

BROWNING PUBLIC SCHOOLS

GLACIER COUNTY, MONTANA

Fiscal Year Ended June 30, 2016

AUDIT REPORT

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

BROWNING PUBLIC SCHOOL

GLACIER COUNTY, MONTANA

Fiscal Year Ended June 30, 2016

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GLACIER COUNTY, MONTANA

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BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2016

BOARD OF TRUSTEES

Wendy Bremner
Brian Gallup
Steve Conway
Brenda Croff
Velden Calica
James Running Fisher
James Evans
Kristy Salway

Chairperson
Vice Chairperson
Trustee
Trustee
Trustee
Trustee
Trustee
Trustee

DISTRICT OFFICIALS

John Rouse
Stacy Edwards
Darryl Omsberg
Carolyn Berkram

District Superintendent
Business Manager
County Superintendent
County Attorney

School District #9 Management's Discussion and Analysis

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 \$2,970,023, this an increase of 6%.
- During the year, our school had expenses that were \$2,874,517 less than the \$33,148,491 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:

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, 2016. This is a net change of 7% - substantially stable

<u>Net Position:</u>	<u>2015</u>	<u>2016</u>	<u>Inc (Dec)</u>
Current and other assets	\$27,747,377	\$25,675,112	
Bond Issuance	\$174,120	\$174,120	
Capital assets	\$43,558,359	\$47,844,192	
Total assets	<u>\$71,479,856</u>	<u>\$73,693,424</u>	<u>\$2,213,568</u>
Deferred outflows of resources	<u>\$1,767,127</u>	<u>\$1,788,904</u>	<u>\$21,777</u>
Other liabilities	\$948,453	\$1,510,185	
Non-current liabilities	\$25,062,176	\$25,107,975	
Total liabilities	<u>\$26,010,629</u>	<u>\$26,618,160</u>	<u>\$607,531</u>
Deferred inflows of resources	<u>\$3,094,457</u>	<u>\$1,752,248</u>	<u>\$(1,342,206)</u>
Net position:			
Net Investment in capital asset	\$36,228,359	\$40,889,192	
Restricted for capital	\$1,390,329	\$809,872	
Restricted for debt	\$405,897	\$280,471	
Restricted for special	\$9,493,485	\$5,060,283	
Unrestricted	<u>\$(3,376,173)</u>	<u>\$72,102</u>	
	<u>\$44,141,897</u>	<u>\$47,111,920</u>	<u>\$2,970,023</u>

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 has an increase of 9%, which is mainly due to the purchase of several new buses and the construction projects. The increase to the non-current liabilities is largely due to the net pension liability. The unrestricted net position has increased by \$3,448,275.

The following table shows the change in net position 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.

Change in Net Position	2015	2016	Inc (Dec)
Revenues			
<i>Program Revenues</i>			
Charges for services	\$57,923	\$36,356	(\$21,567)
Operating grants and contributions	\$6,473,392	\$6,704,106	\$230,714
<i>General Revenues</i>			
District Levy	\$2,057,546	\$1,894,951	(\$162,595)
State/county equalization	\$5,346,841	\$5,649,825	\$302,984
State guaranteed tax base subsidy (GTB)	\$3,993,555	\$3,966,674	(\$26,881)
Other State revenue	\$1,972,993	\$1,618,914	(\$354,079)
Investment Earnings	\$187,973	\$149,836	(\$38,137)
Miscellaneous (other revenue)	\$1,433,368	\$143,223	(\$1,290,145)
State Entitlement (block grants)	\$383,296	\$347,534	(\$35,762)
State technology	\$13,406	\$13,236	(\$170)
County retirement	\$2,535,000	\$1,755,501	(\$779,499)
Federal Impact Aid	\$10,122,770	\$10,868,335	\$745,565
Insurance Recovery			
Total Revenues:	\$34,578,063	\$33,148,491	(\$1,429,572)
Program Expenses			
Instructional – regular	\$12,191,855	\$12,974,004	\$782,149
Instructional – special education	\$1,575,769	\$1,799,301	\$223,532
Instructional – vocational education	\$328,812	\$343,892	\$15,080
Supporting services – operations & maint	\$2,479,403	\$2,713,378	\$233,975
Supporting services – general	\$2,065,902	\$2,404,796	\$338,894
Supporting services – central			
Supporting services – ed media services	\$1,782,475	\$2,007,861	\$225,386
Administration – general	\$1,189,225	\$1,602,340	\$413,115
Administration – school	\$1,258,307	\$1,894,636	\$636,329
Administration – business	\$626,501	\$655,981	\$29,480
Student transportation	\$1,668,494	\$1,534,172	(\$134,322)
Extracurricular	\$632,710	\$688,710	\$56,000
School Food	\$1,451,939	\$1,320,329	(\$131,610)
Community Services	\$24,076	\$15,003	(\$9,073)
Debt service expense-principal			
Debt service expense-interest	\$352,538	\$278,733	(\$73,805)
Other current charges			
Enterprise services	92,514	40,838	(\$51,676)
Total Expenses	\$27,720,520	\$30,273,974	\$2,553,454
	\$6,857,543	\$2,874,517	(\$3,983,026)

The noticeable difference here is that we had less revenue (4%), we increased spending by about 21%. Overall, the revenues have decreased; however, the spending has increased.

FUND FINANCIALS

The District's General Fund for both the elementary and high school are used for the salaries and benefits for the certified staff and a small portion is used for some administrative and classified staff. We had a 5% increase in the elementary revenue and a 7% increase in the high school revenue. This is due to an increase in the enrollment of students. The Transportation Fund is used strictly to transport students from home to school and school to home. There was no increase or decrease in these funds. The Bus Deprecation Fund indicates a decrease in the elementary of 33% and the high school had a decrease of 43%. The District has purchased at least 6 buses and a new coach bus. The Interlocal Fund was set up last year. It is for the construction of the new vo-tech, locker room, wrestling room, and south bleachers at the high school. This project is near completion.

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, 2016, and the related notes to the financial statements which collectively comprise the District’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinions

Basis for Qualified Opinion on Aggregate Opinion Unit

As explained in note 2 to the financial statements, management has not been able to balance cash for the payroll and claims clearing funds to the Glacier County Treasurer reported cash in those funds for a difference of \$650,079 in which the Glacier County is reporting more cash than the District.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Aggregate Opinion Unit” paragraph, the financial statements of the referred to above present fairly, in all material respects, the respective financial position of the Aggregate Opinion Unit of Browning Public Schools, Glacier County, Montana, as of June 30, 2016, and the respective changes in financial position and cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified 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, the aggregate discretely presented component units, and each major fund of Browning Public Schools, Glacier County, Montana, as of and for the year ended June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, schedule of funding for other post employment benefits other than pensions, schedules of proportionate share of the net pension liability, and schedules of contributions on pages 2 through 5, 49 through 52, 54, 55 and 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of revenues and expenditures for the extracurricular fund, 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 the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2017 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 22, 2017

Browning Public Schools, Glacier County, Montana
Statement of Net Position
June 30, 2016

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 23,050,968	\$ -	\$ 23,050,968
Taxes and assessments receivable, net	1,431,892	-	1,431,892
Due from other governments	808,652	12,795	821,447
Total current assets	<u>\$ 25,291,512</u>	<u>\$ 12,795</u>	<u>\$ 25,304,307</u>
Noncurrent assets			
Restricted cash and investments	\$ 383,600	\$ -	\$ 383,600
Capital assets - land	839,008	-	839,008
Capital assets - construction in progress	32,756	-	32,756
Capital assets - depreciable, net	46,972,428	-	46,972,428
Bond issuance cost	174,120	-	174,120
Total noncurrent assets	<u>\$ 48,401,912</u>	<u>\$ -</u>	<u>\$ 48,401,912</u>
Total assets	<u>\$ 73,693,424</u>	<u>\$ 12,795</u>	<u>\$ 73,706,219</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - district contributions	\$ 1,788,904	\$ -	\$ 1,788,904
Total deferred outflows of resources	<u>\$ 1,788,904</u>	<u>\$ -</u>	<u>\$ 1,788,904</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 731,294	\$ -	\$ 731,294
Due to other governments	14,401	-	14,401
Current portion of long-term capital liabilities	600,000	-	600,000
Current portion of compensated absences payable	164,490	-	164,490
Total current liabilities	<u>\$ 1,510,185</u>	<u>\$ -</u>	<u>\$ 1,510,185</u>
Noncurrent liabilities			
Noncurrent portion of long-term liabilities	\$ 117,268	\$ -	\$ 117,268
Noncurrent portion of long-term capital liabilities	6,355,000	-	6,355,000
Noncurrent portion of compensated absences	255,551	-	255,551
Net pension liability	18,380,156	-	18,380,156
Total noncurrent liabilities	<u>\$ 25,107,975</u>	<u>\$ -</u>	<u>\$ 25,107,975</u>
Total liabilities	<u>\$ 26,618,160</u>	<u>\$ -</u>	<u>\$ 26,618,160</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	\$ 1,752,248	\$ -	\$ 1,752,248
Total Deferred Inflows of resources	<u>\$ 1,752,248</u>	<u>\$ -</u>	<u>\$ 1,752,248</u>
NET POSITION			
Net investment in capital assets	\$ 40,889,192	\$ -	\$ 40,889,192
Restricted for capital projects	809,872	-	809,872
Restricted for debt service	280,471	-	280,471
Restricted for special projects	5,060,283	-	5,060,283
Unrestricted	72,102	12,795	84,897
Total net position	<u>\$ 47,111,920</u>	<u>\$ 12,795</u>	<u>\$ 47,124,715</u>

See accompanying Notes to the Financial Statements

Browning Public Schools, Glacier County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2016

Functions/Programs Primary government:	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Operating		Primary Government		Business- type Activities	Total
		Charges for Services	Grants and Contributions	Governmental Activities	Business- type Activities		
Governmental activities:							
Instructional - regular	\$ 12,974,004	\$ -	\$ 1,861,311	\$ (11,112,693)	\$ -	\$ -	\$ (11,112,693)
Instructional - special education	1,799,301	-	901,678	(897,623)	-	-	(897,623)
Instructional - vocational education	343,892	-	47,464	(296,428)	-	-	(296,428)
Supporting services - operations & maintenance	2,713,378	-	-	(2,713,378)	-	-	(2,713,378)
Supporting services - general	2,404,796	-	568,696	(1,836,100)	-	-	(1,836,100)
Supporting services - educational media services	2,007,861	-	1,396,909	(610,952)	-	-	(610,952)
Administration - general	1,602,340	-	150,901	(1,451,439)	-	-	(1,451,439)
Administration - school	1,894,636	-	62,720	(1,831,916)	-	-	(1,831,916)
Administration - business	655,981	-	-	(655,981)	-	-	(655,981)
Student transportation	1,534,172	-	412,583	(1,121,589)	-	-	(1,121,589)
Extracurricular	688,710	-	-	(688,710)	-	-	(688,710)
School food	1,320,329	36,356	1,301,844	17,871	-	-	17,871
Community services	15,003	-	-	(15,003)	-	-	(15,003)
Debt service expense - interest	278,733	-	-	(278,733)	-	-	(278,733)
Enterprise services	40,838	-	-	(40,838)	-	-	(40,838)
Total governmental activities	\$ 30,273,974	\$ 36,356	\$ 6,704,106	\$ (23,533,512)	\$ -	\$ -	\$ (23,533,512)
Business-type activities:							
Day Care	\$ 25,714	\$ -	\$ -	\$ -	\$ (25,714)	\$ -	\$ (25,714)
Total business-type activities	\$ 25,714	\$ -	\$ -	\$ -	\$ (25,714)	\$ -	\$ (25,714)
Total primary government	\$ 30,299,688	\$ 36,356	\$ 6,704,106	\$ (23,533,512)	\$ (25,714)	\$ (25,714)	\$ (23,559,226)
General Revenues:							
Property taxes for general purposes	\$ -	\$ -	\$ -	\$ 1,894,951	\$ -	\$ -	\$ 1,894,951
State/County equalization	-	-	-	5,649,825	-	-	5,649,825
State guaranteed tax base subsidy	-	-	-	3,966,674	-	-	3,966,674
Other state grants and contributions	-	-	-	1,618,914	-	-	1,618,914
Investment earnings	-	-	-	149,836	-	-	149,836
Miscellaneous (other revenue)	-	-	-	143,223	38,384	-	181,607
State entitlement (block grants)	-	-	-	347,534	-	-	347,534
State technology	-	-	-	13,236	-	-	13,236
County retirement	-	-	-	1,755,501	-	-	1,755,501
Federal impact aid	-	-	-	10,868,335	-	-	10,868,335
Total general revenues, special items and	\$ -	\$ -	\$ -	\$ 26,408,029	\$ 38,384	\$ -	\$ 26,446,413
Change in net position	\$ -	\$ -	\$ -	\$ 2,874,517	\$ 12,670	\$ -	\$ 2,887,187
Net position - beginning	\$ -	\$ -	\$ -	\$ 44,141,897	\$ -	\$ -	\$ 44,141,897
Restatements	-	-	-	95,506	125	-	95,631
Net position - beginning - restated	\$ -	\$ -	\$ -	\$ 44,237,403	\$ 125	\$ -	\$ 44,237,528
Net position - end	\$ -	\$ -	\$ -	\$ 47,111,920	\$ 12,795	\$ -	\$ 47,124,715

See accompanying Notes to the Financial Statements

Browning Public Schools, Glacier County, Montana
Balance Sheet
Governmental Funds
June 30, 2016

	General	Elementary Transportation	Elementary Bus Depreciation	Elementary Miscellaneous Programs	High School Transportation	Elementary Interlocal Agreement	Other Governmental Funds	Total Governmental Funds
ASSETS								
Current assets:								
Cash and investments	\$ 17,494,484	\$ 191,046	\$ 285,895	\$ (565,769)	\$ 14,116	\$ 3,317,498	\$ 1,335,347	\$ 22,072,617
Taxes and assessments receivable, net	651,061	257,235	150,451	-	175,935	-	197,210	1,431,892
Due from other governments	-	-	-	788,601	-	-	20,051	808,652
Total current assets	\$ 18,145,545	\$ 448,281	\$ 436,346	\$ 222,832	\$ 190,051	\$ 3,317,498	\$ 1,552,608	\$ 24,313,161
Noncurrent assets:								
Restricted cash and investments	\$ 383,600	-	-	-	-	-	-	\$ 383,600
Total noncurrent assets	\$ 383,600	-	-	-	-	-	-	\$ 383,600
Total assets	\$ 18,529,145	\$ 448,281	\$ 436,346	\$ 222,832	\$ 190,051	\$ 3,317,498	\$ 1,552,608	\$ 24,696,761
Current liabilities:								
Accounts payable	\$ 16,563	\$ 2,085	\$ -	\$ -	\$ 284	\$ -	\$ 220	\$ 19,152
Due to other governments	-	-	-	14,401	-	-	-	14,401
Total liabilities	\$ 16,563	\$ 2,085	\$ -	\$ 14,401	\$ 284	\$ -	\$ 220	\$ 33,553
DEFERRED INFLOWS OF RESOURCES								
Deferred inflows of resources	\$ 651,061	\$ 257,235	\$ 150,451	\$ -	\$ 175,935	\$ -	\$ 197,210	\$ 1,431,892
Total deferred inflows of resources	\$ 651,061	\$ 257,235	\$ 150,451	\$ -	\$ 175,935	\$ -	\$ 197,210	\$ 1,431,892
FUND BALANCES								
Nonspendable	\$ 56,871	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,871
Restricted	-	188,961	285,895	208,431	13,832	3,317,498	1,355,178	5,369,795
Unassigned fund balance	17,804,650	-	-	-	-	-	-	17,804,650
Total fund balance	\$ 17,861,521	\$ 188,961	\$ 285,895	\$ 208,431	\$ 13,832	\$ 3,317,498	\$ 1,355,178	\$ 23,231,316

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, 2016

Total fund balances - governmental funds	\$	23,231,316
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		47,844,192
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.		1,431,892
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		266,209
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(7,492,309)
Proportionate share of ending collective net pension liability		(18,380,156)
Deferred outflows related to net pension liability		1,788,904
Deferred inflows related to net pension liability		(1,752,248)
Bond Issuance costs		174,120
Total net position - governmental activities	\$	<u><u>47,111,920</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, 2016

	General	Elementary Transportation	Elementary Bus Depreciation	Elementary Miscellaneous Programs	High School Transportation	Elementary Interlocal Agreement	Other Governmental Funds	Total Governmental Funds
REVENUES								
Local revenue	\$ 804,644	\$ 216,299	\$ 234,067	\$ 75,217	\$ 228,900	\$ -	\$ 461,175	\$ 2,020,302
County revenue	-	124,579	-	-	70,513	-	1,755,501	1,950,593
State revenue	11,349,582	173,552	-	332,715	107,691	-	238,427	12,201,967
Federal revenue	10,868,335	-	-	4,026,812	-	-	1,352,495	16,247,642
Total revenues	\$ 23,022,561	\$ 514,430	\$ 234,067	\$ 4,434,744	\$ 407,104	\$ -	\$ 3,807,598	\$ 32,420,504
EXPENDITURES								
Instructional - regular	\$ 8,931,801	\$ -	\$ -	\$ 1,859,390	\$ -	\$ -	\$ 1,049,397	\$ 11,840,588
Instructional - special education	1,266,136	-	-	369,009	-	-	164,156	1,799,301
Instructional - vocational education	255,164	-	-	880	-	-	87,848	343,892
Supporting services - operations & maintenance	2,477,431	-	-	-	-	-	203,344	2,680,775
Supporting services - general	1,333,447	-	-	862,752	-	-	188,597	2,404,796
Supporting services - educational media services	824,569	-	-	1,087,153	-	-	96,139	2,007,861
Administration - general	884,851	-	-	154,048	-	-	60,817	1,099,716
Administration - school	1,628,871	-	-	63,517	-	-	202,248	1,894,636
Administration - business	570,683	-	-	-	-	-	85,298	655,981
Student transportation	201,580	562,422	-	-	386,051	-	115,149	1,265,202
Extracurricular	633,939	-	-	1,815	-	-	42,935	678,689
School food	-	-	-	6,448	-	-	1,302,931	1,309,379
Community services	14,916	-	-	-	-	-	87	15,003
Debt service expense - principal	-	-	-	-	-	-	375,000	375,000
Debt service expense - interest	31,508	-	-	-	-	-	247,225	278,733
Capital outlay	227,281	-	624,435	-	61,200	-	402,081	5,369,499
Enterprise services	19,445	-	-	-	-	-	21,393	40,838
Total expenditures	\$ 19,321,622	\$ 562,422	\$ 624,435	\$ 4,405,012	\$ 447,251	\$ 4,054,502	\$ 4,644,645	\$ 34,059,889
Net Change in Fund Balance	\$ 3,700,939	\$ (47,992)	\$ (390,368)	\$ 29,732	\$ (40,147)	\$ (4,054,502)	\$ (837,047)	\$ (1,639,385)
Fund balances - beginning	\$ 14,109,877	\$ 237,173	\$ 676,897	\$ 171,104	\$ 54,048	\$ 7,372,000	\$ 2,186,852	\$ 24,807,951
Restatements	50,705	(220)	(634)	7,595	(69)	-	5,373	62,750
Fund balances - beginning, restated	\$ 14,160,582	\$ 236,953	\$ 676,263	\$ 178,699	\$ 53,979	\$ 7,372,000	\$ 2,192,225	\$ 24,870,701
Fund balance - ending	\$ 17,861,521	\$ 188,961	\$ 285,895	\$ 208,431	\$ 13,832	\$ 3,317,498	\$ 1,355,178	\$ 23,231,316

See accompanying Notes to the Financial Statements

Browning Public Schools, Glacier County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2016

	Business-Type Activities - Enterprise Funds Non-major Enterprise <hr/>	Governmental Activities Internal Service Funds <hr/>
ASSETS		
Current assets:		
Cash and investments	\$ -	\$ 978,351
Due from other governments	12,795	-
Total assets	<hr/> \$ 12,795	<hr/> \$ 978,351
 LIABILITIES		
Current liabilities:		
Accounts payable	-	712,142
Total liabilities	<hr/> \$ -	<hr/> \$ 712,142
 NET POSITION		
Unrestricted	12,795	266,209
Total net position	<hr/> \$ 12,795	<hr/> \$ 266,209
Total liabilities and net position	<hr/> \$ 12,795	<hr/> \$ 978,351

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, 2016

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

Net change in fund balances - total governmental funds	\$	(1,639,385)
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		5,369,499
- Depreciation expense		(1,116,422)
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)		315,726
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		375,000
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		(20,075)
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.		
		(1,056,771)
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		
		(969,288)
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		
		412,261
Current year contributions to retirement reclassified to deferred inflows		
		1,070,508
Change in net position - Statement of Activities	\$	<u><u>2,874,517</u></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, 2016

	Business Type	Governmental
	Activities-	Activities
	Enterprise Funds	Internal Service
	Non-major	Funds
	Enterprise	
	<u> </u>	<u> </u>
OPERATING REVENUES		
Charges for services	\$ 38,384	\$ 4,656,116
Miscellaneous revenues	-	1,269
Total operating revenues	<u>\$ 38,384</u>	<u>\$ 4,657,385</u>
OPERATING EXPENSES		
Personal services	\$ 3,582	\$ 265
Employee benefits	15,646	1,004
Supplies	5,802	-
Other purchased services	684	5,712,887
Total operating expenses	<u>\$ 25,714</u>	<u>\$ 5,714,156</u>
Operating income (loss)	<u>\$ 12,670</u>	<u>\$ (1,056,771)</u>
NON-OPERATING REVENUES (EXPENSES)		
Income (loss) before contributions and transfers	\$ 12,670	\$ (1,056,771)
Change in net position	<u>\$ 12,670</u>	<u>\$ (1,056,771)</u>
Net Position - Beginning of the year	\$ -	\$ 1,322,980
Restatements	125	-
Net Position - Beginning of the year - Restated	<u>\$ 125</u>	<u>\$ 1,322,980</u>
Net Position - End of the year	<u>\$ 12,795</u>	<u>\$ 266,209</u>

See accompanying Notes to the Financial Statements

Browning Public Schools, Glacier County, Montana
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2016

	Business - Type Activities - Enterprise Fund	Governmental Activities
	Non-major Enterprise	Internal Service Funds
Cash flows from operating activities:		
Cash received from providing services	\$ 25,714	\$ 4,656,116
Cash payments to suppliers	(5,802)	-
Cash payments for professional services	(684)	(5,419,388)
Cash payments to employees	(19,228)	-
Net cash provided (used) by operating activities	\$ -	\$ (763,272)
Net increase (decrease) in cash and cash equivalents	\$ -	\$ (763,272)
Cash and cash equivalents at beginning	-	1,741,623
Cash and cash equivalents at end	\$ -	\$ 978,351
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (125)	\$ (1,056,771)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Changes in assets and liabilities:		
Increase in accounts payable	125	293,499
Net cash provided (used) by operating activities	\$ -	\$ (763,272)

See accompanying notes to the financial statements

Browning Public Schools, Glacier County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2016

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and short-term investments	\$ 296,971	\$ 2,623,353
Total assets	<u>\$ 296,971</u>	<u>\$ 2,623,353</u>
LIABILITIES		
Warrants payable	\$ -	\$ 2,410,013
Due to others	-	213,340
Total liabilities	<u>\$ -</u>	<u>\$ 2,623,353</u>
NET POSITION		
Assets held in trust	<u>\$ 296,971</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, 2016

		<u>Private Purpose Trust Funds</u>
ADDITIONS		
Contributions:		
Contributions from private sources	\$	5,450
Student activities		250,812
Total contributions	\$	<u>256,262</u>
Investment earnings:		
Interest and change in fair value of investments	\$	368
Total additions	\$	<u>256,630</u>
 DEDUCTIONS		
Student activities	\$	263,340
Student scholarships		9,500
Total deductions	\$	<u>272,840</u>
Change in net position	\$	<u>(16,210)</u>
Net Position - Beginning of the year	\$	313,125
Restatements		56
Net Position - Beginning of the year - Restated	\$	<u>313,181</u>
Net Position - End of the year	\$	<u><u>296,971</u></u>

See accompanying Notes to the Financial Statements

BROWNING SCHOOL DISTRICT
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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.

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 District (separate legal District 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.

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 District, 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 District 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.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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.

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 assets 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.

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

June 30, 2016

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.

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 be 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.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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.

Elementary Transportation Fund – Authorized by Section 20-10-143, MCA, for the purpose of financing the maintenance and operation of district owned school buses, contracts with private carriers for school bus service, individual transportation contracts, and any amount necessary for the purchase, rental, or insurance of yellow school buses or operation of the transportation program. The fund may be used only to support costs of home-to-school transportation.

Elementary Bus Depreciation Fund – The Bus Depreciation Fund is authorized by Section 20-10-147, MCA, for the purpose of financing the replacement of buses and two-way radio equipment owned by a school district.

High School Transportation Fund – Authorized by Section 20-10-143, MCA, for the purpose of financing the maintenance and operation of district owned school buses, contracts with private carriers for school bus service, individual transportation contracts, and any amount necessary for the purchase, rental, or insurance of yellow school buses or operation of the transportation program. The fund may be used only to support costs of home-to-school transportation.

Elementary Interlocal Fund – Authorized by Sections 20-7-457, 20-9-511 and 20-9-701, MCA, for the purpose or account for revenues and expenditures related to an interlocal agreement between two or more district or other local governments.

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.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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.

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.

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. The District has a Student Extracurricular Activities Fund described further below and a Scholarship Endowment Fund providing scholarships for graduates of Browning High School to attend college.

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.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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 school 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 School Business Officials (MASBO) or from OPI.

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 District and fund on a pro rata basis. The County’s investment portfolio as of June 30, 2016, 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 District cash in the clearing accounts (Claims and Payroll) did not balance to the Glacier County Treasurer balance. See finding 2016-001 for further details.

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, MT 5942. Fair value approximates carrying value for investments as of June 30, 2016.

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, 2016

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

Deposits

The District's deposit balance for student activity at year end was \$248,612 of which the entire balance was insured by FDIC.

The District's deposit balance for self- insurance at year end was \$1,227,342. FDIC insurance was \$250,000 and the remaining balance was collateralized with investment not in the District's name

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 \$383,600.

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 the District deposits at June 30, 2016, equaled or exceeded the amount required by State statutes.

NOTE 3. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the District as of June 30, 2016. These amounts are reported within the cash/investment account on the Statement of Net Position and Governmental Funds Balance Sheet.

<u>Description</u>	<u>Amount</u>
Debt Service Reserve- Refunding Bond	\$ 157,000
Bond Payment- Refunding Impact Aid	<u>226,600</u>
Total	<u>\$ 383,600</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.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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 AND PREPAIDS

The cost 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. 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 2016 Basic Financial Statements. The government has elected not to retroactively report general infrastructure assets.

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

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Governmental activities:

	Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Restatements</u>	<u>Transfers</u>	Balance <u>June 30, 2016</u>
Capital assets not being depreciated:					
Land	\$ 839,008	\$	\$	\$	\$ 839,008
Construction in progress	1,196,399			(1,196,399)	-
Total capital assets not being depreciated	<u>\$ 2,035,407</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,196,399)</u>	<u>\$ 839,008</u>
Other capital assets:					
Buildings	\$ 44,079,479	\$ 3,131,733	\$	\$ 1196399	\$ 48,407,611
Improvements other than buildings	4,123,228				4,123,228
Machinery and equipment	6,490,814	2,237,766			8,728,580
Total other capital assets at historical cost	\$ 54,693,521	\$ 5,369,499	\$ -	\$ 1,196,399	\$ 61,259,419
Less: accumulated depreciation	\$ (13,170,569)	\$ (1,116,422)	\$ 32,756	\$	\$ (14,254,235)
Total	<u>\$ 43,558,359</u>	<u>\$ 4,253,077</u>	<u>\$ 32,756</u>	<u>\$ -</u>	<u>\$ 47,844,192</u>

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

Governmental Activities:

Administration	\$ 502,624
Instruction	291,254
Transportation	268,970
Food Service	10,950
Maintenance	32,603
Extracurricular	10,000
Total governmental activities depreciation expense	<u>\$ 1,116,422</u>

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

Business-type activities:

	Balance <u>July 1, 2015</u>	Balance <u>June 30, 2016</u>
Other capital assets:		
Buildings	\$ 184,967	\$ 184,967
Total other capital assets at historical cost	\$ 184,967	\$ 184,967
Less: accumulated depreciation	\$ (184,967)	\$ (184,967)
Total	<u>\$ -</u>	<u>\$ -</u>

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Business-type activities: Day Care

	<u>Balance</u> <u>July 1, 2015</u>	<u>Balance</u> <u>June 30, 2016</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	\$ -	\$ -

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 expensed at the date of sale.

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, 2016, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
General obligation bonds	\$ 5,760,000	\$ -	\$ (375,000)	\$ 5,385,000	\$ 390,000
Revenue bonds	1,570,000	-	-	1,570,000	210,000
Compensated absences	553,505	-	(133,464)	420,041	164,490
Net pension liability*	17,529,651	850,505	-	18,380,156	-
Other post-employment benefits**	97,193	20,075	-	117,268	-
Total	\$ 25,510,349	\$ 870,580	\$ (508,464)	\$ 25,872,465	\$ 764,490

*See Note 10

**See Note 9

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

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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, 2016 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, 2016</u>
Elementary 2007 GO Bonds	12/12/07	4.25 – 3.75%	20 yrs	12/1/27	\$ 5,000,000	Varies	\$ 3,225,000
High School 2007 Go Bonds	12/12/07	4.25 – 4.375%	20 yrs	12/1/27	<u>3,350,000</u>	Varies	<u>2,160,000</u>
					<u>\$ 8,350,000</u>		<u>\$ 5,385,000</u>

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 390,000	\$ 231,288
2018	410,000	214,712
2019	425,000	197,288
2020	445,000	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>5,385,000</u>	\$ <u>1,495,356</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>Annual Payment</u>	<u>Balance June 30, 2016</u>
High School Impact Aid Refunding Bond 2015	4/29/15	2.00%	5 yrs	10/1/22	\$1,570,000	Varies	\$ 1,570,000

Reported in the governmental activities.

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Annual requirement to amortize debt:

<u>For Fiscal</u> <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 210,000	\$ 31,400
2018	215,000	27,200
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	<u>\$ 1,570,000</u>	<u>\$ 128,500</u>

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 day 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.

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. Since retirees are usually older than the average age of the plan participants they receive a benefit of lower insurance rates. This benefit is reported as the Other Post Employment Benefits (OPEB) liability. The above described OPEB plan does not provide a stand-alone financial report.

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Funding Policy. The government pays OPEB liability costs on a pay-as-you-go basis. A trust fund for future liabilities has not been established.

Funding Status and funding Progress. The funded status of the plan as of June 30, 2016, was as follows:

Actuarial Accrued Liability (AAL)	\$ 186,143
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 186,143</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 14,297,165
UAAL as a percentage of covered payroll	1.3%

Annual OPEB Cost and Net OPEB Obligation. The government's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameter of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the government's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the government's net OPEB obligation.

Annual Required Contribution (ARC)	\$ 20,075
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost (expense)	<u>\$ 20,295</u>
Contributions made	-
Increase in net OPEB obligation	<u>\$ 20,295</u>
Net OPEB obligation - beginning of year	97,193
Net OPEB obligation - end of year	<u>\$ 117,268</u>

Actuarial Methods and Assumptions. The following actuarial methods and assumptions were used:

Actuarial cost method	Unit Credit Cost Method
Discount rate (average anticipated rate)	4.25%
Average salary increase (Consumer Price Index)	2.50%

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Health care cost rate trend (Federal Office of the Actuary)

<u>Plan Year</u>	<u>Medical</u>	<u>Prescription</u>		
		<u>Drugs</u>	<u>Dental</u>	<u>Vision</u>
2014	8.0%	8.0%	8.0%	8.0%
2015	7.5%	7.5%	7.5%	7.5%
2016	7.0%	7.0%	7.0%	7.0%
2017	6.5%	6.5%	6.5%	6.5%
2018	6.0%	6.0%	6.0%	6.0%
2019	5.5%	5.5%	5.5%	5.5%
2020	5.0%	5.0%	5.0%	5.0%
2021+	4.5%	4.5%	4.5%	4.5%

NOTE 10. NET PENSION LIABILITY

Plan Descriptions

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

The TRS Board is the governing body of the System and the TRS staff administers the system in conformity with the laws set forth in Title 19, chapter 20 of the Montana Code Annotated, and administrative rules set forth in Title 2, chapter 44 of the Administrative Rules of Montana. Additional information pertaining to membership, 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.

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 covers the State, local governments, certain employees of the Montana University System, and school districts.

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

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

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Summary of Benefits

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. 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.

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.

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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.

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.

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Guaranteed Annual Benefit Adjustment (GABA)

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

- 3% for members hired **prior** to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.

Overview of Contributions

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 District in TRS. The System receives 2.49% of reportable compensation from the State's general fund for School Districts and Other Employers.

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.

PERS

1. Rates are specified by state law for periodic employer and employee contributions.
 - a. 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.

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3. Employer contributions to the system:
 - a. Local government entities are required to contribution 8.17% of members' compensation.
 - b. School district employers contributed 7.90% of members' compensation.
 - c. Following the 2013 Legislative Session, PERS-employer contributions were temporarily increased. Effective July 1, 2013, employer contributions increased 1.0%. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The employer additional contributions including the 0.27% added in 2007 and 2009, terminates on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates.
 - d. Effective July 1, 2013, the additional employer contributions for DCRP is allocated to the defined benefit plan's Plan Choice Rate unfunded liability. The portion of the employer contributions allocated to the PCR are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
 - e. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
4. Non Employer Contributions
 - a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
 - b. Not Special Funding
 - i. The State contributes a portion of Coal Severance Tax income and earnings from the Coal Trust Permanent Trust fund.

Stand-Alone Statements

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

The PERS stand-alone financial statements, actuarial valuations and experience studies can be found online at, <http://mpera.mt.gov/annualReports.shtml> and <http://mpera.mt.gov/actuarialValuations.asp>

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Net Pension Liability (NPL)

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Montana Teachers' Retirement System (TRS) and Public Employees' Retirement System (PERS). Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective Net Pension Liability (NPL), Pension Expense, Deferred Inflows and Deferred Outflows of resources associated with pensions. In accordance with Statement 68, the System has a special funding situation in which the State of Montana is legally responsible for making contributions directly to TRS and PERS 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.

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, 2016 and June 30, 2015 (reporting dates).

	TRS NPL as of 6/30/16	TRS NPL as of 6/30/15	Percent of Collective NPL	PERS NPL as of 6/30/16	PERS NPL as of 6/30/15	Percent of Collective NPL	Total NPL as of 6/30/16	Total NPL as of 6/30/15	Percent of Collective NPL
Employer Proportionate Share	\$ 14,313,175	\$ 13,953,893	0.8712%	\$ 4,066,981	\$ 3,575,758	0.29094%	\$ 18,380,156	\$ 17,529,651	1.1621%
State of Montana Proportionate Share associated with Employer	9,588,336	9,559,086	0.5836%	191,107	167,155	0.01367%	9,779,443	9,726,241	0.5973%
Total	\$ 23,901,511	\$ 23,512,979	1.4548%	\$ 4,258,088	\$ 3,742,913	0.30461%	\$ 28,159,599	\$ 27,255,892	1.7594%

At June 30, 2016, the employer recorded a liability of \$18,380,156 for its proportionate share of the Net Pension Liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The employer's proportion of the net pension liability was based on the employer's contributions received by TRS and PERS during the measurement period July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of TRS and PERS participating employers. At June 30, 2016, the employer's proportion was 1.1621 percent.

Changes in actuarial assumptions and methods: The following changes in assumptions or other inputs that affected the measurement of the Total Pension Liability have been made since the previous measurement date for TRS.

- 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.

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- 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.

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

Changes in benefit terms: 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 6/30/16

	TRS	PERS	Total
Employer Proportionate Share	\$ 663,601	\$ 275,203	\$ 938,804
State of Montana Proportionate Share associated with the Employer	302,783	11,875	314,658
Total	\$ 966,384	\$ 287,078	\$ 1,253,462

At June 30, 2016, the employer recognized a Pension Expense of \$1,253,462 for its proportionate share of the pension expense. The employer also recognized grant revenue of \$314,658 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, 2016, the employer recognized a beginning deferred outflow of resources for the employers FY 2015 contributions of \$1,261,714.

Deferred Inflows and Outflows

At June 30, 2016, the employer reported its proportionate share of TRS and PERS deferred outflows of resources and deferred inflows of resources related to TRS and PERS from the following sources:

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	<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	\$ 150,931	\$ -	\$ -	\$ 24,605	\$ 150,931	\$ 24,605
Changes in actuarial assumptions	202,555	30,228	-	-	202,555	30,228
Difference between projected and actual investment earnings	-	768,605	-	344,313	-	1,112,918
Changes in proportion and difference between actual and expected contributions	34,064	565,814	46,620	15,454	80,684	581,268
*Contributions paid subsequent to the measurement date - FY 2016 Contributions	1,070,508		284,174	-	1,354,682	-
Total	<u>\$ 1,458,058</u>	<u>\$ 1,364,647</u>	<u>\$ 330,794</u>	<u>\$ 384,372</u>	<u>\$ 1,788,852</u>	<u>\$ 1,749,019</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, 2017.

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

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GLACIER COUNTY, MONTANA
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June 30, 2016

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
2017	\$ 184,122	\$ 528,167	\$ (344,045)
2018	\$ 184,175	\$ 528,167	\$ (343,992)
2019	\$ 19,254	\$ 505,481	\$ (486,227)
2020	\$ 197,168	\$	197,168
2021	\$ -	\$ -	-
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
2016	\$	\$ -	\$ (143,414)
2017	\$ -	\$ -	\$ (143,414)
2018	\$ -	\$ -	\$ (140,473)
2019	\$ -	\$	89,549
2020	\$ -	\$ -	-
Thereafter	\$ -	\$ -	-

Actuarial Assumptions

TRS

The Total Pension Liability as of June 30, 2016, is based on the results of an actuarial valuation date of July 1, 2015. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2015 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%
- Investment Return 7.75%
- Price Inflation 3.25%
- Postretirement Benefit Increases 1.50%
(starting three years after retirement)
- Mortality among contributing members, service retired members, and beneficiaries
 - For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.
 - For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.
- Mortality among disabled members
 - For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.

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

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

PERS

The Total Pension Liability(TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2014, with update procedures to roll forward the TPL to June 30, 2015. There were several significant assumptions and other inputs used to measure the Total Pension Liability. The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the last actuarial experience study, dated June 2010 for the six year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

- General Wage Growth* 4.00%
- *includes Inflation at 3.00%
- Merit Increases 0% to 6%
- Investment Return 7.75%
- Admin Expense as a % of Payroll .27%.
- Postretirement Benefit Increases

Guaranteed Annual Benefit Adjustment(GABA)

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

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.

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

Discount Rate

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.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
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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 2119. 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.

PERS

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. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2123. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. No municipal bond rate was incorporated in the discount rate.

Target Allocations

TRS

Asset Class	Target Asset Allocation	Real Rate of Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return*
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%	.35%
Core Real Estate	4.00%	4.50%	.18%
High Yield Bonds	2.60%	3.25%	.08%
Non-Core Real Estate	<u>4.00%</u>	7.50%	.30%
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%.

BROWNING PUBLIC SCHOOLS
 GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

The assumed long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared every four years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated May 1, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2015, is summarized in the above table.

PERS

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.10%
Fixed Income	24.00%	1.25%
Private Equity	12.00%	8.00%
Real Estate	8.00%	4.25%
Total	<u>100.00%</u>	

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

BROWNING PUBLIC SCHOOLS
 GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2015, is summarized in the above table.

Sensitivity Analysis

		1.0% Decrease		Current		1.0% Increase
		<u>-6.75%</u>		<u>Discount Rate</u>		<u>-8.75%</u>
TRS	\$	19,665,151	\$	14,313,175	\$	9,809,795
PERS	\$	6,270,405	\$	4,066,981	\$	2,206,241

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

Summary of Significant Accounting Policies

The Teachers' Retirement System (TRS) and The Montana Public Employee Retirement Administration (MPERA) prepare its financial statements using the accrual basis of accounting. For the purposes of measuring the Net Pension Liability, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by TRS or MPERA. 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 and MPERA adhere to all applicable Governmental Accounting Standards Board (GASB) statements.

NOTE 11. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

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, 2016

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 Transportation	\$ 188,961	Student Transportation Services
Elementary Bus Depreciation	285,895	Bus Replacement
Elementary Miscellaneous Programs	208,431	Third Party Grantor Restrictions
High School Transportation	13,832	Student Transportation Services
Elementary Interlocal	3,317,498	Board Approved Constructions Projects
All other aggregate	96,687	School Food Services
	157,809	Instructional Services
	330,109	Employer Portion of Employee benefits
	221,113	Operation and Maintenance
	63,536	Technology Upgrades
	165,475	Debt Service
	164,558	Third Party Grantor Restrictions
	<u>155,894</u>	Capital Purchases
Total	\$ <u>5,369,795</u>	

Other Significant Commitments

Encumbrances

<u>Fund</u>	<u>Amount of</u>
	<u>Encumbrance</u>
General	\$ <u>56,871</u>

NOTE 12. 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	\$ 50,705	Clear prior year purchase orders
Elementary Transportation	(220)	Clear prior year purchase orders
Elementary Bus Depreciation	(634)	Clear prior year purchase orders
Elementary Miscellaneous Programs	7,595	Clear prior year purchase orders
High School Transportation	(69)	Clear prior year purchase orders
Aggregate	5,373	Clear prior year purchase orders
Non major enterprise	125	Clear prior year purchase orders
Student Activity- trust	56	Clear prior year purchase orders
Capital Asset Adjustment	<u>32,756</u>	To correct accumulated depreciation due to prior year error
	\$ <u>95,687</u>	

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 13. 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 14. 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:

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 Schools 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 school 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 School 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 School 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 school 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.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

The MSUIP contracts with Montana School 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 Schools 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 Employee Benefit Management Services. It provides medical, dental and vision benefits and is operated as an Internal Service Fund. Rates are determined in consultation with the administrator based on past claim experience plus an 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:

NOTE 15. 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>
<i>No Runner v. Browning School District #9</i>	Not Stated	Not Stated

NOTE 16. SIGNIFICANT CONSTRUCTION COMMITMENTS

The District had several construction projects in progress as of June 30, 2016. The projects were as follows:

- Browning Elementary Heating Upgrade
- Napi Elementary Heating Upgrade
- Vo-Tech Addition, Locker Room and Bleachers to Browning High School
- Miscellaneous Summer Projects

	Project Authorization	Expended to Date	Remaining Commitment
Total all Projects	<u>\$7,372,000</u>	<u>\$4,054,501</u>	<u>\$3,317,499</u>

NOTE 17: SUBSEQUENT EVENTS

The District has expended for construction \$797,441 for playground and \$402,594 for Buffalo Hide Academy through the date of the audit report.

**REQUIRED SUPPLEMENTAL
INFORMATION**

Browning Public Schools, Glacier County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2016

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Local revenue	\$ 822,998	\$ 822,998	\$ 672,417	\$ (150,581)
State revenue	11,290,743	11,290,743	11,290,745	2
Amounts available for appropriation	<u>\$ 12,113,741</u>	<u>\$ 12,113,741</u>	<u>\$ 11,963,162</u>	<u>\$ (150,579)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 8,199,610	\$ 8,199,610	\$ 8,168,178	\$ 31,432
Instructional - special education	1,269,922	1,269,922	1,230,047	39,875
Instructional - vocational education	255,931	255,931	253,964	1,967
Supporting services - operations & maintenance	49,891	49,891	84,451	(34,560)
Supporting services - general	1,242,783	1,242,783	1,263,822	(21,039)
Supporting services - educational media services	507,507	507,507	433,429	74,078
Administration - general	108,882	108,882	107,394	1,488
Administration - school	391,373	391,373	487,672	(96,299)
Extracurricular	87,843	87,843	84,785	3,058
Total charges to appropriations	<u>\$ 12,113,742</u>	<u>\$ 12,113,742</u>	<u>\$ 12,113,742</u>	<u>\$ -</u>
Net change in fund balance			<u>\$ (150,580)</u>	
Fund balance - beginning of the year			\$ 620,177	
Restatements			<u>(8,274)</u>	
Fund balance - beginning of the year - restated			<u>\$ 611,903</u>	
Fund balance - end of the year			<u><u>\$ 461,323</u></u>	

Browning Public Schools, Glacier County, Montana
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2016

	Elementary Transportation			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Local revenue	\$ 247,633	\$ 247,633	\$ 216,299	\$ (31,334)
County revenue	158,254	158,254	124,579	(33,675)
State revenue	191,430	191,430	173,552	(17,878)
Federal revenue	-	-	-	-
Amounts available for appropriation	\$ 597,317	\$ 597,317	\$ 514,430	\$ (82,887)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Student transportation	\$ 695,000	\$ 695,000	\$ 561,931	\$ 133,069
Total charges to appropriations	\$ 695,000	\$ 695,000	\$ 561,931	\$ 133,069
Net change in fund balance			\$ (47,501)	
Fund balance - beginning of the year			\$ 236,682	
Restatements			1,093	
Fund balance - beginning of the year - restated			\$ 237,775	
Fund balance - end of the year			\$ 190,274	

Browning Public Schools, Glacier County, Montana
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2016

	Elementary Bus Depreciation			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Local revenue	\$ 282,433	\$ 282,433	\$ 234,067	\$ (48,366)
County revenue	-	-	-	-
State revenue	-	-	-	-
Federal revenue	-	-	-	-
Amounts available for appropriation	<u>\$ 282,433</u>	<u>\$ 282,433</u>	<u>\$ 234,067</u>	<u>\$ (48,366)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Capital outlay	<u>959,330</u>	<u>959,330</u>	<u>624,435</u>	<u>334,895</u>
Total charges to appropriations	<u>\$ 959,330</u>	<u>\$ 959,330</u>	<u>\$ 624,435</u>	<u>\$ 334,895</u>
Net change in fund balance			<u>\$ (390,368)</u>	
Fund balance - beginning of the year			\$ 676,897	
Restatements			<u>(634)</u>	
Fund balance - beginning of the year - restated			<u>\$ 676,263</u>	
Fund balance - end of the year			<u><u>\$ 285,895</u></u>	

Browning Public Schools, Glacier County, Montana
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2016

	High School Transportation			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Local revenue	\$ 269,942	\$ 269,942	\$ 228,900	\$ (41,042)
County revenue	89,741	89,741	70,513	(19,228)
State revenue	120,317	120,317	107,691	(12,626)
Federal revenue	-	-	-	-
Amounts available for appropriation	\$ 480,000	\$ 480,000	\$ 407,104	\$ (72,896)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Student transportation	\$ 418,800	\$ 418,800	\$ 385,724	\$ 33,076
Capital outlay	61,200	61,200	61,200	-
Total charges to appropriations	\$ 480,000	\$ 480,000	\$ 446,924	\$ 33,076
Net change in fund balance			\$ (39,820)	
Fund balance - beginning of the year			\$ 53,721	
Restatements			(69)	
Fund balance - beginning of the year - restated			\$ 53,652	
Fund balance - end of the year			\$ 13,832	

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

	<u>General</u>	<u>Elementary Transportation</u>	<u>Elementary Bus Depreciation</u>	<u>High School Transportation</u>
Sources/Inflows of resources				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 11,963,162	\$ 514,430	\$ 234,067	\$ 407,104
Combined funds (GASBS 54) revenues	11,059,399	-	-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	\$ 23,022,561	\$ 514,430	\$ 234,067	\$ 407,104
Uses/Outflows of resources				
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 12,113,742	\$ 561,931	\$ 624,435	\$ 446,924
Combined funds (GASBS 54) expenditures	7,207,880			
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.				
- Encumbrances reported at the beginning of the year	-	491	-	327
- Encumbrances reported at the end of the year	-	-	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 19,321,622	\$ 562,422	\$ 624,435	\$ 447,251

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

Browning Public Schools, Glacier County, Montana
REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
July 1, 2012	\$ -	\$ 356,703	\$ 356,703	0%	\$ 14,866,162	2.4%
July 1, 2014	\$ -	\$ 196,905	\$ 196,905	0%	\$ 14,297,165	1.4%

Changes in plan provisions

Assumption changes account for factors such as updated trend, changes in plan participation, and revised actuarial assumptions adopted by PERS and TRS.

Browning Public Schools, Glacier County, Montana
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2016

	TRS 2016		TRS 2015		PERS 2016		PERS 2015
Employer's proportion of the net pension liability	0.87120%		0.90680%		0.29094%		0.28698%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 14,313,175	\$	13,953,893	\$	4,066,981	\$	3,575,758
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 9,588,336	\$	9,559,086	\$	191,107	\$	167,155
Total	\$ 23,901,511	\$	23,512,979	\$	4,258,088	\$	3,742,913
Employer's covered-employee payroll	\$ 11,118,964	\$	11,435,163	\$	3,510,507	\$	3,361,019
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	128.73%		122.03%		115.8520%		106.3890%
Plan fiduciary net position as a percentage of the total pension liability	69.30%		70.36%		78.4%		79.9%

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

Browning Public Schools, Glacier County, Montana
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2016

	TRS 2016	TRS 2015	PERS 2016	PERS 2015
Contractually required contributions	\$ 1,070,508	\$ 983,124	\$ 284,174	\$ 281,366
Contributions in relation to the contractually required contributions	\$ 1,070,508	\$ 983,124	\$ 284,174	\$ 281,366
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 11,891,476	\$ 11,118,964	\$ 3,485,681	\$ 3,510,507
Contributions as a percentage of covered-employee payroll	9%	8.84%	8.153%	8.015%

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, 2016

Teachers Retirement System of Montana (TRS)

Changes of Benefit Terms:

The following changes to the plan provision 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 GABA for Tier 1 members has also been modified as follows:

- If the most recent actuarial valuation of the System shows that the funded ratio is less than 90%, then the maximum increase that can be granted is 0.50%.
- If the funded ratio is at least 90% and the increase is not projected to cause the System's funded ratio to be less than 85%, an increase can be granted that is greater than 0.50% but not more than 1.50%.

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

- Final Average Compensation: average of earned compensation paid in five consecutive years of full-time service that yields the highest average
- 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
- 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
- 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%
- Annual Contribution: 8.15% of member's earned compensation
- 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:
 - The average funded ratio of the System based on the last three annual actuarial valuations is equal to or less than 80%; and
 - The period necessary to amortize all liabilities of the System based on the latest annual actuarial valuation is greater than 20 years; and

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

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

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

Changes in actuarial assumptions and other inputs:

The following changes to the actuarial assumptions were adopted in 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.

- Mortality among disabled members was updated to the following:

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

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

Method and assumptions used in calculations of actuarially determined contributions:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay,
open Remaining amortization period	26 years
Asset valuation method	4-year smoothed market
Inflation	3.25 percent
Salary increase	4.00 to 8.51 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

Public Employees' Retirement System of Montana (PERS)

Changes of Benefit Terms

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

2013 Legislative Changes:

Working Retirees - House Bill 95 - PERS, SRS, and FURS, effective July 1, 2013

- The law requires employer contributions on working retiree compensation.
- Member contributions are not required.
- Working retiree limitations are not impacted. PERS working retirees may still work up to 960 hours a year, without impacting benefits.

Highest Average Compensation (HAC) Cap - House Bill 97, effective July 1, 2013

All PERS members hired on or after July 1, 2013 are subject to a 110% annual cap on compensation considered as part of a member's highest or final average compensation.

All bonuses paid to PERS members on or after July 1, 2013 will not be treated as compensation for retirement purposes.

House Bill 454 - Permanent Injunction Limits Application of the GABA Reduction passed under HB 454

Guaranteed Annual Benefit Adjustment (GABA) - for PERS

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 all other adjustments to the member's benefit.

- 3% for members hired **prior to** July 1, 2007
- 1.5% for members hired **on or after** July 1, 2007 and **before** July 1, 2013
- Members hired **on or after** July 1, 2013
 - a. 1.5% each year PERS is funded at or above 90%;
 - b. 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and,
 - c. 0% whenever the amortization period for PERS is 40 years or more.

2015 Legislative Changes:

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

Second Retirement Benefit - for PERS

1) Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again:

- refund of member's contributions from second employment plus regular interest (currently 0.25%);
- no service credit for second employment;
- start same benefit amount the month following termination; and
- GABA starts again in the January immediately following second retirement.

2) For members who retire **before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:**

- member receives a recalculated retirement benefit based on laws in effect at second retirement; and,
- GABA starts in the January after receiving recalculated benefit for 12 months.

3) For members who retire **on or after January 1, 2016, return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:**

- refund of member's contributions from second employment plus regular interest (currently 0.25%);
- no service credit for second employment;
- start same benefit amount the month following termination; and,
- GABA starts again in the January immediately following second retirement.

4) For members who retire **on or after January 1, 2016, return to PERS-covered employment and accumulate five or more years of service credit before retiring again:**

- member receives same retirement benefit as prior to return to service;
- member receives second retirement benefit for second period of service based on laws in effect at second retirement; and
- GABA starts on both benefits in January after member receives original and new benefit for 12 months.

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

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

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following addition to the actuarial assumptions was adopted in 2014 based

upon implementation of GASB Statement 68:

Admin Expense as % of Payroll	0.27%
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The following changes were adopted in 2013 based on the 2013 Economic Experience study:

General Wage Growth*	4.00%
*Includes inflation at	3.00%
Investment rate of return	7.75 percent, net of pension plan investment expense, and including

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

General Wage Growth*	4.25%
*Includes inflation at	3.00%
Merit increase	0% to 7.3%
Investment rate of return	8.00 percent, net of pension plan investment expense, and including
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

SUPPLEMENTAL INFORMATION

**Browning Public Schools
Glacier County, Montana
SCHEDULE OF ENROLLMENT
For the Fiscal Year Ended June 30, 2016**

Fall Enrollment - October, 2015

Elementary School District

FALL		
Per Enrollment	Audit Per	
<u>Reports</u>	<u>District Records</u>	<u>Difference</u>
Kindergarten Full	179	0
Grades 1-6	995	0
Grades 7-8	314	0
Total Elementary	1,488	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	
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	0	0	0	0	0	0
7-8	0	0	0	0	0	0	0	0	0

High School District

FALL		
Per Enrollment	Audit Per	
<u>Reports</u>	<u>District Records</u>	<u>Difference</u>
Grades 9-12	550	0
19 year-olds	8	0
Job Corps students	1	0
MT Youth ChalleNGe	3	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	0	0	0	1	0	0	0	0

Spring Enrollment - February, 2016

Elementary School District

SPRING		
Per Enrollment	Audit Per	
<u>Reports</u>	<u>District Records</u>	<u>Difference</u>
Kindergarten - Full	211	0
Grades 1-6	965	0
Grades 7-8	301	0
Total Elementary	1,477	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	
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	0	0	0	0	0	0
7-8	0	0	0	0	0	0	0	0	0

High School District

SPRING		
Per Enrollment	Audit Per	
<u>Reports</u>	<u>District Records</u>	<u>Difference</u>
Grades 9-12	542	0
19 year-olds	6	0
Early Graduates	1	0
Job Corps students	1	0
MT Youth ChalleNGe	4	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

Browning Public Schools
 Glacier County, Montana
 EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS
 Fiscal Year Ended June 30, 2016

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Transfers In(Out)	Ending Balance
Elementary - 4 Year Old	\$ -	\$ 1,836	\$ 1,417	\$ -	\$ 419
Elementary - Activities Babb	2,146	6,524	5,651	-	3,019
Elementary - Activities Browning	656	5,718	4,092	-	2,282
Elementary - Activities First Grade	5,691	2,263	6,835	-	1,119
Elementary - Activities Kindergarten Bergan	4,819	2,002	3,124	-	3,697
Elementary - American Indian Business Leader	1,452	-	-	-	1,452
Elementary - Athletic Events Napi	-	2,553	2,553	-	-
Elementary - Chess Club Napi	1,500	-	1,200	-	300
Elementary - Culture Club Browning Elementary (Formerly Drum Clu	695	-	172	-	523
Elementary - Culture Club Napi	238	-	-	-	238
Elementary - KW/Vina Library	49	5,559	3,682	-	1,926
Elementary - Library Club Browning	319	2,863	2,863	-	319
Elementary - Napi Activities	525	74	-	-	599
Elementary - Santa Store	4,861	-	9,258	6,396	1,999
High School - 2013 BB Divisionals	9,660	3	1	(9,662)	-
High School - Academic Challenge	6	791	-	-	797
High School - Activities Browning	2,670	1,349	-	-	4,019
High School - After Prom	2,630	-	1,943	-	687
High School - Aises Browning	2,045	664	2,682	-	27
High School - American Indian Business Leader	5,685	3	-	-	5,688
High School - Art Browning	1,808	-	-	-	1,808
High School - Athletic Events Browning	53,479	75,901	59,663	11,831	81,548
High School - Attendance Awards	2,161	-	-	-	2,161
High School - Avid C/O 2013	674	-	-	-	674
High School - Avid C/O 2014	1,424	-	-	-	1,424
High School - Blackfeet Academy Yearbook Club	522	-	-	-	522
High School - Blackft Academy Activities	2,511	-	1,482	-	1,029
High School - Booster Club	7,156	2,433	9,589	-	-
High School - Business Professionals of America	70	-	-	-	70
High School - B-You	974	-	-	-	974
High School - C/O 2012	580	-	-	-	580
High School - C/O 2013	1,291	1	-	-	1,292
High School - C/O 2014	6,859	3	1	-	6,861
High School - C/O 2015	1,071	-	408	-	663
High School - C/O 2016	1,696	6,409	7,419	-	686
High School - C/O 2017	2,206	11,596	12,598	-	1,204
High School - C/O 2018	-	2,765	76	-	2,689
High School - C/O 2019	-	1,317	340	-	977
High School - Cheerleaders	3,220	-	1,051	(2,169)	-
High School - Chorus	1,741	1	240	-	1,502
High School - Close-Up Project	989	-	-	-	989
High School - College Club	284	-	-	-	284
High School - Concessions	41,409	55,748	61,804	-	35,353
High School - Drama Club Browning	5,008	3	166	-	4,845

Browning Public Schools
 Glacier County, Montana
 EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS, continued
 Fiscal Year Ended June 30, 2016

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Transfers In/Out	Ending Balance
High School - Drug Free Activities	7,407	2,426	5,160	61	4,734
High School - Eagle Claw Society	167	-	-	-	167
High School - ETAKASI Yearbook	12,628	386	3,905	-	9,109
High School - ETUMOE	1,096	-	-	-	1,096
High School - Explore America	46	-	-	-	46
High School - FCCLA	49	-	-	-	49
High School - FFA	6,572	6,167	11,025	-	1,714
High School - Graduation "Everyone's a Winner"	6,104	2	2,751	-	3,355
High School - Health Occupation Student	490	-	-	-	490
High School - International Club	-	382	-	-	382
High School - Jazz Band	1,413	162	420	-	1,155
High School - Jobs for Montana Graduates	574	-	-	-	574
High School - Library Clubing Browning	1,358	2,365	3,618	-	105
High School - National Honor Society Browning	77	210	71	-	216
High School - Native Players	14	-	-	-	14
High School - New Year's Eve	2,377	1	15	-	2,363
High School - Outdoor Leadership	177	-	-	-	177
High School - Pep Club	869	-	-	-	869
High School - R.I.F.	61	-	-	(61)	-
High School - Random Acts of Kindness	1,677	1	617	-	1,061
High School - Rodeo Browning	1,715	17,336	14,422	-	4,629
High School - Shop	376	435	-	-	811
High School - Spanish Club	317	2,055	-	-	2,372
High School - Speech & Debate	3,173	356	115	-	3,414
High School - Spirit of the Buffalo Dance Troop	3,017	1,040	1,001	-	3,056
High School - Student Advisory Board Browning	1,452	3,088	1,112	-	3,428
High School - Toy Drive	2,995	10,410	7,009	(6,396)	-
High School - Volley Club	-	-	-	-	-
High School - Weight Lifters	-	4,375	625	-	3,750
High School - Youth Service America	-	-	-	-	-
Middle School - Activities Browning	199	292	113	-	378
Middle School - Aises Science	88	-	-	-	88
Middle School - Art Browning	543	-	-	-	543
Middle School - Athletic Events Browning	567	5,905	5,055	-	1,417
Middle School - Avid	10,264	3,632	4,269	-	9,627
Middle School - Band	1,111	-	-	-	1,111
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

Browning Public Schools
 Glacier County, Montana
 EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS, continued
 Fiscal Year Ended June 30, 2016

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Transfers In(Out)	Ending Balance
Middle School - Leather Club	244	-	206	-	38
Middle School - National Honor Society Browning	312	267	278	-	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	1,515	791	1,244	-	1,062
Middle School - Student Needs	782	-	-	-	782
Middle School - Yearbook Club	225	349	-	-	574
Total	<u>\$ 256,618</u>	<u>\$ 250,812</u>	<u>\$ 263,341</u>	<u>\$ -</u>	<u>\$ 244,089</u>

Browning Public Schools, Glacier County, Montana
Balance Sheet
General Funds
June 30, 2016

	<u>Elementary General</u>	<u>High School General</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and investments	\$ 301,040	\$ 160,283	\$ 461,323
Taxes and assessments receivable, net	487,174	163,887	651,061
Total assets	<u>\$ 788,214</u>	<u>\$ 324,170</u>	<u>\$ 1,112,384</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	\$ 301,040	\$ 160,283	\$ 461,323
Total fund balance	<u><u>\$ 301,040</u></u>	<u><u>\$ 160,283</u></u>	<u><u>\$ 461,323</u></u>

Browning Public Schools, Glacier County, Montana
Balance Sheet
Impact Aid Funds
June 30, 2016

	<u>Elementary Impact Aid</u>	<u>High School Impact Aid</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and investments	\$ 11,768,466	\$ 4,814,902	\$ 16,583,368
Total current assets	<u>\$ 11,768,466</u>	<u>\$ 4,814,902</u>	<u>\$ 16,583,368</u>
Noncurrent assets:			
Restricted cash and investments	\$ -	\$ 383,600	\$ 383,600
Total noncurrent assets	<u>\$ -</u>	<u>\$ 383,600</u>	<u>\$ 383,600</u>
Total assets	<u>\$ 11,768,466</u>	<u>\$ 5,198,502</u>	<u>\$ 16,966,968</u>
Current liabilities:			
Accounts payable	\$ 9,337	\$ 7,226	\$ 16,563
Total liabilities	<u>\$ 9,337</u>	<u>\$ 7,226</u>	<u>\$ 16,563</u>
FUND BALANCE			
Assigned	\$ 40,115	\$ 16,756	\$ 56,871
Unassigned	11,719,014	5,174,520	16,893,534
Total fund balance	<u>\$ 11,759,129</u>	<u>\$ 5,191,276</u>	<u>\$ 16,950,405</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, 2016

	<u>Elementary General</u>	<u>High School General</u>	<u>Total</u>
REVENUES			
Local revenue	\$ 515,868	\$ 156,549	\$ 672,417
State revenue	<u>7,964,323</u>	<u>3,326,421</u>	<u>11,290,744</u>
Total revenues	<u>\$ 8,480,191</u>	<u>\$ 3,482,970</u>	<u>\$ 11,963,161</u>
EXPENDITURES			
Instructional - regular	\$ 6,299,173	\$ 1,869,007	\$ 8,168,180
Instructional - special education	1,076,819	153,228	1,230,047
Instructional - vocational education	24,201	229,764	253,965
Supporting services - operations & maintenance	49,219	35,232	84,451
Supporting services - general	730,858	532,959	1,263,817
Supporting services - educational media services	330,933	102,496	433,429
Administration - general		107,394	107,394
Administration - school	89,150	398,522	487,672
Extracurricular		84,785	84,785
Total expenditures	<u>\$ 8,600,353</u>	<u>\$ 3,513,387</u>	<u>\$ 12,113,740</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (120,162)</u>	<u>\$ (30,417)</u>	<u>\$ (150,579)</u>
Net Change in Fund Balance	<u>\$ (120,162)</u>	<u>\$ (30,417)</u>	<u>\$ (150,579)</u>
Fund balances - beginning	\$ 425,572	\$ 194,604	\$ 620,176
Restatements	<u>(4,370)</u>	<u>(3,904)</u>	<u>(8,274)</u>
Fund balances - beginning - restated	<u>\$ 421,202</u>	<u>190,700</u>	<u>611,902</u>
Fund balances - ending	<u>\$ 301,040</u>	<u>160,283</u>	<u>461,323</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, 2016

	<u>Elementary Impact Aid</u>	<u>High School Impact Aid</u>	<u>Total</u>
REVENUES			
Local revenue	\$ 95,029	\$ 33,678	\$ 128,707
Federal revenue	7,254,595	3,613,740	10,868,335
Total revenues	<u>\$ 7,349,624</u>	<u>\$ 3,647,418</u>	<u>\$ 10,997,042</u>
EXPENDITURES			
Instructional - regular	\$ 666,130	\$ 97,487	\$ 763,617
Instructional - special education	36,089	-	36,089
Instructional - vocational education	-	1,199	1,199
Supporting services - operations & maintenance	1,865,494	527,486	2,392,980
Supporting services - general	75,519	14,111	89,630
Supporting services - educational media services	294,156	96,984	391,140
Administration - general	574,393	203,064	777,457
Administration - school	1,031,757	109,442	1,141,199
Administration - business	413,840	156,843	570,683
Student transportation	139,407	62,173	201,580
Extracurricular	107,222	441,932	549,154
Community services	10,926	3,990	14,916
Debt service expense - interest	-	31,508	31,508
Capital outlay	132,955	94,326	227,281
Enterprise services	-	19,445	19,445
Total expenditures	<u>\$ 5,347,888</u>	<u>\$ 1,859,990</u>	<u>\$ 7,207,878</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 2,001,736</u>	<u>\$ 1,787,428</u>	<u>\$ 3,789,164</u>
Net Change in Fund Balance	<u>\$ 2,001,736</u>	<u>\$ 1,787,428</u>	<u>\$ 3,789,164</u>
Fund balances - beginning	\$ 9,743,128	\$ 3,359,054	\$ 13,102,182
Restatements	14,265	44,794	59,059
Fund balances - beginning - restated	<u>\$ 9,757,393</u>	<u>\$ 3,403,848</u>	<u>\$ 13,161,241</u>
Fund balances - ending	<u>\$ 11,759,129</u>	<u>\$ 5,191,276</u>	<u>\$ 16,950,405</u>

SINGLE AUDIT SECTION

Browning Public Schools
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

<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			
United States Department of Agriculture			
<i>Passed through Montana Office of Public Instruction</i>			
School Breakfast Program	10.553	N/A	\$ 319,087
National School Lunch Program	10.555	N/A	794,225
National School Lunch Program	10.555	N/A	82,755
Summer Food Service Program for Children	10.555	N/A	119,181
Total United States Department of Agriculture			\$ 1,315,248
Total Child Nutrition Cluster			\$ 1,315,248
Special Education Cluster (IDEA)			
Department of Education			
<i>Passed through Montana Office of Public Instruction</i>			
Special Education Grants to States	84.027	1804007715	\$ 41,271
Special Education Grants to States	84.027	1804007716	384,617
Special Education Preschool Grants	84.173	1804007916	15,981
Total Department of Education			\$ 441,869
Total Special Education Cluster (IDEA)			\$ 441,869
Other Programs			
Department of Education			
<i>Passed through Montana Office of Public Instruction</i>			
Title I Grants of Local Educational Agencies	84.010	1804003115	\$ 12,830
Title I Grants of Local Educational Agencies	84.010	1804003116	42,804
Title I Grants of Local Educational Agencies	84.010	1804033715	58,741
Title I Grants of Local Educational Agencies	84.010	1804003716	313,758
Title I Grants of Local Educational Agencies	84.010	1804003215	317,130
Title I Grants of Local Educational Agencies	84.010	1804003216	1,186,088
Career and Technical Education- Basic Grants to States	84.048	1804018115	363
Career and Technical Education- Basic Grants to States	84.048	1804018116	45,524
Education for Homeless Children and Youth	84.196	1804005716	12,848
Education for Homeless Children and Youth	84.196	1804005715	5,127
Twenty-First Century Community Learning Centers	84.287	1804001715	112,036
Twenty-First Century Community Learning Centers	84.287	1804001716	51,257
Gaining Awareness and Readiness for Undergraduate Programs	84.334	N/A	5,171
Gaining Awareness and Readiness for Undergraduate Programs	84.334	N/A	6,682
Gaining Awareness and Readiness for Undergraduate Programs	84.334	N/A	5,314
Gaining Awareness and Readiness for Undergraduate Programs	84.334	N/A	11,352
Gaining Awareness and Readiness for Undergraduate Programs	84.334	N/A	101,942
Gaining Awareness and Readiness for Undergraduate Programs	84.334	P334S110014-15	97,462
English Language Acquisition State Grants	84.365	1804004115	4,839
English Language Acquisition State Grants	84.365	1804004116	2,911
Improving Teacher Quality State Grants	84.367	1804001415	71,014
Improving Teacher Quality State Grants	84.367	1804001416	140,320
Striving Readers	84.371	1804003515	99,134
Striving Readers	84.371	1804003516	181,115
<i>Direct</i>			
Impact Aid	84.041	N/A	7,204,922
Indian Education Grants to Local Educational Agencies	84.060	N/A	445,132
Total Department of Education			\$ 10,535,816

Browning Public Schools
Schedule of Expenditures of Federal Awards, continued
For the Year Ended June 30, 2016

<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>
<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	1H79SM061869-01	\$ 81,858
Substance Abuse and mental Health Services_Projects of Regional and National Significance	93.243	1804003816	236,596
Total Department of Health and Human Services			\$ <u>318,454</u>
<u>United States Department of Agriculture</u>			
<i>Passed through Montana Office of Public Instruction</i>			
Child and Adult Food Care Program	10.558	N/A	\$ 4,626
Team Nutrition Grants	10.574	N/A	351
<i>Fresh Fruit and Vegetables Program</i>	10.582	N/A	66,426
Total United States Department of Agriculture			\$ <u>71,403</u>
Total Other Programs			\$ <u>10,925,673</u>
Total Federal Financial Assitance			\$ <u><u>12,682,790</u></u>

The accompanying notes are an integral part of this schedule

Browning Public Schools
Glacier COUNTY, MONTANA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended 2016

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Browning Public Schools, Glacier County, Montana, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the basic financial statements.

Value of Federal Awards Expended in the form of Noncash Assistance

- *Food Commodities value equals the fair value at the time of the receipt \$82,755.*

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

1740 U.S. Hwy 93 South - Suite 101 Kalispell, MT 59901

**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, 2016, and the related notes to the financial statements, which collectively comprise the Browning Public Schools's basic financial statements and have issued our report thereon dated March 22, 2017.

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 District'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 2016-001.

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 item(s) 2016-002 through 2016-005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Browning Public Schools'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 Schools's Response to Findings

Browning Public Schools's response to the findings identified in our audit is described in the Auditee's Corrective Action Plan. Browning Public Schools'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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

March 22, 2017

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, 2016. 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Browning Public Schools, 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 major federal programs for the year ended June 30, 2016.

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 District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine 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 District's internal control over compliance.

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

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

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

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

March 22, 2017

Browning Public Schools

Glacier County, Montana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended 2016

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	<i>Modified</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?	No

Federal Awards

Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified	No
Type of auditor’s report issued on compliance for major programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
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?	No

Section II – Financial Statement Findings

2016-001 Cash Reconciliation (Repeat of finding 2015-001, 2014-003)

Condition:

Per review of the cash reconciliation procedures, we noted the Claims and payroll clearing funds were not reconciled with the County, resulting in County reports showing materially different cash balances for Payroll and Claims funds than that reported by the District.

Context:

We compared year-end cash balances to the June Glacier County Treasurer's reports and noted material variances in the Payroll and Claims funds. We also compared the cash balances to the outstanding warrant listings, noting the outstanding listings were materially less than the cash balance of the funds at the county level.

Criteria:

Cash should be reconciled with the County reports on the individual fund level with any discrepancies noted and the County notified of the errors.

Effect:

Individual funds cash balances were reconciled with the County report noting a difference of \$650,079 with the County showing more cash than the District accounting records. In addition, the outstanding warrant report provided by the county did not agree to the cash in the fund at the county level and did not agree to the outstanding warrant report on the District's accounting system.

Cause:

Inadequate internal controls over cash reconciliations and reporting related to the claims and payroll funds.

Recommendation:

The District should determine the differences in cash to the county and the differences in outstanding warrant listings between the district and the county.

2016-002 Credit Card Documentation (Repeat of finding 2015-004, 2014-007)

Condition:

During the review of credit card claims, we noted that transactions are paid separately from the credit card statement based on receipts and invoices rather than paying the charges as they appear on the credit card statement. Charges on the credit cards statements which do not have proper supporting documentation go unpaid and result in finance charges.

Context:

To review the internal controls over credit cards we randomly selected credit card payments to review.

Criteria:

Control procedures should ensure all charges on each month's credit card statement are properly supported with receipts and paid in full each month.

Effect:

The District pays finance charges each month on transactions which did not have receipts turned in a timely manner.

Cause:

Claims are paid to the credit card company as receipts come in, separate from each statement. Claims which do not have receipts come in on time go unpaid and result in finance charges.

Recommendation:

We recommend that the district reconcile receipts directly to the credit card statement each month and that the credit card statement be paid in full each month. We also recommend that the district require receipts to be turned in for all credit card transactions in a timely manner after making the purchase.

2016-003 Food Service Inventory (Repeat of finding 2015-006, 2014-006)**Condition:**

Warehouse inventory is counted approximately every 3 months. In addition, purchase and usage reports are obtained throughout the year. However, purchase and usage data is not compiled throughout the year for comparison with the inventory count.

Context:

We inquired about the inventory process with the Food Service Director and determined they are not maintaining a perpetual inventory system.

Criteria:

Internal control procedures should include an inventory of all food supplies on hand. An inventory tracking system should be implemented and physical counts compared to the inventory records periodically. Inventory shrinkage should be followed up to determine the reason for the discrepancy.

Effect:

A lack of controls which increases the risk of misappropriation of assets.

Cause:

Adequate controls have not been established.

Recommendation:

The District should implement a procedure for compiling purchase and usage data throughout the year for inventory items. This compilation should then be used in conjunction with the inventory counts to determine and follow up on any inventory shrinkage.

2016-004 Student Activity Receipting (Repeat of finding 2015-007, 2014-001)

Condition:

We noted the following weaknesses in internal controls over receipting:

- 1) All fundraisers did not include supporting documentation
- 2) Beginning cash was not signed for concession tills or gate boxes.

Context:

To test internal controls over receipting we judgmentally selected a month of receipts to review. Through this selection we noted internal control weaknesses.

Criteria:

Internal control procedures for receipting should include support for all receipts to ensure all monies collected are receipted and timely depositing of all monies received.

Effect:

Internal control weaknesses exist with student activity receipting.

Cause:

Internal control procedures related to student activities were not established.

Recommendation:

The District should implement internal control procedures to ensure appropriate documentation for all receipts.

2016-005 Trustees' Financial Summary Reporting Errors

Condition:

The following errors were noted in the preparation of the Trustees' Financial Summary:

1. The Student Extracurricular Activity Fund Revenues and Expenses were understated and Cash and Net Position was overstated
2. The Retiree/Cobra agency fund had a balance of \$184,174 which had increased from the prior year, which should have been transferred to the Self Insurance Fund.

Context:

1. We compared the subsidiary record of student activity to the amount reported on the Trustees' Financial Summary and noted the differences.
2. We compared the payables on the financial statements to the subsidiary records.

Criteria:

1. Internal control procedures should be in place to ensure the amounts reported on the Trustees' Financial Summary agree to the underlying accounting records and subsidiary records.
2. The Retiree Cobra fund is an agency fund to show the collections of the receipts from outside sources for the health insurance provided by the district through self-insurance. As the funds are received, the monies should be transferred into the self-insurance fund to pay the required premiums.

Effect:

1. Fiduciary Funds Revenues were understated \$230,393; Expenses were understated \$263,340. Cash and Net Position were overstated \$32,947. This has been corrected for the audit report.
2. The Agency fund (aggregate) cash and payables are overstated \$184,174 and the Internal Service Fund Cash and Revenues are understated \$184,174.

Cause:

1. The District did not use the Student Activity subsidiary "Statement of Activity By Account" for the fiscal year to prepare the Trustees' Financial Summary.
2. The District made an error in not transferring the funds since the conversion to the new accounting software as the old software accounted for the transfer within the functions of the system.

Recommendation: We recommend the following to improve internal control over financial reporting:

1. The Student Extracurricular Activity Fund financial information should be taken from the subsidiary report for preparation of the Trustees' Financial Summary with supervisory personnel verifying the amounts reported are correct.
2. Implement monthly procedures to transfer the collections from retirees and cobra to the self-insurance fund or directly record those payment in the self-insurance fund and eliminate the retiree/cobra fund but set up a tracking of the receivable to ensure all required payments are received.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported

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 eight (8) recommendations. The action taken on each recommendation is as follows:

<u>Recommendation</u>	<u>Action Taken</u>
Cash Reconciliation	Repeated
Misclassification of Revenues	Implemented
Enrollment	Implemented
Credit Card Documentation	Repeated
Disbursement Internal Control	Implemented
Food Service Inventory	Repeated
Student Activity Receipting	Repeated
Private School Communication	Implemented

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

March 22, 2017

Browning Public Schools

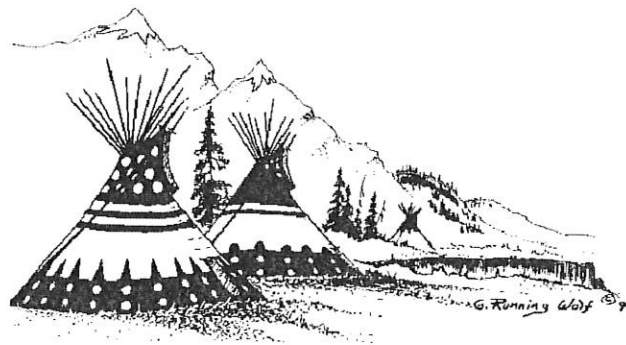
Department of Finance

129 First Avenue S.E.

P.O. Box 610

Browning, MT 59417-0610

Phone (406) 338-2715 Fax (406)338-2708



February 14, 2017

Contact Person:

Stacy J. Edwards

PO Box 610

Browning, MT 59417

(406) 338-2715 ext. 4233

Completion Date of Corrective Action Plan:

December 31, 2017

CORRECTIVE ACTION PLAN

FINDING 2016-001: CASH RECONCILIATION

Response: The cash reconciliations are being done timely; however, we've had changes in the County Treasurer's Office and it's made efforts to reconcile the claims and payroll funds difficult. The claims and payroll funds have not been reconciled for several years, but the District will continue to work on getting the funds reconciled.

FINDING 2016-002: CREDIT CARD DOCUMENTATION

Response: The district has set up a computer in the Business Office specifically for doing online orders. This should help with receiving invoices after purchases. This will eliminate the clerk having to track down invoices and finance charges being charged to the account. The District will enforce the credit card policy and require that receipts be turned in for all cards in a timely manner. Failure to comply will result in restricting individual's use of the credit card.

FINDING 2016-003: FOOD SERVICE INVENTORY

Response: The District does have all the parts necessary to complete the Food Service inventory; however, the District was not utilizing all parts to complete the inventory process. There was a new position created last year, the Warehouse Clerk, who was responsible for the inventorying the purchases and usages. The individual was hired in January 2016, but resigned from his position at the beginning of June 2016. That individual will be tracking the inventory using the inventory gun system and will be responsible for completing the portion of inventory of what is being used.

FINDING 2016-004: STUDENT ACTIVITY RECEIPTING

Response: 1. The District will require supporting documents for their fundraising activities. The District will require that the clubs use a spreadsheet to track how many of what items were sold and to whom they were sold. This will allow for the number of items sold to coincide with the amount of cash turned in to the Business Office. 2. The individuals who will be operating the concessions and/or the gates will be required to sign off on the cash/count sheet prior to taking the cash and/or tickets.

FINDING 2016-005: TRUSTEES' FINANCIAL SUMMARY REPORT ERRORS

Response: 1. The District will ensure that the figures for the Student Extracurricular Activity Fund financial information will be taken from the subsidiary report for the preparation of the Trustees' Financial Summary with the Superintendent verifying the amounts reported. 2. The collection from retirees and cobra will be deposited monthly into the self-insurance fund.

SUMMARY OF PRIOR AUDIT FINDINGS

FINDING 2015-001: CASH RECONCILIATION (Repeat of finding 2014-003)

Response: The District has contracted a consultant to assist in getting the payroll and claims clearing funds reconciled. There has been a change of the entire staff in the Glacier County Treasurer's Office, since January 2015. A recent change in the treasurer happened last year. The District is hopeful that the funds can be reconciled before the next audit.

FINDING 2015-002: MISCLASSIFICATION OF REVENUES (Repeat of finding 2014-004)

Response: The District has corrected this finding. The District has been more cautious and accurate at coding the incoming revenues.

FINDING 2015-003: ENROLLMENT (Repeat of finding 2014-009)

Response: The District has corrected this finding. The District continued to inform the campuses staff on the importance of the Student Count. There is one individual responsible for inputting the data and the other will verify that the data entered into Infinite Campus is correct; thus, eliminating the errors reported.

FINDING 2015-004: CREDIT CARD DOCUMENTATION (Repeat of finding 2014-007)

Response: The District has set up a station in the Business Office for online ordering. This helps with the collection of receipts. The District is now assessing interest charges to each campus's discretionary budgets, if they are late in turning in their receipts for payment. The District will enforce the credit card policy and require that receipts be turned in for all cards in a timely manner. Failure to comply will result in restricting individual's use of the credit card.

FINDING 2015-005: DISBURSEMENT INTERNAL CONTROL (Repeat of finding 2014-005)

Response: The District has corrected this finding. The District staff in the Business Office log each other's checks that have been processed in a check log. No staff is allowed to log their own checks. The check numbers are in chronological order and are entered on a sheet indicated the starting and ending number of the checks used. The accounting software keeps track of the checks in order and indicates what check number should be next when you run a new batch of checks.

FINDING 2015-006: FOOD SERVICE INVENTORY (Repeat finding of 2014-006)

Response: The District has all the necessary parts to complete the Food Service inventory; however, the District was not utilizing all parts to complete the inventory process. The new position that the District has created, the Warehouse Clerk, should put all the parts together with the use of the new inventory gun system.

FINDING 2015-007: STUDENT ACTIVITIY RECEIPTING (Repeat of finding 2014-001)

Response: The District has corrected all but two findings with Student Activities. The District will require supporting documents for their fundraising activities. The supporting documents will indicate how many of what items were sold and to whom they were sold. The District will require individuals who will be operating the concessions and/or gates to sign off on the cash/count sheet prior to taking the cash and/or tickets.

FINDING 2015-008: PRIVATE SCHOOL COMMUNICATION (Repeat of finding 2014-010)

Response: The District has corrected this finding.