

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
Fiscal Year Ended June 30, 2018

AUDIT REPORT

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

BROWNING PUBLIC SCHOOLS
 GLACIER COUNTY, MONTANA
 Fiscal Year Ended June 30, 2018

TABLE OF CONTENTS

| | |
|--|-------|
| Organization | 1 |
| Management Discussion and Analysis | 2-5 |
| Independent Auditor’s Report | 6-8 |
| Financial Statements | |
| <u>Government-wide Financial Statements</u> | |
| Statement of Net Position | 9 |
| Statement of Activities | 10 |
| <u>Fund Financial Statements</u> | |
| Balance Sheet – Governmental Funds | 11 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 12 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds | 13 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 14 |
| Statement of Net Position– Proprietary Fund Types | 15 |
| Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund Types | 16 |
| Statement of Cash Flows – Proprietary Fund Types | 17 |
| Statement of Net Position - Fiduciary Fund Types | 18 |
| Statement of Changes in Net Position - Fiduciary Fund Types | 19 |
| Notes to Financial Statements | 20-53 |
| Required Supplemental Information | |
| Budgetary Comparison Schedule | 54 |
| Budgetary Comparison Schedule – Budget-to-GAAP Reconciliation | 55 |
| Schedule of Change in the Total Other Post-Employment Benefits Other Than Pensions | 56 |
| Liability and Related Ratios | |
| Schedule of Proportionate Share of the Net Pension | 57 |
| Schedule of Contributions | 58 |
| Notes to Required Pension Supplementary Information | 59-64 |
| Supplemental Information | |
| Schedule of Enrollment | 65 |
| Schedule of Revenues and Expenditures – Extracurricular Fund – All Fund Accounts | 66-67 |
| Balance Sheet – General Funds | 68 |
| Balance Sheet – Impact Aid Funds | 69 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – General Funds | 70 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Impact Aid | 71 |

BROWNING PUBLIC SCHOOLS

GLACIER COUNTY, MONTANA

TABLE OF CONTENTS - Continued

Single Audit Section

| | |
|--|-------|
| Schedule of Expenditures of Federal Awards | 72-73 |
| Notes to the Schedule of Expenditures of Federal Awards | 74 |
| 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 | 75-76 |
| Independent Auditor's Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with Uniform Guidance | 77-79 |
| Schedule of Findings and Questioned Costs | 80-86 |
| Report on Prior Audit Recommendations | 87 |
| Auditee's Corrective Action Plan | 88-89 |

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2018

BOARD OF TRUSTEES

| | |
|-----------------------------|------------------|
| Brian Gallup | Chairperson |
| Wendy Bremner | Vice Chairperson |
| Rae Tall Whiteman-Armstrong | Trustee |
| Donna Yellow Owl | Trustee |
| Jess Edwards | Trustee |
| James Evans | Trustee |
| James Running Fisher | Trustee |
| Kristy Lynn Bullshoe | Trustee |

DISTRICT OFFICIALS

| | |
|------------------------|-------------------------|
| Corrina Guardipee-Hall | District Superintendent |
| Stacy J. Edwards | Business Manager |
| Darryl Omsberg | County Superintendent |
| Terryl Matt | County Attorney |

Browning Public Schools
Management Discussion and Analysis (MD&A)
For the Year Ended June 30, 2018

The following discussion and analysis of the District's financial performance provides an overview of the government's financial statements.

FINANCIAL HIGHLIGHTS

- Net position changed by \$7,023,710 this is an increase of 13%.
- During the year, our school had expenses that were \$6,937,432 less than the \$39,979,699 generated in tax and other revenues for governmental programs.
- The general fund traditionally expends the entire budget every year.
- There were not any budget variances to note.

USING THIS AUDIT REPORT

This annual report consists of a series of financial statements. The government-wide financial statements provide information about the activities of the government as a whole and present a longer-term view of the finances. For governmental activities, fund statements tell how these services were financed in the short term, as well as, what remains for future spending. Fund financial statements also report the government's operations in more detail than the government-wide statements by providing information about the most significant funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide financial statements

One of the most important questions asked about the school's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Cash Flows report information about the government as a whole and about its activities in a way that helps answer this question. These statements included all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the net position and changes in them. You can think of net position-the difference between assets and liabilities-as one way to measure the school's financial health, or financial position. Over time, increases or decreases in net position are one indicator of whether the District's financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the economy, enrollment and changes in the State's funding of educational costs to assess the overall health.

Fund Financial statements

The financial statements are further broken down into proprietary and fiduciary funds. Some funds are required to be established by State law. Also, the school establishes other funds to help it control and manage money for particular purposes or to meet legal responsibilities for using certain grants and other money. We utilize the following funds:

Browning Public Schools
Management Discussion and Analysis (MD&A)
For the Year Ended June 30, 2018

Governmental Activities – Basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The purchasing fund and self-insurance fund can be found here.

Proprietary (business-type) fund. This fund is used to account for resources held for the benefit of parties outside the school. These funds also use the accrual basis of accounting. We exclude these activities from the other financial statements because we cannot use these assets to finance our operations. We are responsible for ensuring that the assets reported in these funds are used for their intended purposes. The Day care/pre-school program is listed here.

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In our case, assets have increased as of June 30, 2018. This is a net change of 9% - substantially stable.

Table 1 - Net Position

| | Governmental Activities | | | Business-type Activities | | |
|----------------------------------|----------------------------|---------------|-----------------------------|-----------------------------|-------------|-----------------------------|
| | <u>FY18</u> | <u>FY17</u> | <u>Change Inc (Dec)</u> | <u>FY18</u> | <u>FY17</u> | <u>Change Inc (Dec)</u> |
| Current and other assets | \$ 38,905,339 | \$ 32,972,970 | \$ 5,932,369 | \$ 5,226 | \$ 9,860 | \$ (4,634) |
| Capital assets | 51,387,943 | 50,898,789 | 489,154 | - | - | - |
| Total assets | 90,293,282 | 83,871,759 | 6,421,523 | 5,226 | 9,860 | (4,634) |
| Long-term debt outstanding | \$ 6,551,574 | \$ 7,064,260 | \$ (512,686) | \$ - | \$ - | \$ - |
| Other liabilities | 22,669,970 | 22,765,952 | (95,982) | 1,847 | - | 1,847 |
| Total liabilities | 29,221,544 | 29,830,212 | (608,668) | 1,847 | - | 1,847 |
| Net investment in capital assets | 45,657,943 | 44,543,789 | 1,114,154 | - | - | - |
| Restricted | 3,413,510 | 3,473,368 | (59,858) | - | - | - |
| Unrestricted (deficit) | 12,000,285 | 6,024,390 | 5,975,895 | 3,379 | 9,860 | (6,481) |
| Total net position | \$ 61,071,738 | \$ 54,041,547 | \$ 7,030,191 | \$ 3,379 | \$ 9,860 | \$ (6,481) |

The reason only the totals are compared is because the way to report assets has changed. The board recently adopted a policy to prioritize and categorize the cash. The capital assets have an increase of 1%, which is mainly due to the purchase of several new buses and the construction projects. The decrease to the non-current liabilities is largely due to the long-term capital liabilities. The unrestricted net position has increased by \$5,969,414.

The following table shows the change in net position for governmental activities by breaking out the expenses by function and breaking out the revenue by source of income. In a traditional accounting spreadsheet, you might see the expenses delineated by department or by type of expenditure such as salary, overhead etc. In school accounting the delineation is by student, administration, food services, etc. and the terms used are function and program.

Browning Public Schools
Management Discussion and Analysis (MD&A)
For the Year Ended June 30, 2018

Table 2 - Changes in Net Position

| | Governmental Activities | | | Business-type Activities | | |
|---|----------------------------|----------------------|-----------------------------|-----------------------------|-------------------|-----------------------------|
| | <u>FY18</u> | <u>FY17</u> | <u>Change Inc (Dec)</u> | <u>FY18</u> | <u>FY17</u> | <u>Change Inc (Dec)</u> |
| Revenues | | | | | | |
| <i>Program revenues (by major source):</i> | | | | | | |
| Charges for services | \$ 67,959 | \$ 107,791 | \$ (39,832) | \$ 42,400 | \$ 45,048 | \$ (2,648) |
| Operating grants and contributions | 7,322,029 | 6,931,659 | 390,370 | - | - | - |
| <i>General revenues (by major source):</i> | | | | | | |
| Property taxes for general purposes | 2,486,785 | 2,385,060 | 101,725 | - | - | - |
| State/County equalization | 4,379,505 | 4,025,346 | 354,159 | - | - | - |
| Grants and entitlements not restricted to specific programs | 7,152,271 | 7,154,814 | (2,543) | - | - | - |
| Other state grants | 637,628 | 732,872 | (95,244) | - | - | - |
| Investment earnings | (2,328) | 121,054 | (123,382) | - | 711 | (711) |
| Miscellaneous (other revenue) | 353,027 | 490,910 | (137,883) | - | - | - |
| MT Oil and Gas Tax | 47,035 | - | 47,035 | - | - | - |
| State entitlement (block grants) | 95,033 | 347,533 | (252,500) | - | - | - |
| State technology | - | 13,762 | (13,762) | - | - | - |
| County retirement | 2,550,000 | 2,269,672 | 280,328 | - | - | - |
| Federal impact aid | 14,848,355 | 12,597,937 | 2,250,418 | - | - | - |
| Total revenues | <u>\$ 39,937,299</u> | <u>\$ 37,178,410</u> | <u>\$ 2,758,889</u> | <u>\$ 42,400</u> | <u>\$ 45,759</u> | <u>\$ (3,359)</u> |
| Program expenses | | | | | | |
| Instructional - regular | \$ 14,145,115 | \$ 12,924,834 | \$ 1,220,281 | \$ - | \$ - | \$ - |
| Instructional - special education | 2,395,709 | 1,870,685 | 525,024 | - | - | - |
| Instructional - vocational education | 295,720 | 216,958 | 78,762 | - | - | - |
| Supporting services - operations & maintenance | 2,927,985 | 2,915,322 | 12,663 | - | - | - |
| Supporting services - general | 2,329,890 | 2,480,169 | (150,279) | - | - | - |
| Supporting services - educational media services | 2,401,265 | 2,396,643 | 4,622 | - | - | - |
| Administration - general | 1,568,354 | 1,728,795 | (160,441) | - | - | - |
| Administration - school | 1,874,659 | 1,766,002 | 108,657 | - | - | - |
| Administration - business | 495,482 | 607,996 | (112,514) | - | - | - |
| Student transportation | 1,661,745 | 1,663,087 | (1,342) | - | - | - |
| Extracurricular | 875,349 | 834,611 | 40,738 | - | - | - |
| School food | 1,593,558 | 1,685,152 | (91,594) | - | - | - |
| Community services | 34,590 | 105,018 | (70,428) | - | - | - |
| Debt service expense - interest | 242,763 | 271,281 | (28,518) | - | - | - |
| Unallocated depreciation* | 135,711 | - | 135,711 | - | - | - |
| Enterprise Services | 21,066 | 21,312 | (246) | - | - | - |
| Elementary Day Care | - | - | - | \$ 43,306 | \$ 48,694 | \$ (5,388) |
| Total expenses | <u>\$ 32,998,961</u> | <u>\$ 31,487,865</u> | <u>\$ 1,511,096</u> | <u>\$ 43,306</u> | <u>\$ 48,694</u> | <u>\$ (5,388)</u> |
| Excess (deficiency) before special items and transfers | 6,938,338 | 5,690,545 | 1,247,793 | (906) | (2,935) | 2,029 |
| Increase (decrease) in net position | <u>\$ 6,938,338</u> | <u>\$ 5,690,545</u> | <u>\$ 1,247,793</u> | <u>\$ (906)</u> | <u>\$ (2,935)</u> | <u>\$ 2,029</u> |

The noticeable difference here is that we had more revenue (7%) and we increased spending by about 5%. Overall, the revenues have increased slightly; however, the spending has increased as well but in a smaller percentage.

Browning Public Schools
Management Discussion and Analysis (MD&A)
For the Year Ended June 30, 2018

FUND FINANCIALS

The District's General Fund for both the elementary and high school are used for the salaries and benefits for the certified and classified staff and a small portion is used for some administrative and classified staff. We had a 1% decrease in the elementary revenue and a 2% increase in the high school revenue. This is due to a decrease in the elementary enrollment and an increase in the high school enrollment. The Transportation Fund is used strictly to transport students from home to school and school to home. There was an 11% decrease to the elementary revenue and a 17% decrease to the high school revenue. The Bus Deprecation Fund indicates a decrease in the elementary of 4% and the high school had a decrease of 8%. The District did a budget amendment for school safety and transferred \$41,225.25 from the elementary and \$13,741.75 from the high school Bus Depreciation funds to the Building Reserve funds. There were 5 new buses purchased. There was also phase two of the playground project at the Browning Elementary that was completed.

BUDGETARY VARIATIONS

The audit is expected to show any significant budgetary variations for the fund in general. There were not any significant reports.

THE GOVERNMENT'S FUTURE

The Browning Board of Trustees recognizes the need to maintain the facilities, while balancing the increasing costs of meeting the needs of our students. This audit reflects that philosophy by maintaining a positive balance in the balance sheet. The Board of Trustees is also pursuing possible solutions to better utilize the space available for a safe learning environment.

In the year to come we have to be diligent in our work to keep sequestration off the table. We won one small battle and the funding has been restored to almost what it was in 2014, but during this unstable time in federal funding, we must stay diligent and watch expenditures so we can fund the district when the funding is short.

The continued pressure to meet test score requirements, drop-out rate reductions and attendance requirements poses great challenges to the schools in Montana. The Browning schools will continue to strive for excellence regardless of what funding changes come their way. The changes brought forth in the 2016 legislature will provide further challenges in reporting.

Contact Information

If you have any questions about this report, or if you would like further information, please contact the Browning School District Administration Office, located at 129 1st Ave SE, or at PO Box 610 Browning, MT 59417. Please also feel free to call Superintendent John Rouse or Director of Finance Stacy Edwards at 406-338-2715.

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South – P.O. Box 1957 Kalispell, MT 59903-1957

INDEPENDENT AUDITOR’S REPORT

To the Board of Trustees
Browning Public Schools
Glacier County
Browning, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Browning Public Schools, Glacier County, Montana, as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the School’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, the business-type activities, each major fund, and the aggregate remaining fund information of Browning Public Schools, Glacier County, Montana, as of and for the year ended June 30, 2018, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2018, the District adopted new accounting guidance, GASB statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, (an amendment of GASB No. 45). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the total OPEB liability and related ratios, schedules of proportionate share of the net pension liability, and schedules of contributions on pages 2 through 5, and 54 through 58 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 School's basic financial statements. The schedule of revenues and expenditures for the extracurricular fund and the schedule of enrollment, the balance sheets and the statements of revenues, expenditures and changes in fund balance for the general and impact aid funds are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying 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 financial statements.

The accompanying schedule of revenues and expenditures for the extracurricular fund, the schedule of enrollment and 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues and expenditures for the extracurricular fund, the schedule of enrollment and schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Supplemental Information

The balance sheets and the statements of revenues, expenditures and changes in fund balance for the general and impact aid funds, as reported on pages 68 through 71, have not been subjected to the auditing procedures applied in the audit of the basic financials statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2019, on our consideration of the Browning Public Schools, Glacier County, Montana'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 Browning Public Schools, Glacier County, Montana's internal control over financial reporting and compliance.

Derring, Downey and Associates, CPA's, P.C.

March 26, 2019

Browning Public Schools, Glacier County, Montana
Statement of Net Position
June 30, 2018

| | <u>Governmental</u> <u>Activities</u> | <u>Business-type</u> <u>Activities</u> | <u>Total</u> |
|---|--|---|----------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ 32,260,405 | \$ - | \$ 32,260,405 |
| Taxes and assessments receivable, net | 1,353,000 | - | 1,353,000 |
| Accounts receivable - net | 512,665 | 5,226 | 517,891 |
| Due from other governments | 1,188,709 | - | 1,188,709 |
| Total current assets | <u>\$ 35,314,779</u> | <u>\$ 5,226</u> | <u>\$ 35,320,005</u> |
| Noncurrent assets | | | |
| Restricted cash and investments | \$ 385,739 | \$ - | \$ 385,739 |
| Capital assets - land | \$ 839,008 | \$ - | \$ 839,008 |
| Capital assets - depreciable, net | 50,548,935 | - | 50,548,935 |
| Total noncurrent assets | <u>\$ 51,773,682</u> | <u>\$ -</u> | <u>\$ 51,773,682</u> |
| Total assets | <u>\$ 87,088,461</u> | <u>\$ 5,226</u> | <u>\$ 87,093,687</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows of resources - pensions | \$ 3,080,449 | \$ - | \$ 3,080,449 |
| Deferred outflows of resources-bond issuance costs | 124,372 | - | 124,372 |
| Total deferred outflows of resources | <u>\$ 3,204,821</u> | <u>\$ -</u> | <u>\$ 3,204,821</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | <u>\$ 90,293,282</u> | <u>\$ 5,226</u> | <u>\$ 90,298,508</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | \$ 256,753 | \$ - | \$ 256,753 |
| Accrued payroll | 430,581 | 1,847 | 432,428 |
| Due to other governments | 14,401 | - | 14,401 |
| Current portion of long-term capital liabilities | 625,000 | - | 625,000 |
| Current portion of compensated absences payable | 330,844 | - | 330,844 |
| Total current liabilities | <u>\$ 1,657,579</u> | <u>\$ 1,847</u> | <u>\$ 1,659,426</u> |
| Noncurrent liabilities | | | |
| Noncurrent portion of long-term liabilities | \$ 199,994 | \$ - | \$ 199,994 |
| Noncurrent portion of long-term capital liabilities | 5,105,000 | - | 5,105,000 |
| Noncurrent portion of compensated absences | 290,736 | - | 290,736 |
| Net pension liability | 21,540,052 | - | 21,540,052 |
| Total noncurrent liabilities | <u>\$ 27,135,782</u> | <u>\$ -</u> | <u>\$ 27,135,782</u> |
| Total liabilities | <u>\$ 28,793,361</u> | <u>\$ 1,847</u> | <u>\$ 28,795,208</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows of resources - pensions | \$ 428,183 | \$ - | \$ 428,183 |
| Total Deferred Inflows of resources | <u>\$ 428,183</u> | <u>\$ -</u> | <u>\$ 428,183</u> |
| NET POSITION | | | |
| Net investment in capital assets | \$ 45,657,943 | \$ - | \$ 45,657,943 |
| Restricted for capital projects | 1,209,011 | - | 1,209,011 |
| Restricted for debt service | 87,006 | - | 87,006 |
| Restricted for special projects | 2,117,493 | - | 2,117,493 |
| Unrestricted | 12,000,285 | 3,379 | 12,003,664 |
| Total net position | <u>\$ 61,071,738</u> | <u>\$ 3,379</u> | <u>\$ 61,075,117</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION | <u>\$ 90,293,282</u> | <u>\$ 5,226</u> | <u>\$ 90,298,508</u> |

See accompanying Notes to the Financial Statements

Browning Public Schools, Glacier County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2018

| Functions/Programs | Expenses | Program Revenues | | Net (Expenses) Revenues and Changes in Net Position | | |
|---|---------------|-------------------------|--|--|---------------------------------|-----------------|
| | | Charges for Services | Operating Grants and Contributions | Primary Government | | |
| | | | | Governmental Activities | Business- type Activities | Total |
| Primary government: | | | | | | |
| Governmental activities: | | | | | | |
| Instructional - regular | \$ 14,145,115 | \$ - | \$ 2,202,235 | \$ (11,942,880) | \$ - | \$ (11,942,880) |
| Instructional - special education | 2,395,709 | - | 976,355 | (1,419,354) | - | (1,419,354) |
| Instructional - vocational education | 295,720 | - | 64,375 | (231,345) | - | (231,345) |
| Supporting services - operations & maintenance | 2,927,985 | 30,121 | - | (2,897,864) | - | (2,897,864) |
| Supporting services - general | 2,329,890 | - | 974,611 | (1,355,279) | - | (1,355,279) |
| Supporting services - educational media services | 2,401,265 | - | 1,240,508 | (1,160,757) | - | (1,160,757) |
| Administration - general | 1,568,354 | - | 53,689 | (1,514,665) | - | (1,514,665) |
| Administration - school | 1,874,659 | - | 14,196 | (1,860,463) | - | (1,860,463) |
| Administration - business | 495,482 | - | - | (495,482) | - | (495,482) |
| Student transportation | 1,661,745 | - | 375,591 | (1,286,154) | - | (1,286,154) |
| Extracurricular | 875,349 | - | - | (875,349) | - | (875,349) |
| School food | 1,593,558 | 37,838 | 1,420,469 | (135,251) | - | (135,251) |
| Community services | 34,590 | - | - | (34,590) | - | (34,590) |
| Debt service expense - interest | 242,763 | - | - | (242,763) | - | (242,763) |
| Unallocated depreciation* | 135,711 | - | - | (135,711) | - | (135,711) |
| Enterprise Services | 21,066 | - | - | (21,066) | - | (21,066) |
| Total governmental activities | \$ 32,998,961 | \$ 67,959 | \$ 7,322,029 | \$ (25,608,973) | \$ - | \$ (25,608,973) |
| Business-type activities: | | | | | | |
| Elementary Day Care | \$ 43,306 | \$ 42,400 | \$ - | \$ - | \$ (906) | \$ (906) |
| Total business-type activities | \$ 43,306 | \$ 42,400 | \$ - | \$ - | \$ (906) | \$ (906) |
| Total primary government | \$ 33,042,267 | \$ 110,359 | \$ 7,322,029 | \$ (25,608,973) | \$ (906) | \$ (25,609,879) |
| General Revenues: | | | | | | |
| Property taxes for general purposes | | | \$ 2,486,785 | \$ - | \$ - | \$ 2,486,785 |
| State/County equalization | | | 4,379,505 | - | - | 4,379,505 |
| Grants and entitlements not restricted to specific programs | | | 7,152,271 | - | - | 7,152,271 |
| Other state grants | | | 637,628 | - | - | 637,628 |
| Investment earnings | | | (2,328) | - | - | (2,328) |
| Miscellaneous (other revenue) | | | 353,027 | - | - | 353,027 |
| MT Oil and Gas Tax | | | 47,035 | - | - | 47,035 |
| State entitlement (block grants) | | | 95,033 | - | - | 95,033 |
| County retirement | | | 2,550,000 | - | - | 2,550,000 |
| Federal impact aid | | | 14,848,355 | - | - | 14,848,355 |
| Total general revenues, special items and transfers | | | \$ 32,547,311 | \$ - | \$ - | \$ 32,547,311 |
| Change in net position | | | \$ 6,938,338 | \$ (906) | \$ - | \$ 6,937,432 |
| Net position - beginning | | | \$ 54,041,547 | \$ 9,860 | \$ - | \$ 54,051,407 |
| Restatements | | | 91,853 | (5,575) | - | 86,278 |
| Net position - beginning - restated | | | \$ 54,133,400 | \$ 4,285 | \$ - | \$ 54,137,685 |
| Net position - end | | | \$ 61,071,738 | \$ 3,379 | \$ - | \$ 61,075,117 |

* This amount excludes the depreciation that is included in the direct expenses of the various programs
See accompanying Notes to the Financial Statements

Browning Public Schools, Glacier County, Montana
Balance Sheet
Governmental Funds
June 30, 2018

| | <u>General</u> | <u>Elementary Miscellaneous Programs</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-----------------------------|--|---|---|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 29,127,081 | \$ (617,358) | \$ 2,201,203 | \$ 30,710,926 |
| Taxes and assessments receivable, net | 651,061 | - | 701,939 | 1,353,000 |
| Due from other governments | - | 855,477 | 333,232 | 1,188,709 |
| Total current assets | <u>\$ 29,778,142</u> | <u>\$ 238,119</u> | <u>\$ 3,236,374</u> | <u>\$ 33,252,635</u> |
| Noncurrent assets: | | | | |
| Restricted cash and investments | \$ 385,739 | \$ - | \$ - | \$ 385,739 |
| Total noncurrent assets | <u>\$ 385,739</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 385,739</u> |
| TOTAL ASSETS | <u><u>\$ 30,163,881</u></u> | <u><u>\$ 238,119</u></u> | <u><u>\$ 3,236,374</u></u> | <u><u>\$ 33,638,374</u></u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 68,126 | \$ 37,500 | \$ 284 | \$ 105,910 |
| Accrued payroll | 341,432 | - | 87,690 | 429,122 |
| Due to other governments | - | 14,401 | - | 14,401 |
| Total liabilities | <u>\$ 409,558</u> | <u>\$ 51,901</u> | <u>\$ 87,974</u> | <u>\$ 549,433</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows of resources | \$ 651,061 | \$ - | \$ 701,939 | \$ 1,353,000 |
| Total deferred inflows of resources | <u>\$ 651,061</u> | <u>\$ -</u> | <u>\$ 701,939</u> | <u>\$ 1,353,000</u> |
| FUND BALANCES | | | | |
| Restricted | \$ - | \$ 186,218 | \$ 2,474,451 | \$ 2,660,669 |
| Unassigned fund balance | <u>29,103,262</u> | <u>-</u> | <u>(27,990)</u> | <u>29,075,272</u> |
| Total fund balance | <u>\$ 29,103,262</u> | <u>\$ 186,218</u> | <u>\$ 2,446,461</u> | <u>\$ 31,735,941</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | <u><u>\$ 30,163,881</u></u> | <u><u>\$ 238,119</u></u> | <u><u>\$ 3,236,374</u></u> | <u><u>\$ 33,638,374</u></u> |

See accompanying Notes to the Financial Statements

Browning Public Schools, Glacier County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2018

| | | |
|---|-----------|---------------------------------|
| Total fund balances - governmental funds | \$ | 31,735,941 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 51,387,943 |
| Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. | | 1,353,000 |
| An internal service fund is used by management to charge the costs of providing services within the government. The assets and liabilities of the internal service funds are included in governmental activities in the government-wide statement of net assets | | 1,909,842 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. | | (6,551,574) |
| Proportionate share of ending collective net pension liability | | (21,540,052) |
| Deferred outflows related to net pension liability | | 3,080,449 |
| Deferred inflows related to net pension liability | | (428,183) |
| Deferred outflows related to bond issuance costs | | 124,372 |
| Total net position - governmental activities | \$ | <u><u>61,071,738</u></u> |

See accompanying Notes to the Financial Statements

Browning Public Schools, Glacier County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

| | <u>General</u> | <u>Elementary Miscellaneous Programs</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------|--|---|---|
| REVENUES | | | | |
| Local revenue | \$ 1,204,094 | \$ 85,823 | \$ 1,699,403 | \$ 2,989,320 |
| County revenue | - | - | 2,752,382 | 2,752,382 |
| State revenue | 12,254,922 | 315,098 | 278,443 | 12,848,463 |
| Federal revenue | 14,848,355 | 4,365,205 | 1,574,838 | 20,788,398 |
| Total revenues | <u>\$ 28,307,371</u> | <u>\$ 4,766,126</u> | <u>\$ 6,305,066</u> | <u>\$ 39,378,563</u> |
| EXPENDITURES | | | | |
| Instructional - regular | \$ 9,140,151 | \$ 2,209,127 | \$ 1,184,634 | \$ 12,533,912 |
| Instructional - special education | 1,857,642 | 281,158 | 256,909 | 2,395,709 |
| Instructional - vocational education | 220,602 | - | 75,118 | 295,720 |
| Supporting services - operations & maintenance | 2,659,319 | - | 236,638 | 2,895,957 |
| Supporting services - general | 1,251,407 | 898,553 | 179,930 | 2,329,890 |
| Supporting services - educational media services | 1,052,492 | 1,203,019 | 145,754 | 2,401,265 |
| Administration - general | 886,170 | 53,690 | 60,818 | 1,000,678 |
| Administration - school | 1,639,205 | 14,688 | 220,766 | 1,874,659 |
| Administration - business | 457,433 | - | 38,049 | 495,482 |
| Student transportation | 203,447 | - | 1,154,695 | 1,358,142 |
| Extracurricular | 817,824 | - | 47,913 | 865,737 |
| School food | 34,902 | - | 1,537,025 | 1,571,927 |
| Community services | 17,222 | 17,281 | 87 | 34,590 |
| Debt service expense - principal | - | - | 625,000 | 625,000 |
| Debt service expense - interest | - | - | 242,763 | 242,763 |
| Capital outlay | 1,195,827 | 32,596 | 782,147 | 2,010,570 |
| Enterprise Services | - | - | 21,066 | 21,066 |
| Total expenditures | <u>\$ 21,433,643</u> | <u>\$ 4,710,112</u> | <u>\$ 6,809,312</u> | <u>\$ 32,953,067</u> |
| Excess (deficiency) of revenues over expenditures | <u>\$ 6,873,728</u> | <u>\$ 56,014</u> | <u>\$ (504,246)</u> | <u>\$ 6,425,496</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 26,189 | \$ - | \$ 297,217 | \$ 323,406 |
| Transfers out | (242,250) | - | (81,156) | (323,406) |
| Total other financing sources (uses) | <u>\$ (216,061)</u> | <u>\$ -</u> | <u>\$ 216,061</u> | <u>\$ -</u> |
| Net Change in Fund Balance | <u>\$ 6,657,667</u> | <u>\$ 56,014</u> | <u>\$ (288,185)</u> | <u>\$ 6,425,496</u> |
| Fund balances - beginning | \$ 22,472,114 | \$ 133,480 | \$ 2,559,057 | \$ 25,164,651 |
| Restatements | (26,519) | (3,276) | 175,589 | 145,794 |
| Fund balances - beginning, restated | <u>\$ 22,445,595</u> | <u>\$ 130,204</u> | <u>\$ 2,734,646</u> | <u>\$ 25,310,445</u> |
| Fund balance - ending | <u>\$ 29,103,262</u> | <u>\$ 186,218</u> | <u>\$ 2,446,461</u> | <u>\$ 31,735,941</u> |

See accompanying Notes to the Financial Statements

Browning Public Schools, Glacier County, Montana
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2018

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

Net change in fund balances - total governmental funds \$ 6,425,496

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

| | |
|----------------------------|-------------|
| - Capital assets purchased | 2,010,570 |
| - Depreciation expense | (1,521,416) |

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

| | |
|--|----------|
| - Long-term receivables (deferred revenue) | (78,892) |
|--|----------|

The change in compensated absences is shown as an expense in the Statement of Activities

(50,266)

Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:

| | |
|-------------------------------------|---------|
| - Long-term debt principal payments | 625,000 |
|-------------------------------------|---------|

Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:

| | |
|--|---------|
| - Post-employment benefits other than retirement liability | (8,107) |
|--|---------|

Internal service funds are used by management to share the costs of certain activities, to individual funds. The net revenue of the internal service funds is reported with the governmental activities of the Government-Wide Statement of Activities net of the amounts allocated to business-type activities and depreciation expense.

(67,315)

Pension expense related to the net pension liability is shown as an expense on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance

(1,009,486)

State aid revenue related to the net pension liability is shown as a revenue on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance

637,628

Current year amortization of bond issuance costs

(24,874)

Change in net position - Statement of Activities

\$ 6,938,338

See accompanying Notes to the Financial Statements

Browning Public Schools, Glacier County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2018

| | <u>Business-Type Activities - Enterprise Funds</u> | | <u>Governmental Activities Internal Service Funds</u> |
|------------------------------------|--|----|---|
| | <u>Non-major Enterprise</u> | | |
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ - | \$ | 1,549,479 |
| Accounts receivable - net | 5,226 | | 512,665 |
| Total assets | <u>\$ 5,226</u> | \$ | <u>2,062,144</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ - | \$ | 150,843 |
| Accrued payroll | 1,847 | | 1,459 |
| Total liabilities | <u>\$ 1,847</u> | \$ | <u>152,302</u> |
| NET POSITION | | | |
| Unrestricted | \$ 3,379 | \$ | 1,909,842 |
| Total net position | <u>\$ 3,379</u> | \$ | <u>1,909,842</u> |
| Total liabilities and net position | <u>\$ 5,226</u> | \$ | <u>2,062,144</u> |

See accompanying Notes to the Financial Statements

Browning Public Schools, Glacier County, Montana
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2018

| | Business-Type Activities - Enterprise Funds | Governmental Activities |
|---|--|------------------------------------|
| | Non-major Enterprise | Internal Service Funds |
| OPERATING REVENUES | | |
| Charges for services | \$ 42,400 | \$ 4,235,192 |
| Miscellaneous revenues | - | 46,369 |
| Total operating revenues | \$ 42,400 | \$ 4,281,561 |
| OPERATING EXPENSES | | |
| Personal services | \$ 36,398 | \$ 27,440 |
| Employee benefits | 424 | 24,251 |
| Supplies | 6,155 | 9,833 |
| Purchased property services | - | 4,760 |
| Other purchased services | 329 | 4,280,926 |
| Total operating expenses | \$ 43,306 | \$ 4,347,210 |
| Operating income (loss) | \$ (906) | \$ (65,649) |
| Net Position - Beginning of the year | \$ 9,860 | \$ 1,977,157 |
| Restatements | (5,575) | (1,666) |
| Net Position - Beginning of the year - Restated | \$ 4,285 | \$ 1,975,491 |
| Net Position - End of the year | \$ 3,379 | \$ 1,909,842 |

See accompanying Notes to the Financial Statements

Browning Public Schools, Glacier County, Montana
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2018

| | Business - Type Activities - Enterprise Funds | Governmental Activities |
|---|--|------------------------------------|
| | Non-major Enterprise | Internal Service Funds |
| Cash flows from operating activities: | | |
| Cash received from providing services | \$ 41,459 | \$ 4,957,367 |
| Cash received from miscellaneous sources | - | 46,369 |
| Cash payments to suppliers | (6,155) | (9,833) |
| Cash payments for professional services | (329) | (4,722,499) |
| Cash payments to employees | (34,975) | (50,232) |
| Net cash provided (used) by operating activities | \$ - | \$ 221,172 |
| Net increase (decrease) in cash and cash equivalents | \$ - | \$ 221,172 |
| Cash and cash equivalents at beginning | - | 1,328,307 |
| Cash and cash equivalents at end | \$ - | \$ 1,549,479 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | |
| Operating income (loss) | \$ (906) | \$ (65,649) |
| Change in accounts receivable | (941) | 722,175 |
| Change in accounts payable | - | (436,813) |
| Change in accrued payroll | 1,847 | 1,459 |
| Net cash provided (used) by operating activities | \$ - | \$ 221,172 |

See accompanying notes to the financial statements

Browning Public Schools, Glacier County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2018

| | | <u>Private Purpose Trust Funds</u> | | <u>Agency Funds</u> |
|---------------------------------|----|--|----|-------------------------|
| ASSETS | | | | |
| Cash and short-term investments | \$ | <u>393,273</u> | \$ | <u>1,305,516</u> |
| Total assets | \$ | <u>393,273</u> | \$ | <u>1,305,516</u> |
| LIABILITIES | | | | |
| Warrants payable | \$ | - | \$ | 1,154,283 |
| Accounts payable | | - | | 151,233 |
| Total liabilities | \$ | <u>-</u> | \$ | <u>1,305,516</u> |
| NET POSITION | | | | |
| Assets held in trust | \$ | <u>393,273</u> | | |

See accompanying Notes to the Financial Statements

Browning Public Schools, Glacier County, Montana
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2018

| | | <u>Private Purpose Trust Funds</u> |
|---|----|--|
| ADDITIONS | | |
| Contributions: | | |
| Student activities | \$ | 317,899 |
| Other revenue from local sources | | 2,500 |
| Total additions | \$ | <u>320,399</u> |
| DEDUCTIONS | | |
| Student activities | \$ | 257,759 |
| Student scholarships | | 7,950 |
| Total deductions | \$ | <u>265,709</u> |
| Change in net position | \$ | <u>54,690</u> |
| Net Position - Beginning of the year | \$ | 338,317 |
| Restatements | | 266 |
| Net Position - Beginning of the year - Restated | \$ | <u>338,583</u> |
| Net Position - End of the year | \$ | <u><u>393,273</u></u> |

See accompanying Notes to the Financial Statements

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

GASB No. 75 *Accounting and Financial Report for Postemployment Benefits Other than Pension (OPEB)*, is effective for years beginning after June 15, 2017 with early implementation encouraged. The statement fully amends the previously issued GASB No. 45 *Accounting and Financial Report for Postemployment Benefits Other than Pension*. GASB 75 established standards for recognition and measurement of the liabilities, deferred outflows and inflows of resources, and expense/expenditures related to OPEB. Different distinctions are made regarding the particular requirements depending upon whether the OPEB plans are administered through a trust that meets criteria identified in the statement. The statement also identifies the methods and assumptions required in projecting benefit payments, discounting those payments to actuarial present value, and applying that present value to periods of employee service in the School. The disclosure requirements for OPEB plans is defined in this statement, that includes further detail on the District's plan and benefits provided, the assumptions used in the valuations, sensitivity analysis, and number of employees in the plan. Lastly, it increased the required supplementary information requiring 10 most recent fiscal years summarizing sources of change in OPEB liability, its components, and other related ratios. These changes are similar to pension GASB No. 68 that became effective in the prior fiscal year.

Financial Reporting Entity

In determining the financial reporting entity, the District complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, as amended by GASB statement No. 61, *The Financial Reporting Entity: Omnibus*, and includes all component units of which the District appointed a voting majority of the component units' board; the District is either able to impose its' will on the unit or a financial benefit or burden relationship exists. In addition, the District complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the District.

Primary Government

The District was established under Montana law to provide elementary and secondary educational services to residents of the District. The District actually consists of two legally separate districts. The Elementary District provides education from kindergarten through the eighth grade and the High School District provides education from grades nine through twelve. Based on the criteria for determining the reporting entity (separate legal entity and financial or fiscal dependency on other governments) the District is a primary government as defined by GASB Cod. Sec. 2100 and has no component units.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Separate accounting records must be maintained for each District because of differences in funding and legal requirements. However, both districts are managed as a single system by a central board of trustees, elected in district-wide elections, and by a central administration appointed by and responsible to the Board. These financial statements present, as a single reporting entity, all activities over which the Board of Trustees exercises responsibility.

Basis of Presentation, Measurement Focus and Basis of Accounting

Government-wide Financial Statements

Basis of Presentation

The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the reporting entity except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Eliminations have been made in the consolidation of business type activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function. The District does not charge indirect expenses to programs or functions. The types of transactions reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred regardless of the timing of the 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 provider have been met. The District generally applies restricted resources to expenses incurred before using unrestricted resources when both restricted and unrestricted net position are available.

Fund Financial Statements

Basis of Presentation

Fund financial statements of the reporting District are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are organized into three categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is displayed in a separate column in the governmental funds statements. All of the remaining funds are aggregated and reported in a single column as non-major funds. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Measurement Focus and Basis of Accounting

Governmental Funds

Modified Accrual

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Measurable” means the amount of the transaction can be determined. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The District defined the length of time used for “available” for purposes of revenue recognition in the governmental fund financial statements to upon receipt. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, charges for current services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the District.

Major Funds:

The District reports the following major governmental funds:

General Fund - This is the District’s primary operating fund and it accounts for all financial resources of the District except those required to be accounted for in other funds.

Elementary Miscellaneous Programs Fund – Authorized by Section 20-9-507, MCA, for the purpose of accounting for local, state or federal grants and reimbursements. Donations and expendable trusts for scholarships or other purposes that support district programs are deposited in this fund.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Proprietary Funds:

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. The principal operating revenues for enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary Funds

Fiduciary funds presented using the economic resources measurement focus and the accrual basis of accounting (except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment healthcare plans). The required financial statements are a statement of fiduciary net position and a statement of changes in fiduciary net assets. The fiduciary funds are:

Private-purpose Trust Funds – To report all other trust arrangements under which the principal and income benefit individuals, private organizations, or other governments.

Agency Funds – To report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). This fund primarily consists of assets held by the District as an agent for individuals, private organizations, other local governmental entities and the District's claims and payroll clearing funds

Student Extracurricular Activities Fund – The Student Extracurricular Activities Fund is authorized by Section 20-9-504, MCA, to account for various student activities, such as athletics, clubs, classes, student government organizations, student publications and other such activities. Separate fund accounts within the Extracurricular Fund are maintained to account for these various activities. Unlike other district funds, the money for these activities may be maintained in bank accounts outside the control of the County Treasurer. The fund is administered by District administrators, faculty members, and student organizations under the guidelines and policies established by the Board of Trustees and in accordance with the "Student Activity Fund Accounting" guidelines. Required guidelines are available from the Montana Association of District Business Officials (MASBO) or from OPI.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Internal Service Funds

Internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies for the government on a cost-reimbursement basis. The District maintains two internal service funds. One fund is a self-insurance health insurance fund which provides medical coverage to the District employees. The other is a purchasing fund. Internal service funds are reported using the economic resources measurement focus and the accrual basis of accounting which is similar to the basis used for the government-wide financial statements. Revenues are recorded when earned and expenses are recorded at the same time the liability is incurred, regardless of when the related cash flows take place. All assets, and liabilities are recorded in the internal service fund financial statements.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

The District's cash, except for the Student Extracurricular Fund (an expendable trust), the Internal Service Fund – Self Insurance, and the High School Impact Aid Revenue Refunding Bond Account and Debt Service Reserve Account, is held by the County Treasurer and pooled with other County cash. School District cash which is not necessary for short-term obligations, the District participates in a County-wide investment program whereby all available cash is invested by the County Treasurer in pooled investments. Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. The County's investment portfolio as of June 30, 2018, consisted of repurchase agreements, U.S. Government Bonds and money market accounts. Interest earned on pooled investments is distributed to each contributing entity and fund on a pro rata basis. The County's investment pool is not rated.

The School District does not own specific identifiable investment securities in the pool; therefore, is not subject to categorization. Information regarding investment risk, collateral, security, and fair values for Glacier County deposits and investments is available from Glacier County Treasurer's office, 512 East Main Street, Cut Bank, Montana 59427. Fair value approximates carrying value for investments as of June 30, 2018.

Authorized investments allowed by Section 20-9-213, MCA, include savings or time deposits in a state or national bank, building or loan association, or credit union insured by the FDIC or NCUA located in the state; repurchase agreements; and the State Unified Investment Program. Further, Section 7-6-202, MCA, authorizes investments in U.S. government treasury bills, notes, bonds, U.S. Treasury obligations, treasury receipts, general obligations of certain agencies of the United States, and U.S. government security money market fund if the fund meets certain conditions.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

For purposes of the Statement of Cash Flows, cash equivalents include all cash and investments.

Deposits Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. All deposits are carried at cost plus accrued interest. As of June 30, 2018 the government's bank balance was exposed to custodial credit risk as follows:

The District's deposit bank balance for student activity at year end was \$295,114 of which the \$250,000 insured by FDIC, and the remaining amount of \$45,114 uninsured and uncollateralized. The book balance was \$303,159.

The District's deposit bank balance and book balance for self- insurance at year end was \$51,640 which was fully insured by FDIC.

The District had investment at U.S. Bank in the First American Treasury Obligation Fund for the Impact Aid Refunding Revenue Bond and Debt Service Reserve totaling \$385,893. The book balance was the same amount. These are mutual funds made up of U.S. Treasury Debt and U.S. Treasury Repurchase Agreements. These are investments and as such do not require pledged securities.

Deposit Security

Section 7-6-207, MCA, states (1) The local governing body may require security only for that portion of the deposits which is not guaranteed or insured according to law and, as to such unguaranteed or uninsured portion, to the extent of:

- (a) 50% of such deposits if the institution in which the deposit is made has a net worth of total assets ratio of 6% or more; or
- (b) 100% if the institution in which the deposit is made has a net worth of total assets ratio of less than 6%.

The amount of collateral held for District deposits at June 30, 2018, equaled or exceeded the amount required by State statutes except for Student Activities fund.

The District had a deficit cash balance of \$617,358 in the Elementary Miscellaneous Programs fund due to costs incurred but not yet received from reimbursement grants. As of June 30, 2018 they recorded due from other governments for the costs incurred in the amount of \$855,477.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 3. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the District as of June 30, 2018. These amounts are reported within the cash/investment account on the Combined Balance Sheet.

| Description | Amount |
|----------------------------------|-------------------|
| Debt Service Reserve – refunding | \$ 157,273 |
| Bond payment – refunding | <u>228,466</u> |
| | <u>\$ 385,739</u> |

NOTE 4. RECEIVABLES

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts.

Property tax levies are set in August, after the County Assessor delivers the taxable valuation information to the County, in connection with the budget process, and are based on taxable values listed as of January 1 for all property located in the District. Taxable values are established by the Montana Department of Revenue, and a revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

Real property taxes are generally billed in October and are payable 50% by November 30 and 50% by May 31. After these dates, taxes become delinquent and become a lien on the property. Personal property is assessed and personal property taxes are billed throughout the year, with a significant portion generally billed in May, June, and July. Personal property taxes are based on levies set during the prior August. These taxes become delinquent 30 days after billing.

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% a month plus a penalty of 2%. Real property on which taxes remain delinquent and unpaid may be sold at tax sales. In the case of personal property, the property is to be seized and sold after the taxes become delinquent.

NOTE 5. INVENTORIES

The costs of inventories are recorded as an expenditure when purchased.

NOTE 6. CAPITAL ASSETS

The District's assets are capitalized at historical cost or estimated historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

**BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018**

Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

| | |
|--------------|---------------|
| Buildings | 75 years |
| Improvements | 20 – 75 years |
| Equipment | 5 – 15 years |

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the District has included the value of all infrastructure into the 2018 Basic Financial Statements.

A summary of changes in governmental capital assets was as follows:

Governmental activities:

| | <u>Balance</u> <u>July 1, 2017</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2018</u> |
|---|---------------------------------------|-----------------------|---------------------|--|
| Capital assets not being depreciated: | | | | |
| Land | \$ 839,008 | \$ - | \$ - | \$ 839,008 |
| Total capital assets not being depreciated | <u>\$ 839,008</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 839,008</u> |
| Other capital assets: | | | | |
| Buildings | \$ 51,996,451 | \$ 182,188 | \$ - | \$ 52,178,639 |
| Improvements other than buildings | 4,942,804 | 1,164,201 | | 6,107,005 |
| Machinery and equipment | <u>8,838,840</u> | <u>812,161</u> | <u>(813,134)</u> | <u>8,837,867</u> |
| Total other capital assets at historical cost | \$ 65,778,095 | \$ 2,158,550 | \$ (813,134) | \$ 67,123,511 |
| Less: accumulated depreciation | <u>\$ (15,718,314)</u> | <u>\$ (1,521,416)</u> | <u>\$ 665,154</u> | <u>\$ (16,574,576)</u> |
| Total | <u>\$ 50,898,789</u> | <u>\$ 637,134</u> | <u>\$ (147,980)</u> | <u>\$ 51,387,943</u> |

Governmental capital assets depreciation expense was charged to functions as follows:

| | |
|--|---------------------|
| Governmental Activities: | |
| Instructional – regular | \$ 451,155 |
| Supporting services – operations and maintenance | 32,028 |
| Administration – general | 567,676 |
| Student transportation | 303,603 |
| Extracurricular | 9,612 |
| School food | 21,631 |
| Unallocated | <u>135,711</u> |
| Total governmental activities depreciation expense | <u>\$ 1,521,416</u> |

**BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018**

A summary of changes in business-type capital assets was as follows:

Business-type activities:

| | <u>Balance July 1, 2017</u> | <u>Balance June 30, 2018</u> |
|---|---------------------------------|----------------------------------|
| Other capital assets: | | |
| Buildings | \$ 14,128 | \$ 14,128 |
| Total other capital assets at historical cost | \$ 14,128 | \$ 14,128 |
| Less: accumulated depreciation | (14,128) | (14,128) |
| Total | <u>\$ -</u> | <u>\$ -</u> |

NOTE 7. DEFERRED INFLOWS AND DEFERRED OUTFLOWS

Balances of deferred outflows of resources and deferred inflows of resources reported in a statement of net position are aggregations of different types of deferred amounts. Further information regarding these amounts can be found in Note 10.

NOTE 8. LONG TERM DEBT OBLIGATIONS

In the governmental-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, are amortized over the life of the bond.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2018, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

| | <u>Balance July 1, 2017</u> | <u>Additions</u> | <u>Deletions</u> | <u>Restatements</u> | <u>Balance June 30, 2018</u> | <u>Due Within One Year</u> |
|----------------------------------|---------------------------------|------------------|---------------------|---------------------|----------------------------------|--------------------------------|
| General obligation bonds | \$ 4,995,000 | \$ - | \$ (410,000) | \$ - | \$ 4,585,000 | \$ 410,000 |
| Revenue bonds | 1,360,000 | - | (215,000) | - | 1,145,000 | 215,000 |
| Compensated absences | 571,314 | 50,266 | - | - | 621,580 | 330,844 |
| Net pension liability* | 21,530,931 | 9,131 | - | - | 21,540,062 | - |
| Other post-employment benefits** | 137,946 | 8,107 | - | 53,941 | 199,994 | - |
| Total | <u>\$ 28,595,191</u> | <u>\$ 67,504</u> | <u>\$ (625,000)</u> | <u>\$ 53,941</u> | <u>\$ 28,091,636</u> | <u>\$ 955,844</u> |

*See Note 10

**See Note 9

In prior years the general fund (and the compensated absences fund) was used to liquidate compensated absences and claims and judgments.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

General Obligation Bonds - The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds outstanding as of June 30, 2018 were as follows:

| <u>Purpose</u> | <u>Origination Date</u> | <u>Interest Rate</u> | <u>Term</u> | <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Annual Payment</u> | <u>Balance June 30, 2018</u> |
|--------------------------------|-------------------------|----------------------|-------------|----------------------|-------------------------|-----------------------|------------------------------|
| Elementary 2007 GO Bonds | 12/12/07 | 4.25-4.375% | 20 yrs | 12/1/27 | \$ 5,000,000 | Varies | \$ 2,745,000 |
| High School 2007 GO Bonds A | 12/12/07 | 4.25-4.375% | 20 yrs | 12/1/27 | <u>3,350,000</u> | Varies | <u>1,840,000</u> |
| | | | | | <u>\$ 8,350,000</u> | | <u>\$ 4,585,000</u> |

Reported in the governmental activities.
Annual requirement to amortize debt:

| <u>For Fiscal Year Ended</u> | <u>Principal</u> | <u>Interest</u> |
|------------------------------|---------------------|---------------------|
| 2019 | \$ 410,000 | \$ 197,288 |
| 2020 | 460,000 | 179,224 |
| 2021 | 465,000 | 160,312 |
| 2022 | 485,000 | 140,550 |
| 2023 | 510,000 | 119,938 |
| 2024 | 525,000 | 98,262 |
| 2025 | 550,000 | 75,688 |
| 2026 | 575,000 | 51,626 |
| 2027 | 605,000 | 26,468 |
| Total | <u>\$ 4,585,000</u> | <u>\$ 1,049,356</u> |

Impact Aid Revenue Bonds

| <u>Purpose</u> | <u>Origination Date</u> | <u>Interest Rate</u> | <u>Term</u> | <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Balance June 30, 2018</u> |
|---|-------------------------|----------------------|-------------|----------------------|-------------------------|------------------------------|
| High School Impact Aid Refunding Bond 2015 | 4/29/15 | 2.00% | 5 yrs | 10/1/22 | <u>\$ 1,570,000</u> | <u>\$ 1,145,000</u> |

Reported in the governmental activities.

BROWNING PUBLIC SCHOOLS
 GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

Annual requirement to amortize debt:

| <u>For Fiscal</u> <u>Year Ended</u> | <u>Principal</u> | <u>Interest</u> |
|--|------------------|-----------------|
| 2019 | \$ 215,000 | \$ 22,900 |
| 2020 | 225,000 | 18,600 |
| 2021 | 230,000 | 14,100 |
| 2022 | 235,000 | 9,500 |
| 2023 | 240,000 | 4,800 |
| Total | \$ 1,145,000 | \$ 69,900 |

Compensated Absences

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. Non-teaching District employees earn vacation leave ranging from fifteen to twenty-four days per year depending on the employee's years of service. Vacation leave may be accumulated not to exceed two times the maximum number of days earned annually. Sick leave is earned at a rate of one day per month for non-teaching employees. Upon retirement or termination, employees are paid for 100% of unused vacation leave and 25% of unused sick leave. Upon termination, all payments are made at the employee's current rate of pay.

Each teacher is awarded ten days annually of sick leave. Unused sick leave may accumulate to 100 days. Tenured teachers are paid \$80 per day of unused sick leave upon separation from the District.

The liability associated with governmental fund-type employees is reported in the governmental-type activities, while the liability associated with proprietary fund-type employees is recorded in the business-type activities and respective fund.

NOTE 9. POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description. The healthcare plan provides for, and Montana State Law (2-18-704) requires local governments to allow employees with at least 5 years of service and who are at least age 50 along with surviving spouses and dependents to stay on the government's health care plan as long as they pay the same premium. This creates a defined benefit Other Post-Employment Benefits Plan (OPEB), since retirees are usually older than the average age of the plan participants they receive a benefit of lower insurance rates. The OPEB plan is a single-employer defined benefit plan administered by the District. The government has not created a trust to accumulate assets to assist in covering the defined benefit plan costs, and covers these when they come due. The above described OPEB plan does not provide a stand-alone financial report.

BROWNING PUBLIC SCHOOLS
 GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

Benefits Provided. The government provides healthcare insurance benefits for retirees and their dependents upon reaching the age and service years defined in MCA 2-18-704. The benefit terms require that eligible retirees cover 100 percent of the health insurance premiums, but may pay the same premiums as the other members in the group health plan.

Employees covered by benefit terms. At June 30, 2018, the following employees were covered by the benefit terms:

| | |
|--|-----|
| Inactive employees or beneficiaries receiving benefit payments | 6 |
| Active employees | 288 |
| Total employees | 294 |
| <u>Total OPEB Liability</u> | |

The District's total OPEB liability of \$199,994 at June 30, 2018, and was determined by using the actuarial entry age normal funding method.

Actuarial assumptions and other input. The total OPEB liability in the June 30, 2018 was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--|-------|
| Average age of retirement (based on historical data) | 61.76 |
| Discount rate (average anticipated rate) | 3.92% |
| Average salary increase | 4.00% |
| <u>Health care cost rate trend (Trends based on actual renewal rates)</u> | |

| <u>Year</u> | <u>Medical/Prescription</u> | <u>Dental</u> | <u>Vision</u> |
|--------------------|------------------------------------|----------------------|----------------------|
| 2019 | 6.5% | 3.0% | 2.0% |
| 2020 | 6.0% | 2.5% | 2.0% |
| 2021 | 5.9% | 2.0% | 2.0% |
| 2022 | 5.7% | 2.0% | 2.0% |
| 2023 | 5.6% | 2.0% | 2.0% |
| 2024 | 5.5% | 2.0% | 2.0% |
| 2025 | 5.3% | 2.0% | 2.0% |
| 2026-2042 | 5.2% | 2.0% | 2.0% |

The discount rate was based on the 20-year General obligation (GO) bond index.

For TRS, healthy mortality is assumed to follow the 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 for males, set back two years for females, with mortality improvements projected by Scale BB to 2018.

BROWNING PUBLIC SCHOOLS
 GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

For TRS, disabled mortality is assumed to follow the RP2000 Disabled Mortality Table, set forward one year for males and set forward five years for females, with mortality improvements projected by Scale BB to 2018. For PERS, disabled mortality is assumed to follow the RP2000 Combined Mortality Table with no projections.

For PERS, mortality is assumed to follow the RP 2000 Health Combined Mortality table, set back one year for males and with no collar adjustment for females, with mortality improvements projects by Scale BB to 2020. For PERS, disabled mortality is assumed to follow the RP 2000 Disabled Mortality Table with no projections and no collar adjustment for males and females.

The turnover rates were determined from the periodic experience studies of the Montana public retirement systems for the covered groups as documented in the GASB 68 actuarial valuations.

Changes in the Total OPEB Liability

| | |
|---------------------------|--------------------------|
| Balance at 6/30/2017 | \$ <u>191,887</u> |
| Changes for the year: | |
| Service Cost | \$ 22,269 |
| Interest | 7,853 |
| Differences in experience | - |
| Change in assumptions | 560 |
| Benefit payments (est.) | <u>(22,575)</u> |
| Net Changes | \$ <u>8,107</u> |
| Balance at 6/30/2018 | \$ <u><u>199,994</u></u> |

Sensitivity of the total OPEB liability to changes in the discount rate. The following summarizes the total OPEB liability reported, and how that liability would change if the discount rate used to calculate the OPEB liability were to decrease or increase 1%:

| | 1% Decrease (2.87%) | Discount Rate (3.87%) | 1% Increase (4.87%) |
|----------------------|---------------------------|-----------------------------|---------------------------|
| Total OPEB Liability | \$ <u>206,379</u> | \$ <u>199,994</u> | \$ <u>191,399</u> |

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following summarizes the total OPEB liability reported, and how that liability would change if the healthcare trend rates used in projecting the benefit payments were to decrease or increase 1%:

| | 1% | Healthcare Cost Trends* | 1% Increase |
|----------------------|-----------------|-------------------------------|--------------------|
| | <u>Decrease</u> | <u>Trends*</u> | <u>1% Increase</u> |
| Total OPEB Liability | \$ 178,557 | \$ 199,994 | \$ 222,905 |

**Reference the assumptions footnotes to determine the healthcare cost trends used to calculate the OPEB liability.*

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized an OPEB expense of \$22,269. The District does not report any deferred outflows of resources and deferred inflows of resources related to OPEB as the District determined these amounts to be insignificant. In addition, since District records costs as they come due there are no deferred outflows of resources for contributions to the OPEB plan trust.

NOTE 10. NET PENSION LIABILITY

Plan Descriptions

PERS

The PERS-Defined Benefit Retirement Plan (PERS) 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 provides retirement benefits to covered employees of the State, local governments, certain employees of the Montana University System, and District districts.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the *defined contribution* and *defined benefit* retirement plans. For members that choose to join the PERS-DCRP, a percentage of the employer contributions will be used to pay down the liability of the PERS-DBRP. All new members from the universities also have 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 established by state law and can only be amended by the Legislature.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

TRS

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

PERS

Member's highest average compensation (HAC)

Hired prior to July 1, 2011 - highest average compensation during any consecutive 36 months; Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months; Hired on or after July 1, 2013 – 110% annual cap on compensation considered as part of a member's highest average compensation.

Eligibility for benefit

Service retirement:

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

Early Retirement (actuarially reduced):

- Hired prior to July 1, 2011:
 - Age 50, 5 years of membership service; or
 - Any age, 25 years of membership service.
- Hired on or after July 1, 2011:
 - Age 55, 5 years of membership service.

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

1) Retire 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. A refund of member's contributions plus return interest (currently .77% effective July 1, 2017).

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

- b. No service credit for second employment;
 - c. Start the same benefit amount the month following termination; and
 - d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
- 2) Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:
- a. A recalculated retirement benefit based on provisions in effect after the initial retirement; and
 - b. GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.
- 3) Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:
- a. The same retirement as prior to the return to service;
 - b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
 - c. 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 a part of a member's highest average compensation.

Monthly benefit formula

Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

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

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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.

TRS

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

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

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.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

The GABA is applicable to both Tier One and Tier Two members. The GABA for Tier One members is 1.5% of the benefit payable as of January 1st. For Tier Two members the GABA each year may vary from 0.5% to 1.5% based on the retirement 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

PERS

1. Rates are specified by state law and are a percentage of the member's compensation.
 - a. Contributions are deducted from each member's salary and remitted by participating employers;
 - b. The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
 - a. Plan members are required to contribute 7.90% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.
 - b. The 7.90% member contributions is temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
3. Employer contributions to the system:
 - a. 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 actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
4. Non Employer Contributions
 - a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of members' compensation on behalf of District entities.
 - b. Not Special Funding
 - i. The State contributes a portion of Coal Severance Tax income and earnings from the Coal Severance Tax fund.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

TRS

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 District Districts and Other Employers. The System also receives 0.11% of reportable compensation from the State's general fund for all TRS Employers including State Agency and University System Employers. Finally, the State is also required to contribute \$25 million in perpetuity payable July 1st of each year.

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

Stand-Alone Statements

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

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

Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System (PERS) and Montana Teachers' Retirement System (TRS) Statement 68 became effective June 30, 2016 and includes requirements to record and report their proportionate share of the collective Net Pension Liability, Pension Expense, Deferred Inflows and Deferred Outflows of resources associated with pensions. In accordance with Statement 68, the System has a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS, TRS that are used to provide pension benefits to the retired members. Due to the existence of a special funding situation, employers are also required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer.

**BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018**

The State of Montana also has a funding situation that is not Special Funding whereby the State General Fund provides contributions from the Coal Severance Tax and interest to PERS. All employers are required to report the portion of Coal Tax Severance Tax and interest attributable to the employer. The following table displays the amounts and the percentages of Net Pension Liability for the fiscal years ended June 30, 2017 and June 30, 2016 (reporting dates).

| | TRS NPL as of 6/30/17 | TRS NPL as of 6/30/18 | Percent of Collective NPL | PERS NPL as of 6/30/17 | PERS NPL as of 6/30/18 | Percent of Collective NPL | Total NPL as of 6/30/17 | Total NPL as of 6/30/18 | Percent of Collective NPL |
|--|--------------------------|--------------------------|---------------------------------|------------------------------|------------------------------|---------------------------------|----------------------------|----------------------------|---------------------------------|
| Employer Proportionate Share | \$ 16,735,998 | \$ 16,042,426 | 0.9515% | \$ 4,794,923 | \$ 5,497,626 | 0.2823% | \$ 21,530,921 | \$ 21,540,052 | 1.2338% |
| State of Montana Proportionate Share associated with Employer | 10,905,771 | 10,183,190 | 0.6040% | 224,094 | 253,627 | 1.2926% | 11,129,865 | 10,436,817 | 1.8966% |
| Total | <u>\$ 27,641,769</u> | <u>\$ 26,225,616</u> | <u>1.5555%</u> | <u>\$ 5,019,017</u> | <u>\$ 5,751,253</u> | <u>1.5749%</u> | <u>\$ 32,660,786</u> | <u>\$ 31,976,869</u> | <u>3.1304%</u> |

At June 30, 2018, the employer recorded a liability of \$21,540,052 for its proportionate share of the Net Pension Liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The employer's proportion of the net pension liability was based on the employer's contributions received by PERS, TRS, during the measurement period July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERS, TRS, participating employers. At June 30, 2018, the employer's proportion was 1.2338 percent.

Changes in actuarial assumptions and methods:

PERS

Effective July 1, 2017, the following assumption changes were used:

- Lowered the interest rate from 7.75% to 7.65%.
- Lowered the inflation rate from 3.00% to 2.75%.
- Updated non-disabled mortality to the RP-2000 Combined Employee and Annuitant Mortality Table projected to 2020 using scale BB, males set back 1 year.
- Increased rates of withdrawal.
- Lowered the merit component of the total salary increase.
- Lowered the wage base component of the total salary increase from 4.00% to 3.50%.
- Decreased the administrative expense load from 0.27% to 0.26%.

TRS

There have been no changes in actuarial assumptions and other inputs since the previous measurement date.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Effective July 1, 2017, the following method changes were used:

- 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.
- To be consistent with the wage base growth change, the payroll growth assumption for amortization as a level percent of pay was reduced from 4.00% to 3.50%.

Changes in benefit terms:

PERS

Effective July 1, 2017, the following benefit changes were:

- The interest rate credited to member accounts increased from 0.25% to 0.77%.
- Lump sum payouts in all systems are limited to the member's accumulated contributions rather than the present value of the member's benefit.

TRS

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

Changes in proportionate share: Between the measurement date of the collective NPL and the employer's reporting date there were some changes in proportion that may have an effect on the employer's proportionate share of the collective NPL.

Pension Expense as of 6/30/18

| | TRS | PERS | Total |
|---|--------------|------------|--------------|
| Employer Proportionate Share | \$ 1,321,821 | \$ 577,503 | \$ 1,899,324 |
| State of Montana Proportionate Share associated with the Employer | 545,462 | 92,166 | 637,628 |
| Total | \$ 1,867,283 | \$ 669,669 | \$ 2,536,952 |

At June 30, 2018, the employer recognized a Pension Expense of \$1,899,324 for its proportionate share of the pension expense. The employer also recognized grant revenue of \$637,628 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the employer.

Recognition of Beginning Deferred Outflow

At June 30, 2018, the employer recognized a beginning deferred outflow of resources for the employers' FY 2017 contributions of \$1,406,022.

**BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018**

Deferred Inflows and Outflows

At June 30, 2018, the employer reported its proportionate share of PERS and TRS deferred outflows of resources and deferred inflows of resources related to PERS and TRS from the following sources:

| | <u>TRS Deferred Outflows of Resources</u> | <u>TRS Deferred Inflows of Resources</u> | <u>PERS Deferred Outflows of Resources</u> | <u>PERS Deferred Inflows of Resources</u> | <u>Total Deferred Outflows of Resources</u> | <u>Total Deferred Inflows of Resources</u> |
|--|---|--|--|---|---|--|
| Differences between expected and actual economic experience | \$ 58,998 | \$ 23,985 | \$ 135,389 | \$ 7,957 | \$ 194,387 | \$ 31,942 |
| Changes in actuarial assumptions | - | 67,068 | 751,468 | - | 751,468 | 67,068 |
| Difference between projected and actual investment earnings | - | 63,486 | - | 36,922 | - | 100,408 |
| Changes in porportion & Difference between actual and expected contributions | 607,519 | 174,248 | - | 54,517 | 607,519 | 228,765 |
| *Contributions paid subsequent to the measurement date - FY 2018 Contributions | 1,184,864 | - | 342,211 | - | 1,527,075 | - |
| Total | <u>\$ 1,851,381</u> | <u>\$ 328,787</u> | <u>\$ 1,229,068</u> | <u>\$ 99,396</u> | <u>\$ 3,080,449</u> | <u>\$ 428,183</u> |

*Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Deferred Inflows and Outflows

| TRS: Year ended June 30: | Deferred Outflows of Resources | Deferred Inflows of Resources | Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense |
|-----------------------------|--------------------------------------|-------------------------------------|--|
| 2019 | \$ 306,746 | \$ 461,096 | \$ (154,350) |
| 2020 | \$ 595,500 | \$ 37,164 | \$ 558,336 |
| 2021 | \$ 216,895 | \$ - | \$ 216,895 |
| 2022 | \$ - | \$ 283,150 | \$ (283,150) |
| 2023 | \$ - | \$ - | \$ - |
| Thereafter | \$ - | \$ - | \$ - |

| PERS: Year ended June 30: | Deferred Outflows of Resources | Deferred Inflows of Resources | Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense |
|------------------------------|--------------------------------------|-------------------------------------|--|
| 2019 | \$ - | \$ - | \$ 194,740 |
| 2020 | \$ - | \$ - | \$ 429,891 |
| 2021 | \$ - | \$ - | \$ 334,362 |
| 2022 | \$ - | \$ - | \$ (117,014) |
| 2023 | \$ - | \$ - | \$ - |
| Thereafter | \$ - | \$ - | \$ - |

Actuarial Assumptions

PERS

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2016, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2017. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the last actuarial experience study, dated May 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 % of Payroll 0.26%
- General Wage Growth* 3.50%
- *includes Inflation at 2.75%
- Merit Increases 0% to 6.3%
- Postretirement Benefit Increases:

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2014
- Member 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, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among Disabled members are based on RP 2000 Combined Mortality Tables with no projections.

TRS

The Total Pension Liability as of June 30, 2017, is based on the results of an actuarial valuation date of July 1, 2017. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2017 valuation were based on the results of the last actuarial experience study, dated May 1, 2014. Among those assumptions were the following:

- Total Wage Increases*

| |
|-------------------------------|
| 4% - 8.51% for Non-University |
| Members and 5.00% for |
| University Members |
- Investment Return 7.75%
- Price Inflation 3.25%
- 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: 1992 Base Rates from the RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and 1992 Base Rates from 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: 1992 Base Rates from the RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and 1992 Base Rates from 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.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

- Mortality among disabled members
 - For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.
 - For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

*Total Wage Increases include 4.00% general wage increase.

- Mortality assumptions among contributing members, service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using Scale BB, males set back 1 year.
- Mortality assumptions among Disabled Members were based on RP 2000 Combined Mortality Tables.

Discount Rate

PERS

The discount rate used to measure the Total Pension Liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated.

For PERS the State contributes 0.1% of salaries for local governments and 0.37% for District districts. In addition, the state contributed coal severance tax and interest money from the general fund. The interest was contributed monthly and the severance tax was contributed quarterly. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2121. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

TRS

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. In addition to the contributions the State general fund will contribute \$25 million annually to the System payable July 1st of each year. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

BROWNING PUBLIC SCHOOLS
 GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

Target Allocations

PERS

| <u>Asset Class</u> | <u>Target Asset Allocation</u> | Real Rate of Return Arithmetic <u>Basis</u> | Long-Term Expected Real <u>Rate of Return</u> |
|--------------------|------------------------------------|--|---|
| Cash Equivalents | 2.60% | 4.00% | 0.10% |
| Domestic Equity | 36.00% | 4.55% | 1.64% |
| Foreign Equity | 18.00% | 6.35% | 1.14% |
| Fixed Income | 23.40% | 1.00% | 0.23% |
| Private Equity | 12.00% | 7.75% | 0.93% |
| Real Estate | <u>8.00%</u> | 4.00% | <u>0.32%</u> |
| Total | <u>100.00%</u> | | <u>4.37%</u> |
| | Inflation | | 2.75% |
| | Portfolio Return Expectation | | 7.12% |

The long-term expected return on pension plan assets was reviewed as part of the regular experience study prepared for the Plan. The most recent analysis, performed for the period of July 1, 2010 to June 30, 2016, is outlined in a report dated May 2017 and can be located on the MPERA website. 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, 2017, are summarized above. The long-term expected nominal rate of return above of 7.12% is an expected portfolio rate of return provided by Board of Investments (BOI), which differs from the total long-term assumed rate of return of 7.65% in the experience study. The assumed investment rate is comprised of a 2.75% inflation rate and a real rate of return of 4.90%.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

TRS

| <u>Asset Class</u> | Target Asset <u>Allocation</u> | Real Rate of Return <u>Arithmetic Basis</u> | Long-Term Expected Portfolio Real Rate of <u>Return*</u> |
|----------------------------|------------------------------------|--|---|
| Broad US Equity | 36.00% | 4.80% | 1.73% |
| Broad International Equity | 18.00% | 6.05% | 1.09% |
| Private Equity | 12.00% | 8.50% | 1.02% |
| Intermediate Bonds | 23.40% | 1.50% | 0.35% |
| Core Real Estate | 4.00% | 4.50% | 0.18% |
| High Yield Bonds | 2.60% | 3.25% | 0.08% |
| Non-Core Real Estate | <u>4.00%</u> | 7.50% | <u>0.30%</u> |
| Total | <u>100.00%</u> | | <u>4.75%</u> |
| | Inflation | | <u>3.25%</u> |
| | Expected arithmetic nominal return | | 8.00% |

*The long-term expected nominal rate of return above of 8.00% differs from the total TRS long-term rate of return assumption of 7.75%. The assumed rate is comprised of a 3.25% inflation rate and a real long-term expected rate of return of 4.50%.

The assumed long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2009 through 2013, is outlined in a report dated May 1, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2017, is summarized in the above table.

BROWNING PUBLIC SCHOOLS
 GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

Sensitivity Analysis

| | 1.0% <u>Decrease</u> | Current <u>Discount Rate</u> | 1.0% Increase <u></u> |
|------|-------------------------|---------------------------------|--------------------------|
| TRS | \$ 221,106,963 | \$ 16,042,426 | \$ 10,934,813 |
| PERS | \$ 8,006,823 | \$ 5,497,626 | \$ 3,391,346 |

TRS

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

PERS

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 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

Summary of Significant Accounting Policies

The Montana Public Employee Retirement Administration (MPERA (for PERS)) 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).

BROWNING PUBLIC SCHOOLS
 GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

TRS

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.

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES

Interfund Transfers

The following is an analysis of operating transfers in and out during Fiscal Year 2018:

| <u>Purpose</u> | <u>Receivable fund</u> | <u>Payable fund</u> | <u>Amount</u> |
|--|---|---|-------------------|
| Payment of bond | High School Debt Service – Nonmajor Governmental | General – Major Governmental | \$ 242,250 |
| School safety | High School Building Reserve – Nonmajor Governmental | High School Bus Depreciation – Nonmajor Governmental | 13,742 |
| Bring the cash balance to \$10,000 as required by law | General – Major Governmental | Elementary Lease-Rental – Nonmajor Governmental | 26,189 |
| School safety | Elementary Building Reserve – Nonmajor Governmental | Elementary Bus Depreciation – Nonmajor Governmental | <u>41,225</u> |
| | | | <u>\$ 323,406</u> |

NOTE 12. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

Governmental Fund equity is classified as fund balance. The Browning Public Schools, categorizes fund balance of the governmental funds into the following categories:

Restricted - constraint is externally imposed by a third party, State Constitution, or enabling legislation.

Unassigned – negative fund balance in all funds, or fund balance with no constraints in the General Fund.

The government considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

The government considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Restricted Fund Balance

| <u>Fund</u> | <u>Amount</u> | <u>Purpose of Restriction</u> |
|-----------------------------------|---------------------|----------------------------------|
| Elementary Miscellaneous Programs | \$ 186,218 | Third party grantor restrictions |
| All other aggregate | 253,830 | Student transportation |
| | 535,419 | Bus replacement |
| | 318,456 | Student food services |
| | 258,663 | Employer costs of benefits |
| | 156,695 | Third party grant restrictions |
| | 37,689 | Adult education |
| | 45,241 | Student instructional services |
| | 279,079 | Operations and maintenance |
| | 65,904 | Traffic education |
| | 76,199 | Technology upgrades |
| | <u>447,276</u> | Capital projects |
| | <u>\$ 2,660,669</u> | |

NOTE 13. DEFICIT FUND BALANCES/NET POSITION

| <u>Fund Name</u> | <u>Amount</u> | <u>Reason for Deficit</u> | <u>How Deficit will be eliminated</u> |
|--------------------------|--------------------|---------------------------|---------------------------------------|
| Elementary Debt Service | \$ (16,572) | Uncollected taxes | Collection of delinquent taxes |
| High School Debt Service | <u>(11,418)</u> | Uncollected taxes | Collection of delinquent taxes |
| | <u>\$ (27,990)</u> | | |

NOTE 14. RESTATEMENTS

During the current fiscal year, the following adjustments relating to prior years' transactions were made to fund balance and net position.

| <u>Fund</u> | <u>Amount</u> | <u>Reason for Adjustment</u> |
|-----------------------------------|---------------|---|
| General | \$ (26,519) | Prior year payroll accrual and Prior year receivable adjustments |
| Elementary Transportation | (10,462) | Prior year payroll accrual and Prior year receivable adjustments |
| Elementary Bus Depreciation | 1,438 | Prior year receivable adjustment |
| Elementary School Food Services | 224,290 | Prior year due from not reported adjustment of revenue to restatement |
| Elementary Tuition | 207 | Prior year receivable adjustment |
| Elementary Retirement | (35,990) | Prior year payroll accrual and Prior year receivable adjustments |
| Elementary Miscellaneous Programs | (3,276) | Prior year receivable adjustment |

**BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018**

| | | |
|------------------------------------|------------------|--|
| Elementary Adult Education | 168 | Prior year receivable adjustment |
| Elementary Lease-Rental | (3,140) | Prior year receivable adjustment |
| Elementary Technology | 178 | Prior year receivable adjustment |
| Elementary Debt Service | 511 | Prior year receivable adjustment |
| Elementary Building | 395 | Prior year receivable adjustment |
| Elementary Interlocal Agreement | 16,692 | Prior year receivable adjustment |
| High School Transportation | (7,489) | Prior year payroll accrual and Prior year receivable adjustments |
| High School Tuition | 36 | Prior year receivable adjustment |
| High School Retirement | (13,141) | Prior year payroll accrual and Prior year receivable adjustments |
| High School Miscellaneous Programs | 727 | Prior year receivable adjustment |
| High School Adult Education | 20 | Prior year receivable adjustment |
| High School Traffic Education | 328 | Prior year receivable adjustment |
| High School Lease-Rental | 39 | Prior year receivable adjustment |
| High School Technology | 142 | Prior year receivable adjustment |
| High School Debt Service | 322 | Prior year receivable adjustment |
| High School Building | 318 | Prior year receivable adjustment |
| Elementary Day Care | (5,575) | Prior year payroll accrual and prior year receivable adjustments |
| High School Purchasing | (1,666) | Prior year accounts payable adjustments |
| Government-wide Governmental | (53,941) | Beginning of the year adjustment for OPEB GASB 75 |
| High School Miscellaneous Trust | 266 | Prior year payable |
| | <u>\$ 84,878</u> | |

NOTE 15. SERVICES PROVIDED BY OTHER GOVERNMENTS

County Provided Services

The District is provided various financial services by Glacier County. The County also serves as cashier and treasurer for the District for tax and assessment collections and other revenues received by the County which are subject to distribution to the various taxing jurisdictions located in the County. The collections made by the County on behalf of the District are accounted for in an agency fund in the District's name and are periodically remitted to the District by the County Treasurer. No service charges have been recorded by the District or the County.

NOTE 16. RISK MANAGEMENT

The District faces considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e., errors and omissions, (d) environmental damage, (e) workers' compensation, i.e., employee injuries, and (f) medical insurance costs of employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Insurance Policies:

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Commercial policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employee torts, and professional liability. Employee medical insurance is provided for by a commercial carrier. And, given the lack of coverage available, the District has no coverage for potential losses from environmental damages.

Insurance Pools:

The Montana Districts Group Insurance Authority (MSGIA) was created pursuant to the Interlocal Cooperation Act by execution of an Interlocal Agreement creating the MSGIA. The MSGIA is responsible for paying all workers' compensation claims of the member District districts. Each member of the MSGIA is jointly and severally liable for the full amount of any and all known or unknown claims of each member arising during the member's participation in the program. The MSGIA purchases workers' compensation reinsurance to provide statutory excess limits. The MSGIA contracts with Montana District Boards Association (MTSBA) to provide third party administrative services to the program. The MTSBA provides general program management, claim management, and risk management services to its program members.

The Montana District Unemployment Insurance Program (MSUIP) was created pursuant to the Interlocal Cooperation Act by execution of an Interlocal Agreement creating the MSUIP. The MSUIP is responsible for paying all unemployment insurance claims of the member District districts. Each member of the MSUIP is jointly and severally liable for the full amount of any and all known or unknown claims of each member arising during the member's participation in the program. The MSUIP contracts with Montana District Boards Association (MTSBA) to provide third party administrative services to the program. The MTSBA provides general program management and technical services to its program members.

Separate audited financial statements are available from Montana Districts Group Insurance Authority for MSGIA and MSUIP.

Self-Insurance

The District provides medical insurance coverage for its employees via a partially self-insured plan administered by Peak 1 Administration. It provides medical, dental and vision benefits and is operated as an Internal Service Fund. Rates are determined in consultation with the broker, Payne West Insurance, based on past claim experience plus and administrative fee. The rates include a premium for a commercial "stop-loss" policy for when claims, in total, exceeds \$75,000 in covered charges during a year. A reconciliation of claims payable follows:

| | |
|-------------------------------|-------------------|
| Claims payable, June 30, 2017 | \$ 587,656 |
| Claims incurred | 4,279,801 |
| Claims paid | <u>4,726,447</u> |
| Claims payable, June 30, 2018 | \$ <u>141,010</u> |

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 17. SUBSEQUENT EVENTS

The District voters passed bond for \$3,955,000 in October 2018, however, the bonds have not been sold. The bond is for the Browning Middle School remodel and addition for a total project cost of approximately \$11,000,000 with the remaining amount to be paid from Impact Aid reserves. In addition, the District has plans for a Sports Complex to also be paid with Impact Aid reserves, 50% elementary and 50% high school. Total project cost is estimated to be \$7,000,000. The District contracted with L'Heureux Page Werner to provide the Architectural and Engineering for the two projects.

Browning School District invests the majority of its cash and investment balances in an investment pool at Glacier County. On December 13, 2018 the Glacier County's audit report disclosed the following:

“Substantial Doubt about the County’s Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that Glacier County, Montana, will continue as a going concern. As discussed in Note 21, to the financial statements (of Glacier County), the County continues to struggle in its financial management of its operations. The County's unrestricted cash funds had a cumulative negative total of over \$3.9 million at November 30, 2018. Management's evaluation of the events and conditions and management's plans regarding those matters also are described in Note 21 (of Glacier County's audit report). The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

NOTE 18. PENDING LITIGATION

The following is a list of litigation pending against the District and the amount of damages claimed by the Plaintiff. The District's attorney has made no evaluation as to the outcome of each case. The District has liability insurance which may cover all or part of the damages requested.

| <u>Case</u> | <u>Damages Requested</u> | <u>Potential of Loss</u> |
|---|--------------------------|--------------------------|
| Armstrong v. Browning Public Schools Complaint of discrimination | Not Stated | Not Stated |

**REQUIRED SUPPLEMENTAL
INFORMATION**

Browning Public Schools, Glacier County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

| | General | | | |
|--|-------------------------|----------------------|---|------------------------------|
| | BUDGETED AMOUNTS | | ACTUAL | VARIANCE |
| | ORIGINAL | FINAL | AMOUNTS (BUDGETARY BASIS) See Note A | WITH FINAL BUDGET |
| RESOURCES (INFLOWS): | | | | |
| Local revenue | \$ 909,699 | \$ 909,699 | \$ 934,991 | \$ 25,292 |
| State revenue | 12,255,406 | 12,255,406 | 12,207,887 | (47,519) |
| Federal revenue | - | - | - | - |
| Amounts available for appropriation | \$ <u>13,165,105</u> | \$ <u>13,165,105</u> | \$ <u>13,142,878</u> | \$ <u>(22,227)</u> |
| CHARGES TO APPROPRIATIONS (OUTFLOWS): | | | | |
| Instructional - regular | \$ 9,091,751 | \$ 9,081,751 | \$ 7,796,200 | \$ 1,285,551 |
| Instructional - special education | 1,372,237 | 1,372,237 | 1,740,963 | (368,726) |
| Instructional - vocational education | 205,327 | 215,327 | 220,602 | (5,275) |
| Supporting services - operations & maintenance | 63,755 | 63,755 | 133,104 | (69,349) |
| Supporting services - general | 1,293,769 | 1,293,769 | 1,189,652 | 104,117 |
| Supporting services - educational media services | 489,259 | 489,259 | 469,350 | 19,909 |
| Administration - general | 38,916 | 38,916 | 66,032 | (27,116) |
| Administration - school | 489,652 | 489,652 | 504,309 | (14,657) |
| Student transportation | - | - | 591 | (591) |
| Extracurricular | 89,775 | 89,775 | 82,688 | 7,087 |
| Capital outlay | 30,664 | 30,664 | 30,664 | - |
| Total charges to appropriations | \$ <u>13,165,105</u> | \$ <u>13,165,105</u> | \$ <u>12,234,155</u> | \$ <u>930,950</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ - | \$ - | \$ 26,189 | \$ 26,189 |
| Total other financing sources (uses) | \$ <u>-</u> | \$ <u>-</u> | \$ <u>26,189</u> | \$ <u>26,189</u> |
| Net change in fund balance | | | \$ <u>934,912</u> | |
| Fund balance - beginning of the year | | | \$ 530,042 | |
| Restatements | | | <u>(280,367)</u> | |
| Fund balance - beginning of the year - restated | | | \$ 249,675 | |
| Fund balance - end of the year | | | \$ <u>1,184,587</u> | |

Browning Public Schools, Glacier County, Montana
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation

Note A - Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures

| | General |
|--|----------------|
| Sources/Inflows of resources | |
| Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule | \$ 13,142,878 |
| Combined funds (GASBS 54) revenues | 15,164,493 |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances- governmental funds. | \$ 28,307,371 |
| Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | \$ 12,234,155 |
| Combined funds (GASBS 54) expenditures | 9,161,539 |
| - Encumbrances reported at the beginning of the year | 37,949 |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | \$ 21,433,643 |

Note B

The Elementary Miscellaneous Programs fund is a major special revenue fund in which a legally adopted budget is not required

Browning Public School, Glacier County, Montana
Schedule of Changes in the Total OPEB Liability
and Related Ratios
For the Year Ended June 30, 2018

| | | 2018 |
|---|----|------------|
| Total OPEB liability | | |
| Service Cost | \$ | 8,107 |
| Net change in total OPEB liability | | 8,107 |
| Total OPEB Liability - beginning | | 137,946 |
| Restatement | | 53,941 |
| Total OPEB Liability - ending | \$ | 199,994 |
| Covered-employee payroll | \$ | 13,305,938 |
| | | |
| Total OPEB liability as a percentage of covered -employee payroll | | 2% |

**The above schedule is presented by combining the required schedules from GASB 75 paragraphs 170a and 170b. The GASB requires that 10 years of information related to the OPEB liability be presented, but due to this being the first year of implementation only one year of data is available.*

Browning Public Schools, Glacier County, Montana
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2018

| | <u>PERS</u> <u>2018</u> | <u>PERS</u> <u>2017</u> | <u>PERS</u> <u>2016</u> | <u>PERS</u> <u>2015</u> |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| Employer's proportion of the net pension liability | 0.2823% | 0.2815% | 0.2909% | 0.2870% |
| Employer's proportionate share of the net pension liability associated with the Employer | \$ 5,497,626 | \$ 4,794,923 | \$ 4,066,981 | \$ 3,575,758 |
| State of Montana's proportionate share of the net pension liability associated with the Employer | \$ 253,627 | \$ 224,094 | \$ 191,107 | \$ 167,155 |
| Total | <u>\$ 5,751,253</u> | <u>\$ 5,019,017</u> | <u>\$ 4,258,088</u> | <u>\$ 3,742,913</u> |
| Employer's covered payroll | \$ 3,616,644 | \$ 3,485,681 | \$ 3,510,507 | \$ 2,730,175 |
| Employer's proportionate share of the net pension liability as a percentage of its covered payroll | 152.01% | 137.56% | 115.85% | 111.22% |
| Plan fiduciary net position as a percentage of the total pension liability | 73.75% | 74.71% | 78.40% | 79.87% |
| | <u>TRS</u> <u>2018</u> | <u>TRS</u> <u>2017</u> | <u>TRS</u> <u>2016</u> | <u>TRS</u> <u>2015</u> |
| Employer's proportion of the net pension liability | 0.9515% | 0.9161% | 0.8712% | 0.9068% |
| Employer's proportionate share of the net pension liability associated with the Employer | \$ 16,042,426 | \$ 16,735,998 | \$ 14,313,175 | \$ 13,953,893 |
| State of Montana's proportionate share of the net pension liability associated with the Employer | \$ 10,183,190 | \$ 10,905,771 | \$ 9,588,336 | \$ 9,559,086 |
| Total | <u>\$ 26,225,616</u> | <u>\$ 27,641,769</u> | <u>\$ 23,901,511</u> | <u>\$ 23,512,979</u> |
| Employer's covered payroll | \$ 12,549,504 | \$ 11,891,476 | \$ 11,118,964 | \$ 11,435,163 |
| Employer's proportionate share of the net pension liability as a percentage of its covered payroll | 127.83% | 140.74% | 128.73% | 122.03% |
| Plan fiduciary net position as a percentage of the total pension liability | 70.09% | 66.69% | 69.30% | 70.36% |

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

Browning Public Schools, Glacier County, Montana
Schedule of Contributions
For the Year Ended June 30, 2018

| | PERS 2018 | PERS 2017 | PERS 2016 | PERS 2015 |
|---|----------------------|----------------------|----------------------|----------------------|
| Contractually required contributions | \$ 342,211 | \$ 293,090 | \$ 281,840 | \$ 279,790 |
| Contributions in relation to the contractually required contributions | \$ 342,211 | \$ 293,090 | \$ 283,092 | \$ 281,366 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| District's covered payroll | \$ 4,173,305 | \$ 3,616,644 | \$ 3,485,681 | \$ 3,510,507 |
| Contributions as a percentage of covered payroll | 8.20% | 8.10% | 8.12% | 8.02% |

| | TRS 2018 | TRS 2017 | TRS 2016 | TRS 2015 |
|---|---------------------|---------------------|---------------------|---------------------|
| Contractually required contributions | \$ 1,184,864 | \$ 1,113,323 | \$ 1,070,508 | \$ 983,124 |
| Contributions in relation to the contractually required contributions | \$ 1,184,864 | \$ 1,113,323 | \$ 1,070,508 | \$ 983,124 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| District's covered payroll | \$ 13,132,416 | \$ 12,549,504 | \$ 11,891,476 | \$ 11,118,964 |
| Contributions as a percentage of covered payroll | 9.02% | 8.87% | 9.00% | 8.84% |

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

Browning Public Schools, Glacier County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2018

PERS

Changes of Benefit Terms

The following changes to the plan provisions 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 the January immediately following second retirement.

1) 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 the January after receiving recalculated benefit for 12 months.

2) 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 the January immediately following second retirement.

3) 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 the 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.

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 1.00% 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

Browning Public Schools, Glacier County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2018

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 actuarial 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 Orders

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 Contribution (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.

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 - \$31.386 million
2. FY2019 - \$31.958 million
3. Beginning July 1, 2019 through at least June 30, 2025, 101% of the contribution 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

Browning Public Schools, Glacier County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2018

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 30, 2017 actuarial valuation:

| | |
|-------------------------------|--|
| General Wage Growth* | 3.50% |
| Investment Rate of Return* | 7.65% |
| * Includes inflation at | 2.75% |
| Merit salary increases | 0% to 6.30% |
| Asset valuation method | Four-year smoothed market |
| Actuarial cost method | Entry Age Normal |
| Mortality (Healthy members) | For Males and Females: RP 200 Combine Employee and Annuitant Mortality Table project to 2020 Using Scale BB, males set back 1 year |
| Mortality (Disabled members) | For Males and Females: RP 2000 Combined Mortality Table |
| Admin Expense as % of Payroll | 0.23% |

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.

TRS

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

Browning Public Schools, Glacier County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2018

- (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
- (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.

Browning Public Schools, Glacier County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2018

Changes in actuarial assumptions and other inputs:

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.

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.

Browning Public Schools, Glacier County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 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 | 22 years |
| Asset valuation method | 4- year smoothed market |
| Inflation | 3.25 percent |
| Salary increase | 4.00 to 83.51 percent, including inflation for Non-University Members and 5.00% for University members; |
| Investment rate of return | 7.75 percent, net of pension plan investment expense and including inflation |

SUPPLEMENTAL INFORMATION

**Browning Public Schools
Glacier County, Montana
SCHEDULE OF ENROLLMENT
For the Fiscal Year Ended June 30, 2018**

Fall Enrollment - October, 2017

Elementary School District

| | FALL | | |
|-------------------------|----------------|-------------------------|------------|
| | Per Enrollment | Audit Per | Difference |
| | <u>Reports</u> | <u>District Records</u> | |
| Kindergarten Full | 144 | 143 | -1 |
| Kindergarten Part | 0 | 0 | 0 |
| Grades 1-6 | 969 | 969 | 0 |
| Grades 7-8 | 278 | 274 | -4 |
| Total Elementary | 1,391 | 1,386 | -5 |

Part-time Students

| Grade | Per Enrollment Reports | | | | Audit per District Records | | | | Difference |
|---------------|------------------------|----------------|----------------|----------------|----------------------------|----------------|----------------|----------------|------------|
| | < 181 hrs/yr | 181-359 hrs/yr | 360-539 hrs/yr | 540-719 hrs/yr | < 181 hrs/yr | 181-359 hrs/yr | 360-539 hrs/yr | 540-719 hrs/yr | |
| Kinder - Full | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Kinder - Part | 0 | 0 | N/A | N/A | 0 | 0 | N/A | N/A | 0 |
| 1-6 | 0 | 0 | 1 | 6 | 0 | 0 | 1 | 6 | 0 |
| 7-8 | 0 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 |

High School District

| | FALL | | |
|--------------|----------------|-------------------------|------------|
| | Per Enrollment | Audit Per | Difference |
| | <u>Reports</u> | <u>District Records</u> | |
| Grades 9-12 | 576 | 576 | 0 |
| 19 year-olds | 7 | 7 | 0 |

Part-time Students

| Grade | Per Enrollment Reports | | | | Audit per District Records | | | | Difference |
|-------|------------------------|----------------|----------------|----------------|----------------------------|----------------|----------------|----------------|------------|
| | < 181 hrs/yr | 181-359 hrs/yr | 360-539 hrs/yr | 540-719 hrs/yr | < 181 hrs/yr | 181-359 hrs/yr | 360-539 hrs/yr | 540-719 hrs/yr | |
| 9-12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Spring Enrollment - February, 2018

Elementary School District

| | SPRING | | |
|-------------------------|----------------|-------------------------|------------|
| | Per Enrollment | Audit Per | Difference |
| | <u>Reports</u> | <u>District Records</u> | |
| Kindergarten - Full | 142 | 141 | -1 |
| Kindergarten - Part | 0 | 0 | 0 |
| Grades 1-6 | 971 | 969 | -2 |
| Grades 7-8 | 280 | 279 | -1 |
| Total Elementary | 1,393 | 1,389 | -4 |

Part-time Students

| Grade | Per Enrollment Reports | | | | Audit per District Records | | | | Difference |
|---------------|------------------------|----------------|----------------|----------------|----------------------------|----------------|----------------|----------------|------------|
| | < 181 hrs/yr | 181-359 hrs/yr | 360-539 hrs/yr | 540-719 hrs/yr | < 181 hrs/yr | 181-359 hrs/yr | 360-539 hrs/yr | 540-719 hrs/yr | |
| Kinder - Full | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Kinder - Part | 0 | 0 | N/A | N/A | 0 | 0 | N/A | N/A | 0 |
| 1-6 | 0 | 0 | 0 | 6 | 0 | 0 | 0 | 6 | 0 |
| 7-8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

High School District

| | SPRING | | |
|--------------|----------------|-------------------------|------------|
| | Per Enrollment | Audit Per | Difference |
| | <u>Reports</u> | <u>District Records</u> | |
| Grades 9-12 | 558 | 558 | 0 |
| 19 year-olds | 7 | 7 | 0 |

Part-time Students

| Grade | Per Enrollment Reports | | | | Audit per District Records | | | | Difference |
|-------|------------------------|----------------|----------------|----------------|----------------------------|----------------|----------------|----------------|------------|
| | < 181 hrs/yr | 181-359 hrs/yr | 360-539 hrs/yr | 540-719 hrs/yr | < 181 hrs/yr | 181-359 hrs/yr | 360-539 hrs/yr | 540-719 hrs/yr | |
| 9-12 | 1 | 1 | 7 | 20 | 1 | 1 | 7 | 20 | 0 |

Browning Public Schools
 Glacier County, Montana
 EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS
 Fiscal Year Ended June 30, 2018

| FUND ACCOUNT | Beginning Balance | Revenues | Expenditures | Transfers In(Out) | Ending Balance |
|---|----------------------|----------|--------------|----------------------|-------------------|
| Elementary - 4 Year Old | \$ - | \$ 1,582 | \$ 1,367 | \$ - | \$ 215 |
| Elementary - Activities Babb | 1,442 | 3,927 | 4,563 | - | 806 |
| Elementary - Activities Browning | 5,040 | 9,988 | 11,418 | - | 3,610 |
| Elementary - Activities First Grade | 995 | 1,193 | 1,928 | - | 260 |
| Elementary - Activities Kindergarten Bergan | 349 | 5,026 | 4,545 | - | 830 |
| Elementary - American Indian Business Leader | 1,453 | 1 | - | - | 1,454 |
| Elementary - Athletic Events Napi | (150) | 150 | - | - | - |
| Elementary - Chess Club Napi | 300 | - | - | - | 300 |
| Elementary - Culture Club Browning Elementary (Formerly Drum Clut | 523 | - | - | - | 523 |
| Elementary - Culture Club Napi | 238 | - | - | - | 238 |
| Elementary - KW/Vina Library | 2,166 | 638 | 537 | - | 2,267 |
| Elementary - Library Club Browning | 319 | 4,728 | 2,444 | - | 2,603 |
| Elementary - Napi Activities | 599 | 849 | 849 | - | 599 |
| Elementary - Santa Store | 2,092 | - | - | - | 2,092 |
| High School - Academic Challenge | (1,257) | - | - | 2,005 | 748 |
| High School - Activities Browning | 5,399 | 1,314 | 1,061 | - | 5,652 |
| High School - After Prom | (1,025) | - | (30) | 1,885 | 890 |
| High School - Aises Browning | (508) | 20,533 | 22,922 | 949 | (1,948) |
| High School - American Indian Business Leader | 5,688 | 3 | 1 | - | 5,690 |
| High School - Art Browning | 1,809 | 1 | - | - | 1,810 |
| High School - Athletic Events Browning | 63,030 | 101,226 | 76,281 | - | 87,975 |
| High School - Attendance Awards | 2,162 | 1 | - | - | 2,163 |
| High School - Avid C/O 2013 | 674 | - | - | - | 674 |
| High School - Avid C/O 2014 | 1,425 | 1 | - | - | 1,426 |
| High School - Blackfeet Academy Yearbook Club | 523 | - | - | - | 523 |
| High School - Blackft Academy Activities | 766 | - | - | - | 766 |
| High School - Booster Club | 1 | - | - | - | 1 |
| High School - Business Professionals of America | 70 | - | - | - | 70 |
| High School - B-You | 975 | - | - | - | 975 |
| High School - C/O 2012 | 580 | 894 | - | - | 1,474 |
| High School - C/O 2013 | 1,293 | - | - | - | 1,293 |
| High School - C/O 2014 | 6,863 | 4 | 2 | - | 6,865 |
| High School - C/O 2015 | 663 | - | - | - | 663 |
| High School - C/O 2016 | 686 | - | - | - | 686 |
| High School - C/O 2017 | 1,204 | 1 | 3,429 | 3,630 | 1,406 |
| High School - C/O 2018 | 2,689 | 11,899 | 6,783 | (1,633) | 6,172 |
| High School - C/O 2019 | 1,817 | 31,598 | 15,481 | 625 | 18,559 |
| High School - C/O 2020 | - | 804 | 970 | 1,799 | 1,633 |
| High School - C/O 2021 | - | 167 | - | - | 167 |
| High School - Cheerleaders | - | - | - | - | - |
| High School - Chorus | 1,894 | 1 | - | (392) | 1,503 |
| High School - Close-Up Project | 13,893 | - | - | (12,903) | 990 |
| High School - College Club | 284 | - | - | - | 284 |
| High School - Concessions | 35,355 | 64,275 | 47,388 | 12,902 | 65,144 |
| High School - Drama Club Browning | 4,847 | 3 | 1 | - | 4,849 |
| High School - Drug Free Activities | 4,735 | 4,303 | 2,357 | (1,777) | 4,904 |
| High School - Eagle Claw Society | 170 | - | - | (2) | 168 |

Browning Public Schools
 Glacier County, Montana
 EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS- continued
 Fiscal Year Ended June 30, 2018

| FUND ACCOUNT | Beginning Balance | Revenues | Expenditures | Transfers In(Out) | Ending Balance |
|---|----------------------|-------------------|-------------------|----------------------|-------------------|
| High School - ETAKASI Yearbook | 9,109 | 5 | 2 | - | 9,112 |
| High School - ETUMOE | 1,096 | 1 | - | - | 1,097 |
| High School - Explore America | (1,587) | - | - | 1,633 | 46 |
| High School - FCCLA | 49 | - | - | - | 49 |
| High School - FFA | 1,452 | 420 | 498 | (702) | 672 |
| High School - Graduation "Everyone's a Winner" | 7,475 | 2 | 1 | (4,119) | 3,357 |
| High School - Health Occupation Student | 1,954 | - | - | (1,464) | 490 |
| High School - Human Rights | 1,799 | 16,533 | 16,367 | 1,703 | 3,668 |
| High School - International Club | 2,303 | 1 | - | (1,081) | 1,223 |
| High School - Jazz Band | 1,105 | 1 | - | 442 | 1,548 |
| High School - Jobs for Montana Graduates | 757 | - | - | (182) | 575 |
| High School - Library Clubing Browning | 437 | 2,195 | 681 | (1,730) | 221 |
| High School - National Honor Society Browning | 216 | - | 870 | 332 | (322) |
| High School - Native Players | 14 | - | - | - | 14 |
| High School - New Year's Eve | 2,363 | 1 | 1 | - | 2,363 |
| High School - Outdoor Leadership | 177 | - | - | - | 177 |
| High School - Pep Club | (1,498) | - | - | 2,368 | 870 |
| High School - R.I.F. | 1 | - | - | - | 1 |
| High School - Random Acts of Kindness | 1,062 | 1 | - | - | 1,063 |
| High School - Rodeo Browning | 5,043 | 1,401 | 2,596 | (2,782) | 1,066 |
| High School - Shop | (838) | 307 | 200 | 1,114 | 383 |
| High School - Spanish Club | 2,372 | - | - | (2,054) | 318 |
| High School - Speech & Debate | 3,619 | 277 | 76 | (468) | 3,352 |
| High School - Spirit of the Buffalo Dance Troop | 2,091 | 3,604 | 361 | (684) | 4,650 |
| High School - Student Advisory Board Browning | 2,491 | 1 | 2,716 | 1,141 | 917 |
| High School - Toy Drive | 172 | 18,672 | 18,287 | 4,013 | 4,570 |
| High School - Volley Club | 3,630 | - | - | (3,630) | - |
| High School - Weight Lifters | 3,751 | 1,267 | 444 | (938) | 3,636 |
| Middle School - Activities Browning | 215 | 50 | - | - | 265 |
| Middle School - Aises Science | 718 | - | - | - | 718 |
| Middle School - Art Browning | 543 | - | - | - | 543 |
| Middle School - Athletic Events Browning | 2,600 | 1,746 | 7,210 | - | (2,864) |
| Middle School - Avid | 10,290 | 4,616 | 1,636 | - | 13,270 |
| Middle School - Band | 1,112 | 1 | - | - | 1,113 |
| Middle School - Browning Culinary Club | 52 | - | - | - | 52 |
| Middle School - Browning Culture Club | 125 | - | - | - | 125 |
| Middle School - Browning Drama Club | 70 | - | - | - | 70 |
| Middle School - Industrial Arts Middle | 634 | - | - | - | 634 |
| Middle School - I-TA-MA-PI-(WA) | 441 | - | - | - | 441 |
| Middle School - JR Academy | 9 | - | - | - | 9 |
| Middle School - Library Club | - | 1,507 | 1,507 | - | - |
| Middle School - Leather Club | 347 | 69 | - | - | 416 |
| Middle School - National Honor Society Browning | 301 | - | - | - | 301 |
| Middle School - Odyssey of the Mind Browning | 92 | - | - | - | 92 |
| Middle School - Rodeo Browning | 158 | - | - | - | 158 |
| Middle School - Spirit | 206 | - | - | - | 206 |
| Middle School - Student Advisory Board Browning | 1,063 | 102 | - | - | 1,165 |
| Middle School - Student Needs | 782 | - | - | - | 782 |
| Middle School - Yearbook Club | 574 | - | - | - | 574 |
| Total | <u>\$ 243,018</u> | <u>\$ 317,890</u> | <u>\$ 257,750</u> | <u>\$ -</u> | <u>\$ 303,158</u> |

Browning Public Schools, Glacier County, Montana
Balance Sheet
General Funds
June 30, 2018

| | <u>Elementary General</u> | <u>High School General</u> | <u>Total</u> |
|--|-------------------------------|------------------------------------|----------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and investments | \$ 1,091,270 | \$ 385,661 | \$ 1,476,931 |
| Taxes and assessments receivable, net | 487,174 | 163,887 | 651,061 |
| Total assets | <u>\$ 1,578,444</u> | <u>\$ 549,548</u> | <u>\$ 2,127,992</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accrued payroll | \$ 175,658 | \$ 78,737 | \$ 254,395 |
| Total liabilities | <u>\$ 175,658</u> | <u>\$ 78,737</u> | <u>\$ 254,395</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows - taxes receivable | \$ 487,174 | \$ 163,887 | \$ 651,061 |
| Total deferred inflows of resources | <u>\$ 487,174</u> | <u>\$ 163,887</u> | <u>\$ 651,061</u> |
| FUND BALANCE | | | |
| Unassigned | <u>915,612</u> | <u>306,924</u> | <u>1,222,536</u> |
| Total fund balance | <u>\$ 915,612</u> | <u>\$ 306,924</u> | <u>\$ 1,222,536</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | <u><u>\$ 1,578,444</u></u> | <u><u>\$ 549,548</u></u> | <u><u>\$ 2,127,992</u></u> |

Browning Public Schools, Glacier County, Montana
Balance Sheet
Impact Aid Funds
June 30, 2018

| | <u>Elementary Impact Aid</u> | <u>High School Impact Aid</u> | <u>Total</u> |
|--|----------------------------------|-----------------------------------|----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and investments | \$ 18,099,639 | \$ 9,028,490 | \$ 27,128,129 |
| Total current assets | <u>\$ 18,099,639</u> | <u>\$ 9,028,490</u> | <u>\$ 27,128,129</u> |
| Noncurrent assets: | | | |
| Restricted cash and investments | \$ - | \$ 385,739 | \$ 385,739 |
| Total noncurrent assets | <u>\$ -</u> | <u>\$ 385,739</u> | <u>\$ 385,739</u> |
| Total assets | <u>\$ 18,099,639</u> | <u>\$ 9,414,229</u> | <u>\$ 27,513,868</u> |
| Current liabilities: | | | |
| Accounts payable | \$ 40,052 | \$ 28,074 | \$ 68,126 |
| Accrued payroll | 68,211 | 18,826 | 87,037 |
| Total current liabilities | <u>\$ 108,263</u> | <u>\$ 46,900</u> | <u>\$ 155,163</u> |
| Total liabilities | <u>\$ 108,263</u> | <u>\$ 46,900</u> | <u>\$ 155,163</u> |
| FUND BALANCE | | | |
| Unassigned | \$ 17,991,376 | \$ 9,367,329 | \$ 27,358,705 |
| Total fund balance | <u>\$ 17,991,376</u> | <u>\$ 9,367,329</u> | <u>\$ 27,358,705</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | <u>\$ 18,099,639</u> | <u>\$ 9,414,229</u> | <u>\$ 27,513,868</u> |

Browning Public Schools, Glacier County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
General Funds
For the Fiscal Year Ended June 30, 2018

| | <u>Elementary General</u> | | <u>High School General</u> | | <u>Total</u> |
|---|-------------------------------|--|--------------------------------|--|----------------------|
| REVENUES | | | | | |
| Local revenue | \$ 701,887 | | \$ 233,104 | | \$ 934,991 |
| State revenue | 8,493,461 | | 3,714,426 | | 12,207,887 |
| Total revenues | <u>\$ 9,195,348</u> | | <u>\$ 3,947,530</u> | | <u>\$ 13,142,878</u> |
| EXPENDITURES | | | | | |
| Instructional - regular | \$ 5,860,840 | | 1,935,360 | | \$ 7,796,200 |
| Instructional - special education | 1,369,562 | | 371,401 | | 1,740,963 |
| Instructional - vocational education | 21,532 | | 199,070 | | 220,602 |
| Supporting services - operations & maintenance | 123,025 | | 10,079 | | 133,104 |
| Supporting services - general | 664,661 | | 524,991 | | 1,189,652 |
| Supporting services - educational media services | 324,005 | | 145,345 | | 469,350 |
| Administration - general | - | | 66,032 | | 66,032 |
| Administration - school | 119,320 | | 384,989 | | 504,309 |
| Student transportation | 591 | | | | 591 |
| Extracurricular | - | | 82,688 | | 82,688 |
| Capital outlay | 30,664 | | | | 30,664 |
| Total expenditures | <u>\$ 8,514,200</u> | | <u>\$ 3,719,955</u> | | <u>\$ 12,234,155</u> |
| Excess (deficiency) of revenues over expenditures | <u>\$ 681,148</u> | | <u>\$ 227,575</u> | | <u>\$ 908,723</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers In | \$ 26,189 | | \$ - | | \$ 26,189 |
| Transfers out | - | | - | | - |
| Total other financing sources (uses) | <u>\$ 26,189</u> | | <u>\$ -</u> | | <u>\$ 26,189</u> |
| Net Change in Fund Balance | <u>\$ 707,337</u> | | <u>\$ 227,575</u> | | <u>\$ 934,912</u> |
| Fund balances - beginning | \$ 404,038 | | \$ 163,953 | | \$ 567,991 |
| Restatements | (195,763) | | (84,604) | | (280,367) |
| Fund balances - beginning - restated | <u>\$ 208,275</u> | | <u>\$ 79,349</u> | | <u>\$ 287,624</u> |
| Fund balances - ending | <u>\$ 915,612</u> | | <u>\$ 306,924</u> | | <u>\$ 1,222,536</u> |

Browning Public Schools, Glacier County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Impact Aid Funds
For the Fiscal Year Ended June 30, 2018

| | <u>Elementary Impact Aid</u> | <u>High School Impact Aid</u> | <u>Total</u> |
|---|----------------------------------|-----------------------------------|----------------------|
| REVENUES | | | |
| Local revenue | \$ 136,034 | \$ 132,893 | \$ 268,927 |
| Federal revenue | 9,508,575 | 5,339,780 | 14,848,355 |
| Total revenues | <u>\$ 9,644,609</u> | <u>\$ 5,472,673</u> | <u>\$ 15,117,282</u> |
| EXPENDITURES | | | |
| Instructional - regular | \$ 1,061,008 | \$ 282,943 | \$ 1,343,951 |
| Instructional - special education | 112,554 | \$4,125 | 116,679 |
| Instructional - vocational education | - | \$0 | - |
| Supporting services - operations & maintenance | 1,778,718 | \$747,497 | 2,526,215 |
| Supporting services - general | 32,861 | \$28,894 | 61,755 |
| Supporting services - educational media services | 406,324 | \$176,818 | 583,142 |
| Administration - general | 629,758 | \$190,380 | 820,138 |
| Administration - school | 1,017,216 | \$117,680 | 1,134,896 |
| Administration - business | 342,387 | \$115,046 | 457,433 |
| Student transportation | 137,607 | \$65,249 | 202,856 |
| Extracurricular | 198,037 | \$537,099 | 735,136 |
| School food | 34,902 | \$0 | 34,902 |
| Community services | 12,931 | \$4,291 | 17,222 |
| Capital outlay | 1,151,913 | \$13,250 | 1,165,163 |
| Total expenditures | <u>\$ 6,916,216</u> | <u>\$ 2,283,272</u> | <u>\$ 9,199,488</u> |
| Excess (deficiency) of revenues over expenditures | <u>\$ 2,728,393</u> | <u>\$ 3,189,401</u> | <u>\$ 5,917,794</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | | | |
| Transfers out | \$ - | \$ (242,250) | \$ (242,250) |
| Total other financing sources (uses) | <u>\$ -</u> | <u>\$ (242,250)</u> | <u>\$ (242,250)</u> |
| Net Change in Fund Balance | <u>\$ 2,728,393</u> | <u>\$ 2,947,151</u> | <u>\$ 5,675,544</u> |
| Fund balances - beginning | \$ 15,139,207 | \$ 6,292,369 | \$ 21,431,576 |
| Restatements | 123,776 | 127,809 | 251,585 |
| Fund balances - beginning - restated | <u>\$ 15,262,983</u> | <u>\$ 6,420,178</u> | <u>\$ 21,683,161</u> |
| Fund balances - ending | <u>\$ 17,991,376</u> | <u>\$ 9,367,329</u> | <u>\$ 27,358,705</u> |

SINGLE AUDIT SECTION

Browning Public Schools, Glacier County, Montana
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

| <u>Cluster Title/Federal Grantor/Pass-through Grantor /Program</u> | <u>Federal CFDA Number</u> | <u>Pass-through Grantor Number</u> | <u>Federal Expenditures</u> |
|---|------------------------------------|--|---------------------------------|
| Child Nutrition Cluster | | | |
| <u>United States Department of Agriculture</u> | | | |
| <i>Passed through Montana Office of Public Instruction</i> | | | |
| School Breakfast Program | 10.553 | N/A | \$ 433,891 |
| National School Lunch Program | 10.555 | N/A | 977,761 |
| Summer Food Service Program for Children | 10.559 | N/A | 34,817 |
| Total United States Department of Agriculture | | | \$ 1,446,469 |
| Total Child Nutrition Cluster | | | \$ 1,446,469 |
| | | | |
| Special Education Cluster (IDEA)- Cluster | | | |
| <u>Department of Education</u> | | | |
| <i>Passed through Montana Office of Public Instruction</i> | | | |
| Special Education Grants to States | 84.027 | 1804007718 | \$ 496,595 |
| Special Education Grants to States | 84.027 | 1804007717 | 59,610 |
| Special Education Preschool Grants | 84.173 | 1804007918 | 8,829 |
| Total Department of Education | | | \$ 565,034 |
| Total Special Education Cluster (IDEA)- Cluster | | | \$ 565,034 |
| | | | |
| Other Programs | | | |
| <u>Department of Education</u> | | | |
| <i>Passed through Montana Office of Public Instruction</i> | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 1804003217 | \$ 599,531 |
| Title I Grants to Local Educational Agencies | 84.010 | 1804003118 | 21,055 |
| Title I Grants to Local Educational Agencies | 84.010 | 1804003317 | 63,974 |
| Title I Grants to Local Educational Agencies | 84.010 | 1804003318 | 132,503 |
| Title I Grants to Local Educational Agencies | 84.010 | 1804003117 | 3,224 |
| Title I Grants to Local Educational Agencies | 84.010 | 1804003218 | 1,324,416 |
| Title I Grants to Local Educational Agencies | 84.010 | 1804013318 | 42,476 |
| Career and Technical Education - Basic Grants to States | 84.048 | 1804018118 | 56,674 |
| Education for Homeless Children and Youth | 84.196 | 1804005718 | 7,564 |
| Education for Homeless Children and Youth | 84.196 | 1804005717 | 4,600 |
| Twenty -First Century Community Learning Centers | 84.287 | 1804001718 | 49,999 |
| Twenty -First Century Community Learning Centers | 84.287 | 1804001717 | 503 |
| English Language Acquisition State Grants | 84.365 | 1804004117 | 10,834 |
| Supporting Effective Instruction State Grants (formerly Improving Teacher Qualith State Grants) | 84.367 | 1804001417 | 48,829 |
| Striving Readers/Comprehensive Literacy Development | 84.371 | 1804003518 | 26,104 |
| Preschool Development Grants | 84.419 | 1804001618 | 344,199 |
| | | | |
| <i>Passed through Office of the Commissioner of Higher Education</i> | | | |
| Gaining Early Awareness and Readiness for Undergraduate Programs | 84.334 | P334S110014-16 | 31,307 |
| Gaining Early Awareness and Readiness for Undergraduate Programs | 84.334 | P334S110014-17 | 172,387 |
| | | | |
| <i>Direct</i> | | | |
| Impact Aid | 84.041 | N/A | 9,428,069 |
| Indian Education Grants to Local Educational Agencies | 84.060 | N/A | 450,606 |
| Total Department of Education | | | \$ 12,818,854 |

Browning Public Schools, Glacier County, Montana
Schedule of Expenditures of Federal Awards - continued
For the Year Ended June 30, 2018

| <i>Cluster Title/Federal Grantor/Pass-through Grantor /Program</i> | <i>Federal CFDA Number</i> | <i>Pass-through Grantor Number</i> | <i>Federal Expenditures</i> |
|---|------------------------------------|--|------------------------------------|
| <u>Department of Health and Human Services</u> | | | |
| <i>Passed through Montana Office of Public Instruction</i> | | | |
| Substance Abuse and Mental Health Services Projects of Regional and National Significance | 93.243 | 1804003817 | \$ 216,682 |
| Substance Abuse and Mental Health Services Projects of Regional and National Significance | 93.243 | 1804003818 | 337,008 |
| Total Department of Health and Human Services | | | \$ <u>553,690</u> |
| <u>United States Department of Agriculture</u> | | | |
| <i>Passed through Montana Office of Public Instruction</i> | | | |
| Child and Adult Care Food Program | 10.558 | N/A | \$ 2,133 |
| Fresh Fruit and Vegetable Program | 10.582 | N/A | 58,491 |
| Total United States Department of Agriculture | | | \$ <u>60,624</u> |
| Total Other Programs | | | \$ <u>13,433,168</u> |
| Total Federal Financial Assitance | | | \$ <u><u>15,444,671</u></u> |

The accompanying notes are an integral part of this schedule

BROWNING PUBLIC DISTRICTS

GLACIER COUNTY, MONTANA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal year Ended June 30, 2018

Basis of Presentation and Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of Browning Public Districts, Glacier County, Montana. The information in this schedule is presented in accordance with the requirements Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the Browning Public Districts, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Browning Public Districts. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the basic financial statements.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Browning Public Districts has elected not to use the 10 percent de Minimis indirect cost rate as provided in Sec. 200.414 Indirect Costs under Uniform Guidance.

Value of Federal Awards Expended in the form of Noncash Assistance

- *Food Commodities value equals the fair value at the time of the receipt \$93,055*

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South – P.O. Box 1957 Kalispell, MT 59903-1957

**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
Browning Public Schools
Glacier County
Browning, 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, business-type activities, each major fund, and the aggregate remaining fund information of Browning Public Schools, Glacier County, Montana, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Browning Public School’s basic financial statements and have issued our report thereon dated March 26, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Browning Public Schools, Glacier County, Montana’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 Browning Public Schools, Glacier County, Montana’s internal control. Accordingly, we do not express an opinion on the effectiveness of Browning Public School’s internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses as identified as item 2018-001.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies as identified as items 2018-002, 2018-003, 2018-004, and 2018-005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Browning Public Districts's financial statements are free of 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*.

Browning Public School's Response to Findings

Browning Public School's response to the findings identified in our audit is described in the Auditee's Corrective Action Plan. Browning Public School's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Derringer, Downey and Associates, CPAs, P.C.

March 26, 2019

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

**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
Browning Public Schools
Glacier County
Browning, Montana

Report on Compliance for Each Major Federal Program

We have audited Browning Public Schools, Glacier County, Montana's, compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Browning Public School's major federal programs for the year ended June 30, 2018. 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 Browning Public Schools, Glacier County, Montana'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 (CFR) 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 School'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 School's compliance.

Basis for Qualified Opinion on Impact Aid

As described in the accompanying schedule of findings and questioned costs finding 2018-006, Browning Public Districts, Glacier County, Montana did not comply with requirements regarding Impact Aid Wage Rate Compliance. Compliance with such requirements is necessary, in our opinion, for Browning Public Districts, Glacier County, Montana, to comply with the requirements applicable to that program.

Qualified Opinion on Impact Aid

In our opinion, except for the noncompliance described in the Basis of Qualified Opinion paragraph, Browning Public Districts, Glacier County, Montana, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Impact Aid for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Browning Public Districts, Glacier County, Montana, 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Browning Public Schools, Glacier County, Montana 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, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our 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 School's internal control over compliance.

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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2018-006 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2018-007 to be significant deficiencies.

Browning Public Schools, Glacier County, Montana's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Browning Public Schools, Glacier County, Montana'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.

Derring, Downey and Associates, CPAs, P.C.

March 26, 2019

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2018

Section I – Summary of Auditor’s Results

Financial Statements

| | |
|--|-------------------|
| Type of auditor’s report issued | <i>Unmodified</i> |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | Yes |
| Significant deficiency(s) identified not considered to be material weaknesses | Yes |
| Noncompliance material to financial statements noted? | Yes |

Federal Awards

| | |
|--|-----------------|
| Internal control over major federal programs: | |
| Material weakness(es) identified? | Yes |
| Significant deficiency(s) identified | Yes |
| Type of auditor’s report issued on compliance for major programs: | <i>Modified</i> |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) | Yes |

Identification of major programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------|--|
| 10.553, 10.559 | Child Nutrition Cluster |
| 93.243 | Substance Abuse and Mental Health Services Projects of Regional and National Significance |
| 84.041 | Impact Aid |

| | |
|---|-------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$ 750,000</u> |
| Auditee qualified as low-risk auditee? | Yes |

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Section II – Financial Statement Findings

2018-001 Elementary Transportation Fund Taxes Receivable

Condition:

The taxes receivable and deferred inflows were overstated in the elementary transportation fund.

Context:

We completed an analytical test calculating ending taxes receivable by starting with the prior year taxes receivable, adding calculated charges based on mills levied and taxable value per the budget, subtracting the revenues received for property taxes to end with a calculated ending taxes receivable. This amount for the elementary Transportation Fund was less than the amount reported. We then compared the taxes receivable reported to the Glacier County amount of taxes receivable reported and noted a higher difference.

Criteria:

Internal control procedures for taxes receivable should include a comparison of charges per the county to the calculated charges to ensure receivables are properly charged. Then comparing ending taxes receivable to the county balances.

Effect:

Taxes receivable and deferred inflows were overstated \$78,892 in the Elementary Transportation fund. This has been corrected for the audit report. We noted other funds also had difference which were not material to the financial statements.

Cause:

The District has not updated the taxes receivable and deferred inflows amounts in the accounting system.

Recommendation:

The District should update taxes receivable and deferred inflows amounts in the accounting system to the County balances and implement control procedures to verify taxes are properly charged and collections are properly allocated by the County to ensure the ending taxes receivable balances per the County, as reported by the District are properly reported.

2018-002 Food Service Inventory (Repeat Finding 2017-003, 2016-003, 2015-006, 2014-006)

Condition:

Warehouse inventory is counted approximately every 3 months and the district keeps purchase and usage reports through the year. However, purchase and usage data are not kept in a tracking system to allow for a comparison with the actual inventory count nor is the District comparing the actual counts to what they should have.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Context:

In auditing the inventory, we requested a perpetual inventory tracking sheet and the District's comparison with the actual counts. We determined the District is not maintaining a perpetual inventory system and comparing that to the actual counts.

Criteria:

An adequate system of internal controls should include a comparison of what the District should have in inventory to what the District does have in inventory and follow up on any major discrepancies or reoccurring variances.

Effect:

There is a lack of internal controls over school food inventory.

Cause:

The District did not have a system in place to track purchases, usage, and ending inventory to compare to actual inventory counts.

Recommendation:

We recommend that the District use a perpetual inventory system to track all purchases and usage and then compare that with the actual inventory counts and follow up on discrepancies.

2018-003 Pledged Securities

Condition:

The District has inadequate levels of pledged securities for deposits at Native American Bank in the amount of \$45,114.

Context:

In scheduling cash and investments held outside the county we also test to determine deposit security of those accounts. We found there to be insufficient pledged securities for those cash and investment accounts held at Native American Bank.

Criteria:

MCA 7-6-207. Deposit Security. (1) local governing body may require security only for that portion of the deposits that is not guaranteed or insured according to law and, as to the unguaranteed or uninsured portion, to the extent of: (a) 50% of the deposits if the institution in which the deposit is made has a net worth to total assets ratio of 6% or more.

Effect:

The District was not in compliance with MCA 7-6-207.

Cause:

The District did not request a pledged security agreement with Native American Bank.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Recommendation:

The District should require appropriate pledged securities for deposits to comply with MCA section 7-6-207.

2018-004 Enrollment

Condition:

The underlying attendance records did not agree to the enrollment counts (Maefairs) reported to the Office of Public Instruction in the Fall Count and Spring Count during fiscal year 2018. For the Fall Count, Kindergarten was overstated by 1 and Grades 7-8 was overstated by 4. For the Spring Count, Kindergarten was overstated by 1, Grades 1-6 was overstated by 2, and Grades 7-8 by 1.

Context:

We compared the attendance register from the District's Infinite Campus system to the enrollment counts reported to OPI.

Criteria:

Adequate internal controls should be in place to accurately report enrollment counts and ensure the underlying attendance records agree to the reported counts and that students who have been consecutively absent for 10 or more days should not be counted.

Effect:

The District did not report accurate counts to the Office of Public Instruction based on the underlying attendance.

Cause:

The District does not have adequate controls in place to ensure the proper counts are reported accurately based on the underlying attendance records.

Recommendation:

We recommend the District implement controls to ensure the enrollment counts are accurate and the underlying attendance records agree to the amount reported.

2018-005 Student Activities

Condition:

Student activity deposits are not always made in a timely fashion.

Context:

As part of the control testing over student activities, we tested the receipting of deposits against when those receipts were actually deposited with the bank. We found that deposits were not being made in a timely fashion.

Criteria:

An adequate system of internal controls would ensure deposits are made on a weekly basis to ensure that monies are not kept for long periods of time at the District office.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Effect:

Internal control procedures for student activity deposits is not adequate.

Cause:

The District does not have a policy in place to ensure that deposits are made on a weekly basis.

Recommendation:

We recommend the District implement a policy for student activity deposits and follow up to ensure that they are being made in accordance with the policy.

Section III – Federal Award Findings and Questioned Costs

2018-006 Impact Aid Wage Rate Requirement

CFDA Title: Impact Aid

CFDA Number: 84.041

Federal Award Number: 2018

Federal Agency: U.S. Department of Education

Pass-through Entity: Direct

Condition:

The contracts did not have the clauses required for paying federal prevailing wage rates for the Phase II Browning Elementary Playground project paid with Impact Aid Section 7003(b) funds.

Context:

We obtained the contract and subcontract and reviewed for the federal prevailing wage rate clause.

Criteria:

Section 7007 construction funds, as well as any Section 7002 or 7003(b) funds spent for construction or minor remodeling, are subject to Wage Rate Requirements (20 USC 1232b).

All laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (DOL) (40 USC 3141-3144, 3146, and 3147).

Non-federal entities shall include in their construction contracts subject to the Wage Rate Requirements (which still may be referenced as the Davis-Bacon Act) a provision that the contractor or subcontractor comply with those requirements and the DOL regulations (29 CFR part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6; the A-102 Common Rule (§____.36(i)(5)); OMB Circular A-110 (2 CFR part 215, Appendix A, Contract Provisions); 2 CFR part 176, subpart C; and 2 CFR section 200.326).

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Effect:

Noncompliance with prevailing wage rate clauses in contracts noted. However, certified payrolls were maintained for the contractor and subcontractors related to the Phase II Browning Elementary Playground project. But the certified wages used were Montana prevailing wage rates per the general contractor.

Cause:

Internal control procedures related to review of all contracts paid with Impact Aid monies to ensure that the prevailing wage rate clauses are included was lacking.

Recommendation:

The District should implement internal control procedures to ensure all construction contracts are reviewed to determine if the funds paying for the services are federal monies which require prevailing wage rate clauses. The contract should be reviewed to verify the required clause is included.

2018-007 Meal Counts

CFDA Title: Child Nutrition Program

CFDA Number: 10.553,10.555,10.559

Federal Award Number: N/A

Federal Agency: U.S. Department of Agriculture

Pass-through Entity: Montana Office of Public Instruction

Condition:

The meal count subsidiary daily reports did not all support the numbers reported to the Montana Office of Public Instruction(OPI) for reimbursement as part of the Child Nutrition Cluster.

Criteria:

Internal control procedures should include maintaining supporting documentation for the meal counts submitted monthly to OPI and a review of the supporting documentation to ensure the amounts reported are accurate.

Context:

We obtained the meal count reports submitted to OPI and compared the amounts reported to the subsidiary records of meal counts maintained by the District to determine if reimbursement requests were accurate.

Effect:

We noted the following:

August 2017 Summer meal program support was 756 less for Lunch and 208 less for Dinner.

September 2017 National food program support was 1095 less for Lunch and 174 more for Severe Need Breakfast.

March 2018 National food program support was 3061 less for Lunch and 2992 for less for Severe Need Breakfast.

April 2018 National food program support was 375 less for Severe Need breakfast.

June 2018 National food program support was 30 more for Lunch and 100 more for Severe Need Breakfast.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

These errors resulted in the District receiving reimbursements from OPI of \$18,658 for meals that were not supported with daily meal counts.

Cause:

Controls were not in place to review the work of staff to ensure accurate reporting to OPI.

Recommendation:

The District should implement internal control procedures in which supervisory personnel review the daily meal count reports for completeness and the OPI reimbursement agrees to the daily meal count reports.

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

To the Board of Trustees
Browning Public Schools
Glacier County
Browning, Montana

The prior audit report contained seven recommendations. The action taken on each recommendation is as follows:

| <u>Recommendation</u> | <u>Action Taken</u> |
|------------------------------|-----------------------|
| Financial Reporting | Partially Implemented |
| Cash Reconciliation | Implemented |
| Food Service Inventory | Repeated |
| Student Activity Receipting | Partially Implemented |
| Enrollment | Repeated |
| Compliance with GASB 45-OPEB | Implemented |
| Pledged Securities | Partially Implemented |

Denning, Downey and Associates, CPA's, P.C.

March 26, 2019

Browning Public Schools

Department of Finance
129 First Avenue S.E.

P.O. Box 610
Browning, MT 59417-0610
Phone (406) 338-2715 Fax (406)338-2708



Contact Person:

Stacy J. Edwards
PO Box 610
Browning, MT 59417
(406) 338-2715 ext. 4233

Completion Date of Corrective Action Plan:

December 31, 2019

CORRECTIVE ACTION PLAN

FINDING 2018-001: Elementary Transportation Fund Taxes Receivable

Response: We have discussed having the auditor assist with adjusting the taxes receivable. With the auditor's help, we can eliminate any further overstatements.

FINDING 2018-002: Food Service Inventory (Repeat finding 2017-003, 2016-003, 2015-006, 2014-006)

Response: The Food Service has indicated that they are using a perpetual inventory system. It was implemented this fiscal year.

FINDING 2018-003: Pledged Securities

Response: We will contact the Native American Bank regarding the securities and inform them that we need pledged securities for the account.

FINDING 2018-004: Enrollment

Response: We have had turnover in this position several times within the past couple years. We have hired an individual in this position and the student data information is being reported accurately.

FINDING 2018-005: Student Activities

Response: We are working with student activities to get the funds deposited in a timely manner.
FINDING 2018-006: Impact Aid Wage Rate Requirement

Response: We are planning to start construction on two projects this summer and it has been discussed that the prevailing wage rate clause will be in the contract.

FINDING 2018-007: Meal Counts

Response: We had turnover in this position and reporting was not completed accurately. The reporting is now being monitored by supervisory personnel.

STATUS OF PRIOR AUDIT FINDINGS

FINDING 2017-001: Financial Reporting

Response: Cleared of finding.

FINDING 2017-002: Cash Reconciliation (Repeat finding 2016-001, 2015-001, 2014-003)

Response: Cleared of finding.

FINDING 2017-003: Food Service Inventory (Repeat finding 2016-003, 2015-006, 2014-006)

Response: Remains a finding.

FINDING 2017-004: Student Activity Receipting (Repeat finding 2016-004, 2015-007, 2014-001)

Response: Cleared of finding.

FINDING 2017-005: Enrollment

Response: Remains a finding.

FINDING 2017-006: Compliance with GASB 45 – OPEB

Response: Cleared of finding.

FINDING 2017-007: Pledged Securities

Response: Remains a finding.