

**MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1**

FINANCIAL REPORT

June 30, 2020



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MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1

2019 – 2020

ORGANIZATION

BOARD OF TRUSTEES

Board Chair Marcia Holland
Vice Chair/Elementary..... Diane Lorenzen
Vice Chair/Secondary Ann Wake
Trustee..... Grace Decker
Trustee..... Vicki McDonald
Trustee..... Wilena Old Person
Trustee..... Sharon Sterbis
Trustee Jeffrey Avgeris
Trustee Nancy Hobbins
Trustee Koan Mercer
Trustee Jennifer Vogel

OFFICERS

District Superintendent Rob Watson
Director, Business Services/Clerk of Board Pat McHugh
County Superintendent of Schools..... Dr. Erin Lipkind
County Attorney..... Kirsten 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, 2020, 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 Missoula County Public Schools, School District No. 1, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in other postemployment benefits liability and related ratios, schedule of budgetary comparison—general funds, schedule of proportionate share of the net pension liabilities, 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 supplemental information required by the Montana Office of Public Instruction and the other supplementary information is presented for purpose of 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The 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, 2019 financial statements, and we expressed unmodified opinions in our report dated March 26, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived except as disclosed in the footnotes to the financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2021, 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 Zurmuehlen + Co, P.C.

Missoula, Montana
June 30, 2021

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2020

This discussion and analysis provides an overall review of the financial performance of Missoula Public School District, School District No. 1 (the "District") for the fiscal year ended June 30, 2020. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

During the 2019-20 fiscal year, the District continued to expend bond proceeds to design, construct, improve, renovate, equip, and furnish schools in accordance with the District's Smart Schools 2020 Strategic Facilities Plan. As part of a \$158,000,000 voter approved bond election in November of 2015, the District issued bonds in January of 2016 and October of 2017. The proceeds of those two issues, including bond premium, amounted to \$175,197,990. By the end of fiscal year 20, approximately \$173,200,000 of bond proceeds were expended, including approximately \$28,000,000 expended in fiscal year 20. The District added nearly \$31,700,000 in fixed assets during the fiscal year.

Turning attention to regular operations for the 2020 fiscal year, the Elementary District's general fund budget grew by approximately \$1,020,000 or 2.59%. This increase was partially due to an inflationary increase of 1.83% in the basic and per ANB entitlements and an increase in ANB of 67 in grades K-8. ANB or "Average Number Belonging" means the average number of regularly enrolled full-time pupils. The Elementary general fund increase was funded, in part, by voter approval of a \$200,519 levy for fiscal year 20. In the 2019 fiscal year, Elementary voters approved a \$305,008 levy that allowed the Elementary general fund to operate at max budget for that year as well.

The High School District experienced a smaller general fund budget increase of \$627,000 or 2.09%. This increase was due to the 1.83% inflationary increase built into the school funding formula for fiscal year 20, and the passage of a \$118,986 levy. The High School general fund budget increase was also the result of a slight increase in High School ANB of 28. In the prior year, the voters approved an operating levy of \$169,994, which was the highest possible levy.

With the budgetary increases discussed above, the Board of Trustees adopted General Fund budgets of \$40,457,147 in the Elementary District, and \$30,588,908 in the High School District for the 2020 fiscal year.

USING THIS FINANCIAL REPORT

Reporting the District as a Whole

This report includes two District-wide statements-Statement of Net Position and Statement of Activities. These statements focus on operations of the District as a whole. They 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.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2020

USING THIS FINANCIAL REPORT (CONTINUED)

Reporting the District as a Whole (Continued)

The *Statement of Net Position* (pages 15 and 16) presents the "assets" (what is owned), "liabilities" (what is owed), deferred outflows and 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 17) presents information showing how the net position of the District changed during the most recent fiscal year.

The Statement of Net Position and the Statement of Activities provide information about the District's school functions, such as instruction, student services, and administration. Property taxes, state revenue, and federal revenue 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 specific funds used by the District. State law and Generally Accepted Accounting Principles (GAAP) establish the fund structure for school districts. State law generally requires school districts to segregate money generated for certain specific purposes, i.e. transportation, retirement, and debt service, into separate funds.

The 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 school district's operations, and the existence of legal budget requirements.

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances are presented for governmental funds, such as the general fund, special revenue funds, debt service fund, and capital projects fund. 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 differences between the two statements result from the use of a 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, the District-wide statements report general capital assets and general long-term debt but the fund statements do not.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2020

USING THIS FINANCIAL REPORT (CONTINUED)

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 these activities in a separate Statement of Net Position-Fiduciary Funds and Statement of Changes in Fiduciary Net Position (pages 25 and 26). These activities are reported in this statement because the District cannot use these assets to fund operations. The District is responsible for ensuring these assets are used for their intended purpose.

GENERAL FUND BUDGET

The Elementary District ANB for the 2020 fiscal year increased by 67. ANB (average number belonging) is calculated from two enrollment counts taken in the prior fiscal year. ANB has a significant impact upon the calculation of a school district's general fund budget. If a district experiences an "unanticipated" enrollment increase compared to the enrollment counts taken the prior year, then that district can apply for a budget amendment. Based upon the October 2019 enrollment count, the Elementary District applied for and received a general fund budget amendment totaling \$854,540 for 2020. The budget amendment was funded by \$446,034 of additional state aid and the remaining \$408,506 would come from general fund reserves if fully expended. The High School District did not apply for a budget amendment in the 2020 fiscal year.

The District tries to budget certain variable expenditures, like utilities, at a higher than average level so that, in a "worst case" year, adequate budget will be available to cover excess costs. In a normal year, excess budget is typically utilized to purchase instructional materials and supplies for new curriculum adoptions. The amount of excess funds in the 2020 fiscal year, including the budget amendment, allowed for the following: a transfer of \$656,000 to the inter-local fund through a multidistrict agreement between the elementary and high school districts; the purchase of curriculum materials of approximately \$111,000 above budget; the contribution of \$240,000 to the food service fund, which helps the District keep meal prices to a minimum; the payment of \$351,000 to the District's transportation vendor, to pay off the cost of retrofitting school buses with seatbelts; the transfer of nearly \$630,000 of building maintenance expenses from the building reserve fund into the general fund; and the contribution of \$150,000 to the compensated absences fund to help cover the future pay-out of accumulated leave for classified and administrative staff upon termination from employment.

The availability of funds near the end of the year is the main reason for budget transfers, though the transfers are relatively insignificant in relation to the total general fund budgets.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2020

THE DISTRICT AS A WHOLE

Net position is the amount by which assets exceed or (are less than) liabilities. The District's net position increased by \$4.6 million during the year. It is the first year in at least three years, that the District had a positive net position. Even though the District's net position increased, District assets were still less than liabilities by approximately \$9 million at the close of the fiscal year. Liabilities exceeded assets because the District's share of the net pension liability totaled more than \$82,000,000 as of June 30, 2020. GASB Statement No. 68 requires governmental entities to reflect a portion of the deficit resulting from underfunded pension plans if that governmental entity participates in the pension plan. Please see the Notes to the Financial Statements for further discussion.

Table 1 summarizes the District's financial position.

Table 1

	<u>2020</u>	<u>2019</u>	<u>Variance</u>
Current assets	\$ 50,874,272	\$ 81,565,878	\$ (30,691,606)
Capital assets	<u>195,314,659</u>	<u>168,615,648</u>	<u>26,699,011</u>
Total assets	246,188,931	250,181,526	(3,992,595)
Deferred outflows of resources	<u>13,276,226</u>	<u>14,219,051</u>	<u>(942,825)</u>
Total assets and deferred outflows	<u>259,465,157</u>	<u>264,400,577</u>	<u>(4,935,420)</u>
Current liabilities	16,234,145	21,474,167	(5,240,022)
Noncurrent debt payable	144,182,688	152,192,988	(8,010,300)
Other noncurrent liabilities	12,688,125	12,343,240	344,885
Pension liability	<u>82,041,471</u>	<u>77,580,015</u>	<u>4,461,456</u>
Total liabilities	255,146,429	263,590,410	(8,443,981)
Deferred inflows of resources	<u>2,658,055</u>	<u>3,711,321</u>	<u>(1,053,266)</u>
Total liabilities and deferred inflows	<u>257,804,484</u>	<u>267,301,731</u>	<u>(9,497,247)</u>
NET POSITION			
Net investment in capital assets	45,268,969	42,053,288	3,215,681
Restricted	9,770,039	8,435,366	1,334,673
Unrestricted	<u>(53,378,335)</u>	<u>(53,389,808)</u>	<u>11,473</u>
Total net position	<u>\$ 1,660,673</u>	<u>\$ (2,901,154)</u>	<u>\$ 4,561,827</u>

Current assets are comprised mostly of cash and property taxes receivable. Current assets increased by approximately \$31,700,000 or 38%. This change was primarily the result of expending approximately \$28 million of bond proceeds received from the Series 2017 bond issue. The remaining changes in current assets were primarily due to the large balance of general fund encumbered purchase orders at the end of the 2019 fiscal year.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2020

THE DISTRICT AS A WHOLE (CONTINUED)

Those encumbrances totaled more than \$1,000,000 at June 30, 2019. Those purchase orders are cut around the end of a fiscal year though they are not received nor paid for until early in the next year. They were primarily made up of a few very large purchase orders for the purchase of curriculum adoption materials. Those were also mentioned in the prior year's discussion.

Capital assets include all land owned by the District and buildings and equipment costing \$5,000 or more. Capital assets increased by approximately \$26,700,000. This change was the result of capital asset additions of \$31,700,000 offset by depreciation expense of \$5,000,000. The largest capital asset additions resulted from bond construction, discussed in a later section.

Current liabilities consist of items owed as of the financial statement date that are expected to be paid within the next twelve months. Current liabilities decreased by approximately \$5,240,000 in the 2020 fiscal year. This large reduction was related to change in the number of construction projects funded with bond proceeds. Since the vast majority of bond projects had been completed by June 30, 2020, there were far fewer liabilities payable to construction vendors at the end of fiscal year 2020. The majority of current liabilities at June 30, 2020, still consisted of current amounts payable to construction vendors.

Noncurrent debt consists of all bond liabilities, capital leases, and notes payable due in more than one year. Noncurrent debt payable decreased by approximately \$8,010,000 in fiscal year 20. This decrease was primarily the result of the reclassification of bonds payable and bond premium due to be paid or recognized within the next twelve months. The amount of this reclassification was approximately \$8,096,000.

The District's pension liability increased by \$4,461,000 as a result of the latest actuarial study of the PERS and TRS retirement systems. The change in liability is affected by the assumptions used by the actuary, as well as differences between estimates and actual experience. This topic is explained in greater detail in the Notes to the Financial Statements.

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 increased by approximately \$2,954,000 during the 2020 fiscal year. This increase is primarily the result of the reclassification of \$8,100,000 of noncurrent bonds payable to short term, offset by depreciation expense of \$4,600,000.

Restricted net position increased by 12.6% or \$1,063,000. This change occurred in most non-major funds and is best explained as having to do with the COVID19 pandemic. The District discontinued in building classes around mid-March, 2020. Many normal expenditures for the final three months of the fiscal year did not take place. As a result, most funds had additional reserves in them due to under spending the projected budgets.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2020

THE DISTRICT AS A WHOLE (CONTINUED)

Unrestricted net assets increased by a relatively insignificant amount of \$545,000 or 1%. Though there were many changes in unrestricted net assets, the most significant change was the growth in the District's Insurance Trust Fund. Insurance Trust Fund reserves grew by approximately \$1,500,000 as a result of insurance claims coming in lower than actuarial estimates.

Governmental Activities

In Montana, school districts must seek voter approval for additional levy authority above the base budget in order to operate the school district at or near the state funding cap (max budget). Montana school districts are limited by state law in the amount they can levy for operating expenses in the general fund. Overall, local property tax collections made up 37.5% of District revenues for governmental activities for fiscal year 2020, which is slightly higher than the 37% in the prior year. This slight increase occurred because the general fund budgets grew in the 2020 fiscal year. Even though both state and local property tax revenue grew, federal revenues declined.

The major categories of expenses are presented in Table 4 on page 11. The largest expense is for instruction, which comprises 57.5% of total District expenses. This is slightly higher than the prior fiscal year, which was 55%. Much of this increase is explained by the required accounting for the District's share of the actuarially determined pension liabilities. The footnotes to the financial statements explain these plans and liabilities in great detail.

Spending Levels Compared to Resource Levels

As shown on page 21, total expenditures for governmental funds exceeded total revenues by approximately \$27,000,000. This is almost entirely attributable to the inclusion of capital expenditures in total expenditures, while the bond proceeds are reflected as "other financing sources" in that statement.

Table 2 reflects the total revenue increase of approximately \$627,000 as the result of the changes in program revenues and general revenues. This table also reflects total expenditures for the 2020 fiscal year as well as the prior year. Changes in expenditures are covered in another section of this analysis.

As shown in Table 2 and 3, total general revenues increased in fiscal year 2020 by approximately \$2,600,000 (2.5%). The largest factor was additional state revenue of approximately \$3,900,000-\$1,300,000 in the general fund due to increases in GTB aid, increases in enrollment, and inflationary increases to the school funding components; and a relatively significant increase within the statewide pension plans. The footnotes to the financial statements explain this revenue in greater detail.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2020

THE DISTRICT AS A WHOLE (CONTINUED)

Spending Levels Compared to Resource Levels (Continued)

Program revenue declined by nearly \$2 million or 8%. This change was primarily due to a decline in Medicaid revenues associated with Comprehensive School/and Community Treatment (CSCT) services to identified students. CSCT services are provided by licensed mental health organizations. Beginning in late FY18, one of the two major providers of CSCT services discontinued their services. In addition, CSCT services were not provided from mid-March 2020 through the end of the fiscal year due to the COVID-19 pandemic. Both of these factors contributed to a revenue decline of \$2 million or 43%.

Table 2

	<u>2020</u>	<u>2019</u>	<u>Variance</u>
REVENUES			
General revenues	\$ 106,863,731	\$ 103,715,332	\$ 3,148,399
Program revenues	<u>20,965,828</u>	<u>23,487,433</u>	<u>(2,521,605)</u>
Total revenues	127,829,559	127,202,765	626,794
EXPENSES			
Governmental activities	<u>123,267,732</u>	<u>120,373,349</u>	<u>2,894,383</u>
Change in net position	4,561,827	6,829,416	(2,267,589)
Net position, beginning of year, restated	<u>(2,901,154)</u>	<u>(9,730,570)</u>	<u>6,829,416</u>
Net position, end of year	<u>\$ 1,660,673</u>	<u>\$ (2,901,154)</u>	<u>\$ 4,561,827</u>

Table 3

	<u>2020</u>	<u>2019</u>	<u>Variance</u>
General Revenues			
District tax-levies	\$ 47,894,722	\$ 47,056,410	\$ 838,312
Missoula County	11,256,931	9,378,134	1,878,797
State of Montana	48,593,056	44,655,943	3,937,113
Investment earnings	800,897	1,903,577	(1,102,680)
Transfer	(1,348,650)	-	(1,348,650)
Other revenues	<u>(333,225)</u>	<u>721,268</u>	<u>(1,054,493)</u>
Total general revenues	<u>\$ 106,863,731</u>	<u>\$ 103,715,332</u>	<u>\$ 3,148,399</u>
Program Revenues			
Charges for services	\$ 2,017,865	\$ 1,733,635	\$ 284,230
Operating grants and contributions	<u>18,947,963</u>	<u>21,753,798</u>	<u>(2,805,835)</u>
Total program revenues	<u>\$ 20,965,828</u>	<u>\$ 23,487,433</u>	<u>\$ (2,521,605)</u>

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2020

ANALYSIS OF FINANCIAL INFORMATION

The following analysis is intended 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 education for children in grades kindergarten through 12th grade, transportation to and from school, hot lunches, athletic and extracurricular activities, and services via various 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.

Table 4

	<u>2020</u>	<u>2019</u>	<u>Variance</u>
EXPENSES			
Instruction	\$ 70,876,929	\$ 66,229,121	\$ 4,647,808
Support services	17,237,618	17,431,475	(193,857)
General administration	8,050,183	8,455,421	(405,238)
Operations and maintenance	9,843,978	10,670,488	(826,510)
Student transportation	6,842,860	7,023,223	(180,363)
Food services	3,322,032	3,382,336	(60,304)
Extracurricular activities	2,411,441	2,318,058	93,383
Other	386,822	403,500	(16,678)
Interest and fiscal charges	4,295,868	4,459,727	(163,859)
	<u>\$ 123,267,732</u>	<u>\$ 120,373,349</u>	<u>\$ 2,894,383</u>

Overall, expenditures increased by approximately \$2,900,000 or 2.4%. The two most significant reasons for this change include the salary increases for staff and a relatively significant expense allocation to the District for its share of the actuarially determined pension liability. As can be seen in Table 4, many expense categories declined from the prior year. Much of this decline can be explained by the school shutdown caused the COVID19 pandemic. Even though most staff remained in paid status through to the end of the school year, expenditures for athletics/activities, substitutes and utilities declined significantly during the time school was not in session.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
 MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Year Ended June 30, 2020

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, building improvements, and equipment. Technology purchases are mainly funded by the technology fund. However, because of the \$5,000 capitalization threshold, these purchases are rarely considered capital assets.

Table 5

	<u>2020</u>	<u>2019</u>
Land	\$ 2,506,208	\$ 2,506,208
Construction in progress	30,212,011	37,785,496
Land improvements	4,184,833	4,184,833
Buildings and improvements	197,235,696	159,450,199
Equipment and other	<u>16,560,948</u>	<u>15,126,518</u>
Total capital assets	250,699,696	219,053,254
Less - accumulated depreciation	<u>(55,385,037)</u>	<u>(50,437,606)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 195,314,659</u>	<u>\$ 168,615,648</u>

In looking at Table 5, total capital assets increased by \$26,700,000 after depreciation. During fiscal year 2020, significant construction, wiring and renovation projects were going on in one of the District's nine elementary buildings, all three of its middle schools, and two of its high schools. In addition, major construction was occurring at the District's recently acquired administration campus. Some of the most notable construction included renovation/addition expenditures of \$3.5 million at Sentinel High School, \$6.2 million at Big Sky High School, \$4.4 million at C. S. Porter Middle School, \$2.2 million at Washington Middle School, and \$5.1 at Meadow Hill Middle School.

The District expended \$5.4 million on the new administration campus. This property was returned to the District for \$1, the same amount that the university system had paid the High School District for the property back in the 1970s. This campus is adjacent to Sentinel High School and includes two buildings as well as a significant parking area. The improvements were funded by various sources, including rent/lease revenue and property sale proceeds.

Equipment purchases included a new aerator, a tractor for mowing and snow removal, building wiring, a genie lift, and a new copier. Please refer to Note 3 for further information.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2020

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt Administration

In August 2017, the Elementary and High School Districts each went through the bond rating process in anticipation of issuing bonds. 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. The new bond rates in the Elementary District ranged from 2.0% to 5.0%, and had an average coupon rate of 4.1%. The High School District rates also ranged from 2.0% to 5.0%, and have an average coupon rate of 4.0%. Please refer to Note 4 for further information on the District's debt. D.A. Davidson & Co. was the underwriter of the 2017 bond issue, and reported true interest cost of 2.9% associated with the Elementary and High School District bond issues.

In the spring of 2021, each district underwent a rating review and each maintained their Aa3 rating.

THE FUTURE OF THE DISTRICT

Due to the COVID-19 pandemic, the District shut down schools beginning in March of 2020 and began the 2020/2021 school year in a hybrid learning model. In this blended model of onsite and remote learning, learning occurred two days per week on-site, with a shortened day schedule. The remaining three days per week, learning occurred remotely. Beginning after the first semester, the District transitioned to a phase 2 learning model where learning occurred four days, and sometimes five days a week. Families could also choose 100% virtual learning through our MCPS Online Academy. This online academy will also be offered again in the 2021-22 school year but on a much scaled back basis.

The District offered a 'ramp up' learning opportunity for interested students leading up to the start of the 2020/2021 school year. The District also offered a summer school learning opportunity for students between June 14th and June 25th. Both opportunities were intended to address learning loss related to limited in class instruction. Additional efforts were made during the 2020/2021 school year, and will continue to be made during the 2021/2022 school year to address learning loss. A significant amount of federal funds will continue to be utilized to support these type of endeavors for students, and to otherwise prevent, prepare for and respond to COVID-19.

The District has continued to foster the development of an inspired 21st century educational culture that improves student achievement, develops remarkable educational leaders and engages the Missoula community in the educational future of its children. In recent years, the District has added the International Baccalaureate Programme at several schools, a Health Sciences Program at Big Sky High School, Dual Language Immersion at Paxson Elementary, as well as arts integration, and STEM and STEAM programs. The goal of these programs, as well as others that have been added by the District, is to improve student engagement and achievement. To this end, the District is evaluating current programs, engaging in a new strategic planning session.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2020

THE FUTURE OF THE DISTRICT (CONTINUED)

As of June of 2021, the District has spent nearly 100% of all bond proceeds, bond premium and bond interest revenue on the school bond projects as outlined in the District's Smart Schools 2020 Strategic Facilities Plan,.

In the 2021 fiscal year, the District general fund budgets increased by slightly less than \$1,700,000. With this increase, the District provided a 2.25% base salary increase for staff, added additional classroom and support staff, and increased budget for property & liability insurance. Of the total increase, \$1,526,000 was in the elementary district.

In calculating the 2022 general fund budgets, it appears there will be a combined decrease of approximately \$275,000. This decrease is primarily caused by the reduction in enrollment associated with the COVID-19 pandemic. A portion of the allocation of federal funds will be used to address the shortfall caused by the COVID-19 pandemic.

Although, the District experienced an increase in high school enrollment, the increase was far less than projected. For fiscal year 22, indicators suggest the K-8 enrollment will rebound and that the high school enrollment will increase.

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 Accounting Supervisor or the Executive Director of Business and Operations for the District, at 915 South Avenue West, Missoula, Montana 59801.

FINANCIAL STATEMENTS

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION
June 30, 2020
(With Comparative Totals as of June 30, 2019)

	<u>2020</u>	<u>2019</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 43,619,187	\$ 74,505,543
Property taxes receivable	1,143,070	1,160,504
Protested taxes receivable	1,253,070	943,561
Due from other governments	3,215,802	3,132,020
Inventory	878,053	857,455
Prepaid expenses	181,471	230,789
Other current assets	<u>583,619</u>	<u>736,006</u>
Total current assets	<u>50,874,272</u>	<u>81,565,878</u>
CAPITAL ASSETS		
Land	2,506,208	2,506,208
Construction in progress	30,212,011	37,785,496
Land improvements	4,184,833	4,184,833
Buildings and improvements	197,235,696	159,450,199
Machinery and equipment	16,560,948	15,126,518
Less - accumulated depreciation	<u>(55,385,037)</u>	<u>(50,437,606)</u>
Total capital assets	<u>195,314,659</u>	<u>168,615,648</u>
Total assets	<u>246,188,931</u>	<u>250,181,526</u>
DEFERRED OUTFLOW OF RESOURCES		
Other postemployment health benefits deferred contributions	129,720	110,668
Contributions to pension plans in current fiscal year	<u>13,146,506</u>	<u>14,108,383</u>
Total deferred outflows of resources	<u>13,276,226</u>	<u>14,219,051</u>
Total assets and deferred outflows of resources	<u>\$ 259,465,157</u>	<u>\$ 264,400,577</u>

The Notes to Financial Statements are an integral part of these statements.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2020
(With Comparative Totals as of June 30, 2019)

	<u>2020</u>	<u>2019</u>
LIABILITIES, DEFERED INFLOWS OF RESOURCES		
AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and other current liabilities	\$ 5,412,550	\$ 9,992,888
Unearned revenue	1,684,490	1,639,524
Bonds payable - due within one year	8,096,164	8,675,814
Current portion capital lease and other debt	15,941	15,941
Compensated absences - due within one year	<u>1,025,000</u>	<u>1,150,000</u>
Total current liabilities	<u>16,234,145</u>	<u>21,474,167</u>
NONCURRENT LIABILITIES		
Bonds payable	144,182,688	152,178,547
Capital lease and other debt	-	14,441
Compensated absences	9,651,793	9,306,908
OPEB liability	3,036,332	3,036,332
Pension liabilities	<u>82,041,471</u>	<u>77,580,015</u>
Total noncurrent liabilities	<u>238,912,284</u>	<u>242,116,243</u>
Total liabilities	<u>255,146,429</u>	<u>263,590,410</u>
DEFERRED INFLOWS OF RESOURCES		
Other postemployment health benefits assumption changes	570,152	560,358
Pension deferrals	2,087,903	3,041,781
Unamortized bond premium on refinanced bonds	<u>-</u>	<u>109,182</u>
Total deferred inflows of resources	<u>2,658,055</u>	<u>3,711,321</u>
NET POSITION		
Net investment in capital assets	45,268,969	42,053,288
Restricted	9,770,039	8,435,366
Unrestricted	<u>(53,378,335)</u>	<u>(53,389,808)</u>
Total net position	<u>1,660,673</u>	<u>(2,901,154)</u>
Total liabilities, deferred inflows and net position	<u>\$ 259,465,157</u>	<u>\$ 264,400,577</u>

The Notes to Financial Statements are an integral part of these statements.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020
(With Comparative Totals as of June 30, 2019)

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	2020	2019
Governmental Activities:					
Instruction	\$ 70,876,929	\$ 624,705	\$ 10,405,020	\$(59,847,204)	\$(54,199,960)
Support services	17,237,618	655,627	2,958,030	(13,623,961)	(11,978,797)
General administration	8,050,183	-	109,926	(7,940,257)	(8,104,977)
Operations and maintenance	9,843,978	137,792	-	(9,706,186)	(10,495,540)
Student transportation	6,842,860	-	846,877	(5,995,983)	(6,212,102)
Food services	3,322,032	599,741	2,093,287	(629,004)	(442,033)
Extracurricular activities	2,411,441	-	-	(2,411,441)	(2,318,058)
Other	386,822	-	2,534,823	2,148,001	1,325,279
Interest and bond issuance costs	4,295,868	-	-	(4,295,868)	(4,459,727)
Total governmental activities	<u>\$ 123,267,732</u>	<u>\$ 2,017,865</u>	<u>\$ 18,947,963</u>	<u>(102,301,904)</u>	<u>(96,885,915)</u>
General revenues:					
				47,894,722	47,056,410
				11,256,931	9,378,134
				48,593,056	44,655,943
				800,897	1,903,577
				(1,348,650)	-
				<u>(333,225)</u>	<u>721,268</u>
				<u>106,863,731</u>	<u>103,715,332</u>
				4,561,827	6,829,417
				<u>(2,901,154)</u>	<u>(9,730,571)</u>
				<u>\$ 1,660,673</u>	<u>\$ (2,901,154)</u>

The Notes to Financial Statements are an integral part of these statements.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2020

	<u>General Fund</u>	<u>Elementary Building</u>	<u>High School Building</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments	\$ 3,053,941	\$ 2,118,171	\$ 6,911,315	\$ 14,031,824	\$ 26,115,251
Property taxes receivable	574,349	-	-	568,721	1,143,070
Protested property taxes receivable	709,104	-	-	543,966	1,253,070
Due from other governments	-	-	-	3,212,437	3,212,437
Prepaid expenses	141,139	-	-	40,332	181,471
Inventory	329,131	-	-	64,878	394,009
Other current assets	177,585	-	-	314,975	492,560
Total assets	<u>\$ 4,985,249</u>	<u>\$ 2,118,171</u>	<u>\$ 6,911,315</u>	<u>\$ 18,777,133</u>	<u>\$ 32,791,868</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
LIABILITIES					
Other current liabilities	\$ 755,344	\$ 783,712	\$ 1,624,285	\$ 1,007,255	\$ 4,170,596
Total liabilities	<u>755,344</u>	<u>783,712</u>	<u>1,624,285</u>	<u>1,007,255</u>	<u>4,170,596</u>
DEFERRED INFLOWS OF RESOURCES					
Uncollected tax revenue	<u>1,283,453</u>	-	-	<u>1,299,587</u>	<u>2,583,040</u>
Total deferred inflows of resources	<u>1,283,453</u>	-	-	<u>1,299,587</u>	<u>2,583,040</u>
FUND BALANCES					
Non-spendable	-	-	-	64,878	64,878
Restricted	-	-	1,991,118	8,298,696	10,289,814
Committed	410,931	-	-	-	410,931
Assigned	146,027	1,596,254	3,295,912	8,116,643	13,154,836
Unassigned	<u>2,389,494</u>	<u>(261,795)</u>	-	<u>(9,926)</u>	<u>2,117,773</u>
Total fund balances	<u>2,946,452</u>	<u>1,334,459</u>	<u>5,287,030</u>	<u>16,470,291</u>	<u>26,038,232</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,985,249</u>	<u>\$ 2,118,171</u>	<u>\$ 6,911,315</u>	<u>\$ 18,777,133</u>	<u>\$ 32,791,868</u>

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

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2020

Total fund balances - governmental funds		\$ 26,038,232
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Internal service funds net position not reported in the governmental funds statements.		15,319,443
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets	\$ 250,699,696	
Accumulated depreciation	(55,385,037)	
Less - capital assets recorded in internal service funds	<u>(226,059)</u>	195,088,600
Property tax revenue is recognized when earned (and the claim to resources is established) rather than when "available." All of the deferred inflows-uncollected tax revenue reported in the governmental funds is not available.		2,583,040
Deferred outflows and inflows of resources related to pensions, OPEB and refinanced bonds are applicable to future periods and, therefore, are not reported in governmental funds.		
Deferred outflows of resources	13,276,226	
Deferred inflows of resources	(2,658,055)	
Unamortized bond premium on refinanced bonds	<u>-</u>	10,618,171
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	(152,278,852)	
Capital leases and other debt	(15,941)	
Compensated absences	(10,614,217)	
OPEB liability	(3,036,332)	
Pension liabilities	<u>(82,041,471)</u>	<u>(247,986,813)</u>
Total net position - governmental activities		<u>\$ 1,660,673</u>

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

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
Year Ended June 30, 2020

	General Fund	Elementary Building	High School Building	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
District levies	\$ 24,124,719	\$ -	\$ -	\$ 23,362,325	\$ 47,487,044
Investment interest	98,832	184,876	232,855	284,334	800,897
Tuition and fees	38,680	-	-	576,363	615,043
County sources	-	-	-	11,680,308	11,680,308
State sources	47,568,452	-	-	4,268,400	51,836,852
Federal sources	-	-	-	8,704,192	8,704,192
Other	-	57,059	80,733	2,336,711	2,474,503
Total revenue	<u>71,830,683</u>	<u>241,935</u>	<u>313,588</u>	<u>51,212,633</u>	<u>123,598,839</u>
EXPENDITURES					
Current:					
Instruction	44,200,573	-	-	17,742,586	61,943,159
Support services	9,549,557	-	-	5,143,317	14,692,874
Administration	6,522,447	-	-	1,029,404	7,551,851
Operations and maintenance	7,587,974	603,769	420,734	218,444	8,830,921
Student transportation	754,595	-	-	6,089,216	6,843,811
Food service	247,497	-	-	2,870,875	3,118,372
Extracurricular	1,759,800	-	-	304,304	2,064,104
Other	-	-	-	389,649	389,649
Capital outlay	547,764	15,703,540	11,250,361	4,530,986	32,032,651
Debt service:					
Principal retirement	-	-	-	7,400,000	7,400,000
Interest and fiscal charges	-	-	-	5,595,000	5,595,000
Total expenditures	<u>71,170,207</u>	<u>16,307,309</u>	<u>11,671,095</u>	<u>51,313,781</u>	<u>150,462,392</u>
Revenues over (under) expenditures	660,476	(16,065,374)	(11,357,507)	(101,148)	(26,863,553)
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	(1,498,650)	-	-	150,000	(1,348,650)
Proceeds from sale of assets	-	-	449	52,535	52,984
Bond proceeds	-	418	-	-	418
Total other financing sources (uses)	<u>(1,498,650)</u>	<u>418</u>	<u>449</u>	<u>202,535</u>	<u>(1,295,248)</u>
Revenues over expenditures and other financing sources	(838,174)	(16,064,956)	(11,357,058)	101,387	(28,158,801)
Fund balances, beginning of year	<u>3,784,626</u>	<u>17,399,415</u>	<u>16,644,088</u>	<u>16,368,904</u>	<u>54,197,033</u>
Fund balances, end of year	<u>\$ 2,946,452</u>	<u>\$ 1,334,459</u>	<u>\$ 5,287,030</u>	<u>\$ 16,470,291</u>	<u>\$ 26,038,232</u>

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

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

Net change in fund balances - total governmental funds \$ (28,158,801)

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

Governmental funds report capital outlays as expenditures and gross proceeds from sales of assets as revenue. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Proceeds from sales are adjusted by the basis of the assets. This is the adjustments for those differences in the current period.

Capital outlay	\$ 32,032,651	
Basis in assets sold	(386,209)	
Depreciation expense	<u>(4,928,587)</u>	26,717,855

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 406,543

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.

Long-term debt principal payments	7,400,000	
Amortization of bond premiums and discounts	<u>1,299,132</u>	8,699,132

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.

Compensated absences	(217,059)	
OPEB liability	9,258	
Pension liability	<u>(4,469,455)</u>	(4,677,256)

Change in net position of internal service funds reported within governmental activities. 1,574,354

Change in net position of governmental activities \$ 4,561,827

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION – INTERNAL SERVICE FUNDS
June 30, 2020

ASSETS	
Cash and investments	\$ 17,503,936
Receivable from other funds	3,365
Other current assets	91,059
Inventory	<u>484,044</u>
Total current assets	<u>18,082,404</u>
Capital assets	379,379
Less - accumulated depreciation	<u>(153,320)</u>
Capital assets, net	<u>226,059</u>
Total assets	<u>\$ 18,308,463</u>
LIABILITIES	
Payable to retirees	\$ 359,027
Other current liabilities	882,927
Unearned revenue	1,684,490
Compensated absences	<u>62,576</u>
Total current liabilities	<u>2,989,020</u>
Total liabilities	<u>2,989,020</u>
NET POSITION	
Non-spendable	484,044
Assigned	186,154
Unrestricted	<u>14,649,245</u>
Total net position	<u>15,319,443</u>
Total liabilities and net position	<u>\$ 18,308,463</u>

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

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION – INTERNAL SERVICE FUNDS
Year Ended June 30, 2020

OPERATING REVENUES	
Charges for services	\$ 1,400,690
Health insurance premiums	8,913,881
Donations by employees	<u>3,147,131</u>
Total operating revenue	<u>13,461,702</u>
OPERATING EXPENSES	
Medical claims	9,800,341
Personnel	783,442
Operations	968,858
Administration	53,385
Stop loss insurance	568,165
Depreciation	<u>18,844</u>
Total operating expenses	<u>12,193,035</u>
Operating income	<u>1,268,667</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment interest	<u>305,686</u>
Total non-operating revenues (expenses)	<u>305,686</u>
Change in net position	1,574,353
Net position, beginning of year	<u>13,745,090</u>
Net position, end of year	<u>\$ 15,319,443</u>

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

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUNDS
Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Health insurance premiums received	\$ 12,206,745
Cash received for internal services	1,642,067
Medical claims paid	(10,091,217)
Cash paid to employees	(780,613)
Cash paid to suppliers for goods and services	<u>(1,480,664)</u>
Net cash flows from operating activities	<u>1,496,318</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earnings	<u>305,686</u>
Net cash flows from investing activities	<u>305,686</u>
Net increase in cash and cash equivalents	1,802,004
Cash and cash equivalents, beginning of year	<u>15,701,932</u>
Cash and cash equivalents, end of year	<u>\$ 17,503,936</u>
RECONCILIATION OF OPERATING INCOME TO NET	
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ 1,268,667
Adjustments to reconciled operating income to net cash flows from operating activities:	
Depreciation	18,844
Change in other assets	403,703
Change in receivables	100,768
Change in inventory	(52,580)
Change in payables	(290,876)
Change in compensated absences	2,826
Change in unearned revenue	<u>44,966</u>
Net cash flows from operating activities	<u>\$ 1,496,318</u>

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

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 STATEMENT OF NET POSITION – FIDUCIARY FUNDS
 June 30, 2020

	Private-Purpose Trust Funds	Agency Funds
ASSETS		
Cash and investments	\$ 2,466,794	\$ 5,188,370
Other current assets	115	16,884
Total assets	\$ 2,466,909	\$ 5,205,254
LIABILITIES		
Accounts payable and other current liabilities	\$ 1,507	\$ 5,205,254
NET POSITION		
Restricted for endowment	279,116	
Restricted for extracurricular	1,410,141	
Restricted for interlocal	776,145	
Total net position	2,465,402	
Total liabilities and net position	\$ 2,466,909	

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

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 Year Ended June 30, 2020

	Private-Purpose Trust Funds
ADDITIONS	
Investment interest	\$ 31,530
Contributions	56,600
Internal service	11,504
Student receipts	<u>1,766,484</u>
Total additions	<u>1,866,118</u>
 DEDUCTIONS	
Other	238,631
Extracurricular	<u>1,703,152</u>
Total deductions	<u>2,366,855</u>
Change in net position	(500,737)
Transfer in	1,348,650
Net position, beginning of year	<u>1,617,489</u>
Net position, end of year	<u>\$ 2,465,402</u>

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

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2020, 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).

Reporting Entity

The District operates under a district-wide elected eleven-member Board of Trustees and provides educational services to approximately 9,250 students in seventeen (K-12) schools throughout Missoula County, 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.

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, 2019, 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.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

Government-Wide Financial Statements – 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.

Fund Financial Statements – 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. 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.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 building funds account for revenue and expenditures related to capital improvements.

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 Funds* are 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:

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2020

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RESOURCE CATEGORIES

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

EXPENDITURE ORDER FOR RESOURCE CATEGORIES

	General and Special Revenue Funds	Debt Service and Capital Project Funds
First	Restricted	Assigned
Second	Committed	Committed
Third	Assigned	Restricted
Fourth	Unassigned	Unassigned

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2020

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets (Continued)

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.

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.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include construction in progress, 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, 2020.

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.

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.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liability for Compensated Absences (Continued)

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 Statement of Net Position, and the internal service fund 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 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*.

Pension Liabilities

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.

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%.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

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

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 0.05% at June 30, 2020, and the balance was \$3,442,504.

At June 30, 2020, the District's balances were:

	Governmental Activities	Fiduciary Funds	Total
Cash in county treasury	\$ 43,569,522	\$ 6,751,792	\$ 50,321,314
Cash in municipal investment account	2,567,112	875,392	3,442,504
Short term investment pool	4,695	-	4,695
Cash on hand and in banks	<u>(2,522,142)</u>	<u>27,980</u>	<u>(2,494,162)</u>
	<u>\$ 43,619,187</u>	<u>\$ 7,655,164</u>	<u>\$ 51,274,351</u>

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

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

NOTE 3. CAPITAL ASSETS

A summary of capital asset activity for the year ended June 30, 2020, follows:

<u>Governmental activities</u>	<u>June 30, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2020</u>
Capital assets not subject to depreciation:				
Land	\$ 2,506,208	\$ -	\$ -	\$ 2,506,208
Construction in process	37,785,496	30,212,011	(37,785,496)	30,212,011
Capital assets subject to depreciation:				
Land improvements	4,184,833	-	-	4,184,833
Buildings and improvements	159,450,199	37,785,497	-	197,235,696
Equipment and other	<u>15,126,518</u>	<u>1,434,430</u>	-	<u>16,560,948</u>
Total capital assets	<u>219,053,254</u>	<u>69,431,938</u>	<u>(37,785,496)</u>	<u>250,699,696</u>
Less - accumulated depreciation for:				
Land improvements	(1,396,116)	(335,070)	-	(1,731,186)
Buildings and improvements	(44,536,679)	(3,889,119)	-	(48,425,798)
Equipment and other	<u>(4,504,811)</u>	<u>(723,242)</u>	-	<u>(5,228,053)</u>
Total accumulated depreciation	<u>(50,437,606)</u>	<u>(4,947,431)</u>	-	<u>(55,385,037)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 168,615,648</u>	<u>\$ 64,484,507</u>	<u>\$(37,785,496)</u>	<u>\$ 195,314,659</u>

Internal Service Fund capital assets included above:

<u>Governmental activities</u>	<u>June 30, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2020</u>
Capital assets subject to depreciation:				
Equipment and other	\$ 379,379	\$ -	\$ -	\$ 379,379
Less - accumulated depreciation	<u>(134,476)</u>	<u>(18,844)</u>	-	<u>(153,320)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 244,903</u>	<u>\$ (18,844)</u>	<u>\$ -</u>	<u>\$ 226,059</u>

Depreciation expense has been charged to functions of the primary government, as follows:

Instruction	\$ 3,067,136
Support services	600,771
General administration	500,146
Operations and maintenance	541,157
Student transportation	55,189
Food services	25,702
Extracurricular activities	138,486
Internal service funds	<u>18,844</u>
	<u>\$ 4,947,431</u>

The District also leases the Prescott Elementary school building to the Missoula International School. In August 2017, the lease was renewed for an additional five years until July 31, 2022, at a monthly rate of \$4,583, which increases approximately \$208 per month each year for the first three years. The lessors also reimburse the District for the cost of utilities and insurance.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

NOTE 4. LONG-TERM DEBT

Changes in general long-term debt during 2020 were as follows:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
General obligation bonds:					
2010 Refunding issue - HS	\$ 1,420,000	\$ -	\$ (700,000)	\$ 720,000	\$ 720,000
2013 Refunding issue - HS	720,000	-	(720,000)	-	-
2016 General obligation issue - Elem	45,870,000	-	(2,040,000)	43,830,000	2,120,000
2016 General obligation issue - HS	20,125,000	-	(920,000)	19,205,000	940,000
2017 General obligation issue-HS	44,090,000	-	(1,725,000)	42,365,000	1,760,000
2017 General obligation issue-Elem	34,030,000	-	(1,295,000)	32,735,000	1,330,000
Unamortized bond premium	<u>14,599,361</u>	-	<u>(1,175,509)</u>	<u>13,423,852</u>	<u>1,226,164</u>
Total bonds payable	160,854,361	-	(8,575,509)	152,278,852	8,096,164
Special improvements	1,500	-	-	1,500	1,500
Capital lease	28,882	-	(14,441)	14,441	14,441
Compensated absences, internal service fund	59,750	4,354	(1,528)	62,576	-
Compensated absences	<u>10,397,158</u>	<u>1,192,565</u>	<u>(975,506)</u>	<u>10,614,217</u>	<u>1,025,000</u>
Total	<u>\$ 171,341,651</u>	<u>\$ 1,196,919</u>	<u>\$ (9,566,984)</u>	<u>\$ 162,971,586</u>	<u>\$ 9,137,105</u>
Deferred inflow:					
Unamortized bond premium on bond refinancing	<u>\$ 81,886</u>	<u>\$ -</u>	<u>\$ (81,886)</u>	<u>\$ -</u>	<u>\$ -</u>

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.

2016 General Obligation Bonds

In February 2016, the District issued \$74,425,000 of general obligation school building bonds, \$51,640,000 related to Elementary and \$22,785,000 related to High School. The Series 2016 Bonds bear interest ranging from 2.0% to 5.0% and mature in 2036. Proceeds from the sale of the 2016 bonds, including an initial bond premium of \$7,199,331 were deposited into an irrevocable escrow to call the outstanding bonds.

2017 General Obligation Bonds

In September 2017, the District issued \$83,575,000 of general obligation school building bonds, \$36,360,000 related to Elementary and \$47,215,000 related to High School. The Series 2017 Bonds bear interest ranging from 2.0% to 5.0% and mature in 2037. Proceeds from the sale of the 2017 bonds, including an initial bond premium of \$9,998,659 were deposited into an irrevocable escrow to call the outstanding bonds.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

NOTE 4. LONG-TERM DEBT (CONTINUED)

Capital Lease

The following schedule presents future minimum lease payments as of June 30, 2020:

<u>Year Ended June 30,</u>	<u>Capital Lease Payments</u>
2021	\$ 14,441
Present value of minimum lease payments	<u>\$ 14,441</u>

Special Improvements Payable

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:

<u>Year Ended June 30,</u>	<u>General Obligation Bonds</u>		<u>SID Payable</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 6,150,000	\$ 5,377,800	\$ 1,500	\$ -	\$ 6,151,500	\$ 5,377,800
2022	6,395,000	5,110,200	-	-	6,395,000	5,110,200
2023	6,635,000	4,878,300	-	-	6,635,000	4,878,300
2024	6,865,000	4,644,350	-	-	6,865,000	4,644,350
2025	7,070,000	4,443,750	-	-	7,070,000	4,443,750
Thereafter	<u>119,163,852</u>	<u>27,771,225</u>	-	-	<u>119,163,852</u>	<u>27,771,225</u>
Total	<u>\$ 152,278,852</u>	<u>\$ 52,225,625</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ 152,280,352</u>	<u>\$ 52,225,625</u>

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) 100% of the taxable value of the property within the District or 2) 100% 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).

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

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%

Restricted Fund Balance

Restricted fund balances under GASB 54 at June 30, 2020, are as follows:

	<u>Elementary</u>	<u>High School</u>	<u>Total</u>
Transportation	\$ 421,852	\$ 408,644	\$ 830,496
Food services	132,888	16,705	149,593
Tuition	13,636	30,937	44,573
Retirement	1,023,400	816,440	1,839,840
Insurance fund	-	8,727	8,727
Adult education	95,455	394,984	490,439
Traffic education	-	135,017	135,017
Compensated absences	202,472	182,989	385,461
Technology acquisition	355,123	769,296	1,124,419
Lease rental agreement	6	-	6
Flexibility	7,100	-	7,100
Debt service	65,750	-	65,750
Building	-	1,991,118	1,991,118
Building reserve	<u>1,204,529</u>	<u>2,012,746</u>	<u>3,217,275</u>
Total	<u>\$ 3,522,211</u>	<u>\$ 6,767,603</u>	<u>\$ 10,289,814</u>

State law 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, 2020, are for program and instruction.

Restricted Net Position

Restricted net position at June 30, 2020, consists of the following:

Debt service	\$ 629,793
Program	<u>9,140,246</u>
Total	<u>\$ 9,770,039</u>

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2020

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 proportionate share associated with TRS	The District's proportionate share associated with PERS	The District's Total Pension Amounts
Net pension liability	\$ 70,910,054	\$ 11,131,417	\$ 82,041,471
Deferred outflows of resources	11,246,202	1,900,304	13,146,506
Deferred inflows of resources	158,981	1,928,922	2,087,903
Pension expense	14,726,430	1,386,185	16,112,615

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.

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.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

NOTE 6. RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System (TRS)

	Net Pension Liability as of June 30, 2020	Net Pension Liability as of June 30, 2019	Percent of Collective NPL as of June 30, 2020	Percent of Collective NPL as of June 30, 2019	Change in Percent of Collective NPL
Missoula County Public Schools Proportionate share	\$ 70,910,054	\$ 66,542,036	3.6774%	3.5850%	0.0924%
State of Montana Proportionate share associated with the District	<u>42,928,628</u>	<u>41,327,128</u>	<u>2.2263%</u>	<u>2.2265%</u>	<u>-0.0002%</u>
Total	<u>\$ 113,838,682</u>	<u>\$ 107,869,164</u>	<u>5.9037%</u>	<u>5.8115%</u>	<u>0.0922%</u>

At June 30, 2020, the District recorded a liability of \$70,910,054 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The District's proportion of the net pension liability was based on the District's contributions received by TRS during the measurement period July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of TRS' participating employers. At June 30, 2020, the District's proportion was 3.6774% percent.

Changes in actuarial assumptions and other inputs:

The Guaranteed Annual Benefit Adjustment (GABA) for Tier Two members is a variable rate between 0.50% and 1.50% as determined by the Board. Since an increase in the amount of the GABA is not automatic and must be approved by the Board, the assumed increase was lowered from 1.50% to the current rate of 0.50% per annum.

Changes in benefit terms:

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

Changes in proportionate share:

There were no changes between the measurement date of the collective net pension liability and the reporting date. However, each employer may have unique circumstances that will impact the employer's proportionate share of the collective net pension liability. If there were changes that are expected to have an impact on the net pension liability, the employer should disclose the amount of the expected resultant change in the employer's proportional share of the collective net pension liability, if known.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

NOTE 6. RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System (TRS) (Continued)

Pension Expense

	Pension Expense as of June 30, 2020
Missoula County Public Schools:	
Proportionate share	\$ 9,490,087
State of Montana:	
Proportionate share associated with the District	5,236,342
	\$ 14,726,429

At June 30, 2020, the District recognized a pension expense of \$14,726,429 for its proportionate share of the TRS' pension expense. The employer also recognized grant revenue of \$5,236,342 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the District.

Deferred Inflows and Outflows

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 469,372	\$ -
Changes in actuarial assumptions	3,540,710	158,981
Differences between projected and actual investment earnings	687,373	-
Difference between actual and expected contributions	1,176,172	-
*Contributions paid to TRS subsequent to the measurement date - FY 2018 Contributions	5,372,575	-
Total	\$ 11,246,202	\$ 158,981

* 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, 2021.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

NOTE 6. RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System (TRS) (Continued)

Deferred Inflows and Outflows (Continued)

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

Year Ended June 30:	Amount of Deferred Outflows (Inflows) to be recognized as an an increase or (decrease) to Pension Expense
2021	\$ 3,457,567
2022	1,222,015
2023	465,927
2024	569,139
2025	-
Thereafter	-

Plan Description

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

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

Summary of Benefits

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

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

NOTE 6. RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System (TRS) (Continued)

Summary of Benefits (Continued)

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

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. For Tier Two members the GABA 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.

Overview of Contributions

The System receives a portion of the total required statutory contributions directly from the State for all employers. The employers are considered to be in a special funding situation as defined by GASB 68 and the State is treated as a non-employer contributing entity in TRS. The System receives 2.49% of reportable compensation from the State's general fund for School Districts and Other Employers. The System also receives 0.11% of reportable compensation from the State's general fund for State and University Employers. Finally, the State is also required to contribute \$25 million in perpetuity payable July 1st of each year.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

NOTE 6. RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System (TRS) (Continued)

Actuarial Assumptions (Continued)

- Postretirement Benefit Increases
 - Tier One Members: If the retiree has received benefits for at least 3 years, the retirement allowance will be increased by 1.5% on January 1st.
 - Tier Two Members, the retirement allowance will be increased by an amount equal to or greater than 0.5% but no more than 1.5% if the most recent actuarial valuation shows the System to be at least 90% funded and the provisions of the increase is not projected to cause the funded ratio to be less than 85%.
- Mortality among contributing members, service retired members, and beneficiaries
 - For Males and Females: RP 2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years.
- Mortality among disabled members
 - For Males: RP 2000 Disabled Mortality Table, set back three years, with mortality improvements projected by Scale BB to 2022.
 - For Females: RP 2000 Disabled Mortality Table, set forward two years, with mortality improvements projected by Scale BB to 2022.

* Total wage increases include 3.25% general wage increase assumption.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the 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 2126. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

NOTE 6. RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System (TRS) (Continued)

Target Allocations

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

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

The long term capital market assumptions published in the Survey of Capital Market Assumptions 2019 Edition by Horizon Actuarial Service, LLC, yield a median real return of 4.91%. Based on this information, the Board's adopted assumption of 5.00% for the real return is reasonable. Combined with the 2.50% inflation assumption, the resulting nominal return is 7.50%.

Sensitivity Analysis

	<u>1.0% Decrease (6.50%)</u>	<u>Current Discount Rate</u>	<u>1.0% Increase (8.50%)</u>
The employer's proportion of Net Pension Liability	<u>\$ 96,987,039</u>	<u>\$ 70,910,054</u>	<u>\$ 49,061,795</u>

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.50%) or 1.00% higher (8.50%) than the current rate.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

NOTE 6. RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System (TRS) (Continued)

Summary of Significant Accounting Policies

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

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

Public Employees' Retirement System (PERS)

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions*, employers and the non-employer contributing entity are required to recognize and report certain amounts associated with participation in the Public Employees' Retirement System Defined Benefit Retirement Plan (the Plan). Employers are required to record and report their proportionate share of the collective Net Pension Liability; Pension Expense; and Deferred Outflows and Deferred Inflows of Resources associated with pensions.

This report provides information for employers who are using a June 30, 2019 measurement date for the 2020 reporting. If an employer's fiscal year end is after June 30th, the employer will not use the measurements shown in this report but will need to wait for the measurement date as of June 30, 2020.

Net Pension Liability

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). As GASB Statement 68 allows, a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2020, was determined by taking the results of the June 30, 2019, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

NOTE 6. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Net Pension Liability (Continued)

Special Funding

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

Not Special Funding

Per Montana law, state agencies and universities paid their own additional contributions. These employer paid contributions are *not* accounted for as special funding for state agencies and universities but are reported as employer contributions.

	<u>Net Pension Liability as of June 30, 2020</u>	<u>Net Pension Liability as of June 30, 2019</u>	<u>Percent of Collective NPL as of June 30, 2020</u>	<u>Percent of Collective NPL as of June 30, 2019</u>	<u>Change in Percent of Collective NPL</u>
Missoula County Public Schools Proportionate share	\$ 11,131,417	\$ 11,037,979	0.5325%	0.5289%	0.0037%
State of Montana Proportionate share associated with the District	<u>3,966,637</u>	<u>4,066,575</u>	<u>0.1898%</u>	<u>0.1948%</u>	<u>-0.0051%</u>
Total	<u>\$ 15,098,054</u>	<u>\$ 15,104,554</u>	<u>0.7223%</u>	<u>0.7237%</u>	<u>-0.0014%</u>

The table above displays the proportionate shares of the District's and the State of Montana's NPL for June 30, 2020, and 2019. The District's proportionate share equals the ratio of the District's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for a particular employer to the total state contributions paid. The District recorded a liability of \$11,131,417 and the District's proportionate share was 0.532525 percent.

Changes in Actuarial Assumptions and Methods:

There were no changes in assumptions or other inputs that affected the measurement of the TPL.

Changes in Benefit Terms: There 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 NPL and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

NOTE 6. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Pension Expense

At June 30, 2019, the employer recognized \$1,119,586 for its proportionate share of the Plan's pension expense and recognized grant revenue of \$32,452 for the state of Montana proportionate share of the pension expense associated with the employer. Additionally, the employer recognized grant revenue of \$236,841 from the State Statutory Appropriation from the General Fund.

Recognition of Deferred Inflows and Outflows

At June 30, 2020, 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	Deferred Inflows of Resources
Actual vs. expected experience	\$ 527,827	\$ 523,778
Changes in assumptions	472,563	-
Actual vs. expected investment earnings	134,965	-
Changes in proportion share and differences between employer contributions and proportionate share of contributions	-	1,405,144
Employer contributions subsequent to the measurement - *FY 2020 Contributions	764,950	-
Total	\$ 1,900,305	\$ 1,928,922

* 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, 2020.

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

Year ended June 30:	Amount of deferred outflows and deferred inflows recognized in future years as an increase or (decrease) to Pension Expense
2020	\$ (46,661)
2021	(918,244)
2022	50,208
2023	121,131
Thereafter	-

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

NOTE 6. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

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. Benefits are established by state law and can only be amended by the Legislature.

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 participants of both the defined contribution and defined benefit retirement plans. All new members from the universities also have a third option to join the university system's Montana University System Retirement Program (MUS-RP).

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation (HAC). Member rights are vested after five years of service.

Summary of Benefits

Eligibility for Benefit

Service retirement:

Hired prior to July 1, 2011:	Age 60, 5 years of membership service; Age 65, regardless of membership service; or Any age, 30 years of membership service.
Hired on or after July 1, 2011:	Age 65, 5 years of membership services; Age 70, regardless of membership service.

Early Retirement

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.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

NOTE 6. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Summary of Benefits (Continued)

Second Retirement (requires returning to PERS-covered employer or PERS service):
Retired before January 1, 2016, and accumulate less than 2 years additional service credit or retire on or after January 1, 2016, and accumulate less than 5 years additional service credit.

- A refund of member's contributions plus return interest (currently .77% effective July 1, 2017).
- No service credit for second employment;
- Start the same benefit amount the month following termination; and
- Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

Retire before January 1, 2016, and accumulate at least 2 years of additional service credit:

- A recalculated retirement benefit based on provisions in effect after the initial retirement; and
- GABA starts on the recalculated benefit in January after receiving the new benefit for 12 months.

Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:

- The same retirement as prior to the return to service;
- A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
- GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Vesting

5 years of membership service.

Member's Highest Average Compensation (HAC)

Hired prior to July 1, 2011 – highest average compensation during any consecutive 36 months;

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

Compensation Cap

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

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

NOTE 6. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Summary of Benefits (Continued)

Monthly Benefit Formula

Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

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

Guaranteed Annual Benefit Adjustment (GABA)

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

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.

Overview of Contributions

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

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

NOTE 6. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Overview of Contributions (Continued)

Member and employer contribution rates are shown in the table below.

Fiscal Year	Member		State &	Local Government		School Districts	
	Hired <7/01/11	Hired >7/01/11	Universities Employer	Employer	State	Employer	State
2020	7.9%	7.9%	8.770%	8.770%	0.10%	8.40%	0.370%
2019	7.9%	7.9%	8.670%	8.570%	0.10%	8.30%	0.370%
2018	7.9%	7.9%	8.570%	8.470%	0.10%	8.20%	0.370%
2017	7.9%	7.9%	8.470%	8.370%	0.10%	8.10%	0.370%
2016	7.9%	7.9%	8.370%	8.270%	0.10%	8.00%	0.370%
2015	7.9%	7.9%	8.270%	8.170%	0.10%	7.90%	0.370%
2014	7.9%	7.9%	8.170%	8.070%	0.10%	7.80%	0.370%
2012-2013	6.9%	7.9%	7.170%	7.070%	0.10%	6.80%	0.370%
2010-2011	6.9%		7.170%	7.070%	0.10%	6.80%	0.370%
2008-2009	6.9%		7.035%	6.935%	0.10%	6.80%	0.235%

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
2. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period of the PERS-DBRP has dropped below 25 years and remains below 25 years following the reduction of both the additional employer and additional member contributions rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
 - c. The portion of employer contributions allocated to the PCR are included in the employers reporting. The PCR was paid off effective March 2016, and the contributions previously directed to the PCR are now directed to member accounts.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

NOTE 6. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Overview of Contributions (Continued)

3. Non Employer Contributions

a. Special Funding

- i. The State contributes 0.1% of members' compensation on behalf of local government entities.
- ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
- iii. The state contributed a Statutory Appropriation from the General Fund of \$33,615,000.

b. Not Special Funding

- i. The State contributes a portion of Coal Severance Tax income and earnings from the Coal Severance Tax fund.

Stand-Alone Statements

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

Actuarial Assumptions

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2018 actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2019. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2018, valuation were based on the results of the last actuarial experience study, dated May 5, 2017, for the six-year period July 1, 2010 to June 30, 2016.

Among those assumptions were the following:

- | | |
|--|-------------|
| • Investment Return (net of admin expense) | 7.65% |
| • Admin Expense as a % of Payroll | 0.26% |
| • General Wage Growth* | 3.50% |
| *includes Inflation at | 2.75% |
| • Merit Increases | 0% to 6.30% |

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

NOTE 6. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Guaranteed Annual Benefit Adjustment (GABA)

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

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.

Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, set back one year for males.

Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections.

Discount Rate

The discount rate used to measure the TPL was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. Of salaries paid, the State contributes 0.10% 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 2121. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. No municipal bond rate was incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. The most recent analysis, performed for the period of July 1, 2010 to June 30, 2016, was outlined in a report dated May 5, 2017, and is located on the MPERA website.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

NOTE 6. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Target Allocations (Continued)

The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019, are summarized below.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
Cash Equivalents	3.00%	4.09%
Domestic Equity	36.00%	6.05%
Foreign Equity	18.00%	7.01%
Fixed Income	23.00%	2.17%
Private Equity	12.00%	10.53%
Real Estate	<u>8.00%</u>	5.65%
Total	<u>100.00%</u>	
Inflation		
Portfolio return expectation		

Sensitivity Analysis

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

	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
The District's proportion of net pension liability	\$ 15,992,676	\$ 11,131,417	\$ 7,046,145

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

NOTE 6. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Summary of Significant Accounting Policies

MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and Additions to or Deductions from Fiduciary Net Position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

PERS Disclosure for the Defined Contribution Plan

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

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

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

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

At the plan level for the measurement period ended June 30, 2017, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the *defined contribution* plan. Plan level non-vested forfeitures for the 300 employers that have participants in the PERS-DCRP totaled \$746,144.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

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 2020.

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:

	<u>Elementary School</u>	<u>High School</u>	<u>Total</u>
Claims liability, June 30, 2018	\$ 742,973	\$ 495,316	\$ 1,238,289
Claims incurred in 2019	6,795,690	4,751,424	11,547,114
Claims paid in 2019	<u>(6,855,350)</u>	<u>(4,809,440)</u>	<u>(11,664,790)</u>
Claims liability, June 30, 2019	683,313	437,300	1,120,613
Claims incurred in 2020	6,229,187	3,570,104	9,799,291
Claims paid in 2020	<u>(6,426,470)</u>	<u>(3,683,384)</u>	<u>(10,109,854)</u>
Claims liability, June 30, 2020	<u>\$ 486,030</u>	<u>\$ 324,020</u>	<u>\$ 810,050</u>

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. 75 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 retirees 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.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

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, 2020, 26 employees qualified for this benefit resulting in an expense of \$13,000.

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY

For purposes of measuring the total OPEB liability (TOL), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the District's Retiree Benefits Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Plan Description

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

Benefits Provided

Participants are eligible for benefits upon retirement. Benefits are in the form of access to the District's medical plans. Retirement eligibility is the earlier of age 50 and five years of service or any age with 25 years of service. Benefits continue for the retirees and their spouses' lifetime.

Other benefit provisions apply.

Employees Covered by Benefit Terms

At the census date of June 30, 2017 (as an actuarial report is required every 2 years), the benefit terms covered the following employees:

<u>Category</u>	<u>Count</u>
Inactive employees or beneficiaries currently receiving benefit payments	123
Inactive employees entitled to but not yet receiving benefit payment	-
Active employees	1,102

Contributions

Benefit contributions are paid by the District as they come due.

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2020

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
(CONTINUED)

Total OPEB Liability (TOL)

The District's TOL was measured as of July 1, 2018, and the TOL was determined by an actuarial valuation as of July 1, 2018, with adjustments in arriving at the June 30, 2020 TOL.

Actuarial Assumptions

The TOL in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases: Individual and aggregate salary increases 4.00%

Healthcare cost trend rates: 6.00% in 2018; 5.5% in 2019 through 2021
 Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later

Mortality

Adjusted RP-2014 Total Mortality Table for both post-retirement and pre-retirement projected on a generational basis using Scale MP-2018 with base year 2006. Rate vary by age and gender.

Discount Rate

The discount rate used to measure the TOL was 3.36%. The District's OPEB Plan is an unfunded plan, therefore the discount rate is based on S&P Municipal Bond 20-year high grade rate index at July 1, 2019.

Total OPEB Liability as of June 30, 2020	<u>\$ 3,332,746</u>
Deferred Outflows of Resources	<u>\$ 129,720</u>
Deferred Inflows of Resources	<u>\$ 570,152</u>

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
(CONTINUED)

Total OPEB Liability (TOL) (Continued)

Discount Rate (Continued)

The District's TOL was measured Changes in the TOL for the year ended June 30, 2020 are as follows:

	Total OPEB Liability
Total OPEB Liability as of June 30, 2019	<u>\$ 3,036,332</u>
Changes for the year:	
Service cost	381,448
Interest	100,063
Differences between expected and actual experience	-
Change of assumptions	(74,429)
Benefit payments, including refunds of employee contributions	<u>(110,668)</u>
Net change	<u>296,414</u>
Total OPEB Liability as of June 30, 2020	<u>\$ 3,332,746</u>
Deferred Outflows of Resources	<u>\$ 129,720</u>
Deferred Inflows of Resources	<u>\$ 570,152</u>

There is sensitivity of the TOL to changes in the discount rate. The TOL of the District, as well as what the District's TOL would be if it were calculated using a discount rate that is one percentage point lower (2.36%) or one percentage point higher (4.36%) follows:

	1% Decrease 2.36%	Discount Rate 3.36%	1% Increase 4.36%
Total OPEB liability	<u>\$ 3,530,048</u>	<u>\$ 3,332,746</u>	<u>\$ 3,141,230</u>

There is also sensitivity of the TOL to changes in the healthcare cost trend rates. The TOL of the District as well as what the District's TOL would be if it we recalculated using healthcare cost trend rates that are one percentage point lower (4.50%) or one percentage point higher (6.50%) than the current healthcare cost trend rate follows:

	1% Decrease 4.50%	Trend Rate 5.50%	1% Increase 6.50%
Total OPEB liability	<u>\$ 2,938,422</u>	<u>\$ 332,746</u>	<u>\$ 3,796,926</u>

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2020

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
(CONTINUED)

Future Deferred Outflows and (Inflows) to be Recognized as OPEB Expense (Income)

For the year ended June 30, 2020, the District recognized an OPEB expense of \$413,565. At June 30, 2020, the District reported \$110,668 in deferred outflows of resources and \$560,358 in deferred inflows of resources related to OPEB, based on the actuarial report received.

Year Ended June 30:	
2021	\$ (64,635)
2022	(64,635)
2023	(64,635)
2024	(64,635)
2025	(64,635)
Thereafter	(246,977)

The implicit subsidy arises when an employer allows a retiree (and their dependents) to continue on the active plan and pay the active premiums. Retirees are not paying the true cost of their benefits because they have higher utilization rates than actives and therefore are partially subsidized by the active employees. Once a retiree reaches Medicare eligibility, the rates are sufficient to cover the true costs and there is no implicit subsidy.

Funded Status as of:	<u>June 30, 2020</u>
Total OPEB liability	\$ 3,332,746
Covered payroll	\$ 62,738,526
Total OPEB liability as a percentage of covered payroll	5.31%
Expense	\$ 416,876

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.

At June 30, 2020, the District had encumbered approximately \$6,853,306 against its 2020 budget, representing the estimated amount of unperformed purchase orders or contracts in process at year-end.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

NOTE 11. TAX ABATEMENTS

The District's property tax revenue is subject to tax abatement agreements it enters into directly, as well as indirectly by those entered into by the County and the City. Tax abatement agreements are entered into on an individual basis with businesses under the Montana Code Annotated 2015, Title 15 Taxation (the Code). Under the Code, local governments may grant property tax abatements to business with qualifying improvements or modernized processes that represent new industry or expansion of an existing industry (15-24-1402).

In the first five years after a construction permit is issued, a business' property is taxed at 50 percent of taxable value with equal percentage increases taxed until the full taxable value is attained in the tenth year. In subsequent years, the property is taxed at its full taxable value (15-10-420). For the year ended June 30, 2020, the District has not entered into any tax abatement agreements, nor has the District received any information from the City or the County regarding any indirect effects to the District, if any, regarding tax abatement agreements entered into by those entities during the fiscal year.

REQUIRED SUPPLEMENTAL INFORMATION

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF BUDGETARY COMPARISON –
GENERAL FUNDS-BUDGET BASIS
Year Ended June 30, 2020

	Elementary General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
District levies	\$ 13,157,024	\$ 13,157,024	\$ 13,463,768
Investment interest	74,583	74,583	66,022
Tuition and fees	40,000	40,000	11,912
State sources	<u>27,185,540</u>	<u>27,631,574</u>	<u>27,631,574</u>
Total revenue	<u>40,457,147</u>	<u>40,903,181</u>	<u>41,173,276</u>
EXPENDITURES			
Current:			
Instruction	26,093,663	26,204,663	25,959,243
Support services	6,053,188	6,053,188	6,022,005
Administration	3,816,761	3,816,761	3,797,099
Operations and maintenance	4,001,861	4,151,861	3,981,246
Student transportation	230,422	581,422	229,235
Extracurricular	50,107	50,107	49,849
Food services	47,743	287,743	47,497
Capital outlay	<u>163,403</u>	<u>165,943</u>	<u>162,561</u>
Total expenditures	<u>40,457,147</u>	<u>41,311,687</u>	<u>40,248,735</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ (408,506)</u>	924,541
OTHER FINANCING SOURCES			
Transfers out			<u>(1,423,650)</u>
Revenues and other financing sources over expenditures			(499,109)
Budget basis fund balances, June 30, 2019			<u>2,110,344</u>
Budget basis fund balances, June 30, 2020			1,611,235
Change in encumbrances			<u>-</u>
GAAP basis fund balances, June 30, 2020			<u>\$ 1,611,235</u>

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF BUDGETARY COMPARISON –
GENERAL FUNDS-BUDGET BASIS (CONTINUED)
Year Ended June 30, 2020

	High School General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
District levies	\$ 10,578,008	\$ 10,578,008	\$ 10,660,951
Investment interest	44,023	44,023	32,810
Tuition and fees	30,000	30,000	26,768
State sources	<u>19,936,878</u>	<u>19,936,878</u>	<u>19,936,878</u>
Total revenue	<u>30,588,909</u>	<u>30,588,909</u>	<u>30,657,407</u>
EXPENDITURES			
Current:			
Instruction	18,045,143	18,045,143	18,241,330
Support services	3,489,613	3,489,613	3,527,552
Administration	2,696,037	2,696,037	2,725,348
Operations and maintenance	3,567,937	3,567,937	3,606,728
Student transportation	519,710	519,710	525,360
Extracurricular	1,691,560	1,691,560	1,709,951
Food services	197,849	197,849	200,000
Capital outlay	<u>381,060</u>	<u>381,060</u>	<u>385,203</u>
Total expenditures	<u>30,588,909</u>	<u>30,588,909</u>	<u>30,921,472</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	(264,065)
OTHER FINANCING SOURCES			
Transfers out			<u>(75,000)</u>
Revenues and other financing sources over expenditures			(339,065)
Budget basis fund balances, June 30, 2019			<u>1,674,282</u>
Budget basis fund balances, June 30, 2020			1,335,217
Change in encumbrances			<u>-</u>
GAAP basis fund balances, June 30, 2020			<u>\$ 1,335,217</u>

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF BUDGETARY COMPARISON –
GENERAL FUNDS-BUDGET BASIS (CONTINUED)
Year Ended June 30, 2020

	General Fund Combined Totals		
	Original Budget	Final Budget	Actual
REVENUES			
District levies	\$ 23,735,032	\$ 23,735,032	\$ 24,124,719
Investment interest	118,606	118,606	98,832
Tuition and fees	70,000	70,000	38,680
State sources	<u>47,122,418</u>	<u>47,568,452</u>	<u>47,568,452</u>
Total revenue	<u>71,046,056</u>	<u>71,492,090</u>	<u>71,830,683</u>
EXPENDITURES			
Current:			
Instruction	44,138,806	44,249,806	44,200,573
Support services	9,542,800	9,542,800	9,549,557
Administration	6,512,797	6,512,797	6,522,447
Operations and maintenance	7,569,799	7,719,799	7,587,974
Student transportation	750,132	1,101,132	754,595
Extracurricular	1,741,667	1,741,667	1,759,800
Food services	245,592	485,592	247,497
Capital outlay	<u>544,463</u>	<u>547,003</u>	<u>547,764</u>
Total expenditures	<u>71,046,056</u>	<u>71,900,596</u>	<u>71,170,207</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ (408,506)</u>	660,476
OTHER FINANCING SOURCES			
Transfers out			<u>(1,498,650)</u>
Revenues and other financing sources over expenditures			(838,174)
Budget basis fund balances, June 30, 2019			<u>3,784,626</u>
Budget basis fund balances, June 30, 2020			2,946,452
Change in encumbrances			<u>-</u>
GAAP basis fund balances, June 30, 2020			<u>\$ 2,946,452</u>

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF CHANGES IN OTHER POSTEMPLOYMENT BENEFITS (OPEB)
LIABILITY AND RELATED RATIOS FOR THE LAST TEN YEARS*
 June 30, 2020

	<u>2019</u>	<u>2020</u>
Total OPEB Liability		
Service cost	\$ 360,173	\$ 381,448
Interest	111,261	100,063
Changes of benefit terms	-	-
Differences between expected and actual experience	(529,651)	-
Change of assumptions	(6,089)	(74,429)
Benefit payments	<u>(204,801)</u>	<u>(110,668)</u>
Net changes in total OPEB liability	(269,107)	296,414
Total OPEB liability, beginning of year	<u>3,305,439</u>	<u>3,036,332</u>
Total OPEB liability, end of year	<u>\$ 3,036,332</u>	<u>\$ 3,332,746</u>
Covered employee payroll	<u>\$ 62,738,526</u>	<u>\$ 62,738,526</u>
District's total OPEB liability as a percentage of covered-employee payroll	4.84%	5.31%

**The amount presented above for the fiscal year was determined as of June 30th. The schedule is intended to show information for 10 years, additional years will be displayed as they become available.*

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF PROPORTIONATE SHARE OF
THE NET PENSION LIABILITIES *
Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Schedule of Proportionate Share of the Net TRS Pension Liability:						
Employer's proportion of the net pension liability (percentage)	0.36774%	3.58500%	3.57130%	3.54130%	3.45190%	3.45420%
Employer's proportion of the net pension liability (amount)	\$ 70,910,054	\$ 66,542,036	\$ 60,215,694	\$ 64,693,543	\$ 56,715,501	\$ 53,154,264
State of MT proportionate share of the net pension liability associated with the Employer	<u>42,928,628</u>	<u>41,327,128</u>	<u>38,222,304</u>	<u>42,146,894</u>	<u>37,971,426</u>	<u>36,405,765</u>
Total	<u>\$ 113,838,682</u>	<u>\$ 107,869,164</u>	<u>\$ 98,437,998</u>	<u>\$ 106,840,437</u>	<u>\$ 94,686,927</u>	<u>\$ 89,560,029</u>
Employer's covered payroll	\$ 49,918,743	\$ 47,885,443	\$ 47,104,919	\$ 45,711,129	\$ 44,058,840	\$ 43,559,708
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	142.05%	138.96%	127.833%	141.527%	128.727%	122.026%
Plan fiduciary net position as a percentage of the total pension liability	68.64%	69.09%	70.09%	66.69%	69.30%	70.36%
Schedule of Proportionate Share of the Net PERS Pension Liability:						
Employer's proportion of the net pension liability (percentage)	0.7223%	0.7237%	0.7070%	0.7018%	0.6919%	0.7049%
Employer's net pension liability (amount)	\$ 11,131,417	\$ 11,037,979	\$ 13,769,093	\$ 11,131,417	\$ 11,037,979	\$ 8,783,314
State of Montana's net pension liability (amount)	<u>3,966,637</u>	<u>4,066,575</u>	<u>648,571</u>	<u>3,966,637</u>	<u>4,066,575</u>	<u>410,590</u>
Total	<u>\$ 15,098,054</u>	<u>\$ 15,104,554</u>	<u>\$ 14,417,664</u>	<u>\$ 15,098,054</u>	<u>\$ 15,104,554</u>	<u>\$ 9,193,904</u>
Employer's covered payroll	\$ 9,072,401	\$ 9,020,589	\$ 9,063,252	\$ 8,689,595	\$ 8,348,017	\$ 8,255,840
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	122.70%	122.36%	151.92%	128.10%	132.22%	106.39%
Plan fiduciary net position as a percentage of the total pension liability	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

**The amounts presented above for each fiscal year were determined as of June 30th, the employer's most recent fiscal year end. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF CONTRIBUTIONS *
Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Schedule of TRS Contributions:						
Contractually required contributions	\$ 5,372,575	\$ 5,163,459	\$ 4,749,929	\$ 4,824,345	\$ 4,444,690	\$ 4,481,260
Contributions in relation to the contractually required contributions	\$ 5,372,575	\$ 5,163,459	\$ 4,749,929	\$ 4,824,345	\$ 4,444,690	\$ 4,481,260
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 51,467,312	\$ 49,918,743	\$ 47,885,443	\$ 47,104,919	\$ 45,711,129	\$ 44,063,040
Contributions as a percentage of covered payroll	10.44%	10.34%	9.92%	10.24%	9.72%	10.17%
Schedule of PERS Contributions:						
Contractually required defined benefit contributions	\$ 764,950	\$ 755,706	\$ 736,664	\$ 734,060	\$ 702,611	\$ 665,342
Plan Choice rate required contributions	\$ -	\$ -	\$ -	\$ -	\$ 5,158	\$ 7,362
Contributions in relation to the contractually required contributions	\$ 764,950	\$ 755,706	\$ 736,664	\$ 734,060	\$ 707,769	\$ 672,704
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 9,107,328	\$ 9,072,401	\$ 9,020,589	\$ 9,063,252	\$ 8,689,595	\$ 8,348,017
Contributions as a percentage of covered payroll	8.40%	8.33%	8.17%	8.10%	8.15%	8.06%

* The amounts presented above for each fiscal year were determined as of June 30, the employer's most recent fiscal year end. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2020

Teachers Retirement System

Changes of Benefit Terms:

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

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

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

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

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION (CONTINUED)
June 30, 2020

Teachers Retirement System (Continued)

Changes of Benefit Terms (Continued):

(8) Guaranteed Annual Benefit Adjustment (GABA):

- a. If the most recent actuarial valuation shows that Retirement System liabilities are at least 90% funded and the provision of the increase is not projected to cause the System's liabilities to be less than 85% funded, the GABA may increase from the 0.5% floor up to 1.5%, as set by the Board.

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

- Annual State contribution equal to \$25 million paid to the System in monthly installments.
- One-time contribution payable to the Retirement System by the trustees of a school district maintaining a retirement fund. The one-time contribution to the Retirement System shall be the amount earmarked as an operating reserve in excess of 20% of the adopted retirement fund budget for the fiscal year 2013. The amount received was \$22 million in FY 2014.
- 1% supplemental employer contribution. This will increase the current employer rates:
 - School Districts contributions will increase from 7.47% to 8.47%.
 - The Montana University System and State Agencies will increase from 9.85% to 10.85%.
 - The supplemental employer contribution will increase by 0.1% each fiscal year for fiscal year 2014 thru fiscal year 2024. Fiscal years beginning after June 30, 2024 the total supplemental employer contribution will be equal to 2%.
- Members hired prior to July 1, 2013 (Tier 1) under HB 377 are required to contribute a supplemental contribution equal to an additional 1% of the member's earned compensation.
- Each employer is required to contribute 9.85% of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position to the System.

Changes in Actuarial Assumptions and Other Inputs:

The following changes to the actuarial assumptions were adopted in 2018:

- Assumed rate of inflation was reduced from 3.25% to 2.50%
- Payroll growth assumption was reduced from 4.00% to 3.25%
- Investment return assumption was reduced from 7.75% to 7.50%.
- Wage growth assumption was reduced from 4.00% to 3.25%
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
 - For Males and Females: RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION (CONTINUED)
June 30, 2020

Teachers Retirement System (Continued)

Changes in Actuarial Assumptions and Other Inputs (Continued):

The tables include margins for mortality improvement which is expected to occur in the future.

- Mortality among disabled members was updated to the following:
 - For Males: RP 2000 Disabled Mortality Table, set back three years, with mortality improvements projected by Scale BB to 2022.
 - For Females: RP 2000 Disabled Mortality Table, set forward two years, with mortality improvements projected by Scale BB to 2022.
- Retirement rates were updated
- Termination rates were updated
- Rates of salary increases were updated

The following changes to the actuarial assumptions were adopted in 2016:

- The normal cost method has been updated to align the calculation of the projected compensation and the total present value of plan benefits so that the normal cost rate reflects the most appropriate allocation of plan costs over future compensation.

The following changes to the actuarial assumptions were adopted in 2015:

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

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
 NOTES TO REQUIRED SUPPLEMENTAL INFORMATION (CONTINUED)
 June 30, 2020

Teachers Retirement System (Continued)

Changes in Actuarial Assumptions and Other Inputs (Continued):

The following changes to the actuarial assumptions were adopted in 2014:

- Assumed rate of inflation was reduced from 3.50% to 3.25%
- Payroll Growth Assumption was reduced from 4.50% to 4.00%
- Assumed real wage growth was reduced from 1.00% to 0.75%
- Investment return assumption was changed from net of investment and administrative expenses to net of investment expenses only.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:

For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.

For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.

- Mortality among disabled members was updated to the following:

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

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

Method and Assumptions Used in Calculations of Actuarially Determined Contributions:

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

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION (CONTINUED)
June 30, 2020

Public Employees Retirement System

Changes of Benefit Terms

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

2015 Legislative Changes:

General Revisions - House Bill 101, effective January 1, 2016

Second Retirement Benefit - for PERS

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

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION (CONTINUED)
June 30, 2020

Public Employees Retirement System

2015 Legislative Changes:

Revise DC Funding Laws - House Bill 107, effective July 1, 2015

Employer Contributions and the Defined Contribution Plan – for PERS and MUS-RP

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

2017 Legislative Changes:

General Revisions - House Bill 101, effective July 1, 2017

Working Retiree Limitations – for PERS

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

Terminating Employers – Recovery of actuary costs – for PERS

Employers who terminate participation in PERS must pay the actuarial liability associated with that termination. Starting July 1, 2017, the terminating employer must also pay for the cost of the actuarial study used to determine that liability.

Refunds

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

Family Law Order

If a Family Law Order (FLO) is silent regarding the apportionment of post-retirement benefit adjustments such as the Guaranteed Annual Benefit Adjustment (GABA), the FLO is presumed to require apportionment of the post-retirement benefit adjustment in the same percentage as the monthly retirement benefit is apportioned.

Disabled PERS Defined Contributions (DC) Members

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

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION (CONTINUED)
June 30, 2020

Public Employees Retirement System

PERS Statutory Appropriation – House Bill 648, effective July 1, 2017

Revenue from coal severance taxes and interest income from the coal severance tax permanent fund previously statutorily-appropriated to the PERS defined benefit trust fund will be replaced with the following statutory appropriations:

- 1) FY2018 - \$32.277 million
- 2) FY2019 - 32.6 million
- 3) Beginning July 1, 2019 through at least June 30, 2025, 101% of the contributions from the previous year from the general fund to the PERS defined benefit trust fund, as follows:
 - a. FY2020 - \$32.277 million
 - b. FY2021 - \$32.6 million
 - c. FY2022 - \$32.926 million
 - d. FY2023 - \$33.255 million
 - e. FY2024 - \$33.588 million
 - f. FY2025 - \$33.924 million

Changes in Actuarial Assumptions and Methods

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The following Actuarial Assumptions are from the June 2010 Experience Study:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes Inflation	
Merit salary increases	0% to 4.80%
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Mortality (Healthy members)	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table
Admin Expenses as % of Payroll	0.26%

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

SUPPLEMENTAL INFORMATION
REQUIRED BY THE
MONTANA OFFICE OF PUBLIC INSTRUCTION

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF ENROLLMENT
 Year Ended June 30, 2020

<u>ENROLLMENT</u>	PER ENROLLMENT	Audit Per District Reports	Records	Difference
Spring - February 3, 2020				
Elementary School District				
Pre-K-6:				
Pre-Kindergarten		-	-	-
Kindergarten - Half (enrolled 180+ hours per year)		-	-	-
Kindergarten - Half (enrolled <180 hours per year)		-	-	-
Grades K(Full) - 6 (enrolled 720+ hours per year)		4,357	4,357	-
Grades K(Full) - 6 (enrolled 540-719 hours per year)		6	6	-
Grades K(Full) - 6 (enrolled 360-539 hours per year)		3	3	-
Grades K(Full) - 6 (enrolled 180-359 hours per year)		2	2	-
Grades K(Full) - 6 (enrolled <180 hours per year)		-	-	-
7-8:				
Grades 7 - 8 (enrolled 720+ hours per year)		1,186	1,186	-
Grades 7 - 8 (enrolled 540-719 hours per year)		1	1	-
Grades 7 - 8 (enrolled 360-539 hours per year)		4	4	-
Grades 7 - 8 (enrolled 180-359 hours per year)		-	-	-
Grades 7 - 8 (enrolled <180 hours per year)		-	-	-
Total Elementary		5,559	5,559	-
High School District				
9-12:				
Grades 9 - 12 (enrolled 720+ hours per year)		3,433	3,433	-
Grades 9 - 12 (enrolled 540-719 hours per year)		64	64	-
Grades 9 - 12 (enrolled 360-539 hours per year)		33	33	-
Grades 9 - 12 (enrolled 180-359 hours per year)		8	8	-
Grades 9 - 12 (enrolled <180 hours per year)		6	6	-
Total High School		3,544	3,544	-
19 Year-olds included in Grades 9-12 above		2	2	-
Job Corps/MT Youth Academy Students included in Grades 9 - 12 above		10	10	-

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF ENROLLMENT (CONTINUED)
Year Ended June 30, 2020

Fall - October 30, 2019

Elementary School District

K-6:

	Audit Per District Reports	Records	Difference
Pre-Kindergarten	-	-	-
Kindergarten - Half (enrolled 180+ hours per year)	-	-	-
Kindergarten - Half (enrolled <180 hours per year)	-	-	-
Grades K(Full) - 6 (enrolled 720+ hours per year)	4,409	4,409	-
Grades K(Full) - 6 (enrolled 540-719 hours per year)	4	4	-
Grades K(Full) - 6 (enrolled 360-539 hours per year)	2	2	-
Grades K(Full) - 6 (enrolled 180-359 hours per year)	1	1	-
Grades K(Full) - 6 (enrolled <180 hours per year)	-	-	-

7-8:

Grades 7 - 8 (enrolled 720+ hours per year)	1,207	1,207	-
Grades 7 - 8 (enrolled 540-719 hours per year)	2	2	-
Grades 7 - 8 (enrolled 360-539 hours per year)	3	3	-
Grades 7 - 8 (enrolled 180-359 hours per year)	-	-	-
Grades 7 - 8 (enrolled <180 hours per year)	-	-	-

Total Elementary

	5,628	5,628	-
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High School District

9-12:

Grades 9 - 12 (enrolled 720+ hours per year)	3,522	3,522	-
Grades 9 - 12 (enrolled 540-719 hours per year)	73	73	-
Grades 9 - 12 (enrolled 360-539 hours per year)	22	22	-
Grades 9 - 12 (enrolled 180-359 hours per year)	3	3	-
Grades 9 - 12 (enrolled <180 hours per year)	5	5	-

Total High School

	3,625	3,625	-
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19 Year-olds included in Grades 9-12 above
 Job Corps/MT Youth Academy Students
 included in Grades 9 - 12 above

	2	2	-
	5	5	-

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF CHANGES IN NET POSITION – EXTRACURRICULAR
Year Ended June 30, 2020

	Balance June 30, 2019	Revenue	Expenditures	Balance June 30, 2020
Hellgate High School	\$ 352,108	\$ 447,412	\$ 403,840	\$ 395,680
Seeley-Swan High School	264,593	80,844	90,614	254,823
Sentinel High School	234,045	610,537	574,735	269,847
Big Sky High School	296,971	591,135	564,665	323,441
District Wide	4,517	15,915	15,874	4,558
Jeanette Rankin Elementary	1,044	4,791	5,822	13
Franklin Elementary	39	-	-	39
Hawthorne Elementary	6,442	10,908	5,943	11,407
Jefferson Center	80,243	149,223	131,817	97,649
Lowell Elementary	114	2	-	116
Paxson Elementary	(77)	429	-	352
C.S. Porter Middle School	12,676	33,692	35,491	10,877
Russell Elementary	1,365	27	-	1,392
Washington Middle School	51,595	33,115	55,192	29,518
Meadow Hill Middle School	13,853	19,955	23,520	10,288
Willard Alternative High School	112	231	-	343
	<u>\$ 1,319,640</u>	<u>\$ 1,998,216</u>	<u>\$ 1,907,513</u>	<u>\$ 1,410,343</u>

This schedule has been summarized by School. A detailed schedule is available upon request.

OTHER SUPPLEMENTAL INFORMATION

**MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
OTHER INFORMATION
June 30, 2020**

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, five high schools, and an adult education school. The estimated population of the Elementary District is 71,712 and 105,121 for the High School District. The county-wide population is estimated at 109,791. The fall enrollment of students attending the District's schools is as follows:

	Average Fall Enrollment Year Ended June 30,										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Grades 9-12	3,616	3,643	3,665	3,561	3,596	3,519	3,633	3,675	3,544	3,705	3,625
Grades 6-8	1,525	1,504	1,506	1,547	1,508	1,548	1,593	1,602	1,608	1,120	1,829
Grades K-5	<u>3,281</u>	<u>3,339</u>	<u>3,395</u>	<u>3,478</u>	<u>3,496</u>	<u>3,644</u>	<u>3,629</u>	<u>3,652</u>	<u>3,676</u>	<u>4,315</u>	<u>3,799</u>
Total	<u>8,422</u>	<u>8,486</u>	<u>8,566</u>	<u>8,586</u>	<u>8,600</u>	<u>8,711</u>	<u>8,855</u>	<u>8,929</u>	<u>8,828</u>	<u>9,140</u>	<u>9,253</u>
Increase (decrease)	4	64	80	20	14	111	144	74	(101)	312	113
Percentage change from prior year	0.05%	0.76%	0.94%	0.23%	0.16%	1.29%	1.65%	0.84%	-1.13%	3.53%	1.24%

SCHOOL DISTRICT VALUATIONS

	As of January 1,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	
ELEMENTARY										
Assessed valuation	\$ 3,805,884,721	\$ 3,964,517,962	\$ 4,075,397,432	\$ 6,798,935,815	\$ 6,845,815,813	\$ 7,463,353,990	\$ 7,488,389,388	\$ 8,623,604,097	\$ 8,326,604,097	
Taxable valuation	104,678,227	106,045,274	106,626,049	106,720,341	109,462,027	116,439,687	116,439,687	129,495,847	129,495,847	
Taxable valuation as a percent of assessed valuations	<u>2.75%</u>	<u>2.67%</u>	<u>2.62%</u>	<u>1.57%</u>	<u>1.60%</u>	<u>1.56%</u>	<u>1.55%</u>	<u>1.50%</u>	<u>1.56%</u>	
HIGH SCHOOL										
Assessed valuation	\$ 6,806,202,585	\$ 7,107,410,347	\$ 7,338,761,046	\$ 11,935,647,630	\$ 12,108,475,706	\$ 13,149,534,101	\$ 13,252,923,400	\$ 14,981,500,954	\$ 14,981,500,954	
Taxable valuation	179,950,510	181,892,508	183,502,389	183,149,451	190,465,906	203,816,466	203,816,466	229,101,729	229,101,729	
Taxable valuation as a percent of assessed valuations	<u>2.64%</u>	<u>2.56%</u>	<u>2.50%</u>	<u>1.53%</u>	<u>1.57%</u>	<u>1.55%</u>	<u>1.54%</u>	<u>1.53%</u>	<u>1.53%</u>	

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
OTHER INFORMATION (CONTINUED)
 June 30, 2020

SCHOOL DISTRICT TAX LEVIES (In Mills)

	Year Ended June 30,										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
ELEMENTARY											
General	103.73	103.48	104.07	102.26	104.92	105.07	107.80	105.09	112.64	109.90	101.60
Transportation	24.12	24.53	28.58	27.22	26.60	27.87	28.54	25.22	29.12	31.44	31.15
Debt service	1.92	-	-	-	-	-	-	34.01	52.33	55.21	48.92
Adult education	1.19	0.92	1.27	1.29	1.23	1.23	0.87	0.78	0.73	0.79	0.71
Tuition	-	-	-	-	-	-	-	4.17	8.62	8.74	8.97
Technology	3.02	2.96	2.89	2.85	7.97	7.96	7.87	7.77	7.30	7.30	6.56
Flex	-	1.03	-	-	-	-	-	-	-	-	-
Building reserve	<u>8.77</u>	<u>8.58</u>	<u>8.37</u>	<u>8.26</u>	<u>8.22</u>	<u>8.21</u>	<u>4.63</u>	-	<u>1.80</u>	<u>2.66</u>	<u>3.78</u>
Total Elementary Levies	<u>142.75</u>	<u>141.50</u>	<u>145.18</u>	<u>141.88</u>	<u>148.94</u>	<u>150.34</u>	<u>149.71</u>	<u>177.04</u>	<u>212.54</u>	<u>216.04</u>	<u>201.69</u>
HIGH SCHOOL											
General	56.03	54.48	56.34	52.16	51.35	50.73	50.56	51.58	52.64	49.63	46.17
Transportation	6.71	6.70	7.27	7.31	7.45	7.54	7.84	7.23	7.23	7.92	8.00
Debt service	6.17	0.27	5.75	5.28	4.54	4.73	5.80	14.93	30.15	31.79	28.53
Adult education	2.07	2.01	1.97	2.00	2.00	2.05	2.25	2.16	2.15	2.14	1.94
Tuition	0.30	2.54	0.11	0.23	0.31	1.16	2.24	2.81	3.14	3.05	2.79
Technology	2.59	6.09	2.50	2.47	4.09	4.10	4.01	3.94	3.68	3.62	3.27
Building reserve	<u>2.59</u>	<u>2.54</u>	<u>2.50</u>	<u>2.47</u>	<u>2.45</u>	<u>2.46</u>	<u>2.41</u>	<u>2.36</u>	<u>4.11</u>	<u>1.88</u>	<u>1.55</u>
Total High School Levies	<u>76.46</u>	<u>74.63</u>	<u>76.44</u>	<u>71.92</u>	<u>72.19</u>	<u>72.77</u>	<u>75.11</u>	<u>85.01</u>	<u>103.10</u>	<u>100.03</u>	<u>92.25</u>

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
OTHER INFORMATION (CONTINUED)
 June 30, 2020

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 Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Missoula County	139.80	142.47	145.01	150.32	160.09	172.32	174.44	179.26	183.63	188.89
Open Space Bond Levy	2.33	3.04	3.33	3.45	2.74	3.22	3.1	3.15	1.84	1.82
University Levy	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
State School Equalization	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00
County-wide School Levy	103.45	100.94	104.60	104.60	105.64	103.5	101.91	102.04	101.37	103.4
Urban Transportation	16.45	17.69	19.51	21.05	34.26	40.47	36.78	37.29	37.99	38.56
Missoula School District No. 1	141.50	145.18	141.88	148.94	150.34	149.71	177.04	212.54	216.04	201.69
MCHS	74.63	76.44	71.92	72.19	72.77	75.11	85.01	103.1	100.03	92.25
Missoula Rural Fire	97.98	97.97	100.33	102.39	112.59	114.33	110.38	113.69	141.94	143.35
East Missoula Fire	24.65	25.01	27.42	42.62	42.89	45.49	43.41	45.32	41.14	41.44
City of Missoula	225.56	233.24	240.90	243.52	245.62	260.08	252.27	242.17	237.24	236.59
Road/Health	32.36	32.39	32.58	32.58	32.58	34.58	33.11	33.43	32.9	33.74
Animal Control	1.60	1.60	1.61	1.61	1.61	1.61	1.54	1.42	1.44	1.56
Medical Levy	1.82	2.19	2.18	2.18	2.18	3.38	3.23	3.12	2.99	2.97
Total Levies	<u>908.13</u>	<u>924.16</u>	<u>937.27</u>	<u>971.45</u>	<u>1,009.31</u>	<u>1,049.80</u>	<u>1,068.22</u>	<u>1,122.53</u>	<u>1,144.55</u>	<u>1,132.26</u>

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
OTHER INFORMATION (CONTINUED)
 June 30, 2020

TAX COLLECTIONS

The following tables demonstrate the tax collection history for the period of July 1, 2009 through June 30, 2020.

Year Ended June 30,	Total Tax Levy	Current Tax Collections	Current Collections as a Percent of Levy	Total Tax Collections	Total Collections as a Percent of Levy
HIGH SCHOOL					
2020	\$ 21,131,122	\$ 20,810,356	9848.00%	\$ 20,810,356	9848.00%
2019	20,702,852	20,681,198	99.90%	20,681,198	99.90%
2018	21,001,830	20,883,479	99.44%	20,883,479	99.44%
2017	16,188,078	15,816,742	97.71%	15,816,742	97.71%
2016	14,050,388	14,282,570	101.65%	14,282,570	101.65%
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%
ELEMENTARY					
2020	\$ 26,118,440	\$ 25,884,149	9910.00%	\$ 25,884,149	99.10%
2019	24,748,266	25,184,354	101.76%	25,184,354	101.76%
2018	24,748,266	24,583,499	99.33%	24,583,499	99.33%
2017	19,708,214	19,218,043	97.51%	19,218,043	97.51%
2016	16,175,807	16,401,325	101.39%	16,401,325	101.39%
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%

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
OTHER INFORMATION (CONTINUED)
June 30, 2020

MAJOR TAXPAYERS

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

<u>Taxpayer</u>	<u>Business</u>	<u>Taxable Value</u>	<u>Percent of Total Taxable Value</u>
Northwestern Corporation	Utility	\$ 15,948,155	12.32%
Southgate Mall	Retail Shopping Mall	1,169,835	0.90%
Charter Communications	Communications	976,127	0.75%
MT Rail Link	Railroad	922,014	0.71%
Centurylink Inc.	Communications	738,895	0.57%
Stockman Bank of Montana	Bank	628,435	0.49%
Mercantile Investors	Investments	551,557	0.43%
Verizon Wireless	Communications	532,006	0.41%
UT Missoula LLC	Real Estate Development	364,298	0.28%
Lambros Farran Apartments	Real Estate	<u>350,647</u>	<u>0.27%</u>
	Total	<u>\$ 22,181,969</u>	<u>17.13%</u>

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

<u>Taxpayer</u>	<u>Business</u>	<u>Taxable Value</u>	<u>Percent of Total Taxable Value</u>
Northwestern Corporation	Utility	\$ 20,220,467	8.83%
MT Rail Link	Railroad	2,132,714	0.93%
Verizon Wireless	Communications	1,532,355	0.67%
Charter Communications	Communications	1,257,495	0.55%
Southgate Mall	Retail Shopping Mall	1,219,561	0.53%
RCHP Billings Missoula LLC	Medical Facility	1,122,459	0.49%
Gateway Lmted Partnership	Real Estate Agency	841,079	0.37%
Centurylink Inc.	Communications	802,409	0.35%
Yellowstone Pipeline	Utility	782,045	0.34%
Roseburg Forest Products Co.	Wood Products Industry	<u>772,139</u>	<u>0.34%</u>
	Total	<u>\$ 30,682,723</u>	<u>13.39%</u>

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 OTHER INFORMATION (CONTINUED)
 June 30, 2020

MAXIMUM BONDED INDEBTEDNESS

Montana statute limits the maximum bonded indebtedness. The calculation of each district's remaining bonding capacity is as follows:

SCHOOL DISTRICT	<u>Maximum Bonded Indebtedness</u>	<u>Less - Debt Outstanding</u>	<u>Remaining Bonding Capacity June 30, 2020</u>
High School	\$ 361,756,880	\$ 62,318,881	\$ 299,437,999
Elementary	<u>227,808,610</u>	<u>76,565,000</u>	<u>151,243,610</u>
Total	<u>\$ 589,565,490</u>	<u>\$ 138,883,881</u>	<u>\$ 450,681,609</u>

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 OTHER INFORMATION (CONTINUED)
 COMBINING BALANCE SHEETS – GENERAL FUNDS
 June 30, 2020

	<u>Elementary General Fund</u>	<u>High School General Fund</u>	<u>Total General Fund</u>
ASSETS			
Cash and investments	\$ 1,614,518	\$ 1,439,423	\$ 3,053,941
Property taxes receivable	293,293	281,056	574,349
Protested property tax receivable	427,089	282,015	709,104
Prepaid expenses	109,867	31,272	141,139
Due from other governments	205,563	123,568	329,131
Other current assets	<u>151,454</u>	<u>26,131</u>	<u>177,585</u>
Total assets	<u>\$ 2,801,784</u>	<u>\$ 2,183,465</u>	<u>\$ 4,985,249</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
LIABILITIES			
Other current liabilities	<u>\$ 470,167</u>	<u>\$ 285,177</u>	<u>\$ 755,344</u>
Total liabilities	<u>470,167</u>	<u>285,177</u>	<u>755,344</u>
DEFERRED INFLOWS OF RESOURCES			
Uncollected tax revenue	<u>720,382</u>	<u>563,071</u>	<u>1,283,453</u>
Total deferred inflows of resources	<u>720,382</u>	<u>563,071</u>	<u>1,283,453</u>
FUND BALANCES			
Spendable:			
Assigned	77,933	68,094	146,027
Unassigned	1,122,371	1,267,123	2,389,494
Debt service funds	<u>410,931</u>	<u>-</u>	<u>410,931</u>
Total fund balances	<u>1,611,235</u>	<u>1,335,217</u>	<u>2,946,452</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 2,801,784</u>	<u>\$ 2,183,465</u>	<u>\$ 4,985,249</u>

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
OTHER INFORMATION (CONTINUED)
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GENERAL FUNDS
Year Ended June 30, 2020

	<u>Elementary</u> <u>General Fund</u>	<u>High School</u> <u>General Fund</u>	<u>Total</u> <u>General Fund</u>
REVENUES			
District levies	\$ 13,463,768	\$ 10,660,951	\$ 24,124,719
Investment interest	66,022	32,810	98,832
Tuition and fees	11,912	26,768	38,680
State sources	<u>27,631,574</u>	<u>19,936,878</u>	<u>47,568,452</u>
Total revenue	<u>41,173,276</u>	<u>30,657,407</u>	<u>71,830,683</u>
EXPENDITURES			
Current:			
Instruction	25,959,243	18,241,330	44,200,573
Support services	6,022,005	3,527,552	9,549,557
Administration	3,797,099	2,725,348	6,522,447
Operations and maintenance	3,981,246	3,606,728	7,587,974
Student transportation	229,235	525,360	754,595
Food service	47,497	200,000	247,497
Extracurricular	49,849	1,709,951	1,759,800
Transfer in	1,423,650	75,000	1,498,650
Capital outlay	<u>162,561</u>	<u>385,203</u>	<u>547,764</u>
Total expenditures	<u>41,672,385</u>	<u>30,996,472</u>	<u>72,668,857</u>
Revenues over expenditures	(499,109)	(339,065)	(838,174)
Fund balances, beginning of year	<u>2,110,344</u>	<u>1,674,282</u>	<u>3,784,626</u>
Fund balances, end of year	<u>\$ 1,611,235</u>	<u>\$ 1,335,217</u>	<u>\$ 2,946,452</u>

SINGLE AUDIT SECTION

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Project Number	Federal Awards Expenditures
DEPARTMENT OF AGRICULTURE			
<i>Passed through the Office of Public Instruction</i>			
<i>Child Nutrition Cluster</i>			
Non-Cash Assistance (Commodities):	10.565	N/A	\$ 226,062
School Lunch Summer Program	10.559	N/A	134,568
School Lunch Program	10.555	N/A	<u>1,657,596</u>
Total Department of Agriculture <i>Child Nutrition Cluster</i>			<u>2,018,226</u>
DEPARTMENT OF EDUCATION			
<i>Passed through the Office of Public Instruction:</i>			
Adult Ed. EL Civics	84.002	32-0584-5620	27,154
Adult Ed. - Federal ABLE	84.002	32-0584-5620	<u>214,611</u>
Total CFDA 84.002			<u>241,765</u>
Title I Improving Basic Program	84.010A	32-0584-3118	-
Title I Improving Basic Program	84.010A	32-0584-3120	7,390
Title I Schoolwide	84.010A	32-0583-3220	1,464,508
Title I Schoolwide	84.010A	32-0583-3219	258,139
Title I Schoolwide	84.010A	32-0584-3220	611,362
Title I Schoolwide	84.010A	32-0584-3219	299,382
Title I - Part A	84.010A	32-0583-3220	16,821
Title I-Support	84.010A	32-0584-3720	<u>22,191</u>
Total CFDA 84.010A			<u>2,679,793</u>
Title I - Part D N & D	84.013A	32-0584-4220	27,464
Title I - Part D N & D	84.013A	32-0584-4219	<u>20,508</u>
Total CFDA 84.013A			<u>47,972</u>
<i>Special Education Cluster (IDEA)</i>			
IDEA Part B-Elementary	84.027	32-0584-7720	1,110,002
IDEA Part B-Elementary	84.027	32-0584-7719	2,896
IDEA Part B-High School	84.027	32-0584-7720	<u>1,021,172</u>
Total CFDA 86.027			<u>2,134,070</u>
IDEA-MTSS	84.323A	32-0583-7820	46,768
IDEA-MTSS	84.323A	32-0583-7819	<u>2,428</u>
Total CFDA 84.323A			<u>49,196</u>
IDEA Federal Handicapped-Preschool	84.173A	32-0584-7920	<u>52,744</u>
<i>Total Special Education Cluster (IDEA)</i>			<u>2,236,010</u>

See Notes to Schedule of Expenditures of Federal Awards.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2020

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Project Number	Federal Awards Expenditures
Vo Ed Carl Perkins Basic Grant	84.048A	32-0584-8119	188
Vo Ed Carl Perkins Basic Grant	84.048A	32-0584-8120	<u>243,481</u>
Total CFDA 84.048A			<u>243,669</u>
21st Century Community Learning	84.287	32-0583-1719	35,986
21st Century Community Learning	84.287	32-0583-1720	<u>195,893</u>
Total CFDA 84.287			<u>231,879</u>
Title III Part A, English Language Acquisition	84.365A	32-0583-4120	9,221
Title III Part A, English Language Acquisition	84.365A	32-0583-4119	8,004
Emergency Immigrant	84.365A	32-0583-4120	<u>10,519</u>
Total CFDA 84.365A			<u>27,744</u>
Title IV - Part A - Student Support	84.424A	32-0583-5219	11,989
Title IV - Part A - Student Support	84.424A	32-0583-5220	<u>156,991</u>
Total CFDA 84.424A			<u>168,980</u>
Title IIA High School	84.367A	32-0584-1420	233,353
Title IIA Elementary	84.367A	32-0583-1420	393,371
Title IIA Elementary	84-367A	32-0583-1419	<u>290</u>
Total CFDA 84.367A			<u>627,014</u>
Title VII Indian Education	84.060A	S060A190873	100,671
Title VII Indian Education	84.060A	S060A180873	<u>-</u>
Total CFDA 84.060A			<u>100,671</u>
COVID-19 Education Stabilization Fund	84.425D	32-0583-9120	31,087
COVID-19 Education Stabilization Fund	84.425D	32-0584-9120	<u>32,400</u>
Total CFDA 84.425D			<u>63,487</u>
Homeless Children and Youth	84.196A	32-0583-5720	15,549
Homeless Children and Youth	84.196A	32-0583-5719	<u>3,854</u>
Total CFDA 84.196A			<u>19,403</u>
Total State Administered - Office of Public Instruction			<u>6,688,387</u>
DEPARTMENT OF EDUCATION			
DPHHS - Adult Ed ESL	93.764		<u>20,279</u>
DPHHS ELL	93.714		<u>78,043</u>
Voc Rehab	84.126A	H126A150028	<u>44,665</u>
Total Federally Administered - Department of Education			<u>142,987</u>
Total Department of Education			<u>6,831,374</u>
DEPARTMENT OF THE TREASURY			
<i>Passed through the Governor's Office</i>			
COVID-19 CARES Governor's Coronavirus Relief Funds	21.019		<u>26,918</u>
Total Federal Awards			<u>\$ 8,876,518</u>

See Notes to Schedule of Expenditures of Federal Awards.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020

NOTE 1. 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Guidance Administrative Requirements, Subpart E Cost Principles*. Accordingly, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

NOTE 2. INDIRECT COSTS

The District did not elect to use the 10% de minimis indirect cost rate from Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Guidance Administrative Requirements, Subpart E Cost Principles*.

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, 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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 30, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Anderson Zurmuehlen + Co, P.C.

Missoula, Montana
June 30, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE*

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 Compliance Supplement* that could have direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that 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, 2020.

Other Matters

The results of our auditing procedures disclosed instances noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item #2020-001. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the control finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item #2020-001, that we consider to be significant deficiencies.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Anderson Zurmuehlen + Co, P.C.

Missoula, Montana
June 30, 2021

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS
Year Ended June 30, 2020

Section I – Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal Control over major programs:	
Material weakness identified?	No
Significant deficiencies identified not considered material weaknesses?	Yes
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

Identification of Major Programs

10.555 and 10.559 Child Nutrition Cluster 84.367 Supporting Effective Instruction State Grants	
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None reported.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS (CONTINUED)
Year Ended June 30, 2020

Section III – Federal Award Findings and Questioned Costs

#2020-001 Lack of controls in the Child Nutrition Program: 10.555 and 10.559

Criteria: The Federal Child Nutrition Program requires schools to perform at least three direct certification matches per school year, are required to have complete applications and process those applications within a maximum of 10 business days, and keep complete and accurate records of all meals claimed.

Condition: We noted no control for the direct certification matches, incomplete applications, applications not processed within the maximum 10 days, and incomplete records kept for meal claims.

Effect: Missoula County Public School District is out of compliance with the Child Nutrition Program.

Cause: The School District did not have properly designed controls needed to administer the Child Nutrition Program.

Questioned Costs: Unknown

Recommendation: We recommend that Missoula County Public School District implement controls to ensure the required processes are completed.

Response: See management's Corrective Action Plan on page 100.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 2020

Financial Statement Findings:

None reported.

Federal Award Findings:

None reported.



Forward Thinking, High Achieving.

Missoula County Public Schools
909 South Ave. West
Missoula, MT 59801
(406) 728-2400

June 30, 2021

RE: Corrective Action Plan to Audit Finding #2020-001

Auditors

Finding: We noted no control for the direct certification matches, incomplete applications, applications not processed within the maximum 10 days, and incomplete records kept for meal claims.

Managements

Response: The District has experienced issues with its current student record management system. In particular with the import of the state direct certification (DC) report. The District attempted to resolve this issue with the vendor. However, the problem was not resolved through that process. On a positive note, food service staff cross checked the state DC report to the student status in the current system.

The complication with reviewing applications within the required ten-day period involved there being only one person processing applications.

The incomplete meal record issue was particularly prevalent during the spring of 2020 when District schools were closed due to the COVID-19 pandemic. During that time, meals were served from 19 school buses and from all 17 school locations. The missing records were a result of student meal served from the buses in the very beginning of the pandemic.

Managements Corrective Action Plan: During FY21, all meals were free, as per federal government regulations. Therefore, most of the problems identified will not be an issue in FY21. Additionally, we believe we have complete records for the meal claims in FY21. In the event the District serves meals similar to the manner utilized during the spring of 2020, the food service staff has developed a process, including forms to track the number of meals served.

As of July 1, 2021, the District is changing to a new student records management system. The new system is used by the State of Montana as well as many Montana school districts. The problems encountered with the DC report will no longer be an issue. This new system interfaces with the state's program used to process direct certifications, and the support personnel with this new software vendor are easily accessible.

To address the 10-day application processing deadline, the District trained two additional staff members. With this change, the District now has three application processors compared to just one in FY20.



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