	185,401	627,361	594,239	218,523

(Continued on next page)

## SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID – SENTINEL HIGH SCHOOL EXTRACURRICULAR FUNDS (CONTINUED) Year Ended June 30, 2015

(Continued from previous page)	Balance June 30, 2014	Revenue	Expenditures	Balance June 30, 2015
(Commerce from previous page)				
Subtotal	185,401	627,361	594,239	218,523
BOYS BASKETBALL	3,890	13,920	8,428	9,382
GIRLS BASKETBALL	1,443	4,215	3,663	1,995
CROSS COUNTRY - BOYS	1,860	1,271	2,447	684
FOOTBALL	1,467	31,163	16,737	15,893
CROSS COUNTRY - GIRLS	3,078	4,291	3,440	3,929
NATIVE AMERICAN - ALT HS	1	-	=	1
INDIAN EDUCATION-TITLE VI	929	740	768	901
WILLARD A.I.B.L CHAPTER	<u>-</u> _	3,364	3,423	(59)
TOTAL Sentinel High School	\$ 198,069	\$ 686,325	\$ 633,145	\$ 251,249

### SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID – BIG SKY HIGH SCHOOL EXTRACURRICULAR FUNDS

Year Ended June 30, 2015

	Balance			Balance
	June 30, 2014	Revenue	Expenditures	June 30, 2015
DOVE DACKETDALL CLUD	\$ -	\$ 3,389	\$ 2,671	\$ 718
BOYS BASKETBALL CLUB BASKETBALL CLUB	26	\$ 3,389 3,018	\$ 2,671 3,042	\$ 718 2
	451		5,042 647	832
CROSS COUNTRY CLUB		1,028		
FOOTBALL CAMP	9,382	25,267	25,716	8,933
GOLF CLUB	-	6,603	6,602	1
CUBA TRIP	672	1	281	392
SOCCER CLUB	883	8,438	5,390	3,931
SOFTBALL CLUB	439	4,225	4,133	531
VOLLEYBALL CLUB	3,585	1,186	4,770	1
ROCKY MTN WRESTLING	437	3,646	3,354	729
AG PROJECT	292	351	-	643
HALL OF FAME	18	-	-	18
SG VENDING MACHINE	-	3,687	3,832	(145)
BAND	69	166	235	-
DRAFTING	774	31	101	704
IE METALS	321	31	-	352
IE WOODS	1,136	1,249	1,797	588
ORCHESTRA	1,960	4,003	3,371	2,592
SCIENCE	9,306	6,061	4,423	10,944
SPECIAL ED	6,198	5,081	2,640	8,639
SPEECH	1,754	358	1,409	703
DRAMA	1,285	11,512	12,472	325
FFA	16,336	21,476	23,879	13,933
TESTING	6,178	7,190	6,797	6,571
POP FUND	1,697	3,259	1,347	3,609
TRACK CLUB	12,032	6,406	10,014	8,424
AERIE BIG SKY	712	10,431	10,519	624
LIBRARY FINES	914	867	1,761	20
CHEERLEADERS	7,767	23,672	28,481	2,958
CLASS OF 2014		114	114	-
CLASS OF 2015	3,201	5	594	2,612
CLASS OF 2011	4	211	-	215
DECA	43,803	115,143	110,402	48,544
FRENCH CLUB	108	1	, -	109
GERMAN CLUB	171	1	_	172
CLASS OF 2013	270	-	-	270
Subtotal	132,181	278,107	280,794	129,494

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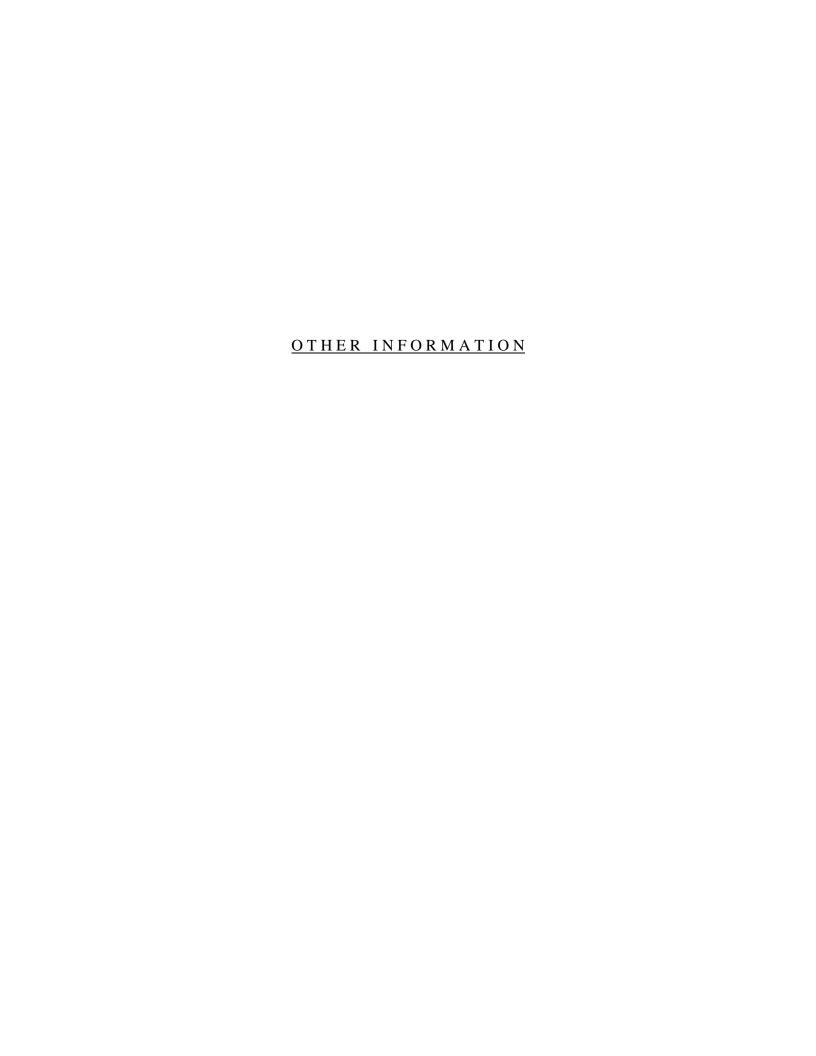
## SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID – BIG SKY HIGH SCHOOL EXTRACURRICULAR FUNDS (CONTINUED) Year Ended June 30, 2015

(Continued from previous page)	Balance June 30, 2014	Revenue	Expenditures	Balance June 30, 2015
(Continued from previous page)	vane 30, 2011	<u> </u>	Zapendicures	<u>vane 30, 2013</u>
Subtotal	132,181	278,107	280,794	129,494
KEY CLUB	550	1,694	2,153	91
IB SCHOLARSHIP FUND	-	691	-	691
NATH'L HONOR SOCIETY	411	282	111	582
SKI	95	12	-	107
THESPIANS	660	3,233	3,543	350
ST. GOV EQUIP/REPAIR	138	582	-	720
STUDENT GOVERNMENT	1	2,409	1,485	925
GIRLS SOCCER	361	8,065	8,136	290
STUDENT FINES	583	1,839	2,414	8
YEARBOOK	9,901	18,985	24,987	3,899
LIBRARY	353	80	432	1
NEWSPAPER	-	8,873	8,873	-
LOCK FINES	70	115	185	-
CONCESSIONS	1	6,737	6,738	-
CAPS/GOWNS	455	211	-	666
IN/OUT	5,087	6,745	3,421	8,411
OTHER ACTIVITY	511	1	-	512
FARM	10,370	32,319	42,570	119
CART SALES	2,691	1,715	3,495	911
PARKING PASSES	39	-	-	39
ART CLUB	1,465	76	153	1,388
FHA SCHOLARSHIP	698	1	-	699
SOCIAL COMMITTEE	101	181	282	-
FFA-GREENHOUSE	3,160	5,110	3,044	5,226
PE/SKI	1,888	1,660	2,747	801
BEE ALERT IN SCHOOL	1,859	3	-	1,862
STUDENT CHOIR	-	20,117	18,667	1,450
GRADUATING CLASS DONATION	443	501	614	330
ENVIROTHON	2	-	-	2
SCIENCE CIRCUS	2,522	11,733	6,950	7,305
SPED VOC	278	251	-	529
ENGLISH PLAYS	342	-	-	342
SOS CRISIS FUND	7,728	1,049	1,304	7,473
SENIOR PROJECTS	389	-	343	46
POWER TECHNOLOGY	1	-	-	1
CULINARY ARTS	1,933	504	482	1,955
COASTA RICA TURTLE CLUB	788	1	788	1
Subtotal	188,055	413,882	424,711	177,226

(Continued on next page)

## SCHEDULE OF REVENUE COLLECTED AND EXPENDITURES PAID – BIG SKY HIGH SCHOOL EXTRACURRICULAR FUNDS (CONTINUED) Year Ended June 30, 2015

(Continued from previous page)	Balance June 30, 2014	Revenue	Expenditures	Balance June 30, 2015
Subtotal	188,055	413,882	424,711	177,226
DIVERSITY SCHOLARSHIP	123	-	-	123
STATE TOURNAMENTS	951	16,924	18,362	(487)
ECOLOGY CLUB	551	1,364	838	1,077
B.I.T.E	185	101	260	26
CLASS OF 2016	-	3,910	1,553	2,357
AMERICAN INDIAN BUS LEADE	-	5,171	5,171	-
HEALTH SCIENCES ACADEMY	205	8,587	8,942	(150)
HOSA	55	1,803	1,160	698
SSEEJ	545	-	545	-
ACADEMIC TROPHY CASE	49	-	-	49
AERIE INTERNATIONAL	1,659	609	2,267	1
STUDENT BAND	-	47,443	38,004	9,439
STUDENT SENATE PAINTING	773	1	-	774
GAPP	7	-	-	7
ROBOTICS CLUB	3,956	3	3,956	3
WELDING CLUB	734	444	307	871
AG SWINE	78	14,116	14,187	7
THRIFT SHOP	4,892	1,436	1,097	5,231
STUDENT DRAMA	149	1	-	150
ATHLETIC GENERAL	7,587	134,363	120,704	21,246
ACTIVITY CARD	893	11,829	12,713	9
PARTICIPATION FEE	317	30,785	20,590	10,512
SEASON TICKETS	600	7,907	8,451	56
BASKETBALL BOYS	5,975	3,202	9,175	2
BASKETBALL GIRLS	4,267	48	4,315	-
FOOTBALL	10,274	994	11,268	-
GOLF	168	1	169	-
SOCCER/BOYS	459	121	580	-
SOFTBALL	1,138	1,560	1,556	1,142
SWIMMING	-	174	174	-
TENNIS	-	808	438	370
TRACK	5,716	12,100	17,815	1
VOLLYEBALL	8,358	50	8,350	58
WRESTLING	10,250	26	10,242	34
TRAINING ROOM	120	6,290	6,410	-
SOCCER/GIRLS	2,900	360	3,260	<u> </u>
TOTAL Big Sky High School	<u>\$ 261,989</u>	<u>\$ 726,413</u>	<u>\$ 757,570</u>	<u>\$ 230,832</u>



OTHER INFORMATION June 30, 2015

#### **DESCRIPTION OF THE DISTRICT**

School District No. 1 is comprised of two districts, an elementary district and a high school district. The Districts provide public education for students in grades preschool through grade twelve and adults. The public education provided includes services for handicapped, basic education, special needs, gifted, vocational, and traffic education. There are nine elementary schools, three middle schools, four high schools, and an adult education school. The estimated population of the Elementary District is 68,000 and 100,000 for the High School District. The county-wide population is estimated at 109,000. The fall enrollment of students attending the District's schools is as follows:

	Average Fall Enrollment								
_				Year I	Ended Jun	e 30,			
	2007	2008	2009	2010	2011	2012	2013	2014	2015
G 1 0 10	2004	2050	2 - 50	0-1-	0.540	2	2 7 - 1	2 70 5	2 710
Grades 9-12	3,894	3,858	3,659	3,616	3,643	3,665	3,561	3,596	3,519
Grades 6-8	1,589	1,576	1,526	1,525	1,504	1,506	1,547	1,508	1,548
Grades K-5	3,270	3,199	3,233	3,281	3,339	3,395	3,478	3,496	3,644
Total	8,753	8,633	8,418	8,422	8,486	8,566	8,586	8,600	8,711
Increase (decrease)	(157)	(120)	(215)	4	64	80	20	14	111
Percentage change									
from prior year	-1.76%	-1.37%	-2.49%	0.05%	0.76%	0.94%	0.23%	0.16%	1.29%

#### SCHOOL DISTRICT VALUATIONS

	As of January 1,						
	2010	2011	2012	2013	2014	2015	
ELEMENTARY							
Assessed Valuation	\$ 3,643,197,241	\$ 3,824,539,620	\$ 3,805,884,721	\$ 3,964,517,962	\$4,075,397,432	\$ 6,798,935,815	
Taxable Valuation	102,153,308	104,678,227	104,678,227	106,045,274	106,626,049	106,720,341	
Taxable Valuation as a Percent							
of Assessed Valuations	<u>2.80%</u>	<u>2.74%</u>	<u>2.75%</u>	<u>2.67%</u>	<u>2.62%</u>	<u>1.57%</u>	
HIGH SCHOOL							
Assessed Valuation	\$ 6,615,004,127	\$ 6,915,125,062	\$ 6,806,202,585	\$7,107,410,347	\$7,338,761,046	\$ 11,935,647,630	
Taxable Valuation	176,553,912	179,486,017	179,950,510	181,892,508	183,502,389	183,149,451	
Taxable Valuation as a Percent							
of Assessed Valuations	<u>2.67%</u>	2.60%	2.64%	<u>2.56%</u>	<u>2.50%</u>	<u>1.53%</u>	

#### OTHER INFORMATION (CONTINUED) June 30, 2015

#### SCHOOL DISTRICT TAX LEVIES (in mills)

				Year	Ended Jur	ne 30,			
	2007	2008	2009	2010	2011	2012	2013	2014	2015
ELEMENTARY									
General	103.74	101.47	102.13	103.73	103.48	104.07	102.26	104.92	105.07
Transportation	24.10	22.32	24.01	24.12	24.53	28.58	27.22	26.60	27.87
Debt Service	9.47	8.80	1.21	1.92	-	-	-	-	-
Adult Education	1.03	1.00	1.08	1.19	0.92	1.27	1.29	1.23	1.23
Technology	3.13	3.04	3.03	3.02	2.96	2.89	2.85	7.97	7.96
Flex	-	-	-	-	1.03	-	-	-	-
Building Reserve	9.07	8.82	8.78	8.77	8.58	8.37	8.26	8.22	8.21
Total Elementary Levies	<u>150.54</u>	145.45	140.24	142.75	141.50	<u>145.18</u>	<u>141.88</u>	<u>148.94</u>	150.34
HIGH SCHOOL									
General	61.59	57.65	55.94	56.03	54.48	56.34	52.16	51.35	50.73
Transportation	6.15	6.03	8.32	6.71	6.70	7.27	7.31	7.45	7.54
Debt Service	6.52	5.80	6.87	6.17	0.27	5.75	5.28	4.54	4.73
Adult Education	2.18	2.08	2.61	2.07	2.01	1.97	2.00	2.00	2.05
Tuition	0.39	0.13	0.17	0.30	2.54	0.11	0.23	0.31	1.16
Technology	2.79	2.68	2.61	2.59	6.09	2.50	2.47	4.09	4.10
Building Reserve	2.79	2.68	2.61	2.59	2.54	2.50	2.47	2.45	2.46
Total High School Levies	82.41	77.05	79.13	76.46	74.63	<u>76.44</u>	71.92	72.19	72.77

OTHER INFORMATION (CONTINUED) June 30, 2015

#### OTHER TAX LEVIES (in mills)

The following table shows the mill rates per \$1,000 of taxable value for property located in the City of Missoula Elementary District No. 1 and the Missoula County High School District for the year ended:

				Year ende	d June 30,			
	2008	2009	2010	2011	2012	2013	2014	2015
Missoula County	136.19	140.35	140.60	139.80	142.47	145.01	150.32	160.09
Open Space Bond Levy	-	-	1.66	2.33	3.04	3.33	3.45	2.74
University Levy	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6
State School Equalization	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40
County-wide School Levy	104.04	105.61	104.62	103.45	100.94	104.60	104.60	105.64
Urban Transportation	14.62	14.86	16.30	16.45	17.69	19.51	21.05	34.26
Missoula School District No. 1	145.45	140.24	142.75	141.50	145.18	141.88	148.94	150.34
MCHS	77.05	79.13	76.46	74.63	76.44	71.92	72.19	72.77
Missoula Rural Fire	91.13	88.59	94.13	97.98	97.97	100.33	102.39	112.59
East Missoula Fire	22.61	23.36	23.77	24.65	25.01	27.42	42.62	42.89
City of Missoula	212.23	222.45	222.45	225.56	233.24	240.90	243.52	245.62
Road/Health	32.41	32.72	32.36	32.36	32.39	32.58	32.58	32.58
Animal Control	1.33	1.62	1.60	1.60	1.60	1.61	1.61	1.61
Medical Levy	1.94	1.88	1.84	1.82	2.19	2.18	2.18	2.18
Emergency								
Total Levies	885.00	896.81	904.54	908.13	924.16	937.27	971.45	1,009.31

OTHER INFORMATION (CONTINUED) June 30, 2015

#### **TAX COLLECTIONS**

The following tables demonstrate the tax collection history for tax levies by the High School District's general fund only for the period of July 1, 2003 through June 30, 2015, and all funds with tax levies for the period July 1, 2003 through June 30, 2015, and by all budgeted funds for the Elementary District.

			Current Collections		Total Collections
Year Ended	Total Tax	Current Tax	as a Percent	Total Tax	as a Percent
June 30,	Levy	Collections	of Levy	Collections	of Levy
HIGH SCHOOL					
2015	\$ 13,324,295	\$ 13,843,920	103.90%	\$ 13,843,920	103.90%
2014	13,246,710	13,114,111	99.00%	13,114,111	99.00%
2013	13,081,624	13,196,785	100.88%	13,196,785	100.88%
2012	13,753,713	13,780,310	100.19%	13,780,310	100.19%
2011	13,206,990	13,273,846	100.51%	13,273,846	100.51%
2010	13,298,245	13,231,109	99.50%	13,231,109	99.50%
2009	13,622,509	13,675,788	100.39%	13,675,788	100.39%
2008	12,941,490	12,302,123	95.06%	12,302,123	95.06%
2007	13,242,712	12,110,597	91.45%	12,110,597	91.45%
2006	12,983,689	12,434,729	95.77%	12,434,729	95.77%
2005	12,131,996	11,746,574	96.82%	11,746,574	96.82%
2004	11,801,126	11,397,890	96.58%	11,697,730	99.12%
2003	11,482,393	10,887,086	94.82%	11,434,007	99.58%
ELEMENTARY					
2015	\$ 16,044,238	\$ 16,800,003	104.71%	16,800,003	104.71%
2014	15,879,897	15,613,032	98.32%	15,613,032	98.32%
2013	15,044,770	15,021,928	99.85%	15,021,928	99.85%
2012	15,196,651	15,044,436	99.00%	15,044,436	99.00%
2011	14,453,531	14,619,640	101.15%	14,619,640	101.15%
2010	14,262,263	14,120,564	99.01%	14,120,564	99.01%
2009	13,989,910	14,316,672	102.34%	14,316,672	102.34%
2008	14,436,513	13,646,623	94.53%	13,646,623	94.53%
2007	14,506,205	13,246,171	91.31%	13,246,171	91.31%
2006	14,206,876	13,676,060	96.26%	13,676,060	96.26%
2005	13,886,741	13,596,914	97.91%	13,596,914	97.91%
2004	13,472,647	13,046,624	96.84%	13,352,390	99.11%
2003	12,616,641	11,959,000	94.79%	12,559,152	99.54%

OTHER INFORMATION (CONTINUED) June 30, 2015

#### **MAJOR TAXPAYERS**

The following table lists the major taxpayers within the Elementary School District for the year ended June 30, 2015, listed in declining order of taxable value.

		Taxable	Percent of Total
Taxpayer	Business	 Value	Taxable Value
Northwestern Corporation	Utility	\$ 12,145,311	11.24%
CenturyLink Inc.	Communications	1,527,294	1.41%
Mountain Water	Water Utility	1,503,098	1.39%
Bresnan Communications	Communications	1,478,118	1.37%
Southgate Mall	Retail Shopping Mall	1,003,468	0.93%
MT Rail Link	Railroad	650,858	0.60%
Celloco Ptnrship DBA Verizon Wireless	Communications	577,326	0.53%
St. Patrick Hospital	Hospital	438,358	0.41%
UT Missoula LLC	Retail Shopping Center	414,090	0.38%
First Interstate Bank	Bank	336,807	0.31%
	Total	\$ 20,074,728	<u>18.58%</u>

The following table lists the major taxpayers within the High School District for the year ended June 30, 2015, listed in declining order of taxable value.

		Taxable	Percent of Total
Taxpayer	Business	 Value	Taxable Value
Northwestern Corporation	Utility	\$ 15,556,295	8.34%
Bresnan Communications	Communications	1,988,983	1.07%
CenturyLink Inc.	Communications	1,960,728	1.05%
Mountain Water	Water Utility	1,859,753	1.00%
MT Rail Link	Railroad	1,778,701	0.95%
Celloco Ptnrship DBA Verizon Wireless	Communications	1,256,028	0.67%
RCHP Billings Missoula LLC	Medical Facility/Offices	1,118,412	0.60%
Southgate Mall	Retail Shopping Mall	1,003,468	0.54%
Missoula Electric Coop	Electric Power Utility	906,704	0.49%
Roseburg Forest Products Co.	Wood Products	 745,558	0.40%
	Total	\$ 28,174,630	<u>15.10%</u>

OTHER INFORMATION (CONTINUED) June 30, 2015

#### MAXIMUM BONDED INDEBTEDNESS

State statutes limit the maximum bonded indebtedness to 50% of the District's taxable valuation. For the Elementary District, that is \$53,022,637 and for the High School District that is \$90,946,254. For school districts that qualify for guaranteed tax base aid, the law permits maximum bonded indebtedness equal to 50% of the statewide taxable valuation per student (average number belonging). Maximum bonded indebtedness under this exception is as follows:

			Average						Remai	ining
	Sta	atewide	Number		N	1aximum			Bond	ling
	Taxa	ble Value	Belonging	Percent		Bonded	L	ess: Debt	Capa	city
	Per	Student	June 30, 2015	Allowed	Inc	debtedness	_ O	utstanding	June 30	, 2015
SCHOOL DISTRICT										
High School	\$	78,680	3,670	50%	\$	91,574,726	\$	7,325,000	\$ 84,24	19,726
Elementary		33,140	5,210	50%		53,360,171			53,36	50,171
Total					\$ 1	<u>44,934,897</u>	\$	7,325,000	\$ 137,60	)9 <b>,</b> 897

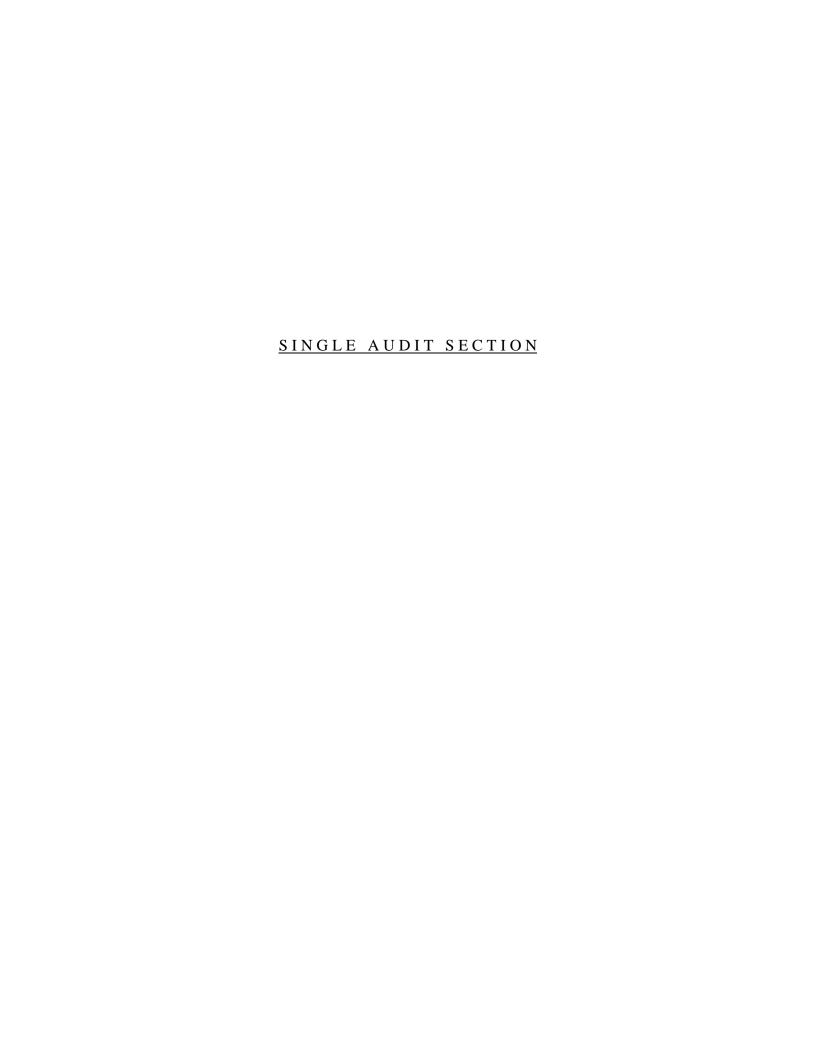
## OTHER INFORMATION (CONTINUED) COMBINING BALANCE SHEETS – GENERAL FUNDS June 30, 2015

ASSETS .	Elementary	High School	Total
	General Fund	General Fund	General Fund
Cash and investments Property taxes receivable Due from other governments Prepaid expenses Other current assets Total assets	\$ 2,127,436	\$ 1,478,471	\$ 3,605,907
	465,652	503,102	968,754
	106,886	83,647	190,533
	2,868	4,601	7,469
	14,016	12,609	26,625
	\$ 2,716,858	\$ 2,082,430	\$ 4,799,288
LIABILITIES AND FUND BALANCES  LIABILITIES  Other current liabilities  Deferred revenue  Total liabilities	\$ 220,282	\$ 271,722	\$ 492,004
	465,652	503,102	<u>968,754</u>
	685,934	774,824	<u>1,460,758</u>
FUND BALANCES Spendable: Assigned Unassigned Total fund balances	77,171	90,819	167,990
	1,953,753	1,216,787	3,170,540
	2,030,924	1,307,606	3,338,530
Total liabilities and fund balances	<u>\$ 2,716,858</u>	<u>\$ 2,082,430</u>	<u>\$ 4,799,288</u>

### OTHER INFORMATION (CONTINUED)

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GENERAL FUNDS Year Ended June 30, 2015

	Elementary	High School	Total
	General Fund	General Fund	General Fund
REVENUES			
District levies	\$ 11,760,918	\$ 9,668,447	\$ 21,429,365
Investment interest	7,922	5,221	13,143
Tuition and fees	19,004	8,039	27,043
State sources	23,149,131	18,237,176	41,386,307
Other	1,607	<u>-</u>	1,607
Total revenue	34,938,582	27,918,883	62,857,465
EXPENDITURES			
Current:			
Instruction	22,305,900	16,222,461	38,528,361
Support services	4,655,941	2,746,363	7,402,304
Administration	3,883,555	3,148,274	7,031,829
Operations and maintenance	3,412,339	3,378,911	6,791,250
Student transportation	14,575	398,974	413,549
Extracurricular	66,840	1,624,263	1,691,103
Capital outlay	<u>-</u>	<u>-</u>	<del>_</del>
Total expenditures	34,339,150	27,519,246	61,858,396
Revenues over expenditures	599,432	399,637	999,069
Fund balances, beginning of year	1,431,492	907,969	2,339,461
Fund balances, end of year	\$ 2,030,924	<u>\$ 1,307,606</u>	<u>\$ 3,338,530</u>



#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS June 30, 2015

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Project Number	Federal Awards Expenditures
DEPARTMENT OF AGRICULTURE			
Passed through the Office of Public Instruction			
Child Nutrition Cluster			
Food Distribution (Commodities)	10.550	N/A	\$ 187,952
School Lunch Program	10.555	N/A	1,951,537
Total CFDA 10.555			2,139,489
School Lunch Summer Program	10.559	N/A	103,982
Total Department of Agriculture Child Nutrition Cluster			2,243,471
DEPARTMENT OF EDUCATION			
Passed through the Office of Public Instruction:			
Adult Ed. St. Admin	84.002	32-0584-5414	134,343
Adult Ed. EL Civics	84.002	32-0584-5415	4,535
Total CFDA 84.002			138,878
Title I Improving Basic Program	84.010A	32-0584-3114	290,963
Title I Improving Basic Program	84.010A	32-0584-3115	520,701
Title I Schoolwide	84.010A	32-0583-3214	364,220
Title I Schoolwide	84.010A	32-0584-3215	36,627
Title I Schoolwide	84.010A	32-0584-3214	801
Title I Schoolwide	84.010A	32-0583-3215	1,265,432
Title I - Part A	84.010A	32-0583-3114	759
Title I - Part A	84.010A	32-0583-3115	7,279
Total CFDA 84.010A			2,486,782
Title I - Migrant Part C	84.011A	32-0583-3614	39,867
Title I - Migrant Part C	84.011A	32-0583-3615	26,595
Total CFDA 84.011			66,462
Title I - Part D N & D	84.013A	32-0584-4214	27,183
Title I - Part D N & D	84.013A	32-0584-4215	61,800
Total CFDA 84.013A			88,983

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

June 30, 2015

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Project Number	Federal Awards Expenditures
Special Education Cluster (IDEA)	04.027.4	22 0504 7714	1746
CSPD	84.027A	32-0584-7714	1,746
IDEA Part B-High School	84.027	32-0584-7715	1,351,135
IDEA Part B-Elementary RTI/MBI	84.027 84.027A	32-0584-7715	553,777
	84.027A	32-0583-7715(INST)	20,000
Total CFDA 84.027 & 84.027A			1,926,658
IDEA Federal Handicapped-Preschool	84.173	32-0584-7915	46,038
RTI	84.323A	32-0584-7814	2,050
Total Special Education Cluster (IDEA)			48,088
Vo Ed Carl Perkins Basic Grant	84.048A	32-0584-8114	7,269
Vo Ed Carl Perkins Basic Grant	84.048A	32-0584-8115	205,357
Total CFDA 84.048A			212,626
21st Century Community Learning	84.287	32-0583-1714	5,208
21st Century Community Learning	84.287	32-0583-1715	122,555
Total CFDA 84.287	01.207	32 0303 1713	127,763
2000 20 20 20 00 00 00 00 00 00 00 00 00			
Title III Part A, English Language Acquisition	84.365A	32-0583-4114	956
Title III Part A, English Language Acquisition	84.365A	32-0583-4114	40,146
Title III Part A, English Language Acquisition	84.365A	32-0584-4114	9,892
Emergency Immigrant	84.365A	32-0584-4114I	34
Emergency Immigrant	84.365A	32-0584-4115I	9,901
Total CFDA 84.365A			60,929
m	0.4.0.5	22 2524 444	15.150
Title IIA High School	84.367A	32-0584-1414	17,160
Title IIA High School	84-367A	32-0584-1415	148,620
Title IIA Elementary	84.367A	32-0583-1414	28,622
Title IIA Elementary	84-367A 84.367A	32-0583-1415 32-0584-1414	506,451 6,160
Title II - CSPD/WMPER	04.30/A	32-0304-1414	
Total CFDA 84.367A			707,013

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

June 30, 2015

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Project Number	Federal Awards Expenditures
2012-2013 Mckinney Vento	84.396A	32-0583-5715	4,829
ACT Plus Writing Test Total State Administered - Office of Public Instruction	84.334	32-0584-8415	5,687 5,874,698
DEPARTMENT OF EDUCATION  Federally Administered:  Title VII Indian Education  Title VII Indian Education  SBMH  Total Federally Administered - Department of Education	84.060A 84.060A 84.215E	S060A 120873 S060A 140873 Q215E110133-12	3,151 98,621 147,962 249,734
Total Department of Education			6,124,432
DEPARTMENT OF PUBLIC HEALTH & HUMAN SERVICES Federally Administered: TANF	93.558		<u>55,976</u>
Total Department of Health & Human Services			55,976
Total Federal Awards			\$ 8,423,879

#### NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2015

#### **BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Missoula County Public Schools, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.



## 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

To the Board of Trustees Missoula County Public Schools School District No. 1 Missoula, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of Missoula County Public Schools, School District No. 1 (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 March 18, 2016.

#### **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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 no instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

#### **Purpose of this Report**

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

Onderson Zen Muchlen + Co, P.C. Missoula, Montana

March 18, 2016



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

To the Board of Trustees Missoula County Public Schools School District No. 1 Missoula, Montana

#### Report on Compliance for Each Major Federal Program

We have audited Missoula County Public Schools, School District No. 1's (the District) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have direct and material effect on each of 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 compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of 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 and 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 each major federal program. However, our audit does not provide a legal determination of 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 requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 over 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

Onderson Zur Muchlen + Co, P.C. Missoula, Montana March 18, 2016

#### SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2015

#### Section I – Summary of Auditors' Results

#### **Financial Statements**

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

Significant deficiencies identified not considered material weaknesses?

None reported

Noncompliance material to financial statements noted?

Federal Awards

Internal Control over major programs:

Material weakness identified?

Significant deficiencies identified not considered material weaknesses? None reported Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?

No

#### **Identification of Major Programs**

Child Nutrition Cluster

10.555 National School Lunch Program

10.559 Summer food Service Program for Children

84.010 Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?

**Financial Statement Findings**: None reported

Federal Award Finding and Questioned Costs: None reported

#### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended June 30, 2015

No findings reported in prior year audit report.



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