

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
Fiscal Year Ended June 30, 2019

AUDIT REPORT

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

BROWNING PUBLIC SCHOOLS
 GLACIER COUNTY, MONTANA
 FISCAL YEAR ENDED JUNE 30, 2019

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BROWNING PUBLIC SCHOOLS

GLACIER COUNTY, MONTANA

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BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2019

BOARD OF TRUSTEES

Donna Yellow Owl	Chair
Wendy Bremner	Vice-Chair
Rae Tall Whiteman-Armstrong	Trustee
Jess Edwards	Trustee
James Evans	Trustee
Brian Gallup	Trustee
Brenda Croff	Trustee
Kristy Lynn Bullshoe	Trustee

DISTRICT OFFICIALS

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

**Browning Public Schools
Glacier County, Montana
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 \$9,129,753, this is an increase of 15%.
- During the year, our school had expenses that were \$9,087,102 less than the \$42,717,671 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 Activities report information about the government as a whole and about its activities in a way that helps answer this question. These statements included all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

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

Fund Financial statements

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

**Browning Public Schools
Glacier County, Montana
School District #9
Management's Discussion and Analysis**

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, 2019. This is a net change of 13% - substantially stable

Table 1 - Net Position

	Governmental Activities			Business-type Activities		
	<u>FY19</u>	<u>FY18</u>	<u>Change Inc (Dec)</u>	<u>FY19</u>	<u>FY18</u>	<u>Change Inc (Dec)</u>
	Current and other assets	\$ 52,329,285	\$ 38,905,339	\$ 13,423,946	\$ 5,226	\$ 5,226
Capital assets	50,995,608	51,387,943	(392,335)	-	-	-
Total assets	<u>\$ 103,324,893</u>	<u>\$ 90,293,282</u>	<u>\$ 13,031,611</u>	<u>\$ 5,226</u>	<u>\$ 5,226</u>	<u>\$ -</u>
Long-term debt outstanding	\$ 6,353,899	\$ 6,551,574	\$ (197,675)	\$ -	\$ -	\$ -
Other liabilities	26,769,503	22,669,970	4,099,533	2,288	1,847	441
Total liabilities	<u>\$ 33,123,402</u>	<u>\$ 29,221,544</u>	<u>\$ 3,901,858</u>	<u>\$ 2,288</u>	<u>\$ 1,847</u>	<u>\$ 441</u>
Net investment in capital assets	\$ 45,715,608	\$ 45,657,943	\$ 57,665	\$ -	\$ -	\$ -
Restricted	4,026,728	3,413,510	613,218	-	-	-
Unrestricted (deficit)	20,459,155	12,000,285	8,458,870	2,938	3,379	(441)
Total net position	<u>\$ 70,201,491</u>	<u>\$ 61,071,738</u>	<u>\$ 9,129,753</u>	<u>\$ 2,938</u>	<u>\$ 3,379</u>	<u>\$ (441)</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 have a decrease of .8%. There was an increase to the non-current liabilities of 5%. The unrestricted net position has increased by \$8,458,870.

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

**Browning Public Schools
Glacier County, Montana
School District #9
Management's Discussion and Analysis**

Table 2 - Changes in Net Position

	Governmental Activities			Business-type Activities		
	FY19	FY18	Change Inc (Dec)	FY19	FY18	Change Inc (Dec)
Revenues						
<i>Program revenues (by major source):</i>						
Charges for services	\$ 102,619	\$ 67,959	\$ 34,660	\$ 55,642	\$ 42,400	\$ 13,242
Operating grants and contributions	8,108,570	7,322,029	786,541	-	-	-
Capital grants and contributions	250,240	-	250,240	-	-	-
<i>General revenues (by major source):</i>						
Property taxes for general purposes	2,207,381	2,486,785	(279,404)	-	-	-
State/County equalization	4,455,378	4,379,505	75,873	-	-	-
Grants and entitlements not restricted to specific programs	7,207,337	7,152,271	55,066	-	-	-
Investment earnings	28,014	(2,328)	30,342	-	-	-
Miscellaneous (other revenue)	150,581	353,027	(202,446)	-	-	-
MT Oil and Gas Tax	36,005	47,035	(11,030)	-	-	-
State entitlement (block grants)	-	95,033	(95,033)	-	-	-
State pension aid	919,294	637,628	281,666	-	-	-
County retirement	2,806,637	2,550,000	256,637	-	-	-
Federal impact aid	16,445,615	14,848,355	1,597,260	-	-	-
Total revenues	\$ 42,717,671	\$ 39,937,299	\$ 2,780,372	\$ 55,642	\$ 42,400	\$ 13,242
Program expenses						
Instructional - regular	\$ 14,409,947	\$ 14,145,115	\$ 264,832	\$ -	\$ -	\$ -
Instructional - special education	2,072,698	2,395,709	(323,011)	-	-	-
Instructional - vocational education	280,261	295,720	(15,459)	-	-	-
Supporting services - operations & maintenance	2,893,076	2,927,985	(34,909)	-	-	-
Supporting services - general	2,523,369	2,329,890	193,479	-	-	-
Supporting services - educational media services	2,462,812	2,401,265	61,547	-	-	-
Administration - general	1,653,780	1,568,354	85,426	-	-	-
Administration - school	2,204,803	1,874,659	330,144	-	-	-
Administration - business	502,760	495,482	7,278	-	-	-
Student transportation	1,757,718	1,661,745	95,973	-	-	-
Extracurricular	806,325	875,349	(69,024)	-	-	-
School food	1,683,705	1,593,558	90,147	-	-	-
Community services	44,640	34,590	10,050	-	-	-
Debt service expense - interest	224,387	242,763	(18,376)	-	-	-
Unallocated depreciation*	81,085	135,711	(54,626)	-	-	-
Enterprise Services	29,203	21,066	8,137	-	-	-
Elementary Day Care	-	-	-	56,083	43,306	12,777
Total expenses	\$ 33,630,569	\$ 32,998,961	\$ 631,608	\$ 56,083	\$ 43,306	\$ 12,777
Increase (decrease) in net position	\$ 9,087,102	\$ 6,938,338	\$ 2,148,764	\$ (441)	\$ (906)	\$ 465

The noticeable difference here is that we had a 7% increase to our revenue and we increased spending by about 2%.

FUND FINANCIALS

The District's General Fund for both the elementary and high school are used for the salaries and benefits for the certified and classified staff and a small portion is used for some administrative and classified staff. We had a 1% decrease in the elementary revenue and a 2% increase in the high school revenue. This is due to a decrease in the elementary enrollment and an increase in the high school enrollment. The Transportation Fund is used strictly to transport students from home to school and school to home. There was an 7% decrease to the elementary revenue and a 8% decrease to the high school revenue. The Bus Deprecation Fund indicates a decrease in the elementary revenues of 11% and the high school had a revenue increase of 27%. There were 3 new buses purchased. There are two new projects started, one is an addition to the middle school and the other is a sports complex.

**Browning Public Schools
Glacier County, Montana
School District #9
Management's Discussion and Analysis**

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, 2019, and the related notes to the financial statements which collectively comprise the District’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Browning Public Schools, Glacier County, Montana, as of and for the year ended June 30, 2019, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2019, the District has changed their method of reporting the claims and payroll clearing funds. In past years these clearing funds were reported as Agency Funds. In accordance with GASB statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the clearing funds are now combined with the District General Funds. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the total OPEB liability and related ratios, schedules of proportionate share of the net pension liability, and schedules of contributions on pages 2 through 5, 54 through 58, and 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, and the balance sheets and statements of revenues, expenditures and changes in fund balance for the general and impact aid funds are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S., *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the financial statements.

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

Other Supplemental Information

The balance sheets and statements of revenues, expenditures, and changes in fund balance for the general and impact aid funds, as reported on pages 69 through 72, 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 24, 2020, 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.

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

March 24, 2020

Browning Public Schools, Glacier County, Montana
Statement of Net Position
June 30, 2019

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 44,076,187	\$ -	\$ 44,076,187
Taxes and assessments receivable, net	1,229,875	-	1,229,875
Accounts receivable - net	884,054	5,226	889,280
Due from other governments	885,817	-	885,817
Total current assets	<u>\$ 47,075,933</u>	<u>\$ 5,226</u>	<u>\$ 47,081,159</u>
Noncurrent assets			
Restricted cash and investments	\$ 407,685	\$ -	\$ 407,685
Capital assets - land	839,008	-	839,008
Capital assets - construction in progress	853,520	-	853,520
Capital assets - depreciable, net	49,303,080	-	49,303,080
Total noncurrent assets	<u>\$ 51,403,293</u>	<u>\$ -</u>	<u>\$ 51,403,293</u>
Total assets	<u>\$ 98,479,226</u>	<u>\$ 5,226</u>	<u>\$ 98,484,452</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	\$ 4,642,110	\$ -	\$ 4,642,110
Deferred outflows of resources - OPEB	203,557	-	203,557
Total deferred outflows of resources	<u>\$ 4,845,667</u>	<u>\$ -</u>	<u>\$ 4,845,667</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 103,324,893</u>	<u>\$ 5,226</u>	<u>\$ 103,330,119</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 409,035	\$ -	\$ 409,035
Warrants payable	1,742,893	-	1,742,893
Accrued payroll	480,095	2,288	482,383
Due to other governments	14,401	-	14,401
Current portion of long-term capital liabilities	860,000	-	860,000
Current portion of compensated absences payable	379,077	-	379,077
Total current liabilities	<u>\$ 3,885,501</u>	<u>\$ 2,288</u>	<u>\$ 3,887,789</u>
Noncurrent liabilities			
Noncurrent portion of long-term liabilities	\$ 415,839	\$ -	\$ 415,839
Noncurrent portion of long-term capital liabilities	4,420,000	-	4,420,000
Noncurrent portion of compensated absences	278,983	-	278,983
Net pension liability	23,327,192	-	23,327,192
Total noncurrent liabilities	<u>\$ 28,442,014</u>	<u>\$ -</u>	<u>\$ 28,442,014</u>
Total liabilities	<u>\$ 32,327,515</u>	<u>\$ 2,288</u>	<u>\$ 32,329,803</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	\$ 795,887	\$ -	\$ 795,887
Total deferred inflows of resources	<u>\$ 795,887</u>	<u>\$ -</u>	<u>\$ 795,887</u>
NET POSITION			
Net investment in capital assets	\$ 45,715,608	\$ -	\$ 45,715,608
Restricted for capital projects	1,624,022	-	1,624,022
Restricted for debt service	494,152	-	494,152
Restricted for special projects	2,316,239	-	2,316,239
Unrestricted	20,051,470	2,938	20,054,408
Total net position	<u>\$ 70,201,491</u>	<u>\$ 2,938</u>	<u>\$ 70,204,429</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 103,324,893</u>	<u>\$ 5,226</u>	<u>\$ 103,330,119</u>

See accompanying Notes to the Financial Statements

Browning Public Schools, Glacier County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>					
	<u>Program Revenues</u>			<u>Primary Government</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary government:						
Governmental activities:						
Instructional - regular	\$ 14,409,947	\$ -	\$ 2,425,411	\$ (11,984,536)	\$ -	\$ (11,984,536)
Instructional - special education	2,072,698	-	887,316	(1,185,382)	-	(1,185,382)
Instructional - vocational education	280,261	-	79,985	(200,276)	-	(200,276)
Supporting services - operations & maintenance	2,893,076	42,734	-	(2,850,342)	-	(2,850,342)
Supporting services - general	2,523,369	-	992,756	(1,530,613)	-	(1,530,613)
Supporting services - educational media services	2,462,812	-	1,302,286	(1,160,526)	-	(1,160,526)
Administration - general	1,653,780	-	55,828	(1,597,952)	-	(1,597,952)
Administration - school	2,204,803	-	-	(2,204,803)	-	(2,204,803)
Administration - business	502,760	-	4,360	(498,400)	-	(498,400)
Student transportation	1,757,718	-	373,945	(1,383,773)	-	(1,383,773)
Extracurricular	806,325	-	-	(806,325)	-	(806,325)
School food	1,683,705	59,885	1,412,394	(211,426)	-	(211,426)
Community services	44,640	-	-	(44,640)	-	(44,640)
Debt service expense - interest	224,387	-	-	(224,387)	-	(224,387)
Unallocated depreciation*	81,085	-	-	(81,085)	-	(81,085)
Enterprise Services	29,203	-	-	(29,203)	-	(29,203)
Total governmental activities	\$ 33,630,569	\$ 102,619	\$ 7,534,281	\$ (25,993,669)	\$ -	\$ (25,993,669)
Business-type activities:						
Elementary Day Care	\$ 56,083	\$ 55,642	\$ -	\$ -	\$ (441)	\$ (441)
Total business-type activities	\$ 56,083	\$ 55,642	\$ -	\$ -	\$ (441)	\$ (441)
Total primary government	\$ 33,686,652	\$ 158,261	\$ 7,534,281	\$ (25,993,669)	\$ (441)	\$ (25,994,110)
General Revenues:						
Property taxes for general purposes				\$ 2,207,381	\$ -	\$ 2,207,381
State/County equalization				4,455,378	-	4,455,378
Grants and entitlements not restricted to specific programs				7,207,337	-	7,207,337
Investment earnings				28,014	-	28,014
Miscellaneous (other revenue)				150,581	-	150,581
MT Oil and Gas Tax				36,005	-	36,005
State pension aid				919,294	-	919,294
County retirement				2,806,637	-	2,806,637
Federal impact aid				17,270,144	-	17,270,144
Total general revenues, special items and transfers				\$ 35,080,771	\$ -	\$ 35,080,771
Change in net position				\$ 9,087,102	\$ (441)	\$ 9,086,661
Net position - beginning				\$ 61,071,738	\$ 3,379	\$ 61,075,117
Restatements				42,651	-	42,651
Net position - beginning - restated				\$ 61,114,389	\$ 3,379	\$ 61,117,768
Net position - end				\$ 70,201,491	\$ 2,938	\$ 70,204,429

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

Browning Public Schools, Glacier County, Montana
Balance Sheet
Governmental Funds
June 30, 2019

	General	Elementary Miscellaneous Programs	Other Governmental Funds	Total Governmental Funds
ASSETS				
Current assets:				
Cash and investments	\$ 40,415,889	\$ -	\$ 3,136,599	\$ 43,552,488
Taxes and assessments receivable, net	534,621	-	695,254	1,229,875
Due from other governments	-	849,494	36,323	885,817
Total current assets	<u>\$ 40,950,510</u>	<u>\$ 849,494</u>	<u>\$ 3,868,176</u>	<u>\$ 45,668,180</u>
Noncurrent assets:				
Restricted cash and investments	\$ 407,685	\$ -	\$ -	\$ 407,685
TOTAL ASSETS	<u>\$ 41,358,195</u>	<u>\$ 849,494</u>	<u>\$ 3,868,176</u>	<u>\$ 46,075,865</u>
LIABILITIES				
Current liabilities:				
Cash overdrafts	\$ -	\$ 575,529	\$ -	\$ 575,529
Accounts payable	246,108	1,355	5,974	253,437
Warrants payable	1,742,893	-	-	1,742,893
Accrued payroll	384,452	-	93,683	478,135
Due to other governments	-	14,401	-	14,401
Total liabilities	<u>\$ 2,373,453</u>	<u>\$ 591,285</u>	<u>\$ 99,657</u>	<u>\$ 3,064,395</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - taxes	\$ 534,621	\$ -	\$ 695,254	\$ 1,229,875
Total deferred inflows of resources	<u>\$ 534,621</u>	<u>\$ -</u>	<u>\$ 695,254</u>	<u>\$ 1,229,875</u>
FUND BALANCES				
Restricted	\$ 407,685	\$ 258,209	\$ 3,143,579	\$ 3,809,473
Unassigned fund balance	38,042,436	-	(70,314)	37,972,122
Total fund balance	<u>\$ 38,450,121</u>	<u>\$ 258,209</u>	<u>\$ 3,073,265</u>	<u>\$ 41,781,595</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND CHANGES IN FUND BALANCES	<u>\$ 41,358,195</u>	<u>\$ 849,494</u>	<u>\$ 3,868,176</u>	<u>\$ 46,075,865</u>

See accompanying Notes to the Financial Statements

Browning Public Schools, Glacier County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2019

Total fund balances - governmental funds	\$ 41,781,595
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	50,995,608
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.	1,229,875
An internal service fund is used by management to charge the costs of providing services within the government. The assets and liabilities of the internal service funds are included in governmental activities in the government-wide statement of net assets	1,825,724
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(6,353,899)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(23,327,192)
The changes between actuarial assumptions, differences in expected vs actual pension experiences, changes in proportionate share allocation, and current year retirement contributions as they relate to the net pension liability are a deferred outflow of resources and are not payable in current period, therefore are not reported in the funds.	4,642,110
The changes between actuarial assumptions, differences in projected vs actual investment earnings, and changes in proportionate share allocation as they relate to the net pension liability are a deferred inflows of resources and are not available to pay for current expenditures, therefore are not reported in the funds.	(795,887)
The changes between actuarial assumptions and differences in projected vs actual liability as they relate to the total other post-employment benefits liability are a deferred outflows of resources and are not payable in the current period, therefore are not reported in the funds.	203,557
Total net position - governmental activities	\$ <u><u>70,201,491</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, 2019

	<u>General</u>	<u>Elementary Miscellaneous Programs</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Local revenue	\$ 819,708	\$ 75,208	\$ 1,651,957	\$ 2,546,873
County revenue	-	-	3,006,713	3,006,713
State revenue	12,328,358	293,921	190,524	12,812,803
Federal revenue	17,270,144	4,704,297	1,513,522	23,487,963
Total revenues	<u>\$ 30,418,210</u>	<u>\$ 5,073,426</u>	<u>\$ 6,362,716</u>	<u>\$ 41,854,352</u>
EXPENDITURES				
Instructional - regular	\$ 8,676,529	\$ 2,306,104	\$ 1,202,615	\$ 12,185,248
Instructional - special education	1,526,767	319,476	226,455	2,072,698
Instructional - vocational education	200,530	-	79,731	280,261
Supporting services - operations & maintenance	2,594,452	-	263,469	2,857,921
Supporting services - general	1,340,395	990,106	192,868	2,523,369
Supporting services - educational media services	1,040,320	1,295,094	127,398	2,462,812
Administration - general	966,879	55,834	64,583	1,087,296
Administration - school	1,952,046	-	252,757	2,204,803
Administration - business	463,926	-	38,834	502,760
Student transportation	526,416	-	924,547	1,450,963
Extracurricular	755,363	-	41,055	796,418
School food	-	-	1,662,074	1,662,074
Community services	16,806	27,577	257	44,640
Debt service expense - principal	-	-	450,000	450,000
Debt service expense - interest	-	-	224,387	224,387
Capital outlay	996,548	7,244	79,854	1,083,646
Enterprise Services	-	-	29,203	29,203
Total expenditures	<u>\$ 21,056,977</u>	<u>\$ 5,001,435</u>	<u>\$ 5,860,087</u>	<u>\$ 31,918,499</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 9,361,233</u>	<u>\$ 71,991</u>	<u>\$ 502,629</u>	<u>\$ 9,935,853</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of general capital asset disposition	\$ -	\$ -	\$ 67,150	\$ 67,150
Transfers in	35,476	-	49,850	85,326
Transfers out	(49,850)	-	(35,476)	(85,326)
Total other financing sources (uses)	<u>\$ (14,374)</u>	<u>\$ -</u>	<u>\$ 81,524</u>	<u>\$ 67,150</u>
Net Change in Fund Balance	<u>\$ 9,346,859</u>	<u>\$ 71,991</u>	<u>\$ 584,153</u>	<u>\$ 10,003,003</u>
Fund balances - beginning	\$ 29,103,262	\$ 186,218	\$ 2,446,461	\$ 31,735,941
Restatements	-	-	42,651	42,651
Fund balances - beginning, restated	<u>\$ 29,103,262</u>	<u>\$ 186,218</u>	<u>\$ 2,489,112</u>	<u>\$ 31,778,592</u>
Fund balance - ending	<u>\$ 38,450,121</u>	<u>\$ 258,209</u>	<u>\$ 3,073,265</u>	<u>\$ 41,781,595</u>

See accompanying Notes to the Financial Statements

Browning Public Schools, Glacier County, Montana
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2019

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

Net change in fund balances - total governmental funds \$ 10,003,003

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 1,083,646
- Depreciation expense (1,475,981)

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 inflows of resources - taxes) (123,125)

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

(36,480)

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 450,000

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 (12,288)

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.

(84,118)

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

(3,119,380)

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

919,294

Current year contributions to retirement benefits are shown as deferred outflows of resources on the Statement of Net Position and shown as expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance when paid.

1,606,903

Current year amortization of capitalized bond issuance costs are shown as expense on Statement of Activities over life of bond and shown as expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances in year of bond issuance.

(124,372)

Change in net position - Statement of Activities \$ 9,087,102

See accompanying Notes to the Financial Statements

Browning Public Schools, Glacier County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-Type Activities - Enterprise Funds	Governmental Activities
	Non-major Enterprise	Internal Service Funds
ASSETS		
Current assets:		
Cash and investments	\$ -	\$ 1,099,228
Accounts receivable - net	5,226	884,054
TOTAL ASSETS	\$ 5,226	\$ 1,983,282
LIABILITIES		
Current liabilities:		
Accounts payable	\$ -	\$ 155,598
Accrued payroll	2,288	1,960
Total liabilities	\$ 2,288	\$ 157,558
NET POSITION		
Unrestricted	\$ 2,938	\$ 1,825,724
TOTAL LIABILITIES AND NET POSITION	\$ 5,226	\$ 1,983,282

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, 2019

	Business-Type Activities - Enterprise Funds	Governmental Activities
	Non-major Enterprise	Internal Service Funds
OPERATING REVENUES		
Charges for services	\$ -	\$ 4,453,453
Miscellaneous revenues	55,642	63,387
Total operating revenues	\$ 55,642	\$ 4,516,840
OPERATING EXPENSES		
Personal services	\$ 47,487	\$ 1,960
Employee benefits	446	6,882
Supplies	7,237	1,588
Purchased professional and technical services	60	-
Other purchased services	853	4,590,528
Total operating expenses	\$ 56,083	\$ 4,600,958
Operating income (loss)	\$ (441)	\$ (84,118)
Net Position - Beginning of the year	\$ 3,379	\$ 1,909,842
Net Position - End of the year	\$ 2,938	\$ 1,825,724

See accompanying Notes to the Financial Statements

Browning Public Schools, Glacier County, Montana
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2019

	Business - Type Activities - Enterprise Funds	Governmental Activities
	Non-major Enterprise	Internal Service Fund
Cash flows from operating activities:		
Cash received from providing services	\$ 55,642	\$ 4,082,064
Cash received from miscellaneous sources	-	63,387
Cash payments to suppliers	(7,237)	(1,588)
Cash payments for professional services	(913)	(4,585,773)
Cash payments to employees	(47,492)	(8,341)
Net cash provided (used) by operating activities	\$ -	\$ (450,251)
Net increase (decrease) in cash and cash equivalents	\$ -	\$ (450,251)
Cash and cash equivalents at beginning	-	1,549,479
Cash and cash equivalents at end	\$ -	\$ 1,099,228
 Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (441)	\$ (84,118)
Changes in assets and liabilities:		
Change in accounts receivable	-	(371,389)
Change in accounts payable	-	4,755
Change in accrued payroll	441	501
Net cash provided (used) by operating activities	\$ -	\$ (450,251)

See accompanying notes to the financial statements

Browning Public Schools, Glacier County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2019

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and short-term investments	\$ 402,168	\$ 151,233
Total assets	\$ 402,168	\$ 151,233
LIABILITIES		
Due to others	\$ -	\$ 151,233
Total liabilities	\$ -	\$ 151,233
NET POSITION		
Assets held in trust	\$ 402,168	

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, 2019

		<u>Private Purpose Trust Funds</u>
ADDITIONS		
Contributions:		
Student activities	\$	269,480
Other revenue from local sources		8,450
Total additions	\$	<u>277,930</u>
 DEDUCTIONS		
Student activities	\$	250,085
Community services		18,950
Total deductions	\$	<u>269,035</u>
Change in net position	\$	<u>8,895</u>
Net Position - Beginning of the year	\$	<u>393,273</u>
Net Position - End of the year	\$	<u><u>402,168</u></u>

See accompanying Notes to the Financial Statements

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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.

New Accounting Pronouncements

GASB No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, is effective for years beginning after July 15, 2018. The objective of this Statement is to improve the information disclosed below related to the debt of the District, that includes direct borrowings and direct placements. For the purposes of disclosures in the following notes to the financial statements, debt is now defined as a liability that arises from contractual obligation to pay cash in one or more payments to settle amount that is fixed at the date of the contractual obligations. This excludes leases, except for contracts reported as financed purchased of an asset, or accounts payable. In addition, the Statement requires that the District disclose summarized information about unused lines of credit, assets pledged as collateral, and terms specified in debt agreements that are significant. The District has implemented this pronouncement current fiscal year and is related in the debt footnotes below if applicable.

Change in Accounting Principle

Beginning in fiscal year 2019, the District changed the method of reporting its clearing funds, claims and payroll clearing. Previously, these funds were reported as agency funds, but it was determined in the current year that these funds did not meet the definition of an agency fund as outlined in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as the resources are not being held by the District in a custodial capacity. As explained further in the major fund descriptions, these funds were combined with the General Funds of the District for reporting purposes.

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.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Primary Government

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

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

Basis of Presentation, Measurement Focus and Basis of Accounting

Government-wide Financial Statements:

Basis of Presentation

The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the 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. 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 Net Position presents the financial condition of the governmental and business-type activities for the District at year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's 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.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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. In the Statement of Activities, internal service fund transactions have been eliminated.

Measurement Focus and Basis of Accounting

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred regardless of the timing of the cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The District generally applies restricted resources to expenses incurred before using unrestricted resources when both restricted and unrestricted net position are available.

Fund Financial Statements:

Basis of Presentation

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

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

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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 is collection within 60 days of the end of the current fiscal period with the exception of property taxes and other state grants that is upon receipt.

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

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

Major Funds:

The District reports the following major governmental funds:

General Fund - This is the District’s primary operating fund and it accounts for all financial resources of the District except those required to be accounted for in other funds. The payroll and claims clearing funds of the District, previously reported in the agency funds, have been combined with the General Funds for reporting purposes. The cash and related payables of these clearing funds are also reported here.

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

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Proprietary Funds:

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

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

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 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. Revenues are recorded when earned and expenses are recorded as 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. For reporting, the District has determined to include the Student Extracurricular Activities Funds in this fund. These funds are explained in more detail below.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

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), Internal Service Fund – Self Insurance, and the High School Impact Aid Revenue Bond Account and Debt Service Reserve Account, is held by the County Treasurer and pooled with other County cash. School district cash which is not necessary for short-term obligations, the District participates in a County-wide investment program whereby all available cash is invested by the County Treasurer in pooled investments. Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. The County’s investment portfolio as of June 30, 2019, 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 in not rated.

The School District does not own specific identifiable investment securities in the pool; therefore, is not subject to categorization. Information regarding investment risk, collateral, security, and fair values for Glacier County deposits and investments is available from Glacier County Treasurer’s office, 512 East Main Street, Cut Bank, Montana 59427. Fair value approximates carrying value for investments as of June 30, 2019.

BROWNING PUBLIC SCHOOLS
 GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

The Districts cash, deposits, and investments at fair value at June 30, 2019 are as follows:

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Cash held at County	\$ 43,731,323
Cash in banks:	
Demand deposits	898,265
<u>Investments:</u>	
U.S. Government Securities	407,685
Total	\$ 45,037,273

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.

Deposits Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. All deposits are carried at cost plus accrued interest. As of June 30, 2019 the government's bank balance was exposed to custodial credit risk as follows:

The District's deposit bank balance for student activity at year end was \$352,203 of which the \$250,000 insured by FDIC, and the remaining amount of \$102,303 uninsured and uncollateralized. The book balance was \$322,553.

The District's deposit balance for self- insurance at year end was \$575,712. FDIC insurance was \$250,000 insured by FDIC, and the remaining amount of \$325,712 being uninsured and uncollateralized.

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 \$407,685.

BROWNING PUBLIC SCHOOLS
 GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

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, 2019, did not meet the amount required by State statutes.

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

NOTE 3. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the District as of June 30, 2019. 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	\$ 157,000
Bond Payment	<u>250,685</u>
Total	<u>\$ 407,685</u>

NOTE 4. RECEIVABLES

Tax Receivables

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 Entity. 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.

BROWNING PUBLIC SCHOOLS
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Real property (and certain attached personal property) taxes are billed within ten days after the third Monday in October and are due in equal installments on November 30 and the following May 31. After those dates, they become delinquent (and a lien upon the property). After three years, the County may exercise the lien and take title to the property. Special assessments are either billed in one installment due November 30 or two equal installments due November 30 and the following May 31. Personal property taxes (other than those billed with real estate) are generally billed no later than the second Monday in July (normally in May or June), based on the prior November's levies. Personal property taxes, other than mobile homes, are due thirty days after billing. Mobile home taxes are billed in two halves, the first due thirty days after billing; the second due September 30. The tax billings are considered past due after the respective due dates and are subject to penalty and interest charges.

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.

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.

NOTE 5. 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 2019 Basic Financial Statements.

**BROWNING PUBLIC SCHOOLS
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A summary of changes in governmental capital assets was as follows:

Governmental activities:

	Balance <u>July 1, 2018</u>	<u>Additions</u>	Balance <u>June 30, 2019</u>
Capital assets not being depreciated:			
Land	\$ 839,008	\$ -	\$ 839,008
Construction in progress	-	853,520	853,520
Total capital assets not being depreciated	<u>\$ 839,008</u>	<u>\$ 853,520</u>	<u>\$ 1,692,528</u>
Other capital assets:			
Buildings	\$ 52,178,639	\$ 18,269	\$ 52,196,908
Improvements other than buildings	6,107,005	-	6,107,005
Machinery and equipment	8,837,867	211,857	9,049,724
Total other capital assets at historical cost	<u>\$ 67,123,511</u>	<u>\$ 230,126</u>	<u>\$ 67,353,637</u>
Less: accumulated depreciation	<u>\$ (16,574,576)</u>	<u>\$ (1,475,981)</u>	<u>\$ (18,050,557)</u>
Total	<u><u>\$ 51,387,943</u></u>	<u><u>\$ (392,335)</u></u>	<u><u>\$ 50,995,608</u></u>

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

Governmental Activities:	
Instructional – regular	\$ 454,964
Supporting services – operations and maintenance	35,155
Food services	21,631
Administration – general	566,484
Student transportation	306,755
Extracurricular	9,907
Unallocated	<u>81,085</u>
Total governmental activities depreciation expense	<u>\$ 1,475,981</u>

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

Business-type activities:

	Balance <u>July 1, 2018</u>	Balance <u>June 30, 2019</u>
Other capital assets:		
Buildings	\$ 14,128	\$ 14,128
Total other capital assets at historical cost	<u>\$ 14,128</u>	<u>\$ 14,128</u>
Less: accumulated depreciation	<u>\$ (14,128)</u>	<u>\$ (14,128)</u>
Total	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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NOTE 6. 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 Notes 8 and 10.

NOTE 7. LONG TERM DEBT OBLIGATIONS

In the governmental-wide, proprietary, financial statements, outstanding debt is reported as liabilities. Bond issuance costs are expensed during the year of the bond issuance.

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, 2019, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2019</u>	Due Within <u>One Year</u>
General obligation bonds	\$ 4,585,000	\$ -	\$ (425,000)	\$ 4,160,000	\$ 445,000
Revenue bonds	1,145,000	-	(25,000)	1,120,000	415,000
Compensated absences	621,580	36,480	-	658,060	379,077
Net pension liability*	21,540,052	1,787,140	-	23,327,192	-
Other post-employment benefits**	199,994	215,845	-	415,839	-
Total	<u>\$ 28,091,626</u>	<u>\$ 2,039,465</u>	<u>\$ (450,000)</u>	<u>\$ 29,681,091</u>	<u>\$ 1,239,077</u>

*See Note 10

**See Note 8

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

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, 2019 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, 2019</u>
Elementary 2007 GO Bonds	12/12/07	4.25 – 4.375%	20yrs	12/1/27	\$5,000,000	Varies	\$ 2,490,000
High School 2007 GO Bonds A	12/12/07	4.25 – 4.375%	20yrs	12/1/27	<u>3,350,000</u>	Varies	<u>1,670,000</u>
					<u>\$8,350,000</u>		<u>\$ 4,160,000</u>

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Annual requirement to amortize debt:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
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>\$ 4,160,000</u>	<u>\$ 852,068</u>

Impact Aid Revenue Bonds

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2019</u>
High School Impact Aid Refunding Bond 2015	4/29/15	2.00%	5yrs	10/1/22	\$ <u>1,570,000</u>	\$ <u>1,120,000</u>
Reported in the governmental activities.						

Annual requirement to amortize debt:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 415,000	\$ 41,500
2021	230,000	14,100
2022	235,000	9,500
2023	240,000	4,800
Total	<u>\$ 1,120,000</u>	<u>\$ 69,900</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 days annually of sick leave. Unused sick leave may accumulate to 100 days. Tenured teachers are paid \$80 per day of unused sick leave upon separation from the District.

BROWNING PUBLIC SCHOOLS
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The liability associated with governmental fund-type employees is reported in the governmental-type activities.

NOTE 8. POSTEMPLOYMENT HEALTHCARE PLAN

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

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

Employees covered by benefit terms. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	3
Active employees	231
Total employees	<hr style="border: 0.5px solid black;"/> <hr style="border: 0.5px solid black;"/> 234

Total OPEB Liability

The District's total OPEB liability of \$415,839 at June 30, 2019, and was determined by using the actuarial entry age normal funding method.

Actuarial assumptions and other input. The total OPEB liability in the June 30, 2019 was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Average age of retirement (based on historical data)	61.37
Discount rate (average anticipated rate)	3.50%
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/Prescription</u>	<u>Dental</u>	<u>Vision</u>
	<u>Drugs</u>		
2019	4.2%	6.9%	-0.7%
2020	7.0%	3.5%	0.0%
2021	6.5%	3.0%	2.0%
2022	6.0%	2.5%	2.0%
2023	5.9%	2.0%	2.0%
2024	5.7%	2.0%	2.0%
2025	5.6%	2.0%	2.0%
2026	5.5%	2.0%	2.0%
2027	5.3%	2.0%	2.0%
2028-2044	5.2%	2.0%	2.0%
2045	5.1%	2.0%	2.0%
2046-2047	5.0%	2.0%	2.0%
2048-2050	4.9%	2.0%	2.0%
2051-2054	4.8%	2.0%	2.0%
2055-2059	4.7%	2.0%	2.0%
2060-2066	4.6%	2.0%	2.0%
2067	4.5%	2.0%	2.0%
2068	4.4%	2.0%	2.0%
2069	4.3%	2.0%	2.0%
2070-2071	4.2%	2.0%	2.0%
2072	4.1%	2.0%	2.0%
2073-2074	4.0%	2.0%	2.0%
2075	3.9%	2.0%	2.0%
2076+	3.8%	2.0%	2.0%

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

For PERS, mortality is assumed to follow the RP 2000 Healthy Combined Mortality Table projected to 2015 using Scale AA with no collar adjustment for males and females.

For TRS, mortality is assumed to follow the RP 2000 Healthy Combined Mortality Table projected to 2022 using Scale BB, set back two years for both males and females.

For PERS, disabled mortality is assumed to follow the RP 2000 Disabled Mortality Table with no projections and no collar adjustment for males and females.

For TRS, disabled mortality is assumed to follow the RP 2000 Disabled Mortality Table projected to 2022 using Scale BB, set back three years for males and set forward two years for females.

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

Changes in the Total OPEB Liability

Balance at 6/30/2018	\$ <u>199,994</u>
Changes for the year:	
Service Cost	\$ 19,747
Interest	7,691
Differences in experience	173,286
Change in assumptions	30,271
Benefit payments (est.)	<u>(15,150)</u>
Net Changes	\$ <u>215,845</u>
Balance at 6/30/2019	\$ <u><u>415,839</u></u>

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

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB Liability \$	461,091	\$ 415,839	\$ 374,489

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

	1% Decrease	Healthcare Cost Trends*	1% Increase
Total OPEB Liability \$	358,524	\$ 415,839	\$ 483,631

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

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

For the year ended June 30, 2019, the District recognized an OPEB expense of \$215,845.

**BROWNING PUBLIC SCHOOLS
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At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

		<u>Deferred Outflows of Resources - OPEB</u>
Differences between expected and actual economic experience	\$	173,286
Changes in actuarial assumptions		30,271
Total	\$	<u>203,557</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>OPEB: Year ended June 30:</u>		<u>Amount recognized in OPEB Expense as an increase or (decrease) to OPEB Expense</u>
2020	\$	15,711
2021	\$	15,711
2022	\$	15,711
2023	\$	15,711
2024	\$	15,711
Thereafter	\$	<u>125,002</u>

NOTE 9. INTERFUND RECEIVABLES AND PAYABLES

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2019:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Bring cash balance to \$10,000 as required by law	Elementary General – Major Governmental	Elementary Lease-Rental – Nonmajor Governmental	\$ 35,476
Payment of bond	High School Debt Service – Nonmajor Governmental	High School Impact Aid* – Major Governmental	<u>49,850</u>
			<u>\$ 85,326</u>

*The Impact Aid fund is reported with the General fund in accordance with GASB #54

BROWNING PUBLIC SCHOOLS
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NOTE 10. NET PENSION LIABILITY

Summary of Significant Accounting Policies

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

TRS

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

Plan Descriptions

PERS

The PERS-Defined Benefit Retirement Plan (PERS) administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan provides retirement benefits to covered employees of the State, local governments, certain employees of the Montana University System, and school districts.

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All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the *defined contribution* and *defined benefit* retirement plans. For members that choose to join the PERS-DCRP, a percentage of the employer contributions will be used to pay down the liability of the PERS-DBRP. All new members from the universities also have third option to join the university system's Montana University System Retirement Program (MUS-RP).

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature.

TRS

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

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

Summary of Benefits

PERS

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.

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

1) Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:

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

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

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

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

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

Vesting

- 5 years of membership service

Member's highest average compensation (HAC)

- Hired prior to July 1, 2011- highest average compensation during any consecutive 36 months;
- Hired on or after July 1, 2011-highest average compensation during any consecutive 60 months;

Compensation Cap

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

Monthly benefit formula

Members hired prior to July 1, 2011:

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

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Members hired on or after July 1, 2011:

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

Guaranteed Annual Benefit Adjustment (GABA)

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

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

TRS

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

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

BROWNING PUBLIC SCHOOLS
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A guaranteed annual benefit adjustment (GABA) is payable on January 1st of each calendar year for each retiree who has received at least 36 monthly retirement benefit payments prior to that date.

The GABA is applicable to both Tier One and Tier Two members. The GABA for Tier One members is 1.5% of the benefit payable as of January 1st. For Tier Two members the GABA each year may vary from 0.5% to 1.5% based on the retirement system's funding status and the period required to amortize any unfunded accrued actuarial liability as determined in the prior actuarial valuation.

Overview of Contributions

PERS

1. Rates are specified by state law and are a percentage of the member's compensation.
 - a. Contributions are deducted from each member's salary and remitted by participating employers;
 - b. The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
 - a. Plan members are required to contribute 7.90% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.
 - b. The 7.90% member contributions is temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
3. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
4. Non Employer Contributions
 - a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities.

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- ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
- iii. The State contributed a statutory appropriation from its General Fund of \$33,454,182.

TRS

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

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

Stand-Alone Statements

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

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

Net Pension Liability

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

**BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
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June 30, 2019**

The following table displays the amounts and the percentages of Net Pension Liability for the fiscal years ended June 30, 2018 and June 30, 2019 (reporting dates).

	TRS NPL as of 6/30/18	TRS NPL as of 6/30/19	Percent of Collective NPL	PERS NPL as of 6/30/18	PERS NPL as of 6/30/19	Percent of Collective NPL	Total NPL as of 6/30/19	Percent of Collective NPL
Employer Proportionate Share	\$ 16,042,426	\$ 18,248,928	0.9832%	\$ 5,497,626	\$ 5,078,264	0.2433%	\$ 23,327,192	1.2265%
State of Montana Proportionate Share associated with Employer	10,183,190	11,337,623	0.6108%	253,627	1,864,541	0.3585%	13,202,164	0.9693%
Total	<u>\$ 26,225,616</u>	<u>\$ 29,586,551</u>	<u>1.5940%</u>	<u>\$ 5,751,253</u>	<u>\$ 6,942,805</u>	<u>0.6018%</u>	<u>\$ 36,529,356</u>	<u>2.1958%</u>

At June 30, 2019, the employer recorded a liability of \$23,327,192 for its proportionate share of the net pension liability of 1.2265 percent. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 for TRS. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The net pension liability of PERS was measured as of June 30, 2018 and applying roll forward procedures. The employer's proportion of the net pension liability was based on the employer's contributions received by PERS, TRS, during the measurement period July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERS, TRS, participating employers.

Changes in actuarial assumptions and methods:

PERS

There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

TRS

The following changes to the actuarial assumptions were made since measurement date:

- Assumed rate of inflations was reduced from 3.25% to 2.50%
- Payroll growth assumption was reduced from 4.00% to 3.25%
- Investment return assumption was reduced from 7.75% to 7.50%
- Wage growth assumption was reduced from 4.00% to 3.25%
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
 - RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years for males and females.
- Mortality among disabled members was updated to the following:
 - RP-2000 Disabled Mortality Table, set back three years for males and set forward two years for females, with mortality improvements projected by

BROWNING PUBLIC SCHOOLS
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NOTES TO THE FINANCIAL STATEMENTS
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Scale BB to 2022.

- Retirement rates were updated
- Termination rates were updated
- Rates of salary increases were updated

Changes in benefit terms:

PERS

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

TRS

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

Changes in proportionate share:

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

Pension Expense as of 6/30/19

	TRS	PERS	Total
Employer Proportionate Share	\$ 1,715,016	\$ 481,777	\$ 2,196,793
State of Montana Proportionate Share associated with the Employer	794,856	124,438	919,294
Total	\$ 2,509,872	\$ 606,215	\$ 3,116,087

At June 30, 2019, the employer recognized a Pension Expense of \$2,196,793 for its proportionate share of the pension expense. The employer also recognized grant revenue of \$919,294 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, 2019, the employer recognized a beginning deferred outflow of resources for the employers fiscal year 2018 contributions of \$1,527,075.

Deferred Inflows and Outflows

At June 30, 2019, the employer reported its proportionate share of PERS, TRS, deferred outflows of resources and deferred inflows of resources related to PERS, TRS from the following sources:

**BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
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June 30, 2019**

	<u>TRS</u> Deferred Outflows of Resources	<u>TRS</u> Deferred Inflows of Resources	<u>PERS</u> Deferred Outflows of Resources	<u>PERS</u> Deferred Inflows of Resources	<u>Total</u> Deferred Outflows of Resources	<u>Total</u> Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 130,230	\$ 11,387	\$ 386,168	\$ -	\$ 516,398	\$ 11,387
Changes in actuarial assumptions	1,487,575	27,015	431,830	-	1,919,405	27,015
Difference between projected and actual investment earnings	-	164,726	-	78,865	-	243,591
Changes in proportion and difference between actual and expected contributions	599,404	-	-	513,894	599,404	513,894
*Contributions paid subsequent to the measurement date - FY19 Contributions	1,237,618	-	369,285	-	1,606,903	-
Total	<u>\$ 3,454,827</u>	<u>\$ 203,128</u>	<u>\$ 1,187,283</u>	<u>\$ 592,759</u>	<u>\$ 4,642,110</u>	<u>\$ 795,887</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, 2019.

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

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Deferred Inflows and Outflows

TRS: Year ended June 30:	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2020	\$ 1,158,858
2021	\$ 811,383
2022	\$ 128,800
2023	\$ (84,962)
2024	\$ -
Thereafter	\$ -

PERS: Year ended June 30:	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2020	\$ 246,195
2021	\$ 201,750
2022	\$ (190,301)
2023	\$ (32,405)
2024	\$ -
Thereafter	\$ -

Actuarial Assumptions

PERS

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

- Investment Return (net of admin expense) 7.65%
- Admin Expense as % of Payroll 0.26%
- General Wage Growth* 3.50%
- *includes Inflation at 2.75%
- Merit Increases 0% to 6.3%
- Postretirement Benefit Increase Below:

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

PERS

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

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

TRS

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board’s funding policy, which establishes the contractually required rates under Montana Code Annotated. In addition to the contributions the State general fund will contribute \$25 million annually to the System payable July 1st of each year. Based on those assumptions, the System’s fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

Target Allocations

PERS

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash Equivalents	2.60%	4.00%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.35%
Fixed Income	23.40%	1.00%
Private Equity	12.00%	7.75%
Real Estate	<u>8.00%</u>	4.00%
Total	<u>100.00%</u>	

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

June 30, 2019

The long-term expected return on pension plan assets was reviewed as part of the regular experience study prepared for the Plan. The most recent analysis, performed for the period of July 1, 2010 to June 30, 2016, is outlined in a report dated May 2017 and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The above table outlines the best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018.

TRS

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Real Rate of Return Arithmetic Basis</u>	<u>Long-Term Expected Portfolio Real Rate of Return*</u>
Domestic Equity	35.00%	6.68%	2.34%
International Equity	18.00%	6.98%	1.26%
Private Equity	10.00%	10.15%	1.02%
Natural Resources	3.00%	4.09%	0.12%
Core Real Estate	7.00%	5.38%	0.38%
TIPS	3.00%	1.78%	0.05%
Intermediate Duration Bonds	19.00%	2.15%	0.41%
High Yield Bonds	3.00%	4.36%	0.13%
Cash	<u>2.00%</u>	0.81%	<u>0.02%</u>
Total	<u>100.00%</u>		<u>5.73%</u>
	Inflation		<u>2.50%</u>
	Expected arithmetic nominal return		8.23%

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

The assumed long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2013 through 2017, is outlined in a report dated May 3, 2018. 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). Estimates of variability and correlations for each asset class, were developed by the System's investment consultant. These ranges were combined to develop 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
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The long-term rate of return assumption is intended to be a long-term assumption (30 to 50 years) 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. The average long-term capital market assumptions published in the Survey of Capital Market Assumptions 2017 Edition by Horizon Actuarial Service, LLC, yield a median real return of 5.07%. Our recommended assumption of 5.00% for the real return reflects granting each source some degree of credibility. Combined with the 2.50% in valuation assumption, the resulting nominal return is 7.50%. 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, 2018, is summarized in the above table.

Sensitivity Analysis

		Current		
	<u>1.0% Decrease</u>	<u>Discount Rate</u>	<u>1.0% Increase</u>	
TRS	\$ 25,092,829	\$ 18,248,928	\$ 12,516,615	
PERS	\$ 7,344,346	\$ 5,078,264	\$ 3,217,450	

TRS

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

PERS

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

NOTE 11. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

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

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

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

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

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>
General Fund	\$ 407,685	Debt service
Elementary Miscellaneous Programs	258,209	Third party grantor restrictions
All other aggregate	377,936	Student transportation
	981,207	Bus replacement
	257,073	Student food services
	428,975	Employer costs of benefits
	164,974	Third party grant restrictions
	37,692	Adult education
	34,797	Student instructional services
	278,891	Operations and maintenance
	65,904	Traffic education services
	76,199	Future technology upgrades
	<u>439,931</u>	Future capital costs
Total	<u>\$ 3,809,473</u>	

NOTE 12. DEFICIT FUND BALANCES/NET POSITION

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be eliminated</u>
Elementary Debt Service	\$ 42,424	Negative cash balance	Collection of delinquent taxes
High School Debt Service	<u>27,890</u>	Negative cash balance	Collection of delinquent taxes
	<u>\$ 70,314</u>		

NOTE 13. 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>
Elementary Food Services	\$ 42,651	Prior year receivable adjustment

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 14. 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 15. 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 Districts Group Insurance Authority (MSGIA) was created pursuant to the Interlocal Cooperation Act by execution of an Interlocal Agreement creating the MSGIA. The MSGIA is responsible for paying all workers' compensation claims of the member District districts. Each member of the MSGIA is jointly and severally liable for the full amount of any and all known or unknown claims of each member arising during the member's participation in the program. The MSGIA purchases workers' compensation reinsurance to provide statutory excess limits. The MSGIA contracts with Montana District Boards Association (MTSBA) to provide third party administrative services to the program. The MTSBA provides general program management, claim management, and risk management services to its program members.

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

BROWNING PUBLIC SCHOOLS
 GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

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

Self-Insurance

The District provides medical insurance coverage for its employees via a partially self-insured plan administered by EMBS as of the end of the year. A portion of the year the District self-insurance It provides medical, dental and vision benefits and is operated as an Internal Service Fund. Rates are determined in consultation with the broker, Levitt Group, based on past claim experience plus and administrative fee. The rates include a premium for a commercial “stop-loss” policy for when claims, in total, exceeds \$85,000 in covered charges during a year. A reconciliation of claims payable follows:

Claims payable, June 30, 2018	\$	141,010
Claims incurred		4,590,528
Claims paid		<u>4,575,940</u>
Claims payable, June 30, 2019		<u>\$ 155,598</u>

NOTE 16. PENDING LITIGATION

The following is a list of litigation pending against the District and the amount of damages claimed by the Plaintiff. The District 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>Maurice St Goddard vs. Browning Public Schools</i>	Not stated	Not stated

NOTE 17. SUBSEQUENT EVENTS

In July 2019, the District had completed the design and planning phases of the \$11,886,173 Browning Middle School addition. The District hired Sletten Construction Company to for the construction of the Middle School addition which began in July 2019. The District has only completed the foundation of the project to date and left the project for the winter. The bonds that were approved by voters in October 2018 totaling \$3,955,000 remain to be unsold and funding of the project coming from Impact Aid Reserves. The total costs incurred in the subsequent months for construction of the foundation and engineering totaled \$700,055. The project is expected to continue construction in Summer 2020.

In November 2019, the District transitioned from the planning and design phase of the Sports Complex project to the construction phase. The project is budgeted to cost \$7,000,000 and be paid with Impact Aid reserves, 50% coming from the elementary and 50% coming from the high school. The District has contracted with Sletten Construction Company for the construction of the project. The total costs incurred in the subsequent months for remaining design and planning costs, and construction totaled \$1,085,495. The District remains to be contracted with L’Heureux Page Werner to provide the Architectural and Engineering for the two projects.

**BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

While planning for the above projects, the District determined to pull its money that was held with Glacier County. The first request of \$15,000,000 was submitted to the County in August 2019, and deposited into a money market account with Stockman Bank in that same month. Upon receiving the funds above, the District made another request for the remaining funds held at the County in September 2019. The County and District worked to identify the funds owed to the District in the following funds before agreeing to release the remaining funds. The County and District came to agreement in at the end of the December 2019 to release \$24,477,414. The County released \$20,234,566 to the District in three disbursement between January and February 2020 and deposited into an operating account with the Stockman Bank. The amount released was short \$4,242,848, which a portion was to remain at the County for outstanding warrants that totaled \$2,398,211 for a difference of \$1,844,637. The District is working to obtain the remaining \$1,844,637 in the coming months.

Lastly, the District was awarded a new grant from the Substance Abuse and Mental Health Services Administration to support the Sokinaapi Project addressing substance abuse prevention. The District was award \$1,458,000 at \$291,600 per year for a five year period.

Covid-19 Virus

The government, like all governments in the United States is dealing with the effects of the Covid 19 virus. Possible government operational changes or even shutdowns may occur. Additionally, the financial effects to the government are equally as uncertain.

**REQUIRED SUPPLEMENTAL
INFORMATION**

Browning Public Schools, Glacier County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2019

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Local revenue	\$ 844,740	\$ 844,740	\$ 790,877	\$ (53,863)
State revenue	12,335,783	12,335,783	12,292,352	(43,431)
Amounts available for appropriation	\$ 13,180,523	\$ 13,180,523	\$ 13,083,229	\$ (97,294)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 8,503,695	\$ 8,504,141	\$ 7,860,232	\$ 643,909
Instructional - special education	1,886,456	1,886,456	1,515,083	371,373
Instructional - vocational education	212,022	212,022	198,667	13,355
Supporting services - operations & maintenance	54,706	55,706	647,664	(591,958)
Supporting services - general	1,521,266	1,531,266	1,296,135	235,131
Supporting services - educational media services	497,480	496,535	576,333	(79,798)
Administration - general	32,979	32,979	72,162	(39,183)
Administration - school	348,435	337,934	354,384	(16,450)
Administration - business	-	-	68,405	(68,405)
Student transportation	-	-	205,306	(205,306)
Extracurricular	92,820	92,820	63,546	29,274
Capital outlay	30,664	30,664	-	30,664
Total charges to appropriations	\$ 13,180,523	\$ 13,180,523	\$ 12,857,917	\$ 322,606
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 35,476	\$ 35,476
Total other financing sources (uses)	\$ -	\$ -	\$ 35,476	\$ 35,476
Net change in fund balance			\$ 260,788	
Fund balance - beginning of the year			\$ 1,184,587	
Restatements			37,949	
Fund balance - beginning of the year - restated			\$ 1,222,536	
Fund balance - end of the year			\$ 1,483,324	

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

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

	General
Sources/Inflows of resources	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 13,083,229
Combined funds (GASBS 54) revenues	17,334,981
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances- governmental funds.	\$ 30,418,210
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 12,857,917
Combined funds (GASBS 54) expenditures	8,199,060
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 21,056,977

Note B

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

Browning Public Schools, Glacier County, Montana
Schedule of Changes in the Browning Public Schools' Total OPEB Liability
and Related Ratios
For the Year Ended June 30, 2019

	2019	2018
Total OPEB liability		
Service Cost	\$ 19,747	\$ 22,269
Interest	7,691	7,853
Differences in experience	173,286	-
Change in assumptions and inputs	30,271	560
Benefit payments	(15,150)	(22,575)
Net change in total OPEB liability	215,845	8,107
Total OPEB Liability - beginning	199,994	137,946
Restatement	-	53,941
Total OPEB Liability - ending	\$ 415,839	\$ 199,994
Covered-employee payroll	\$ 11,107,583	\$ 13,305,938
 Total OPEB liability as a percentage of covered -employee payroll	4%	2%

**The above schedule is presented by combining the required schedules from GASB 75 paragraphs 170a and 170b. The GASB requires that 10 years of information related to the OPEB liability be presented, additional data will be provided as it becomes available.*

Browning Public Schools, Glacier County, Montana
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2019

	<u>TRS 2019</u>	<u>TRS 2018</u>	<u>TRS 2017</u>	<u>TRS 2016</u>	<u>TRS 2015</u>
Employer's proportion of the net pension liability	0.9832%	0.9515%	0.9161%	0.8712%	0.9068%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 18,248,928	\$ 16,042,426	\$ 16,735,998	\$ 14,313,175	\$ 13,953,893
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 11,337,623	\$ 10,183,190	\$ 10,905,771	\$ 9,588,336	\$ 9,559,086
Total	<u>\$ 29,586,551</u>	<u>\$ 26,225,616</u>	<u>\$ 27,641,769</u>	<u>\$ 23,901,511</u>	<u>\$ 23,512,979</u>
Employer's covered payroll	13,132,416	12,549,504	11,891,476	11,118,964	11,435,163
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	138.96%	127.83%	140.74%	128.73%	122.03%
Plan fiduciary net position as a percentage of the total pension liability	69.09%	70.09%	66.69%	69.30%	70.36%
	<u>PERS 2019</u>	<u>PERS 2018</u>	<u>PERS 2017</u>	<u>PERS 2016</u>	<u>PERS 2015</u>
Employer's proportion of the net pension liability	0.2433%	0.2823%	0.2815%	0.2909%	0.2870%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 5,078,264	\$ 5,497,626	\$ 4,794,923	\$ 4,066,981	\$ 3,575,758
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 1,864,541	\$ 253,627	\$ 224,094	\$ 191,107	\$ 167,155
Total	<u>\$ 6,942,805</u>	<u>\$ 5,751,253</u>	<u>\$ 5,019,017</u>	<u>\$ 4,258,088</u>	<u>\$ 3,742,913</u>
Employer's covered payroll	4,133,150	3,616,644	3,485,681	3,510,507	2,730,175
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	122.87%	152.01%	13756.00%	115.85%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.47%	73.75%	74.71%	78.40%	79.87%

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

Browning Public Schools, Glacier County, Montana
Schedule of Contributions
For the Year Ended June 30, 2019

	<u>TRS</u> <u>2019</u>	<u>TRS</u> <u>2018</u>	<u>TRS</u> <u>2017</u>	<u>TRS</u> <u>2016</u>	<u>TRS</u> <u>2015</u>
Contractually required contributions	\$ 1,237,618	\$ 1,184,864	\$ 1,113,323	\$ 1,070,508	\$ 983,124
Contributions in relation to the contractually required contributions	\$ 1,237,618	\$ 1,184,864	\$ 1,113,323	\$ 1,070,508	\$ 983,124
District's covered payroll	\$ 13,631,406	\$ 13,132,416	\$ 12,549,504	\$ 11,891,476	\$ 11,118,964
Contributions as a percentage of covered payroll	9.08%	9.02%	8.87%	9.00%	8.84%
	<u>PERS</u> <u>2019</u>	<u>PERS</u> <u>2018</u>	<u>PERS</u> <u>2017</u>	<u>PERS</u> <u>2016</u>	<u>PERS</u> <u>2015</u>
Contractually required contributions	\$ 369,285	\$ 338,918	\$ 293,090	\$ 283,092	\$ 281,366
Contributions in relation to the contractually required contributions	\$ 369,285	\$ 338,918	\$ 293,090	\$ 283,092	\$ 281,366
District's covered payroll	\$ 4,259,343	\$ 4,133,150	\$ 3,616,644	\$ 3,485,681	\$ 3,510,507
Contributions as a percentage of covered payroll	8.67%	8.20%	8.10%	8.12%	8.02%

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, 2019

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 to 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

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, 2019

- 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 425 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).

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, 2019

- 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.

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, 2019

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%
Salary increase	4.00% – 8.51%, including inflation for Non-University members and 5.00% for University Members
Investment rate of return	7.75%, 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.

Permanent Injunction Limits Application of the GABA Reduction – Passed under House Bill 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:
 - 1.5% 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.

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, 2019

2015 Legislative Changes

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

Second Retirement Benefit - for PERS

- 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 2.5%);
 - 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.
- 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.
- 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 2.5%);
 - 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.
- 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%, 0.47%, 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:

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, 2019

Admin Expense as % of Payroll 0.27%

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%, net of pension plan investment expense and including inflation

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%, net of pension plan investment expense, and including inflation
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, 2019**

Fall Enrollment - October, 2018

Elementary School District

	FALL Per Enrollment Reports	Audit Per District Records	Difference
Kindergarten Full	150	151	+1
Kindergarten Part	0	0	0
Grades 1-6	941	940	-1
Grades 7-8	257	256	-1
Total Elementary	1,348	1,347	-1

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	1	0	0	0	1	0	0

High School District

	FALL Per Enrollment Reports	Audit Per District Records	Difference
Grades 9-12	615	609	-6
19 year-olds	7	2	-5
Job Corps students	0	0	0
Total High School	622	611	-11

Part-time Students

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
9-12	1	1	26	7	0	0	0	0	+35

Spring Enrollment - February, 2019

Elementary School District

	SPRING Per Enrollment Reports	Audit Per District Records	Difference
Kindergarten - Full	150	150	0
Kindergarten - Part	0	0	0
Grades 1-6	921	918	-3
Grades 7-8	246	246	0
Total Elementary	1,317	1,314	-3

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 Reports	Audit Per District Records	Difference
Grades 9-12	605	604	-1
19 year-olds	6	2	-4
Early Graduates	1	0	-1
Job Corps students	0	0	0
Total High School	612	606	-6

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	2	6	34	0	0	0	0	+42

Browning Public Schools
 Glacier County, Montana
 EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS
 Fiscal Year Ended June 30, 2019

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Transfers In(Out)	Ending Balance
Elementary - 4 Year Old	\$ 215	\$ 2,917	\$ 2,676	\$ -	\$ 456
Elementary - Activities Babb	\$ 806	\$ 5,631	\$ 4,908	\$ -	1,529
Elementary - Activities Browning	\$ 3,610	\$ 5,677	\$ 7,566	\$ -	1,721
Elementary - Activities First Grade	\$ 260	\$ 1,985	\$ 1,330	\$ -	915
Elementary - Activities Kindergarten E	\$ 830	\$ 5,256	\$ 5,533	\$ -	553
Elementary - American Indian Busines	\$ 1,454	\$ 2	\$ 1	\$ -	1,455
Elementary - Chess Club Napi	\$ 300	\$ 1	\$ -	\$ -	301
Elementary - Culture Club Browning E	\$ 523	\$ 2	\$ -	\$ -	525
Elementary - Culture Club Napi	\$ 238	\$ -	\$ -	\$ -	238
Elementary - KW/Vina Library	\$ 2,267	\$ 3	\$ 1	\$ -	2,269
Elementary - Library Club Browning	\$ 2,603	\$ 6,248	\$ 2,217	\$ -	6,634
Elementary - Napi Activities	\$ 599	\$ 1	\$ -	\$ -	600
Elementary - Santa Store	\$ 2,092	\$ 3	\$ 1	\$ -	2,094
High School - Academic Challenge	\$ 748	\$ 2,102	\$ 114	\$ -	2,736
High School - Activities Browning	\$ 5,652	\$ 2,906	\$ 3,209	\$ -	5,349
High School - After Prom	\$ 890	\$ 1	\$ -	\$ -	891
High School - Aises Browning	\$ (1,948)	\$ 5,034	\$ 207	\$ (200)	2,679
High School - American Indian Busine	\$ 5,690	\$ 8	\$ 2	\$ -	5,696
High School - Art Browning	\$ 1,810	\$ 2	\$ 1	\$ -	1,811
High School - Athletic Events Brownii	\$ 87,975	\$ 93,924	\$ 78,678	\$ (1,875)	101,346
High School - Attendance Awards	\$ 2,163	\$ 3	\$ 1	\$ -	2,165
High School - Avid C/O 2013	\$ 674	\$ -	\$ -	\$ (674)	-
High School - Avid C/O 2014	\$ 1,426	\$ -	\$ -	\$ (1,426)	-
High School - Beautification	\$ -	\$ 8	\$ -	\$ 10,000	10,008
High School - Blackfeet Academy Yea	\$ 523	\$ 1	\$ -	\$ -	524
High School - Blackft Academy Activi	\$ 766	\$ 221	\$ -	\$ -	987
High School - Booster Club	\$ 1	\$ -	\$ -	\$ -	1
High School - Business Professionals c	\$ 70	\$ -	\$ -	\$ -	70
High School - B-You	\$ 975	\$ 1	\$ -	\$ -	976
High School - C/O 2012	\$ 1,474	\$ 1	\$ 1	\$ (1,474)	-
High School - C/O 2013	\$ 1,293	\$ 1	\$ -	\$ (1,293)	1
High School - C/O 2014	\$ 6,865	\$ 3	\$ 2	\$ (6,866)	-
High School - C/O 2015	\$ 663	\$ -	\$ -	\$ (664)	(1)
High School - C/O 2016	\$ 686	\$ -	\$ -	\$ (686)	-
High School - C/O 2017	\$ 1,406	\$ 1	\$ -	\$ (1,406)	1
High School - C/O 2018	\$ 6,172	\$ 1	\$ 1,893	\$ (4,280)	-
High School - C/O 2019	\$ 18,559	\$ 13,046	\$ 32,970	\$ -	(1,365)
High School - C/O 2020	\$ 1,633	\$ 21,437	\$ 17,072	\$ 8,274	14,272
High School - C/O 2021	\$ 167	\$ 2,617	\$ 1	\$ -	2,783

Browning Public Schools
 Glacier County, Montana
EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS
 Fiscal Year Ended June 30, 2019 - Continued

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Transfers In(Out)	Ending Balance
High School - Chorus	\$ 1,503	\$ 242	\$ 1	\$ -	1,744
High School - Close-Up Project	\$ 990	\$ 1	\$ -	\$ -	991
High School - College Club	\$ 284	\$ -	\$ -	\$ -	284
High School - Concessions	\$ 65,144	\$ 39,905	\$ 42,097	\$ (3,097)	59,855
High School - Drama Club Browning	\$ 4,849	\$ 6	\$ 2	\$ -	4,853
High School - Drug Free Activities	\$ 4,904	\$ 3,102	\$ 3,080	\$ (1)	4,925
High School - Eagle Claw Society	\$ 168	\$ -	\$ 1	\$ -	167
High School - ETAKASI Yearbook	\$ 9,112	\$ 15	\$ 3	\$ -	9,124
High School - ETUMOE	\$ 1,097	\$ 1	\$ -	\$ -	1,098
High School - Explore America	\$ 46	\$ -	\$ -	\$ -	46
High School - FCCLA	\$ 49	\$ -	\$ -	\$ -	49
High School - FFA	\$ 672	\$ -	\$ 561	\$ -	111
High School - Football Club	\$ -	\$ 6,822	\$ -	\$ -	6,822
High School - Graduation "Everyone's	\$ 3,357	\$ 2,504	\$ 5,861	\$ -	-
High School - Health Occupation Stud	\$ 490	\$ 1	\$ -	\$ -	491
High School - Human Rights	\$ 3,668	\$ 103	\$ 204	\$ (2,500)	1,067
High School - International Club	\$ 1,223	\$ 3,064	\$ 1	\$ -	4,286
High School - Jazz Band	\$ 1,548	\$ 2	\$ 1	\$ -	1,549
High School - Jobs for Montana Gradu	\$ 575	\$ 1	\$ -	\$ -	576
High School - Library Clubing Browni	\$ 221	\$ 803	\$ 350	\$ -	674
High School - National Honor Society	\$ (322)	\$ 322	\$ -	\$ -	-
High School - Native Players	\$ 14	\$ -	\$ 200	\$ 200	14
High School - New Year's Eve	\$ 2,363	\$ 4	\$ 1	\$ -	2,366
High School - Outdoor Leadership	\$ 177	\$ 1	\$ -	\$ -	178
High School - Pep Club	\$ 870	\$ 1	\$ 3,692	\$ 2,821	-
High School - R.I.F.	\$ 1	\$ -	\$ 1	\$ -	-
High School - Rising Voices Club	\$ -	\$ 3	\$ 641	\$ 2,500	1,862
High School - Random Acts of Kindne	\$ 1,063	\$ 1,874	\$ 2,213	\$ 2,847	3,571
High School - Rodeo Browning	\$ 1,066	\$ 709	\$ 1,681	\$ -	94
High School - Shop	\$ 383	\$ 301	\$ -	\$ -	684
High School - Spanish Club	\$ 318	\$ -	\$ -	\$ -	318
High School - Speech & Debate	\$ 3,352	\$ 5	\$ 1	\$ -	3,356
High School - Spirit of the Buffalo Dai	\$ 4,650	\$ 5	\$ 3,300	\$ (200)	1,155
High School - Student Advisory Board	\$ 917	\$ 1	\$ 480	\$ -	438
High School - Toy Drive	\$ 4,570	\$ 18,930	\$ 14,132	\$ -	9,368
High School - Weight Lifters	\$ 3,636	\$ 4,340	\$ 2	\$ -	7,974

Browning Public Schools
 Glacier County, Montana
EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS
 Fiscal Year Ended June 30, 2019 - Continued

FUND ACCOUNT	Beginning <u>Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	Transfers <u>In(Out)</u>	<u>Ending Balance</u>
Middle School - Activities Browning	\$ 265	\$ 1,749	\$ 437	\$ -	1,577
Middle School - Aises Science	\$ 718	\$ 1	\$ -	\$ -	719
Middle School - Art Browning	\$ 543	\$ 1	\$ -	\$ -	544
Middle School - Athletic Events Brow	\$ (2,864)	\$ 7,514	\$ 4,705	\$ -	(55)
Middle School - Avid	\$ 13,270	\$ 5,923	\$ 6,583	\$ -	12,610
Middle School - Band	\$ 1,113	\$ -	\$ -	\$ -	1,113
Middle School - Browning Culinary C	\$ 52	\$ -	\$ -	\$ -	52
Middle School - Browning Culture Cl	\$ 125	\$ 1	\$ -	\$ -	126
Middle School - Browning Drama Clu	\$ 70	\$ -	\$ -	\$ -	70
Middle School - Industrial Arts Middle	\$ 634	\$ 1	\$ -	\$ -	635
Middle School - I-TA-MA-PI-(WA)	\$ 441	\$ 1	\$ -	\$ -	442
Middle School - JR Academy	\$ 9	\$ -	\$ -	\$ -	9
Middle School - Library Club	\$ -	\$ 2,170	\$ 1,466	\$ -	704
Middle School - Leather Club	\$ 416	\$ 1	\$ 1	\$ -	416
Middle School - National Honor Socie	\$ 301	\$ -	\$ -	\$ -	301
Middle School - Odyssey of the Mind	\$ 92	\$ -	\$ -	\$ -	92
Middle School - Rodeo Browning	\$ 158	\$ -	\$ -	\$ -	158
Middle School - Spirit	\$ 206	\$ 1	\$ -	\$ -	207
Middle School - Student Advisory Boæ	\$ 1,165	\$ 2	\$ 2	\$ -	1,165
Middle School - Student Needs	\$ 782	\$ 2	\$ -	\$ -	784
Middle School - Yearbook Club	\$ 574	\$ 1	\$ 1	\$ -	574
Total	<u>\$ 303,158</u>	<u>\$ 269,480</u>	<u>\$ 250,085</u>	<u>\$ -</u>	<u>\$ 322,553</u>

**Browning Public Schools
Glacier County, Montana
Supplemental Information
Balance Sheets
General Funds
June 30, 2019**

	<u>Elementary General</u>	<u>High School General</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and investments	\$ 1,241,924	\$ 447,708	\$ 1,689,632
Taxes and assessments receivable, net	389,039	145,582	534,621
Total assets	<u>\$ 1,630,963</u>	<u>\$ 593,290</u>	<u>\$ 2,224,253</u>
LIABILITIES			
Accrued payroll	\$ 187,111	\$ 87,408	\$ 274,519
Total liabilities	<u>\$ 187,111</u>	<u>\$ 87,408</u>	<u>\$ 274,519</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - taxes receivable	\$ 389,039	\$ 145,582	\$ 534,621
Total deferred inflows of resources	<u>\$ 389,039</u>	<u>\$ 145,582</u>	<u>\$ 534,621</u>
FUND BALANCE			
Unassigned	<u>1,054,813</u>	<u>360,300</u>	<u>1,415,113</u>
Total fund balance	<u>\$ 1,054,813</u>	<u>\$ 360,300</u>	<u>\$ 1,415,113</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 1,630,963</u>	<u>\$ 593,290</u>	<u>\$ 2,224,253</u>

**Browning Public Schools
Glacier County, Montana
Supplemental Information
Balance Sheets
Impact Aid Funds
June 30, 2019**

	<u>Elementary Impact Aid</u>	<u>High School Impact Aid</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and investments	\$ 24,763,464	\$ 11,661,801	\$ 36,425,265
Total current assets	<u>\$ 24,763,464</u>	<u>\$ 11,661,801</u>	<u>\$ 36,425,265</u>
Noncurrent assets:			
Restricted cash and investments	\$ -	\$ 407,685	\$ 407,685
Total noncurrent assets	<u>\$ -</u>	<u>\$ 407,685</u>	<u>\$ 407,685</u>
Total assets	<u>\$ 24,763,464</u>	<u>\$ 12,069,486</u>	<u>\$ 36,832,950</u>
Current liabilities:			
Accounts payable	\$ 210,736	\$ 31,579	\$ 242,315
Construction retainage payable	-	3,793	3,793
Accrued payroll	83,383	26,550	109,933
Total current liabilities	<u>\$ 294,119</u>	<u>\$ 61,922</u>	<u>\$ 109,933</u>
Total liabilities	<u>\$ 294,119</u>	<u>\$ 61,922</u>	<u>\$ 109,933</u>
FUND BALANCE			
Unassigned	\$ 24,469,345	\$ 12,007,564	\$ 36,476,909
Total fund balance	<u>\$ 24,469,345</u>	<u>\$ 12,007,564</u>	<u>\$ 36,476,909</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u><u>\$ 24,763,464</u></u>	<u><u>\$ 12,069,486</u></u>	<u><u>\$ 36,586,842</u></u>

**Browning Public Schools
Glacier County, Montana
Supplemental Information
Statement of Revenues, Expenditures, and Changes in Fund Balances
General Funds
For the Fiscal Year Ended June 30, 2019**

	<u>Elementary General</u>		<u>High School General</u>		<u>Total</u>
REVENUES					
Local revenue	\$ 605,220	\$	185,657	\$	790,877
State revenue	<u>8,491,205</u>		<u>3,801,147</u>		<u>12,292,352</u>
Total revenues	<u>\$ 9,096,425</u>	\$	<u>3,986,804</u>	\$	<u>13,083,229</u>
EXPENDITURES					
Instructional - regular	\$ 5,878,704		2,049,738	\$	7,928,442
Instructional - special education	1,109,926		405,157		1,515,083
Instructional - vocational education	22,766		175,901		198,667
Supporting services - operations & maintenance	559,788		87,876		647,664
Supporting services - general	662,572		633,563		1,296,135
Supporting services - educational media services	376,579		199,754		576,333
Administration - general	6,829		65,333		72,162
Administration - school	167,117		187,267		354,384
Administration - business	68,405		-		68,405
Student transportation	140,017		65,289		205,306
Extracurricular	-		63,546		63,546
Capital outlay	-		-		-
Total expenditures	<u>\$ 8,992,703</u>	\$	<u>3,933,424</u>	\$	<u>12,926,127</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 103,722</u>	\$	<u>53,380</u>	\$	<u>157,102</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	\$ 35,476	\$	-	\$	35,476
Transfers out	-		-		-
Total other financing sources (uses)	<u>\$ 35,476</u>	\$	<u>-</u>	\$	<u>35,476</u>
Net Change in Fund Balance	<u>\$ 139,198</u>	\$	<u>53,380</u>	\$	<u>192,578</u>
Fund balances - beginning	\$ 915,612	\$	306,924	\$	1,222,536
Restatements	-		-		-
Fund balances - beginning - restated	<u>\$ 915,612</u>	\$	<u>306,924</u>	\$	<u>1,222,536</u>
Fund balances - ending	<u>\$ 1,054,810</u>	\$	<u>360,304</u>	\$	<u>1,415,114</u>

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

	<u>Elementary Impact Aid</u>	<u>High School Impact Aid</u>	<u>Total</u>
REVENUES			
Local revenue	\$ 370	\$ 28,389	\$ 28,759
Federal revenue	12,250,628	5,019,516	17,270,144
Total revenues	<u>\$ 12,250,998</u>	<u>\$ 5,047,905</u>	<u>\$ 17,298,903</u>
EXPENDITURES			
Instructional - regular	\$ 583,891	\$ 164,196	\$ 748,087
Instructional - special education	9,897	1,787	11,684
Instructional - vocational education	-	1,863	1,863
Supporting services - operations & maintenance	1,291,575	655,213	1,946,788
Supporting services - general	32,289	11,971	44,260
Supporting services - educational media services	362,677	101,310	463,987
Administration - general	687,659	207,058	894,717
Administration - school	1,227,114	370,548	1,597,662
Administration - business	276,797	118,724	395,521
Student transportation	237,090	84,020	321,110
Extracurricular	187,316	504,501	691,817
School food	-	\$0	-
Community services	12,598	4,208	16,806
Capital outlay	864,126	132,422	996,548
Total expenditures	<u>\$ 5,773,029</u>	<u>\$ 2,357,821</u>	<u>\$ 8,130,850</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 6,477,969</u>	<u>\$ 2,690,084</u>	<u>\$ 9,168,053</u>
OTHER FINANCING SOURCES (USES)			
Transfers in			
Transfers out	\$ -	\$ (49,850)	\$ (49,850)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (49,850)</u>	<u>\$ (49,850)</u>
Net Change in Fund Balance	<u>\$ 6,477,969</u>	<u>\$ 2,640,234</u>	<u>\$ 9,118,203</u>
Fund balances - beginning	\$ 17,991,376	\$ 9,367,329	\$ 27,358,705
Restatements	-	-	-
Fund balances - beginning - restated	<u>\$ 17,991,376</u>	<u>\$ 9,367,329</u>	<u>\$ 27,358,705</u>
Fund balances - ending	<u>\$ 24,469,345</u>	<u>\$ 12,007,563</u>	<u>\$ 36,476,908</u>

SINGLE AUDIT SECTION

Browning Public Schools, Glacier County, Montana
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

<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>
<i>Child Nutrition Cluster - Cluster</i>			
<u>United States Department of Agriculture</u>			
<i>Passed Through Montana Office of Public Instruction</i>			
School Breakfast Program	10.553	N/A	\$ 429,130
National School Lunch Program	10.555	N/A	958,512
Summer Food Service Program for Children	10.559	N/A	34,786
Total United States Department of Agriculture			\$ 1,422,428
Total Child Nutrition Cluster - Cluster			\$ 1,422,428
<i>Special Education Cluster (IDEA) - Cluster</i>			
<u>Department of Education</u>			
<i>Passed Through Montana Office of Public Instruction</i>			
Special Education Grants to States	84.027	1804007718	\$ 86,014
Special Education Grants to States	84.027	1804007719	527,997
Special Education Preschool Grants	84.173	1804007919	14,361
Special Education Preschool Grants	84.173	1804007918	1,453
Total Department of Education			\$ 629,825
Total Special Education Cluster (IDEA) - Cluster			\$ 629,825
<i>Other Programs</i>			
<u>Department of Education</u>			
<i>Passed Through Montana Office of Public Instruction</i>			
Title I Grants to Local Educational Agencies	84.010	1804003118	\$ 3,191
Title I Grants to Local Educational Agencies	84.010	1804003719	35,206
Title I Grants to Local Educational Agencies	84.010	1804003318	23,198
Title I Grants to Local Educational Agencies	84.010	1804003719	22,500
Title I Grants to Local Educational Agencies	84.010	1804003218	466,139
Title I Grants to Local Educational Agencies	84.010	1804003119	30,693
Title I Grants to Local Educational Agencies	84.010	1804003318	15,298
Title I Grants to Local Educational Agencies	84.010	1804003219	1,462,374
Career and Technical Education - Basic Grants to States	84.048	1804018119	65,239
Education for Homeless Children and Youth	84.196	1804005719	19,326
Education for Homeless Children and Youth	84.196	1804005718	3,788
Twenty-First Century Community Learning Centers	84.287	1804001719	50,000
English Language Acquisition State Grants	84.365	1804004117	5,559
Comprehensive Literacy Development	84.371	1804003518	182,822
Comprehensive Literacy Development	84.371	1804003519	231,792
Preschool Development Grants	84.419	1804001619	298,364
Preschool Development Grants	84.419	1804001618	3,940
<i>Passed Through Montana Office of the Commissioner of Higher Education</i>			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P334S110014-16	11,673
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P334S110014-17	10,677
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P334S170019-18	287,434
<i>Passed Through Direct</i>			
Impact Aid	84.041	N/A	8,248,910
Indian Education Grants to Local Education	84.048	N/A	475,507
Total Department of Education			\$ 11,953,630

Browning Public Schools, Glacier County, Montana
Schedule of Expenditures of Federal Awards - Continued
For the Year Ended June 30, 2019

<i>Cluster Title/Federal Grantor/Pass-through Grantor /Program</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor Number</i>	<i>Federal Expenditures</i>
<u>Department of Health and Human Services</u>			
<i>Passed Through Montana Office of Public Instruction</i>			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1804003819	\$ 382,488
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1804003818	<u>91,737</u>
Total Department of Health and Human Services			\$ <u>474,225</u>
<u>United States Department of Agriculture</u>			
<i>Passed Through Montana Office of Public Instruction</i>			
Child and Adult Care Food Program	10.558	N/A	\$ 6,462
Fresh Fruit and Vegetable Program	10.582	N/A	<u>69,305</u>
Total United States Department of Agriculture			\$ <u>75,767</u>
Total Other Programs			\$ <u>12,503,622</u>
Total Federal Financial Assistance			\$ <u>14,555,875</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 June 30, 2019

Basis of Presentation and Significant Accounting Policies

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

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

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

Value of Federal Awards Expended in the form of Noncash Assistance

- *Food Commodities value equals the fair value at the time of the receipt \$87,970.*

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Browning Public Schools, Glacier County, Montana, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Browning Public School’s basic financial statements and have issued our report thereon dated March 24, 2020.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses as identified as items 2019-001, 2019-002 & 2019-003.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies as identified as items 2019-004 through 2019-006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Browning Public School'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 instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2019-007.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

March 24, 2020

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, 2019. 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, 2019.

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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2019-008.

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

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

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

March 24, 2020

BROWNING PUBLIC SCHOOLS

GLACIER COUNTY, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2019

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

Internal control over major federal programs:	
Material weakness(es) identified?	None Reported
Significant deficiency(s) identified	Yes
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)	Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.041	Impact Aid
84.010	Title I Grants to Local Educational Agencies
10.553, 10.555 & 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Section II – Financial Statement Findings

2019-001 Food Service Inventory (Repeat finding 2018-002, 2017-003, 2016-003, 2015-006, 2014-006)

Condition:

The District does not have a system in place to track inventory that is maintained in the food service warehouse.

Context:

The auditor completed a walkthrough of the inventory control procedures at the District's food service warehouse, and observed that the District does not maintain a system for tracking the inventory coming in and going out of the warehouse.

Criteria:

An adequate system of internal controls should include a system that tracks the delivery of inventory from vendors, orders to school buildings, and ending inventory to be used in inventory counts performed in warehouse.

Effect:

There is a lack of internal controls over school food inventory increasing the risk the misappropriation of assets.

Cause:

The District does not maintain an inventory tracking system, and operates on paper system documenting the individual activities of the food service warehouse.

Recommendation:

We recommend that the District use a perpetual inventory system to track all purchases and usages of inventory at the food service warehouse giving the District an inventory listing to compare to when performing physical inventory counts.

2019-002 Meal Counts (Repeat finding 2018-007)

Condition:

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

Context:

We obtained the 3 of the 13 meal count reports submitted to OPI and compared the amounts reported to the subsidiary records of meal counts maintained by the District to determine if reimbursement requests were accurate. In addition, we footed the subsidiary records.

Criteria:

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Effect:

We noted the following:

October 18 Lunch was overstated 7

January 19 Lunch was understated 252 and Breakfast was overstated 409

May 19 lunch was understated 145

These errors resulted in the District receiving \$505 less in reimbursements from OPI for meals served.

Cause:

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

Recommendation:

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

2019-003 Enrollment (Repeat Finding 2018-004)

Condition:

The underlying attendance records did not agree to the enrollment counts (Maefairs) reported to the Office of Public Instruction in the Fall Count and Spring Count during fiscal year 2019.

- 1.) For the Fall Count, Kindergarten was understated by 1, Grade 2 was overstated by 1, Grade 8 was overstated by 1, Grade 9 was overstated by 2, Grade 10 was overstated by 2, and Grade 11 was overstated by 2. For the Spring Count, Grade 4 was overstated by 1, Grade 5 was overstated by 1, Grade 6 was overstated by 1, Grade 9 was overstated by 1, Grade 11 was understated by 2, and Grade 12 was overstated by 2. For the Fall Count the number of 19 year olds was overstated by 5. For the Spring Count the number of 19 year olds was overstated by 4.
- 2.) We also could not verify the part-time student count for the high school for either the Fall or Spring Count that totaled 35 and 42 students..

Context:

- 1.) We compared the attendance register from the District's Infinite Campus system to the enrollment counts reported to OPI.
- 2.) We attempted to verify the part-time student count by obtaining class schedules for those students reported as part-time. However, the District was unable to provide schedules of the students to verify.

Criteria:

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Effect:

- 1.) The District did not report accurate counts to the Office of Public Instruction based on the underlying attendance records.
- 2.) Part-time student status could not be verified.

Cause:

- 1.) The District does not have adequate controls in place to ensure the proper counts are reported accurately based on the underlying attendance records.
- 2.) The District did not maintain support for part-time status of students.

Recommendation:

- 1.) We recommend the District implement controls to ensure the enrollment counts are accurate and the underlying attendance records agree to the amount reported.
- 2.) We recommend that District implement controls to ensure that students with a part-time status are supported by class schedules.

2019-004 Student Activity Deposits (Repeat Finding 2018-005)

Condition:

The District has the following control weaknesses related to its deposits of student activity funds:

- (1) Receipts were not deposited at the bank timely.
- (2) There was no procedure to monitor and research unapplied receipts.

Context:

The auditor completed a walkthrough of the internal controls procedures using inquiry and observation, then completed a detailed review of the system to include timeliness of deposits and unapplied receipts.

Criteria:

- (1) An adequate system of internal controls would ensure deposits are made on a weekly basis to ensure that monies are not kept for long periods at the District office.
- (2) An adequate system of internal controls would ensure that receipts entered into the system are properly applied to deposit and any receipts unapplied are monitored and resolved timely.

Effect:

- (1) The student activity controls are weakened increasing the risk of misappropriation of assets or error.
- (2) The cash balance of the student activity funds is overstated \$25,671 due to duplicate receipts in system.

Cause:

- (1) The District does not have a policy in place to ensure that deposits are made on a weekly basis.
- (2) The District did not properly apply receipts to deposits resulting in unapplied receipts that were not being monitored and researched to determine issues.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Recommendation:

- (1) We recommend the District implement a procedure requiring that all receipts from student activities be deposited at the bank on a weekly basis.
- (2) We recommend that the District implement policies and procedures to review the unapplied receipts on a monthly basis when completing the reconciliation of account. In addition, for the unapplied receipts in system at end of fiscal year 2019 be canceled as they are duplicates.

2019-005 High School Impact Aid Revenue Bond Payments

Condition:

The District does not have adequate monitoring procedures in place to ensure U.S Bank is making the principal and interest payments of the High School Impact Aid Revenue Bond.

Context:

During the auditor risk assessment, we noted that the District did not make the full principal payment of the High School Impact Aid Revenue Bond during fiscal year 2019. Upon further understanding of the process through inquiry and observation, the auditor determined the procedures of the District were not adequate in monitoring the principal and interest payments of the revenue bond.

Criteria:

An adequate internal control process requires the District to monitor and track the principal and interest payments on District bonds to ensure payments are made when due.

Effect:

The District did not make the full principal payment of \$215,000 on High School Impact Aid Revenue Bond that was due in October 2018, and only paid \$25,000.

Cause:

The District does not have procedures in place to monitor the activity of the U.S. Bank accounts to ensure the third party administrator is making payments timely.

Recommendation:

We recommend that the District implement procedures to monitor the principal and interest payments that are made in October and April are accurate, and implement procedures to review the activity of the U.S. Bank accounts on a monthly basis.

2019-006 Monitoring Warrants Over Year Old

Condition:

The District does not monitor the outstanding warrant listings of claims and payroll to ensure the warrants are received by vendors and redeemed.

Context:

The auditor noted that the District had a significant number of outstanding claims and payroll warrants that were over a year old, and some of which didn't appear they should be. Upon further review of the outstanding warrant listings through inquiry and inspection of documents, the auditor learned some of the warrants had cleared the County and weren't outstanding.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Criteria:

An adequate internal controls system should include a review of outstanding warrants to include follow-up with vendors to ensure the warrants are received and redeemed timely.

Effect:

The District has outstanding warrants over a year old equal to \$257,634 in claims and \$55,924 in payroll for a total of \$323,247. In addition, \$218,662 were determined had been redeemed causing the cash and warrants payable to be overstated in the General Fund by this amount.

Cause:

The District does not have procedures in place to monitor the outstanding warrant listings of claims and payroll.

Recommendation:

We recommend the District implement procedures to review the outstanding warrant listings on a quarterly basis and follow up with vendors to ensure the warrants are redeemed timely. In addition, the District should implement procedures to submit those warrants that are over a year old to the state as unclaimed property.

2019-007 Pledged Securities (Repeat Finding 2018-003)

Condition:

The District has inadequate levels of pledged securities for deposits at Native American Bank and US Bank.

Context:

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

Criteria:

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

Effect:

The District has inadequate levels of pledged securities for deposits at Native American Bank in the amount of \$51,152 and US Bank in the amount of \$162,856.

Cause:

There District did not request a pledged security agreement with Native American Bank or with US Bank.

Recommendation:

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Section III – Federal Award Findings and Questioned Costs

2019-008 Title I Private/Home School Communication Internal Control

CFDA Title: Title I

CFDA Number: 84.010

Federal Award Number: 1804003719 & 1804003219

Federal Agency: U.S. Department of Education

Pass-through Entity: Montana Office of Public Instruction

Condition:

The District had not maintained records to support timely and meaningful consultation with all private/home schools in the District.

Context:

We obtained a listing of private/home schools provided by the Montana Office of Public Instruction to the District and all available documentation to support the District's consultation with the schools.

Criteria:

Internal controls would provide supporting records to document the communication with all private/home schools in the District.

Effect:

Supporting documentation was not available for 10 of the 11 elementary schools and 6 of the 7 high schools included on the listing of private/home schools.

Cause:

The District recordkeeping was inadequate.

Recommendation:

The District should implement internal control procedures in which all private/home schools certified mail receipts are maintained to support the timely and meaningful consultation of Title programs.

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

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REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

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

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

<u>Recommendation</u>	<u>Action Taken</u>
2018-001 Elementary Transportation Fund Taxes Receivable	Implemented
2018-002 Food Service Inventory	Repeated
2018-003 Pledged Securities	Repeated
2018-004 Enrollment	Repeated
2018-005 Student Activities	Repeated
2018-006 Impact Aid Wage Rate Requirement	Not Repeated
2018-007 Meal Counts	Repeated

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

March 24, 2020

Browning Public Schools

Department of Finance

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Expected Completion Date of Corrective Action Plan:

December 31, 2020

CORRECTIVE ACTION PLAN

FINDING 2019-001: Food Inventory (Repeat Finding 2018-002, 2017-003, 2016-003, 2015-006, 2014-006)

Response: The Food Service has been working on a food inventory system. One factor that has caused issues with implementing an inventory system is staff turnover. The District will continue to try and get the inventory system in place to track purchases and usages of food inventory.

FINDING 2019-002: Meal Counts (Repeat Finding 2018-007)

Response: The Food Service has had turnover in the site supervisor and department secretary positions. With the hiring of the new staff, the District will ensure that the duties required for meal counts will be overseen monthly until they are processed properly.

FINDING 2019-003: Enrollment (Repeat Finding 2018-004)

Response: The District will implement controls and continue to work with the school secretaries to ensure that enrollment counts are accurate, including class schedules for students with part time status.

FINDING 2019-004: Student Activity Deposits (Repeated 2018-005)

Response: The District will implement a procedure for doing weekly deposits for Student Activities. The District will also review the unapplied receipts when doing the account reconciliation.

FINDING 2019-005: High School Impact Aid Revenue Bond Payments

Response: The District will monitor the U.S. Bank account on a monthly basis to ensure that the revenue bond principal and interest payments are accurate. The U.S. Bank did neglect to do a call for payment in October of last year; however, the District should have contacted the bank to ensure payment was made accurately.

FINDING 2019-006: Monitoring Warrants Over Year Old

Response: The District is currently working with Stockman Bank to determine what warrants have cleared the County's account. Once this process is complete, the District will be able to monitor the warrants more effectively. With the District having control of their own account, rather than the County, the process of should be much easier.

FINDING 2019-007: Pledged Securities (Repeat Finding 2018-003)

Response: The District is currently working with the Native American Bank to comply with this finding.

FINDING 2019-008: Title I Private/Home School Communication Internal Control

Response: The District will implement a procedure to track the certified mail receipts in order to verify that the mails were completed and done timely.

STATUS OF PRIOR AUDIT FINDINGS

FINDING 2018-001: Elementary Transportation Fund Taxes Receivable

Response: Cleared of finding

FINDING 2018-002: Food Service Inventory

Response: Remains a finding.

FINDING 2018-003: Pledged Securities

Response: Remains a finding.

FINDING 2018-004: Enrollment

Response: Remains a finding.

FINDING 2018-005: Student Activities

Response: Remains a finding.

FINDING 2018-006: Impact Aid Wage Rate Requirement

Response: Cleared of finding.

FINDING 2018-007: Meal Counts

Response: Remains a finding.