School District No. 40
Missoula County
Frenchtown, Montana

AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2019

ROSS R. STALCUP
CERTIFIED PUBLIC ACCOUNTANT, PC

School District No. 40
Missoula County
Frenchtown, Montana

AUDITED FINANCIAL STATEMENTS

Year ended June 30, 2019

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AUDITED FINANCIAL STATEMENTS
Year ended June 30, 2019

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School District No. 40
Missoula County
Frenchtown, Montana

ORGANIZATION
June 30, 2019

BOARD OF TRUSTEES

Debbie Lester	Chairman
Jami Romney FitzGerald	Vice-Chair
Teresa Teagle	Trustee
Marilyn Thorn	Trustee
Gordon Schmill	Trustee
Bryce Simpson	Trustee
David Weber	Trustee

OFFICIALS

Randy Cline	Superintendent
Susanne Johnston	District Clerk
Shauna Anderson	Business Manager

ROSS R. STALCUP

CERTIFIED PUBLIC ACCOUNTANT, P.C.

INDEPENDENT AUDITORS REPORT

Board of Trustees
School District No. 40
Frenchtown, Montana

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District No. 40, Frenchtown, Montana, as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise School District No. 40'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 of material misstatement.

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of School District No. 40, Frenchtown, Montana, as of 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.

3901 W U.S. Highway 212 Ashland, Montana 59003
Tel 406/784-2090 Cell 406/660-1226 Email mcdeed@rangeweb.net

Change in Accounting Principle
As described in Note 2 & Note 11 to the financial statements, in year ended June 30, 2019, School District No. 40 adopted GASB Statement No. 84 - *Fiduciary Activities.* Our opinions are not modified with respect to this matter.

Other Matters
Required Supplementary Information
Accounting Principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule (pages 51-53), the Schedule of Changes in Total OPEB Liability and Related Ratios (page 54) and the Supplementary Schedules of Proportionate Share of the Net Pension Liability (pages 55-62) 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 which 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 response 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 Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise School District No. 40's basic financial statements. The accompanying supplementary information is presented to comply with state and federal requirements and is not a required part of the financial statements.

> *Required by the State of Montana*
> The Schedule of School District Enrollment (page 63) and the Schedule of Extracurricular Fund Revenues, Expenditures and Changes in Net Position (pages 64-65) are required by the State of Montana.
>
> *Required by Title 2 U.S. Code of Federal Regulations* (CFR) Part 200 (page 66)
> 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 (CRF) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and is also not a required part of the basic financial statements.

The Schedule of School District Enrollment, the Schedule of Extracurricular Fund Revenues, Expenditures and Changes in Net Position, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 School District Enrollment, the Schedule of Extracurricular Fund Revenues, Expenditures and Changes in Net Position, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise School District No. 40's basic financial statements. The Other Information presented on pages 68-73 is included by Management is presented for purposes of additional analysis and is not a required part of the financial statements and has not been subjected to the auditing procedures applied during the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued a report dated February 26, 2020 on our consideration of School District No. 40'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 the 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 School District No. 40's internal control over financial reporting and compliance.

February 26, 2020

Ross R. Stalcup
Certified Public Accountant

3901 W U.S. Highway 212 Ashland, Montana 59003
Tel 406/784-2090 Cell 406/660-1226 Email mcdeed@rangeweb.net

FRENCHTOWN SCHOOL DISTRICT NO. 40
P.O. BOX 117
FRENCHTOWN, MONTANA 59834

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

This section of the School District No. 40's annual financial report presents the management discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2019. It is intended to provide a clear and concise analysis of the activities, financial results, and financial position during the fiscal years, and is a required element of the reporting model established by the Governmental Accounting Standards Board (GASB) in Statement Number 34. This management and discussion and analysis (MD&A) should be read in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for Frenchtown Public Schools are as follows:

- Total net position is $ 6,285,923.
- Total net position increased by $ 449,858 or 8%.

USING THESE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes for those statements. These statements are organized so the reader can understand School District No. 40 as a complex financial entity. The Statement of Net Position and the Statement of Activities provide information about the activities of the whole district, presenting both an aggregate view of the District's finances and a longer-term view of those finances (they include capital assets and long-term liabilities).

Fund financial statements present a short-term view of the District's activities (they include only current assets expected to be collected in the very near future and liabilities expected to be paid in the very near future). There is also summarized financial information about the student activity trust fund for which the District acts as a trustee.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include different kinds of statements that present both a view of the District as a whole, and individual fund statements that focus on various parts of the District's operations in more detail. The financial statements also include notes that explain some of the information presented in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

REPORTING THE DISTRICT AS A WHOLE FINANCIAL ENTITY

One important question asked about the District's finances is, "Is the District better or worse off as a result of each year's activities?" The information found in the District-wide financial statements helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting (and reports depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or disbursed.

The change in net position (the difference between total assets & deferred outflow of resources and total liabilities & deferred inflow of resources) is important because it tells the reader whether, for the District as a whole, the financial position of the District has improved or diminished each year. In addition, nonfinancial factors such as changes in enrollment, changes in the State's funding of educational costs, changes in the economy, changes in the District's tax base, condition of school buildings and other facilities must be considered in making an assessment of the overall health of the District.

District's net position as follows:

	2019	2018	Change	%
Current assets	$4,456,840	$4,295,514	$161,326	4%
Capital assets - net acc depreciation	21,747,597	22,195,194	(447,597)	(2)%
Deferred Outflow	1,947,713	1,489,086	458,627	31%
Total assets & Deferred Outflow	28,152,150	27,979,794	172,356	1%
Total liabilities & Deferred Inflow	21,866,227	22,143,729	(277,502)	(1)%
Net position	$6,285,923	$5,836,065	$449,858	8%
Net position consists of:				
Net investment in Capital Assets	$11,508,714	$10,753,493	$755,221	7%
Restricted net position	1,834,846	2,411,744	(576,898)	(24)%
Unrestricted net position	(7,057,637)	(7,329,172)	271,535	(4)%
Net position	$6,285,923	$5,836,065	$449,858	8%

*Note--A prior period adjustment was made in 2019 to reflect the change in accounting principle represented by implementation of GASB 84. Implementation changed the reporting of Student Extracurricular Fund as a Fiduciary Fund to a Special Revenue Fund. The resulting prior period adjustment increased Net Position by $177,763. Refer to the Financial Statements- Statement of Activities, Statement of Revenues, Expenditures, and Changes in Fund Balance, and Footnote No. 2 on page 21 of the financial statements.

District's program revenues were as follows:

Program Revenues:	2019	2018	Change	%
Operating Grants		1,638,004		
Title I	341,841			
Title IV	112,714			
Idea Part B	254,929			
Federal Food programs	283,628			
State Special Education	334,551			
State & County Transportation	210,205			
Student Extracurricular	267,655			
Other	137,472			
Total Operating Grants	1,942,995	1,638,004	304,991	19%
User Charges:				
Support Services		863,581	(863,581)	
Tuition	23,589	45,235	(21,646)	(48)%
Operation & Maintenance	2,890		2,890	
School Food	247,139	287,397	(40,258)	(14)%
Total User Charges	273,618	1,196,213	(922,595)	(62)%
Total Program Revenues	2,216,613	2,834,217	(617,604)	(22)%

General Revenues:	2019	2018	Change	%
State Revenue		6,928,726		
District Levy	4,438,921	4,648,059	(209,138)	(4)%
Direct State Aid	4,060,234		4,060,234	
Guaranteed Tax Base	2,554,495		2,554,495	
Other state revenue	1,787,976		1,787,976	
County sources	1,311,000	1,256,786	54,214	4%
Interest	88,323	52,002	36,321	70%
Other Local sources	165,001	164,360	641	0%
Gain on disposal of assets	2,568	0	2,568	
Total General Revenue	14,408,518	13,049,933	1,358,585	10%
Total Revenue	$16,625,131	$15,884,150	$740,981	5%

*Note- Refer to totals of revenue and expenses for yearly comparison purposes. Revenue and Expenses were not presented in detail in the 2018 audit report.

District's expenses were as follows:

	2019	2018	Change	%
Instruction		$8,646,568		
Regular Instruction	$6,033,615		$6,033,615	
Special Education	2,324,375		2,324,375	
Vocational Education	326,658		326,658	
Adult Education	11,040		11,040	
Educational Media	436,191		436,191	
Support Services- Students	382,347	774,125	(391,778)	
Administration		1,974,908		
General Administration	211,043		211,043	
Building Administration	872,472		872,472	
Business Administration	850,368		850,368	
Operation and Maintenance	1,631,058	1,648,255	(17,197)	(1)%
Student Transportation	641,069	490,223	150,846	31%
Food Services	634,815	760,493	(125,678)	(17)%
Student Extracurricular	786,959	497,355	289,604	58%
Interest	378,108	402,555	(24,447)	(6)%
Special Assessments	1,211		1,211	
Pension expense	824,018		824,018	
Total expenses	16,345,347	15,194,482	1,150,865	8%
Less Charges for Services	(273,618)	(1,196,213)	922,595	(77)%
Less Program Revenues	(1,942,995)	(1,638,004)	(304,991)	19%
Net expenses	$14,128,734	$12,360,265	$1,768,469	14%

FUND FINANCIAL STATEMENTS

The District maintains individual government funds. These funds are considered major funds: General Fund, Miscellaneous Programs Fund, and Debt Service Fund.

The General Fund shown in the financial statements is the combined General Fund, Flexibility Fund and on behalf payment. The fund financial statements provide detailed information about the most significant of the District's funds; the District is required to provide detailed information for its "major" funds.

The governmental funds provide a short-term view of the District's operations. They are reported using an accounting method called modified accrual accounting which measures amounts using only cash and other short-term assets and liabilities (receivables and payables) that will soon be converted to cash or will soon be paid with cash.

THE FUTURE OF THE SCHOOL

Enrollment stabilized in 2012-2013 after two years of declining enrollment. Since 2012-2013 enrollment has increased almost every year. However, comparison of enrollment for the 2017–2018 school year and the 2018–2019 School Year shows our enrollment decreased from 1,328 in February 2018 to 1,319 in February 2019. Although there was no growth in enrollment, enrollment remained fairly stable.

Student population increased in the elementary and the intermediate schools in 2018-2019. The following chart shows that the K-8 grades had a significant increase and the high school a significant decrease from October 2017 to October 2018.

	10/17	10/18
K-6	705	712
7-8	203	231
9-12	413	382
Total	1,321	1,325

The major contributing factor to this growth in the K-8 was increased housing starts in Frenchtown, as several new housing developments had completed and sold homes to families with school age children. The high school lost students because a large Senior class graduated and a smaller Freshman class replaced them. The district continued to allow enrollment of discretionary non-resident students who were in good standing at their previous school. Admitting nonresident students has been a win-win situation financially for both the school district and the district taxpayers. The admission of 102 nonresident students created additional revenue for the district through increased ANB, while not increasing its expenses.

Our K-6 (located on the South Campus) continues to grow in student population each year. The student population at Frenchtown has been growing each year since the 2013-2014 school year. This is especially true in the elementary/intermediate schools. This growth, while welcome, has been causing issues in the K-6. In 2018-2019, the K-6 added two more classrooms (2nd grade and 5th grade) to find places for the growing numbers of

students. As more demands are made on the available space for classrooms, we are starting to see closets being made into offices for those employees who have to move to make room for classrooms.

During the 2018-2019 school year the district continued to look at ways to address the issues growth was causing. Frenchtown teachers, administrators and Board members met several times to address rising enrollment within the district and developed a plan to relocate grade 6 to the north campus. Staff and community engagement was critical to the selection, development, and implementation of a transition plan for relocating grade 6 to the north campus. The involvement of community and staff in discussions about the idea of transitioning the current 7-8 junior high into a 6-8 middle school took place during the 2018-2019 school year. A series of community listening sessions will took place in the fall of 2018. From those listening sessions, a committee involving all the stakeholders was formed that examined all issues related to the move to a middle school at the north campus in 2019-2020.

The final decision was that three of the four schools in the district will be reconfigured starting with the 2019-2020 school year. These are the changes to the grades PK – 8 schools and what FTSD' schools will look like beginning in the 2019-2020 school year:

- Elementary School: Instead of Pre-Kindergarten through 4th grade the elementary will become Pre-Kindergarten through 3rd grade. The movement of the 4th grade will create additional space for expected future growth. The shift will reduce the population of the elementary school by approximately 100 students.
- Intermediate School: The Intermediate School will shift from grades 5th and 6th to grades 4th and 5th. The population at the Intermediate will roughly stay the same depending on each grade level size.
- Middle School: The Junior High will become a Middle School consisting of grades 6th through 8th. This addition will take the current Junior High campus from around 230 students to a Middle School campus of around 360 students.

Also, the Frenchtown Academy for Career Education (FACE), an alternative high school, started operation during the 2012-2013 school year. It has paid for itself by getting ANB for students that might have otherwise dropped out. Also, the alternative school has had a positive impact by the very fact it would keep students from dropping out. The graduation rate for Seniors attending FHS in the 2018-2019 school year was 99.10%. Well above the state average.

With the increase in the inflationary adjustment for school funding, FTSD actually saw a budget increase of $179,020 for FY19. Although, the increase this year was moderate, this is the seventh straight year of funding increases for the district after declining funding the previous four years. Because there was a projected increase in school funding for the 2019-2020 school year, the FTSD School Board voted at the regular Board meeting in March 2019 not to ask the public to approve a levy for school operations.

Every year in August, School Boards across the state set their budgets for the pending fiscal year. The fiscal year runs from July 1 to June 30. When the School Boards set the budget for the fiscal year, it determines the budget of each district during the school year. When the school board sets the budget for the school district, it establishes how much

local taxpayers will pay to support the school district they live in. These taxing units are called mills. Unlike many other taxing units across the state (county, city, and schools) the Frenchtown school Board cut the number of mills they asked the taxpayers for in fiscal year 2019. In fiscal year 2018, the Frenchtown School Board set the mills at 390.72, in fiscal year 2019 the Frenchtown School Board set the mills at 373.53, a reduction of 17.19 mills. This is an actual reduction of school property taxes to Frenchtown district taxpayers of 4.40% for this school year

Also, the School Board voted unanimously at the March 2018 meeting not to ask the public for any additional operating funds in the 2018 school election. There was no operations levy request on the ballot in the May school election. Unlike, many other school districts in the area that ask for additional operation levy's each school election cycle, Frenchtown School District has not received any additional school operation levies for twelve years.

Pursuant to Missoula County's 2017 settlement agreement, in February 2019 Wakefield filed a complaint to foreclose on all 15 taxable parcels in Missoula County currently owned by M2Green. No taxes have been paid on these parcels since the 2017 settlement agreement. No taxes have been paid on 865200 for several years.

The county informed Wakefield's foreclosure counsel that they intended to attempt to intervene in the foreclosure in order to ensure that taxes are paid out of any sheriff sale proceeds ordered in the foreclosure. To avoid this, Wakefield agreed that it will ask the court to include payment of all taxes, including principal, penalty and interest, in the order in the foreclosure directing a sheriff sale of the property.

Although we cannot be certain when the sheriff sale will occur, the purpose of this agreement and the county's contemplated intervention was to ensure that once ownership of the parcels changes hands, the taxes get paid as quickly as possible.

M2 Green had failed to pay most of its property taxes since the 2014 fiscal year. They were in arrears for four years. As of October 2017 M2 Green owed Missoula County $1,027,644.82 in delinquent taxes. 45% of that total is owed to FTSD #40 for an amount of $358,254.15. Fortunately, the 2017 Montana Legislature passed a bill into law that allows municipalities and counties (that cannot foreclose) to file a lawsuit against businesses or corporations with unpaid property taxes exceeding $200,000. Due to its Superfund status, foreclosure is not an option for Missoula County against M2 Green. Missoula County used the leverage of a potential lawsuit to force Wakefield-Kennedy, M2 Green's mortgage holder, to pay its delinquent taxes. In November 2017 the district received a payment of $358,254.15 from Missoula County after Wakefield-Kennedy paid M2 Green's taxes. The district received an additional payment of $52,546 in March 2018 for current taxes owed. Unfortunately, the district has not received any additional tax payments since March 2018.

One issue that has cast doubt on the redevelopment of the plant site is its possible status of some of the site as an EPA Superfund. On October 5, 2017, I and other members of the Smurfit Stone Mill Site Community Advisory Group (CAG) toured the former Smurfit Stone Mill site. The EPA and DEQ led the site tour. There were a total of twelve (12) CAG participants and two (2) CSKT participants. A CAG meeting in Frenchtown was held after the tour. The Agencies (EPA and DEQ) attended that meeting. The news on the site was fairly positive. The contamination was less then suspected and clean-up of contaminated areas is on schedule. The site will not be designated as a "Superfund Site" and unless

something currently unforeseen happens, will be released by the responsible agencies for possible redevelopment as soon as cleanup is completed. Of course the plans of the mill site owner after the release are unknown.

During the 2018-2019 school year, FTSD entered into a partnership with Freedom Gardens. Freedom Gardens built a greenhouse on school property. This greenhouse is on the south side of the elementary school. Frenchtown School District will use the greenhouse as an educational tool for all students of Frenchtown Public Schools and will take a great leap forward on its strategic plan goal of school wellness. There would be no cost to the district related to moving the greenhouse to Frenchtown.

From the memorandum of understanding between Frenchtown School District and Freedom Gardens:

> Frenchtown Public Schools and Freedom Gardens share several common goals.
> COMMON GOALS:
>
> ✓ Provide a safe and nurturing environment for the students of the Frenchtown Public Schools.
> ✓ Provide a range of experiences for students to explore their own focus, and provide a framework for them to learn and excel in and out of the classroom.
> ✓ Provide an environment responsive to the needs of the students; provide guidance and structure for students of all abilities and levels.

Another impact on the general fund that hammers the general fund budget almost every year is health insurance cost increases. Our premium costs have gone up about 68% (34% for district, 34% for the employee), in the last 7 years. Obviously, with these kind of increases, all employees are seeking salary increases and for the district to help cover their cost of increased health insurance premiums costs each year. In 2015-2016, the district implemented an option of a High Deductible Low Premium (HDLP) health insurance plan for our employees to meet the mandates of the Affordable Care Act (ACA). It also reduced the cost of their out-of-pocket expenses each month if they choose the HDLP option. This option is proving to be successful, as several employees have used it to decrease their premiums.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Office of Business Manager, School District No. 40, P.O. Box 117, Frenchtown, Montana 59834.

School District No. 40
Frenchtown, Montana

STATEMENT OF NET POSITION
June 30, 2019

	2019
ASSETS	
Current Assets:	
Cash and Investments	$3,963,446
Property Taxes Receivable	408,021
Due from Other Governments	15,988
Stop Loss Receivable	69,385
Total Current Assets	4,456,840
Non-current Assets:	
Capital Assets Net of Accumulated Depreciation	21,747,597
Total Non-current Assets	21,747,597
Total Assets	26,204,437
Deferred Outflow of Resources - Pension	1,947,362
Deferred Outflow of Resources - OPEB	351
Total Deferred Outflow of Resources	1,947,713
Total Assets and Deferred Outflow of Resources	28,152,150
LIABILITIES:	
Current Liabilities	
Accounts Payable	38,598
Compensated Absences	241,358
CIBNR Estimate	252,814
Bonds and Notes Payable	1,277,829
Total Current Liabilities	1,810,599
Non Current Liabilities	
Compensated Absences	482,715
Bonds and Notes Payable	8,961,054
Net OPEB Liability	55,707
Net Pension Liability	10,099,380
Total Non Current Liabilities	19,598,856
Total Liabilities	21,409,455
Deferred Inflow of Resources - Pension	441,959
Deferred Inflow of Resources - OPEB	14,813
Total Deferred Inflow of Resources	456,772
Total Liabilities and Deferred Inflow of Resources	21,866,227
Total Net Position	6,285,923
NET POSITION	
Net Investment in Capital Assets	11,508,714
Restricted- Expendable	
Capital Outlay	372,703
Technology	31,657
Bus Replacement	137,587
Transportation	135,076
Debt Service	164,771
Other	757,620
Health Insurance Benefits	235,432
Total Restricted- Expendable	1,834,846
Unrestricted	(7,057,637)
Total Net Position	$6,285,923

See Notes to Financial Statements

School District No. 40
Frenchtown, Montana

STATEMENT OF ACTIVITIES
June 30, 2019

	Expenses	Program Revenue Charges for Services	Program Revenue Operating Grants	Net (Expense) Revenue 2019
GOVERNMENT OPERATIONS				
Instruction:				
Regular Instruction	$6,033,615	$23,589	$404,272	($5,605,754)
Special Education	2,324,375		599,458	(1,724,917)
Vocational Education	326,658		29,262	(297,396)
Adult Education	11,040			(11,040)
Educational Media	436,191		146,814	(289,377)
Support Services - Students	382,347			(382,347)
Administration:				
General	211,043			(211,043)
Building	872,472			(872,472)
Business	850,368			(850,368)
Operation and Maintenance	1,631,058	2,890		(1,628,168)
Transportation	641,069		210,205	(430,864)
Food Services	634,815	247,139	285,329	(102,347)
Student Extracurricular	786,959		267,655	(519,304)
Interest	378,108			(378,108)
Special Assessments	1,211			(1,211)
Pension Expense	824,018			(824,018)
Totals	$16,345,347	$273,618	$1,942,995	($14,128,734)
GENERAL REVENUES				
District Property Taxes				$4,438,921
Direct State Aid				4,060,234
Guaranteed Tax Base				2,554,495
Other State Revenue				1,787,976
County Sources				1,311,000
Federal Sources				
Interest				88,323
Other Local Sources				165,001
Gain/Loss on Disposal of Assets				2,568
Total General Revenues				14,408,518
CHANGE IN NET POSITION				279,784
NET POSITION				
Beginning of Year				5,836,065
Prior Period Adjustment - Change in accounting principle				177,763
Prior Period Adjustment - Correction of Error				(7,689)
Beginning of Year - restated				6,006,139
End of the Year				$6,285,923

See Notes to Financial Statements

School District No. 40
Frenchtown, Montana

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	MAJOR FUNDS		NON MAJOR FUNDS		
	General Fund	Miscellaneous Programs Fund	Debt Service Fund	Other Governmental Funds	Total
ASSETS:					
Cash and Investments	$1,463,269	$686,133	$44,903	$1,330,453	$3,524,758
Property Taxes Receivable	187,160		117,774	96,496	401,430
Protested Taxes	2,961		2,092	1,538	6,591
Due from Other Entities		9,372		6,616	15,988
Inventory					0
Total Assets	1,653,390	695,505	164,769	1,435,103	3,948,767
Deferred Outflow of Resources	0	0	0	0	0
Total Assets and Deferred Outflow of Resources	1,653,390	695,505	164,769	1,435,103	3,948,767
LIABILITIES:					
Accounts Payable	7,376	10,937		458	18,771
Total Liabilities	7,376	10,937	0	458	18,771
Deferred Inflow of Resources- Taxes	190,121	0	119,866	98,034	408,021
Total Liabilities and Deferred Inflow of Resources	197,497	10,937	119,866	98,492	426,792
FUND BALANCE:					
Non Spendable					0
Restricted			44,903	1,336,611	1,381,514
Assigned	173,734	684,568			858,302
Unassigned	1,282,159				1,282,159
Total Fund Balance	1,455,893	684,568	44,903	1,336,611	3,521,975
Total Liabilities and Fund Balance	$1,653,390	$695,505	$164,769	$1,435,103	$3,948,767

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance from above	$3,521,975
Net capital assets	21,747,597
Deferred inflow of resources - Taxes	408,021
Less liabilities not reported above:	
Long-term debt	(10,238,883)
Compensated absences	(724,073)
OPEB:	
Deferred inflow of resources related to OPEB obligations	(14,813)
Deferred outflow of resources related to OPEB obligations	351
OPEB liability	(55,707)
Pension:	
Deferred inflow of resources related to pension obligations	(441,959)
Deferred outflow of resources related to pension obligations	1,947,362
Net pension liability	(10,099,380)
Internal Services Fund Net Position	235,432
Net Position	$6,285,923

See Notes to Financial Statements

School District No. 40
Frenchtown, Montana

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
June 30, 2019

	MAJOR FUNDS		NON MAJOR FUNDS		
	General Fund	Miscellaneous Programs Fund	Debt Service Fund	Other Governmental Funds	Total
REVENUES:					
District Levy	$1,961,218		$1,214,978	$1,217,456	$4,393,652
Direct State Aid	4,060,234				4,060,234
Other State Sources	3,804,575	870,078		126,407	4,801,060
County Sources				1,423,815	1,423,815
Federal Sources		820,307		283,628	1,103,935
User Fees	290	2,600		270,728	273,618
Interest	52,601		15,246	20,477	88,324
Other	10,827	153,817		357	165,001
Student Extracurricular				267,655	267,655
Total Revenues	9,889,745	1,846,802	1,230,224	3,610,523	16,577,294
EXPENDITURES:					
Current Operations:					
Instruction:					
Regular Programs	4,342,471	807,663		578,951	5,729,085
Special Programs	1,049,497	833,477		392,430	2,275,404
Vocational Education	263,891	18,569		37,316	319,776
Adult Education				11,040	11,040
Educational Media	393,878	1,527		31,596	427,001
Support Services Students	324,393	5,332		44,567	374,292
Administration					
General	156,293	1,136		49,169	206,598
Building	708,626	6,188		139,276	854,090
Business	682,261	8,183		121,166	811,610
Operation and Maintenance	1,382,114	9,646		149,033	1,540,793
Transportation	4,404			486,211	490,615
Food Services	97,467			524,879	622,346
Student Extracurricular	419,872	4,269		289,374	713,515
Capital Outlay	41,039	30,982		351,041	423,062
Debt Service					
Principal			1,045,000	157,818	1,202,818
Interest	17,233		360,175		377,408
Bond Agent Fees			700		700
Special Assessments			1,211		1,211
Total Expenditures	9,883,439	1,726,972	1,407,086	3,363,867	16,381,364
Excess (Deficiency) Of Revenues Over Expenditures	6,306	119,830	(176,862)	246,656	195,930
OTHER FINANCING SOURCES & USES					
Transfers in				62,000	62,000
Transfers(out)	(12,000)			(50,000)	(62,000)
Total Other Financing Sources & Uses	(12,000)	0	0	12,000	0
Change in Fund Balance	(5,694)	119,830	(176,862)	258,656	195,930
FUND BALANCE					
Beginning of Year	1,194,248	564,738	221,765	1,167,531	3,148,282
Prior Period Adjustments - See Note 11	267,339			(89,576)	177,763
Beginning of Year - restated	1,461,587	564,738	221,765	1,077,955	3,326,045
End of Year	$1,455,893	$684,568	$44,903	$1,336,611	$3,521,975

See Notes to Financial Statements

School District No. 40
Frenchtown, Montana

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

June 30, 2019

Change in Fund Balances	$195,930
Change in Property Taxes Receivable not included in the Governmental Fund Statements	45,269
Amounts Reported as Expenditures in the Governmental Fund Statements	
Capital Outlay	423,062
Change in Compensated Absences	(93,988)
Expenses on the Statement of Activities not included in the Governmental Fund Statements	
Gain/Loss on Disposal	2,568
Pension Expense	(824,018)
OPEB Expense	(3,427)
Depreciation	(873,227)
Bond Principal	1,202,818
On Behalf Pension Contributions	477,273
Internal Service Fund Change in Net Position	(272,476)
Change in Net Position	279,784
Prior Period Adjustment - Change in Accounting Principle	177,763
Prior Period Adjustment - Correction of Error	(7,689)
Total Change in Net Position	$449,858

See Notes to Financial Statements

School District No. 40
Frenchtown, Montana

STATEMENT OF NET POSITION
PROPRIETARY FUND

June 30, 2019

	Governmental Activities Internal Service Funds
ASSETS	
Cash and cash equivalents	$438,688
Accounts receivable stop loss	69,385
Total Assets	508,073
LIABILITIES	
Accounts payable	19,827
CIBNR liability	252,814
Total Liabilities	272,641
Net Position	
Total Net Position	$235,432

See Notes to Financial Statements

School District No. 40
Frenchtown, Montana

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUND

for the Fiscal Year Ended June 30, 2019

	Governmental Activities Internal Service Funds
Operating Revenues:	
Premiums	$1,385,259
Stop Loss and rebates	347,914
Total Operating Revenues	1,733,173
Operating Expenses:	
Health insurance claims	1,657,995
Administrative fees	359,379
Total Operating Expenses	2,017,374
Operating Income (Loss)	(284,201)
Non-operating revenues (expenses):	
Interest and dividends	5,042
Change in market value	6,683
Total Non-operating revenues (expenses)	11,725
Change in Net Position	(272,476)
Net Position - Beginning of the Year	507,908
Net Position - End of the Year	$235,432

See Notes to Financial Statements

School District No. 40
Frenchtown, Montana

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

for the Fiscal Year Ended June 30, 2019

Cash Flows from Operating Activities:	
Health insurance premiums received	$1,385,259
Stop loss received	305,169
Payments to provide health insurance benefits	(1,644,809)
Payments to third party administrator	(359,379)
Net Cash Provided (Used) by Operating Activities	(313,760)
Cash Flows from Non-Capital and Related Financing Activities:	
Net Cash Provided (Used) by Non-Capital and Related Financing	0
Cash Flows from Investing Activities:	
Interest on investments	14,014
Net Cash Provided (Used) by Investing Activities	14,014
Net increase (decrease) in cash and cash equivalents	(299,746)
Cash and cash equivalents at July 1, 2018	738,434
Cash and cash equivalents at June 30, 2019	$438,688
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	(284,201)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Change in due from Stop Loss	(42,745)
Decrease in accounts payable	(103,667)
Change in deferred	28,661
Change in CIBNR liability	90,481
Fair Market Value correction	(2,289)
Net Cash Provided (Used) by Operating Activities	($313,760)

See Notes to Financial Statements

School District No. 40
Frenchtown, Montana

STATEMENT OF FIDUCIARY NET POSITION
AND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
June 30, 2019

FIDUCIARY NET POSITION

	Custodial Funds	
	Student Extracurricular	Scholarships
ASSETS		
Cash	$0	$35,666
NET POSITION		
Held in Trust	$0	$35,666
CHANGES IN FIDUCIARY NET POSITION		
Revenues		
Contributions		12,897
Interest		
	0	12,897
Expenditures		
Scholarships		11,600
	0	11,600
Change in Net Position	0	1,297
NET POSITION		
BEGINNING	177,763	34,369
Prior Period Adjustment- Implementation of GASB 84	(177,763)	
BEGINNING - restated	0	34,369
ENDING	$0	$35,666

See Notes to Financial Statements

School District No. 40
Frenchtown, Montana
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

TABLE OF CONTENTS

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.

A. Reporting Entity

In determining the financial reporting entity, the District complies with the provisions of GASB statement No. 14, *The Financial Reporting District*, 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 and with GASB Cod. Sec. 2100.

Primary Government

The District was established under Montana law to provide elementary and secondary educational services to residents of the District. Based on the criteria for determining the reporting District (separate legal District and financial or fiscal dependency on other governments) the District is a primary government as defined in preceding paragraph and has no component units.

The District is managed by a board of trustees, elected in district-wide elections, and by an administration appointed by and responsible to the Board. These financial statements present all activities over which the Board of Trustees exercises responsibility.

B. Basis of Presentation, Measurement Focus, and Basis of Accounting

Government-wide Financial Statements:

Basis of Presentation
The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the reporting entity except fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

Fund Financial Statements:

Basis of Presentation

Fund financial statements of the reporting 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 two categories: governmental, and fiduciary. An emphasis is placed on major funds within the governmental category. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

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

Measurement Focus and Basis of Accounting
Governmental Funds

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Major Funds:
The District reports the following major governmental funds:

General Fund - This is the District's primary operating fund authorized by Section 20-9-301, MCA, for the purpose of financing general maintenance and operational costs of the District not financed by other funds.

Miscellaneous Programs Fund - Authorized by Section 20-9-507, MCA, for the purpose of accounting for local, state, or federal grants and reimbursements. Donations that allow the expenditure of both principal and interest for support of district programs are deposited in this fund.

Debt Service Fund - Authorized by Section 20-9-438, MCA, for the purpose of paying interest and principal on outstanding bonds and special improvement district (SID) assessments. This fund is also used to account for the proceeds of bonds sold for the purposes provided in Section 20-9-403 (c) and (d), MCA.

Proprietary Funds
Proprietary funds are presented using the economic resources measurement focus and the accrual basis of accounting similar to the basis used for the government-wide financial statements. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. Investment earnings are reported as non-operating revenues. All assets and liabilities are recorded in the enterprise funds financial statements.

Self-Insurance Health Fund - An internal service fund to account for medical coverage provided to the District's employees. All activity, other than investing, is considered operations.

Fiduciary Funds
Fiduciary funds are 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 post employment 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:

Custodial Funds – To report all other trust arrangements under which the principal and income benefit individuals, private organizations, or other governments. The District has a custodial fund for student scholarships or endowment.

When both restricted and unrestricted resources are available for use it is the District's general policy is to spend resources in the following order: Restricted, Committed, Assigned, Unassigned assuming that there are different classifications within a particular fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Cash and Investments

Cash and investments, except amounts in the Student Extracurricular Fund and the Self-insurance Fund, are held by the County Treasurer. The County Treasurer invests the District's cash at the direction of the government as required by state statute. Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). STIP is an investment program managed and administered under direction of the Montana Board of Investments (MBOI) as authorized by the Unified Investment Program. The STIP portfolio is reported at fair market value basis versus amortized cost.

D. Inventories

Inventories, if considered significant, are recorded using the purchases method. Inventories are recorded as expenses when purchased rather than when consumed.

E. Property Taxes

Property taxes receivable at June 30 consist primarily of delinquent and protested property taxes from the current and prior year levies. Property taxes receivable are offset by deferred inflow of resources in the fund financial statements. The District does not record an allowance for uncollectible taxes because it is not considered to be significant.

Property taxes are levied in September of each fiscal year, based on assessments as of the prior January 1. Real property taxes are usually billed in October and are payable 50% on November 30 and 50% on May 31. Property taxes are maintained and collected by the County Treasurer.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Capital Assets

Capital assets are carried at actual or estimated historical cost based on appraisals. Major additions and betterments with a cost in excess of $5,000 are recorded as additions to capital assets. Gifts or contributions are recorded at fair market value when received. The costs of normal repair and maintenance are charged to operations as incurred. Improvements are capitalized and depreciated. Depreciation is computed using the straight-line method over the estimated useful lives of assets.

G. Compensated Absences

Liabilities associated with accumulated vacation and discretionary leave are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example- as a result of employee resignations or retirements.

Non-teaching District employees earn vacation ranging from 15 to 24 days per year depending on the individual's years of service. Vacation may be accumulated to a total 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 all District employees. Teaching staff are allowed to carry over a maximum of 100 sick days from the previous year.

Upon retirement or termination, employees are paid for 100 percent of unused vacation leave and 25 percent of unused sick leave. Termination payments are made at the employee's current salary rate. Part-time employees are entitled to prorated benefits.

H. Fund Equity

For information regarding Fund Balance and Net Position see Note 8.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Examples of estimates are depreciation and net pension liability.

J. Deferred Inflow/Outflow of Resources

A *deferred outflow* of resources is defined as a consumption of net position by the government that is applicable to a future reporting period and a *deferred inflow* of resources as an acquisition of net position by the government that is applicable to a future reporting period. A deferred outflow of resources has a positive effect on net position, similar to assets, and a deferred inflow of resources has a negative effect on net position, similar to liabilities.

K. Retirement System

The District participates in two state-wide, cost-sharing multiple employer defined benefit retirement plans which cover all District employees, except certain substitute teachers and part-time, non-teaching employees. The Teachers Retirement System (TRS) covers teaching employees, including administrators and aides. The Public Employees Retirement System (PERS) covers non-teaching employees. The plans are established under State law and are administered by the State of Montana.

2. IMPLEMENTATION OF NEW GASB STATEMENTS

In fiscal year 2019 the District implemented the following statements issued by the Governmental Accounting Standards Board (GASB), if applicable:

Statement No. 84 - GASB Statement No. 84 - Fiduciary Activities. The objective of this Statement is to establish criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity or the beneficiaries with whom a fiduciary relationship exists. Because the School Board has oversight over the use of Extracurricular Fund monies, implementation will require Student Extracurricular Fund to be a Special Revenue Fund.

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

District cash (except for the Student Extracurricular Fund and the Self-Insurance Fund) and investments is held by the County Treasurer and pooled with other County cash. School District cash which is not necessary for short-term obligations is pooled in a County-wide investment program whereby all available cash is invested by the County Treasurer in pooled investments. Interest earned on the pooled investments is distributed to each contributing District and fund on a pro rata basis. The School District does not own specific identifiable investment securities in the pool; therefore, is not subject to categorization. Fair value approximates carrying value for investments as of June 30, 2019.

Health insurance trust cash and investments are held in demand accounts or invested in Time Certificates of Deposit.

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.

Deposit Security
Montana law (Section 7-6-207) allows the local governing body to require security for the portion of deposits not guaranteed or insured. Deposit insurance is administered by the FDIC. The County Treasurer has the fiduciary responsibility to ensure that adequate collateral is pledged for all deposits that are not fully covered by Federal Deposit Insurance. Montana code allows the County Treasurer to take collateral up to 50% of deposits if the institution in which the deposit is made has a net worth to total assets ratio of 6% or more and 100% if the ratio is less than 6%. Fair value, custodial credit risk, interest rate risk, and concentration of credit risk classifications of the government's deposits and pooled investments appear to be the responsibility of the County Treasurer. Risk of loss appears to be the responsibility of the County Treasurer.

Student activity funds are deposited in FDIC insured, interest bearing, checking accounts.

4. CAPITAL ASSETS

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	30 - 60 years
Improvements	30 - 60 years
Equipment	5 - 60 years
Infrastructure	50 - 65 years

June 1999 the Government Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the District has included the value of capital assets in the 2019 Basic Financial Statements.

Capital asset activity during 2019 was as follows:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Cost of assets:				
Land	$590,662			$590,662
Land Improvements	1,236,359	38,648		1,275,007
Buildings	28,864,262	14,200		28,878,462
Equipment	3,328,957	370,214	284,101	3,415,070
Total	34,020,240	423,062	284,101	34,159,201
Accumulated depreciation:				
Land Improvements	(636,294)	(49,214)	(633)	(684,875)
Buildings	(8,904,391)	(609,518)		(9,513,909)
Equipment	(2,284,361)	(214,495)	(286,036)	(2,212,820)
Total	(11,825,046)	(873,227)	(286,669)	(12,411,604)
Capital Assets, Net	$22,195,194	($450,165)	($2,568)	$21,747,597

Depreciation expense was charged to function as follows:

Governmental Activities	
Instruction	568,280
Extracurricular	73,444
Operation & Maintenance	57,104
Transportation	140,639
School Food	12,469
Business Administration	21,291
	$873,227

5. LONG TERM DEBT

Long-term liability activity for the year was as follows:

	June 30 2018	Reductions	Additions	June 30 2019	Current
General Obligation Bonds					
Series 2007	$4,185,000	$985,000		$3,200,000	$1,025,000
Series 2013	6,650,000	60,000		6,590,000	60,000
Intercap Loan	606,701	157,818		448,883	192,829
	11,441,701	1,202,818	0	10,238,883	1,277,829
Compensated Absences	630,085		93,988	724,073	241,358
Net OPEB Liability	59,023	3,316		55,707	
Net Pension Liability					
PERS	1,964,276	432,294		1,531,982	
TRS	7,630,214		937,184	8,567,398	
	9,594,490	432,294	937,184	10,099,380	
Total	$21,725,299	$1,638,428	$1,031,172	$21,118,043	$1,519,187

6. OTHER POST EMPLOYMENT BENEFITS

Post Employment Benefits Other Than Pensions (OPEB)

Plan Description

School District No. 40 administers a single-employer defined benefit healthcare plan, the "Frenchtown School District Employee Benefits Plan Trust" or "the Plan". The plan provides medical, dental insurance, and vision benefits to eligible retirees and their spouses.

The District manages the plan using an Internal Service Fund and the plan is administered by a third party administrator.

Montana law, MCA 2-18-704 requires that employers allow eligible retiring employees to participate in the group plan, at the employees' expense, until eligible for Medicare.

The retired employees are required to pay all monthly premiums in order to participate in the plan.

OPEB liability arises from an implicit rate subsidy due to age; all employees pay the same premium regardless of age. There is not a cash effect as a result of the liability.

Employees covered by benefit terms: As of June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	8
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	104
	112

Total OPEB Liability: The District's total OPEB liability of $55,707 was determined by an actuarial valuation as of June 30, 2018 and was rolled forward to a measurement date of June 30, 2019, utilizing update procedures incorporating actuarial assumptions.

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

Salary increases	4.00	percent, average, including inflation
Discount rate	3.45	percent
Healthcare cost trend rates	6.30	percent for 2018, decreasing .5 percent per year to an ultimate rate of 4.5 percent
Retirees' share of benefit-related costs	0.00	percent of projected health insurance premiums for retirees

The benefit rate was based on the Current Municipal Bond Discount Rate.
Mortality rates were based on the RP 2000 Healthy Annuitant combined Mortality Table.
The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period June 30, 2018 and rolled forward using actuarial methodology.

6. OTHER POST EMPLOYMENT BENEFITS (continued)

Changes in the total OPEB liability

	Total OPEB Liability
Balance at June 30, 2018	$59,053
Changes for the year:	
Service cost	3,834
Interest	1,984
Changes in benefit terms	0
Differences between expected and actual experience	(9,567)
Changes in assumptions or other inputs	403
Benefit payments	
Net changes	(3,346)
Balance at June 30, 2019	$55,707

Changes in assumptions and other inputs reflect a change in the discount rate.

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the total OPEB liability reported by the District, as well as how that liability would change if the discount rate used to calculate the OPEB liability were decreased or increased by 1 percent:

	1% Decrease 2.36	Discount Rate 3.36	1% Increase 4.36
Total OPEB liability	$60,471	$55,707	$51,460

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the total OPEB liability reported by the District, as well as how that liability would change if the healthcare trend rate used in projecting benefit payments were to decrease or increase by 1 percent:

	1% Decrease	Healthcare Cost Trend	1% Increase
Total OPEB liability	$50,326	$55,707	$62,292

6. OTHER POST EMPLOYMENT BENEFITS (continued)

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 OPEB expense of $3,427. The District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources	Deferred Inflows of Resources
$351	$14,813

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

Year ended June 30	Deferred Outflows	Deferred Inflows
2020	52	2,114
2021	52	2,114
2022	52	2,114
2023	52	2,114
2024	52	2,114
Thereafter	91	4,243
	$351	$14,813

7. CLAIMS INCURRED BUT NOT REPORTED LIABILITY ESTIMATES

The District provides medical insurance coverage for its employees via a self-insured plan administered by a third party administrator. It provides medical and dental benefits and is operated as an Internal Service Fund. Rates are determined in consultation with the administrator based on estimated claims plus an administrative fee. The rates include a premium for a commercial "stop-loss" policy for when any one claimant exceeds $70,000 in covered charges during a year.

Claims Incurred But Not Reported estimated as follows:

	Avg $ per day	Avg lag days	CIBNR estimate (rounded to whole dollars)
Medical	$4,555	55.5	$252,814
Other			
CIBNR Liability			$252,814

8. FUND BALANCE/NET POSITION DISCLOSURES

Governmental Accounting Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* was issued to enhance the usefulness of Fund Balance information and clarify existing governmental fund type definitions. To that end GASB 54 established the following fund balance classifications in the fund statements:

Non-spendable
Includes fund balances that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted
Includes fund balances that are constrained for specific purposes which are externally imposed by providers such as creditors, or amounts constrained due to law, constitutional provisions or enabling legislation.

Committed
Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

Assigned
Includes fund balance amounts that are intended to be used for a specific purpose that are neither considered restricted or committed. A designee can be authorized to assign fund balance. The District management is responsible for assigning fund balance.

Unassigned
Unassigned fund balance includes positive fund balance within the General Fund which has not been classified within the above mentioned classifications. Negative fund balances in other governmental will be reported as unassigned.

The District addressed this matter in Policy No. 7515. Generally speaking fund balance is restricted for the statutory purpose of a fund, or other externally imposed restriction.

Additionally the District policy states that resources will be spent in the following order: Restricted, Committed, Assigned, Unassigned assuming that there are different classifications within a particular fund.

8. FUND BALANCE/NET POSITION DISCLOSURES

Fund classification to the extent that the fund type is dependent on proceeds of specific revenue sources which are restricted or committed to expenditure in accordance with a specific purpose is as follows:

	Budget Basis		GAAP Basis	
Fund classification by revenue source	General Fund	Flex Fund	On-behalf Payments	Report General
FUND BALANCE				
ASSETS				
Cash	$1,195,146	$268,123		$1,463,269
Taxes	$187,159			187,159
Protested Taxes	$2,961			2,961
Total Assets	$1,385,266	$268,123	$0	1,653,389
LIABILITIES				
Accounts Payable	$7,376			7,376
Total Liabilities	$7,376	$0	$0	7,376
Deferred inflows- Taxes	$190,121			190,121
Total Liabilities & Deferred Inflows	$197,497	$0	$0	197,497
FUND BALANCE				
Assigned	$173,734			173,734
Unassigned	$1,014,036	$268,123		1,282,159
Total	$1,187,770	$268,123	$0	1,455,893
TOTAL LIABILITIES AND FUND BALANCE	$1,385,267	$268,123	$0	$1,653,390
Taxes	$1,961,218			$1,961,218
Direct State Aid	4,060,234			4,060,234
Guaranteed Tax Base	2,554,495			2,554,495
Other State Revenue	772,807		477,273	1,250,080
Federal Sources				0
User Fees		290		290
Interest	46,532	6,069		52,601
Other	10,827			10,827
Total Revenues	9,406,113	6,359	477,273	9,889,745
Expenditures	9,400,591	5,575	477,273	9,883,439
Transfers In (Out)	(12,000)			(12,000)
Change in Fund Balance	(6,478)	784	0	(5,694)
Balance July 1	1,194,248	267,339	0	1,461,587
Balance June 30	$1,187,770	$268,123	$0	$1,455,893

Fund Balance Classification	MAJOR FUNDS			NON MAJOR	
	General Fund	Miscellaneous Programs Fund	Debt Service Fund	Other Government Funds	Total
Non Spendable					0
Restricted:					
Instruction				37,640	37,640
Tuition				11,184	11,184
Adult Education				14,274	14,274
Bus Replacement				115,504	115,504
Technology Acquisition				28,288	28,288
Operation & Maintenance				5,438	5,438
Transportation				101,288	101,288
School Food				68,050	68,050
Retirement				366,176	366,176
Compensated Absences				35,723	35,723
Capital Outlay				349,363	349,363
Student Extracurricular				203,683	203,683
Debt Service			44,903		44,903
	0	0	44,903	1,336,611	1,381,514
Assigned:					
Encumbrances	173,734				173,734
Instruction		684,568			684,568
	173,734	684,568	0	0	858,302
Unassigned:	1,282,159				
	1,282,159	0	0	0	1,282,159
Total Fund Balance	$1,455,893	$684,568	$44,903	$1,336,611	$3,521,975

8. FUND BALANCE/NET POSITION DISCLOSURES (continued)

In the government wide statements fund equity is classified as net position and displayed in following components:

Net investment in Capital Assets. Composed of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any debt incurred that is attributable to the acquisition thereof.

Restricted. Further classified as expendable and non-expendable, generally the net position resulting from property taxes levied for a statutory purpose.

Unrestricted. All other assets.

Net Position Classifications:	
Invested in Capital Assets	11,508,714
Restricted	
Non expendable	0
Expendable	1,834,846
Unrestricted	(7,057,637)
	$6,285,923

A reconciliation of fund balance by classification to restricted net position by classification follows:

		Deferred Inflow of Resources Taxes	Capital Assets Net	Long term Debt - Pension & OPEB related debt	Prop Fund Net Position	Adjustments	Net Position
Fund Balances							
Non Spendable	0						0
Restricted	1,381,514	217,900			235,432		1,834,846
Invest Capital Assets			21,747,597	(10,238,883)			11,508,714
Assigned	858,302					(858,302)	0
Unrestricted		190,121		(9,388,219)		2,140,461	(7,057,637)
Unassigned	1,282,159					(1,282,159)	0
Total	$3,521,975	$408,021	$21,747,597	($19,627,102)	$235,432	$0	$6,285,923

Restricted for	Fund Balance	Deferred Inflow	Internal Service Fund Net Position	Net Position
Capital Outlay	349,363	23,340		372,703
Technology	28,288	3,369		31,657
Bus Replacement	115,504	22,083		137,587
Transportation	101,288	33,788		135,076
Debt Service	44,903	119,868		164,771
Other	742,168	15,452		757,620
Health Insurance Benefits			235,432	235,432
	1,381,514	217,900	235,432	1,834,846

9. EMPLOYEE RETIREMENT SYSTEM

The School District participates in two state-wide, cost-sharing multiple employer defined benefit retirement plans which cover all School District employees, except certain substitute teachers and part-time, non-teaching employees. The Teachers Retirement System (TRS) covers teaching employees, including administrators and aides. The Public Employee Retirement System (PERS) covers non-teaching employees. The plans are established under State law and are administered by the State of Montana.

Stand-Alone Statements
The financial statements of the Montana Teachers Retirement System and the Public Employees Retirement Board *Comprehensive Annual Financial Report (CAFR)* and the GASB 68 Report disclose the Plans' fiduciary net position. The reports are available from:

Teachers Retirement System P.O. Box 200139 1500 Sixth Avenue Helena, MT 59620-0139 Phone: 406-444-3134 www.trs.mt.gov	Public Employees Retirement Board P.O. Box 200131 100 N. Park Avenue Suite 200 Helena, MT 59620-0131 Phone: 406-444-3154 www.mpera.mt.gov

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF EMPLOYEE RETIREMENT SYSTEMS

The Montana Public Employee Retirement Administration (MPERA) and the Teachers' Retirement System (TRS) 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 MPERA and TRS and additions to/deductions from MPERA's and TRS's fiduciary net position have been determined on the same accrual basis as they are reported by MPERA and 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. MPERS and TRS adheres to all applicable Governmental Accounting Standards Board (GASB) statements. Stand-alone financial statements, actuarial valuations and experience studies can be found on the above listed websites.

9. EMPLOYEE RETIREMENT SYSTEM (continued)

The following disclosures should be disclosed for each pension plan - TRS and PERS

Net Pension Liability -

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Montana Teachers' Retirement System (TRS or the System). Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective Net Pension Liability. In accordance with Statement 68, the System has a special funding situation in which the State of Montana is legally responsible for making contributions directly to TRS that are used to provide pension benefits to the retired members of TRS. Due to the existence of a special funding situation, employers are also required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer. The following table displays the amounts and the percentages of Net Pension Liability for the fiscal years ended June 30, 2019 and June 30, 2018 (reporting dates).

	Net Pension Liability as of 6/30/2019	Net Pension Liability as of 6/30/2018	Percent of Collective NPL as of 6/30/2019	Percent of Collective NPL as of 6/30/2018	Change in Percent of Collective NPL
FRENCHTOWN K-12 SCHOOLS					
Proportionate Share State of Montana	$8,567,398	$7,630,214	0.4616%	0.4525%	0.0091%
Proportionate Share associated with employer	5,325,490	4,843,523	0.2869%	0.2873%	(0.0004%)
Total	$13,892,888	$12,473,737	0.7485%	0.7398%	0.0087%

At June 30, 2019, the employer recorded a liability of $8,567,398 for its proportionate share of the Net Pension Liability. 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. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The employer's proportion of the net pension liability was based on the employer's contributions received by TRS during the measurement period July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of TRS participating employers. At June 30, 2019, the employer's proportion was 0.4616 percent.

9. EMPLOYEE RETIREMENT SYSTEM (continued)

Changes in actuarial assumptions and other inputs: As a result of the recent actuarial experience study, dated May 3, 2018, the following changes to the actuarial assumptions were made since the previous measurement date:

-Assumed rate of inflation was reduced from 3.25% to 2.5%

-Payroll growth assumption was reduced from 4.00% to 3.25%

-Investment return assumption was reduced from 7.75% to 7.50%

-Wage growth assumption was reduced from 4.00% to 3.25%

-Mortality among contributing members, service retired members, and beneficiaries was updated to the following:

For Males and Females: RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years.

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

-Mortality among disabled members was updated to the following:

For Males: RP-2000 Disabled Mortality Table, set back three years, with mortality improvements projected by Scale BB to 2022.

For Females: RP-2000 Disable Mortality Table, set forward two years, with mortality improvements projected by Scale BB to 2022.

-Retirement rates were updated

-Termination rates were updated

-Rates of salary increases were updated

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

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

9. EMPLOYEE RETIREMENT SYSTEM (continued)

	Pension Expense as of 6/30/2019
FRENCHTOWN K-12 SCHOOLS Proportionate Share	$929,871
State of Montana Proportionate Share associated with the Employer	39,209
Total	$1,369,080

At June 30, 2019, the employer recognized a Pension Expense of $1,369,080 for its proportionate share of the TRS pension expense. The employer also recognized grant revenue of $439,209 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the employer.

Deferred Inflows and Outflows

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences actual economic	$61,139	$5,346
Changes in	$698,378	$12,683
Difference between actual	$0	$77,335
Changes in between actual and contributions	$244,447	$8,107
*Contributions paid subsequent to the FY 2019 Contributions	$577,346	
Total	$1,581,310	$103,471

* Amounts reported as deferred outflows of resources related to pensions resulting from the employer s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

9. EMPLOYEE RETIREMENT SYSTEM (continued)

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

Year ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount recognized in Pension Expense as an increase or (decrease)
2020	$521,133	$26,136	$494,997
2021	$396,260	$0	$396,260
2022	$266,375	$177,251	$49,124
2023	$0	$39,888	$(39,888)
2024	$0	$0	$0
Thereafter	$0	$0	$0

Plan Description -

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

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

Summary of Benefits -

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

9. EMPLOYEE RETIREMENT SYSTEM (continued)

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

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 -

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.

9. EMPLOYEE RETIREMENT SYSTEM (continued)

The tables below show the legislated contribution rates for TRS members, employers and the State.

School District and Other Employers

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

State and University

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

9. EMPLOYEE RETIREMENT SYSTEM (continued)

TRS Stand-Alone Statements -

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

Actuarial Assumptions -

The Total Pension Liability as of June 30, 2018, is based on the results of an actuarial valuation date of July 1, 2018. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2018 valuation were based on the results of the last actuarial experience study, dated May 3, 2018. Among those assumptions were the following:

Total Wage Increases**3.25%-7.76%* for Non-University Members
and *4.25%* for University Members
Investment Return *7.50%*
Price Inflation 2.50%
Post retirement Benefit Increases
- Tier One Members: If the retiree has received benefits for at least 3 years, the retirement allowance will be increased by *1.5%* on January 1st.
- Tier Two Members, the retirement allowance will be increased by an amount equal to or greater than 0.5% but no more than 1.5% if the most recent actuarial valuation shows the System to be at least 90% funded and the provisions of the increase is not projected to cause the funded ratio to be less than 85%.

Mortality among contributing members, service retired members, and beneficiaries
- For Males and Females: **RP**-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years

Mortality among disabled members
- For Males: **RP** 2000 Disabled Mortality Table, set back three years, with mortality improvements projected by Scale **BB** to 2022.
- For Females: **RP** 2000 Disabled Mortality Table, set forward two years, with mortality improvements projected by Scale **BB** to 2022

*Total Wage Increases include *3.25%* general wage increase assumption

9. EMPLOYEE RETIREMENT SYSTEM (continued)

Discount Rate -

The discount rate used to measure the total pension liability was *7.50%*. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the 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 -

Asset Class	Target Asset Allocation (a)	Real Rate of Arithmetic Basis (b)	Long-Term Expected Portfolio Real Rate of Return* (a) x (b)
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	2.00%	0.81%	0.02%
	100.00%		5.73%
		Inflation	
		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%.

9. EMPLOYEE RETIREMENT SYSTEM (continued)

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 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 an analysis in which best-estimate ranges of expected future real rates of return (expected returns, 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. 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%* inflation assumption, the resulting nominal return is *7.50%.*

Sensitivity Analysis -

	1.0% Decrease (6.50%)	Current Discount Rate	1.0% Increase (8.50%)
The Employer's proportion of Net Pension Liability	$11,780,433	$8,567,398	$5,876,226

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.

Summary of Significant Accounting Policies -

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

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

9. EMPLOYEE RETIREMENT SYSTEM (continued)

SCHOOL DISTRICT 40 - FRENCHTOWN
PUBLIC EMPLOYEES RETIREMENT SYSTEM - DEFINED BENEFIT
GASB 68 NOTES TO THE FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED

JUNE 30, 2018 (measurement date) - JUNE 30, 2019 (reporting date)

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions,* employers and the non-employer contributing entity are required to recognize and report certain amounts associated with participation in the Public Employees' Retirement System Defined Benefit Retirement Plan (the Plan). This includes the proportionate share of the collective Net Pension Liability; Pension Expense; and Deferred Outflows and Deferred Inflows of Resources associated with pensions. Employers are provided guidance in GASB Statement 68, paragraph 74, where pension amounts must be combined as a total or aggregate for reporting, whether provided through cost-sharing, single-employer, or agent plans. This report provides information for employers who are using a June 30, 2018 measurement date for the 2019 reporting. If an employer's fiscal year end is after June 30th, the employer will not use the measurements shown in this report but will need to wait for the measurement date as of June 30, 2019.

Summary of Significant Accounting Policies -

MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the Net Pension Liability (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).

General Information about the Pension Plan -

Plan Description - 76a: The PERS-Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, *1945,* and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan provides retirement benefits to covered employees of the State, and local governments, and certain employees of the Montana University System, and school districts. Benefits are established by state law and can only be amended by the Legislature.

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

Benefits provided - 76b: The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation (HAC). Member rights are vested after five years of service.

9. EMPLOYEE RETIREMENT SYSTEM (continued)

Service retirement:

Hired prior to July 1,2011:

Age 60, 5 years of membership service

Age 65, regardless of membership service

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:

Hired prior to July 1, 2011

Age 50, 5 years of membership service

Any age, 25 years of membership service

Hired on or after July 1, 2011:
Age 55, 5 years of membership service

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

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

No service credit for second employment;

Start the same benefit amount the month following termination; and

Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

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

A recalculated retirement benefit based on provisions in effect after the initial retirement; and

GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.

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

The same retirement as prior to the return to service;

A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and

9. EMPLOYEE RETIREMENT SYSTEM (continued)

GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Member's highest average compensation (HAC)

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

Hired on or after July 1, 2011-highest average compensation during any consecutive 60 months;
Compensation Cap

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

Monthly benefit formula

Members hired prior to July 1, 2011

Less than 25 years of membership service: *1.785%* of HAC per year of service credit;

25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011

Less than 10 years of membership service: *1.5%* of HAC per year of service credit;

10 years or more, but less than 30 years of membership service: *1.785%* of HAC per year of service credit;

30 years or more of membership service: 2% of HAC per year of service credit.

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 all 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:

a *1.5%* for each year PERS is funded at or above 90%;

b *1.5%* reduced by 0.1% for each 2.0% PERS is funded below 90%; and

c 0% whenever the amortization period for PERS is 40 years or more.

9. EMPLOYEE RETIREMENT SYSTEM (continued)

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

Special Funding: The state of Montana, as the non-employer contributing entity, paid to the Plan, additional contributions that qualify as *special funding.* Those employers who received *special funding* are all participating employers.

Not Special Funding: Per Montana law, state agencies and universities paid their own additional contributions. The employer paid contributions are *not* accounted for as special funding for state agencies and universities but are reported as employer contributions.
Member and employer contribution rates are shown in the table below.

	Member		School Districts	
Fiscal Year	Hired <07/01/11	Hired >07/01/11	Employer	State
2019	7.900%	7.900%	8.30%	0.370%
2018	7.900%	7.900%	8.200%	0.370%
2017	7.900%	7.900%	8.100%	0.370%
2016	7.900%	7.900%	8.000%	0.370%
2015	7.900%	7.900%	7.900%	0.370%
2014	7.900%	7.900%	7.800%	0.370%
2012-2013	6.900%	7.900%	6.800%	0.370%
2010-2011	6.900%		6.800%	0.370%
2008-2009	6.900%		6.800%	0.235%
2000-2007	6.900%		6.800%	0.100%

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.

2. Employer contributions to the system:
   a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following 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.
   c. The portion of employer contributions allocated to the PCR are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.

3. Non-Employer Contributions:
   a. Special Funding
      The state contributed 0.1% of members' compensation on behalf of local government entities.
      The state contributed 0.37% of members' compensation on behalf of school district entities.
      The state contributed a Statutory Appropriation from the General Fund of $33,454,182.

9. EMPLOYEE RETIREMENT SYSTEM (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2018, was determined by taking the results of the June 30, 2017, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2018, and 2017, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The employer recorded a liability of $1,531,982 and the employer's proportionate share was 0.0734 percent.

as of measurement date	Net Pension Liability as of 6/30/2018	Net Pension Liability as of 6/30/2017	Percent of Collective NPL as of 6/30/2018	Percent of Collective NPL as of 6/30/2017	Change as Percent of Collective NPL
SCHOOL DISTRICT40-FRENCHTOWN Proportionate Share	$1,531,982	$1,964,276	0.0734%	0.1009%	(0.0275)%
State of Montana Proportionate Share associated with Employer	$570,345	$96,680	0.1097%	0.4927%	(0.3831)%
Total	$2,102,327	$2,060,956	0.1831%	0.5936%	(0.4105)%

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the TPL.

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

Changes in proportionate share: There were no changes between the measurement date of the collective NPL and the employer's reporting data that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

Pension Expense - At June 30, 2018, the employer recognized $100,421 for its proportionate share of the Plan's pension expense and recognized grant revenue of $38,064 for the state of Montana proportionate share of the pension expense associated with the employer. Additionally, the employer recognized grant revenue of $0 from the State Statutory Appropriation from the General Fund. (Two years of pension expense are documented in the table below but are not necessary for the employer's disclosures.)

9. EMPLOYEE RETIREMENT SYSTEM (continued)

As of measurement date	Pension Expense as of 6/30/2018	Pension Expense as of 6/30/2017
Employer's Proportionate Share	$100,421	$228,082
Employer Grant Revenue - State of Montana Proportionate Share for employer	38,064	5,154
Employer Grant Revenue- State of Montana State Appropriation for employer	0	28,099
Total	$138,485	$261,335

Recognition of Deferred Inflows and Outflows- At June 30, 2018, the employer reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources fro the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. Actual Experience	$116,497	$0
Projected Investment Earnings vs. Actual Investment Earnings	0	
Changes in Assumptions	130,272	23,792
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	0	314,696
Employer Contributions Subsequent to the Measurement Date	119,283	0
Total	$366,052	$338,488

Other amounts reported as deferred outflows and inflows of resources related to pensions are recognized in the employer's pension expense as follows:

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in future years as an increase or (decrease) to Pension Expense
2019	$33,982
2020	$6,222
2021	$(122,147)
2022	$(9,776)
2023	$0
Thereafter	$0

9. EMPLOYEE RETIREMENT SYSTEM (continued)

Actuarial Assumptions - The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions.

Investment Return (net of admin expense)	7.65%
Admin Expense as % of Payroll	0.26%
General Wage Growth* *includes Inflation at	3.50% 2.75%
Merit Increases	0% to 6.50%
Postretirement Benefit Increases 1. Guaranteed Annual Benefit Adjustment (GABA) each January - 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. - Members hired prior to July 1, 2007 -Members hired between July 1, 2007 & June 30, 2013 -Members hired on or after July 1, 2013 -For each year PERS is funded at or above 90% -The 1.5% is reduced by 0.1% for each 2.0% PERS is funded below 90% -0% whenever the amortization period for PERS is 40 years or more.	 2.0% 1.5% 1.5% 0%
Mortality; -Contributing members, service retired members & beneficiaries -Disabled Members	RP-2000 Combined Employee and Annuuitant Mortality Tables projected to 2020 with scale RB, set back one year for males RP-2000 Combined Mortality Tables, with no projections

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a report dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. Several factors are considered in evaluation the long-term rate of return assumption including historical rates of return, rate of return assumptions adopted by similar public-sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018, are summarized in the table following.

9. EMPLOYEE RETIREMENT SYSTEM (continued)

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
Cash Equivalents	2.6%	4.00%
Domestic Equity	36.0%	4.55%
Foreign Equity	18.0%	6.35%
Fixed Income	23.4%	1.00%
Private Equity	12.0%	7.75%
Real Estate	8.0%	4.00%
Total	100.0%	

Discount Rate - The discount rate used to measure the TPL was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed a statutory appropriation from the general fund. 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 TPL. A municipal bond rate was not incorporated in the discount rate.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate. The following presents the employer's sensitivity of the NPL to the discount rate in the table below. A small change in the discount rate can create a significant change in liability. The NPL was calculated using the discount rate of 7.65%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

As of measurement date	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
SCHOOL DISTRICT 40-FRENCHTOWN's Net Pension Liability	$2,215,601	$1,531,982	$970,622

PERS Disclosure for the defined contribution plan

SCHOOL DISTRICT 40- FRENCHTOWN contributed to the state of Montana Public Employees Retirement System Defined Contribution Retirement Plan (PERS-DCRP) for employees that have elected the DCRP. The PERS-DCRP is administered by the PERB and is reported as a multiple-employer plan established July 1, 2002, and governed by Title 19, chapters 2 & 3, MCA.

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

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

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

At the plan level for the measurement period ended June 30, 2018, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the *defined contribution* plan. Plan level non-vested forfeitures for the 316 employers that have participants in the PERS-DCRP totaled $746,144.

Pension plan fiduciary net position: The stand-alone financial statements (76d) 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 both are available on the MPERA website at http://mpera.mt.gov/index.shtml

9. EMPLOYEE RETIREMENT SYSTEM (continued)

PENSION AMOUNTS TOTAL FOR EMPLOYER –
EMPLOYER'S PROPORTION OF TRS AND PERS PENSION AMOUNTS

	The employer's proportionate share associated with PERS	The employer's proportionate share associated with TRS	The employer's Total Pension Amounts
Total Pension Liability	$5,836,122	$27,715,158	$33,551,280
Fiduciary Net Position	$4,304,140	$19,147,760	$23,451,900
Net Pension Liability	$1,531,982	$8,567,398	$10,099,380
Deferred Outflows of Resources	$366,052	$1,581,310	$1,947,362
Deferred Inflows of Resources	$338,488	$103,471	$441,959
Pension Expense System Reports	$100,421	$1,369,080	$1,469,501

10. RISK MANAGEMENT

The District faces a number of risks including:

a) loss or damage to property
b) general liability
c) workers compensation
d) employee medical insurance

Commercial insurance policies are purchased for loss or damage to property, general liability, and health insurance.

The District participates in a statewide public risk pool, the Montana Schools Group Workers Compensation Risk Retention Program (WCRRP), for workers compensation coverage. Approximately 200 schools participate in WCRRP. All school participants in this pool are jointly and severally liable for the liabilities of this public risk pool.

The pool issues audited financial statements. Information about the amount of claim liabilities, changes in claims liabilities, amount of claims paid, operating results and other information is available at:

WCRRP
1 South Montana Avenue
Helena, Montana 59601

11. PRIOR PERIOD ADJUSTMENTS

Prior period adjustment of $177,763 was made to reflect the implementation of GASB Statement No. 84 which recognizes the Student Extracurricular Fund in the financial statements, rather than as a Private Purpose Trust Fund.

Prior period adjustment of $267,339 was made to reflect the inclusion of the Flexibility Fund in the General Fund for purposes of reporting in accordance with GASB 54.

Prior period adjustment of $(7,689) was made to correct prior year OPEB Deferred Inflows of Resources and Deferred Outflows of Resources.

12. TRANSFERS

	From	To
General Fund	$12,000	
Compensated Absences		$12,000
Bus Depreciation	50,000	
Building Reserve		50,000
Total Transfers	$62,000	$62,000

REQUIRED SUPPLEMENTARY INFORMATION

Other than Management's Discussion and Analysis

School District No. 40
Frenchtown, Montana

SCHEDULE OF REVENUES, EXPENDITURES AND ENCUMBRANCES BUDGET AND ACTUAL GENERAL FUND June 30, 2019

	Original Budget	Amended & Final Budget	Actual Amounts Budgetary Basis
RESOURCES/INFLOWS			
District Levy	$1,974,092	$1,974,092	$1,961,218
State Sources			7,387,536
County Sources			
Federal Sources			
User Fees			
Interest	29,067	29,067	46,532
Other	3,861	3,861	10,827
Total Amounts available for appropriation	2,007,020	2,007,020	9,406,113
CHARGES TO APPROPRIATIONS /OUTFLOWS	9,418,276	9,418,276	9,403,201
Transfers			12,000
Total Charges to Appropriations/Outflows	9,418,276	9,418,276	9,415,792
Change in Fund Balance			($9,679)

See notes to budgetary required supplementary information.

School District No. 40
Frenchtown, Montana

BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION

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 budgetary comparison schedule	$9,406,113
On behalf payments	477,273
Flexibility fund revenues combined General fund for reporting purposes	6,359
Total revenues reported on the statement of revenues, expenditures, and changes in fund balance- governmental funds	9,889,745
Uses/Outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	9,415,792
On behalf payments	477,273
Flexibility fund expenditures combined General fund for reporting purposes	5,575
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes	
Change in encumbrances	(3,201)
Total expenditures and transfers as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$9,895,439

School District No. 40
Frenchtown, Montana

NOTES TO REQUIRED SUPPLEMENTARY BUDGETARY INFORMATION
June 30, 2019

Budgets:
Budgets are adopted by funds defined as budgeted funds as defined in state law (MCA 20-9-201).

The budgets must be adopted on or before August 20th of each year, but may be continued day to day until August 25th. If taxable value information is not available. (MCA 20-9-131). Appropriations (budgetary spending authority) lapse at year end except for construction in progress and obligations for the purchase of personal property ordered but not paid for during the current year (MCA 20-9-209). Because Montana schools have appropriations which lapse at year end encumbrances are allowed as a means of budgetary control. Encumbrances do not represent expenditures for the period for generally accepted accounting principles. The budgetary basis statements total expenditures varies from modified accrual total expenditures in the General Fund by the change in encumbrances of $(3,201), the on behalf payment of $ 477,273, and the Flexibility Fund $5,575.

State law requires with certain exceptions only that total actual expenditures not exceed total budgeted expenditures. There were no amendments to the budgets, the amounts shown above are the original, amended, and final budgeted amounts.

The General Fund, Flexibility Fund, and on behalf payment are combined in the GAAP Basis Statements.

School District No. 40
Frenchtown, Montana

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
Year Ended June 30, 2019

Last 10 Fiscal Years*

Total OPEB liability	2019	2018
Service cost	$3,834	$3,718
Interest	1,984	2,142
Changes of benefit terms	-	
Differences between expected and actual experience	(9,567)	(7,489)
Changes of assumptions or other inputs	403	(1,405)
Employer contributions	0	0
Net change in Total OPEB Liability	($3,346)	($3,034)
Total OPEB Liability - beginning	59,053	62,087
Total OPEB Liability - ending	$55,707	$59,053
Covered-employee payroll	$7,095,965	$6,872,605
Total OPEB Liability as a percentage of covered-employee payroll	0.80%	0.90%

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

Notes to Schedule

No assets have been accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75.

Major Assumptions	2019	2018
Discount Rate	3.36%	3.45%
Medical Trend	6.10%	6.30%

School District No. 40
Frenchtown, Montana

Supplementary Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions

For the year ended June 30
Determined as of the Measurement Date

Plan: **TRS**

Schedule of Proportionate Share of the Net Pension Liability:

	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.4616%	0.4525%	0.4307%	0.04283%	0.3989%
Employer's proportionate share of the net pension liability associated with the Employer	$8,567,398	$7,630,214	$7,868,707	$7,036,662	$6,139,230
State of MT proportionate share of the net pension liability associated with the Employer	5,325,490	4,843,523	5,129,323	4,717,615	4,207,166
Total	$13,892,888	$12,473,737	$12,998,030	$11,754,277	$10,346,396
Employer's covered-employee payroll	6,165,330	5,968,887	5,591,727	5,466,333	5,031,069
Employer's proportionate share of the net pension liability as of its covered-employee payroll (as a percentage)	138.96%	127.83%	140.72%	128.73%	122.03%
Plan fiduciary net position the total pension liability (as a percentage)	69.09%	70.09%	66.69%	69.30%	70.36%

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

Schedule of Contributions:

	2019	2018	2017	2016	2015
Contractually required contributions	$577,346	$598,838	$587,889	$491,183	$506,648
Contributions in relation to the contractually required contributions	577,346	598,838	587,889	491,183	506,648
Contribution deficiency (excess)	0	0	0	0	0
Covered payroll	6,311,651	6,165,330	5,968,887	5,591,727	5,466,333
Contributions of covered-employee payroll (as a percentage)	9.15%	9.71%	9.85%	8.78%	9.27%

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

See Notes to Required Supplementary Information.

School District No. 40
Frenchtown, Montana

Supplementary Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions
For the Last Ten Fiscal Years*

Plan: PERS

Schedule of Proportionate Share of the Net Pension Liability:

As of measurement date	2018	2017	2016	2015	2014
Employer's net pension liability	0.0734%	0.1009%	0.0980%	0.0971%	0.0972%
Employer's proportion of the net pension liability (percentage)	$1,531,982	$1,964,276	$1,669,252	$1,357,812	$1,210,911
State's net pension liability	570,345	96,680	78,013	63,803	56,606
Total	2,102,327	2,060,956	1,747,265	1,421,615	1,267,517
Employer's covered payroll	$1,271,316	$1,306,865	$1,213,467	$1,172,026	$1,143,865
Employer's proportionate share as a percent of covered payroll	120.50%	150.30%	137.56%	115.85%	111.22%
Plan fiduciary net position as a percent of 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.*

Schedule of Contributions:

	2019	2018	2017	2016	2015
Contractually required contributions	106,311	102,243	104,720	98,117	93,411
Plan Choice Rate required contributions	0	0	0	1,602	1,934
Contributions in relation to the contractually required contributions	106,311	102,243	104,720	96,515	91,477
Contribution deficiency (excess)	0	0	0	0	0
Covered payroll	1,280,864	1,271,316	1,306,865	1,213,467	1,172,026
Contributions as percent of covered payroll	8.30%	8.04%	8.01%	8.22%	8.14%

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

The amounts presented for each fiscal year were determined as of June 30.

See Notes to Required Supplementary Information.

Notes to Required Supplementary Information
For the Year ended June 30, 2019
Supplementary Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions

PERS

Changes of Benefit Terms

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

2017:

Working Retiree Limitations – for PERS

Effective July 1, 2017, if a PERS retiree returns as an independent contractor to what would otherwise be PERS-covered employment, general contractor overhead costs are excluded from PERS working retiree limitations.

Refunds

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

Interest credited to member accounts – Effective July 1, 2017, the interest rate credited to member accounts increased from 0.25% to 0.77%.

Lump-sum payouts

Effective July 1, 2017, lump-sum payouts in all systems are limited to the member's accumulated contributions rate than the present value of the member's benefit.

Disabled PERS Defined Contribution (DC) Members

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 2016 Experience Study:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increase	0% to 6.30%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Mortality (Healthy members)	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table, with no projections
Admin Expense as % of Payroll	0.26%

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

TRS

Changes of Benefit Terms:

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

The 2013 Montana Legislature passed HB 377 which provides additional revenue and created a two tier benefit structure. A Tier One Member is a person who first became a member before July 1_9 2013 and has not withdrawn their member's account balance. A Tier Two Member is a person who first becomes a member on or after July 1, 2013 or after withdrawing their member's account balance, becomes a member again on or after July 1, 2013.

The second tier benefit structure for members hired on or after July 1, 201 *3* is summarized below.

(1) **Final Average Compensation:** average of earned compensation paid in five consecutive years of full-time service that yields the highest average
(2) **Service Retirement:** Eligible to receive a service retirement benefit if the member has been credited with at least five full years of creditable service and has attained the age of 60; or has been credited with 30 or more years of full-time or part-time creditable service and has attained age *55*
(3) **Early Retirement:** Eligible to receive an early retirement allowance if a member is not eligible for service retirement but has at least five years of creditable service and attained age *55*
(4) **Professional Retirement Option:** if the member has been credited with 30 or more years of service and has attained the age of 60 they are eligible for an enhanced allowance equal to *1.85%* of average final compensation times all service at retirement. Otherwise, the multiplier used to calculate the retirement allowance will be equal to 1.67%
(5) **Annual Contribution:** *8.15%* of member's earned compensation
(6) **Supplemental Contribution Rate:** On or after July 1, 2023, the TRS Board may require a supplemental contribution up to *0.5%* if the following three conditions are met:

- The average funded ratio of the System based on the last three annual actuarial valuations is equal to or less than 80%; and
- The period necessary to amortize all liabilities of the System based on the latest annual actuarial valuation is greater than 20 years; and
- A State or employer contribution rate increase or a flat dollar contribution to the Retirement System Trust fund has been enacted that is equivalent to or greater than the supplemental contribution rate imposed by the TRS Board.

(7) **Disability Retirement:** A member will not be eligible for a disability retirement if the member is or will be eligible for a service retirement on the date of termination
(8) **Guaranteed Annual Benefit Adjustment (GABA):**
    a. If the most recent actuarial valuation shows that Retirement System liabilities are at least 90% funded and the provision of the increase is not projected to cause the System's liabilities to be less than *85%* funded, the GABA may increase from the *0.5%* floor up to *1.5%,* as set by the Board.

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

- Annual State contribution equal to *$25* million paid to the System in monthly installments.
- One-time contribution payable to the Retirement System by the trustees of a school district maintaining a retirement fund. The one-time contribution to the Retirement System shall be the amount earmarked as an operating reserve in excess of 20% of the adopted retirement fund budget for the fiscal year 2013. The amount received was $22 million in FY 2014.
- 1% supplemental employer contribution. This will increase the current employer rates:
  - School Districts contributions will increase from 7.47% to 8.47%
  - The Montana University System and State Agencies will increase from *9.85%* to 10.85%.
  - The supplemental employer contribution will increase by 0.1% each fiscal year for fiscal year 2014 thru fiscal year 2024. Fiscal years beginning after June 30, 2024 the total supplemental employer contribution will be equal to 2%.

- Members hired prior to July 1, 2013 (Tier 1) under **HB** 377 are required to contribute a supplemental contribution equal to an additional 1% of the member's earned compensation.
- Each employer is required to contribute *9.85%* of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position to the System.

Changes in actuarial assumptions and other inputs:

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

1) Assumed rate of inflation was reduced from *3.25%* to *2.50%*
2) Payroll growth assumption was reduced from 4.00% to *3.25%*
3) Investment return assumption was reduced from *7.75%* to *7.50%.*
4) Wage growth assumption was reduced from 4.00% to *3.25%*
5) Mortality among contributing members, service retired members, and beneficiaries was updated to the following:

    - For Males and Females: RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years.

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

1) Mortality among disabled members was updated to the following:

    - For Males: RP 2000 Disabled Mortality Table, set back three years, with mortality improvements projected by Scale BB to 2022.

    - For Females: RP 2000 Disabled Mortality Table, set forward two years, with mortality improvements projected by Scale BB to 2022.

1) Retirement rates were updated
2) Termination rates were updated
3) Rates of salary increases were updated

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

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

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

a. 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.
b. 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.
c. 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.
d. 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:

e. Assumed rate of inflation was reduced from *3.50%* to 3.25%
f. Payroll Growth Assumption was reduced from 4.50% to 4.00%
g. Assumed real wage growth was reduced from 1.00% to 0.75%
h. Investment return assumption was changed from net of investment and administrative expenses to net of investment expenses only.
i. 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.

j. Mortality among disabled members was updated to the following:

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

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

Method and assumptions used in calculations of actuarially determined contributions:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	22 years
Asset valuation method	4-year smoothed market
Inflation	*3.25* percent
Salary increase	4.00 to *8.51* percent, including inflation for Non-University Members and *5.00%* for University Members
Investment rate of return	*7.75* percent, net of pension plan investment expense, and including inflation

SUPPLEMENTARY INFORMATION

Other Supplemental Information
Enrollment / ANB Schedule

Students Grade K – 8

Full-Time Students:

Fall Enrollment-El District	MAEFAIRS Reports	District Reports	Difference
Kindergarten Half Day			
Kindergarten Full Day	97	97	0
Grades 1-6	612	612	0
Grades 7-8	231	231	0
Spring Enrollment-El District	**MAEFAIRS Reports**	**District Reports**	**Difference**
Kindergarten Half Day			
Kindergarten Full Day	99	99	0
Grades 1-6	615	615	0
Grades 7-8	230	230	0

Part Time Students:

Fall	Per MAEFAIRS Enrollment Reports				Per District Reports				
Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	**Difference**
K-Half									
K-Full			1				1		0
1-6									
7-8									
Spring	**Per MAEFAIRS Enrollment Reports**				**Per District Reports**				
Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	**Difference**
K-Half									
K-Full				1				1	0
1-6									
7-8									

Students Grade 9 – 12:

Full-Time Students:

Fall Enrollment	MAEFAIRS Reports	District Reports	Difference
Grade 9 - 12	382	382	0
19-year olds included			
Job Corps			
Youth challenge			
Spring Enrollment	**MAEFAIRS Reports**	**District Reports**	**Difference**
Grade 9 - 12	375	375	0
19-year olds included			
Job Corps			
Youth challenge	1	1	0
Early Graduates	4	4	0

Part Time Students:

Fall	Per MAEFAIRS Enrollment Reports				Per District Reports				
Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	**Difference**
9 - 12									
Spring	**Per MAEFAIRS Enrollment Reports**				**Per District Reports**				
Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	**Difference**
9 - 12									

School District No. 40
Frenchtown, Montana

EXTRACURRICULAR FUND
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION BY STUDENT ACTIVITY
June 30, 2019

Student Activity	Balance June 30 2018	Revenues & Misc Earnings	Expenditures & Misc Charges	Transfers In (Out)	Balance June 30 2019
Academic Challenge	$1,304	$2,595	$2,728	$1,000	$2,171
Activities	37,009	16,251	13,818	2,948	42,390
Anime Club	151	323	345		129
Art Club	66				66
Band Fundraiser	197	200			397
BBB Fundraiser	287	4,470	1,739		3,018
Boys Basketball	0	6,082	6,242	160	0
Calendar Proceeds	1,987	750	431		2,306
Candy Machine	569				569
Cheer	0	550		(550)	0
Cheerleaders	1,197	2,131	1,296		2,032
Choir	169	1,933	1,193		909
Class of 2017	1,953			(1,953)	0
Class of 2018	714			(714)	0
Class of 2019	3,086	7,973	10,547		512
Class of 2020	2,635	3,934	3,629	600	3,540
Class of 2021	0	2,552			2,552
Concessions	28,408	40,010	30,472	(14,100)	23,846
Cross Country	0	775	862	87	0
Cross Country Fundraiser	184	2,587	1,329	300	1,742
Destination Imagination K-6	6,981	3,479	3,628		6,832
Divisional VB	883				883
Divisional Track	33				33
FCCLA	(1)	562	239		322
Football Fundraiser	6,478	7,716	4,424		9,770
Football	25	9,036	4,270	(4,791)	0
Football play-offs		3,322	3,333	11	0
GBB Fundraiser	4,333	6,006	1,931		8,408
Girls Basketball	0	3,877	6,422	2,545	0
Golf	25	325	1,488	1,138	0
Golf Fundraiser	1,934				1,934
Grade School Activities	1,243	434	498		1,179
Home Economics	776				776
HOSA	1,127	472	321	15	1,293
In & Out	129				129
Industrial Tech	314				314
Intermediate Activities	1,018				1,018
Jr. High Choir	243				243
Jr. High Cross Country Fundraiser	89				89
Jr. High Festival	800				800
Jr. High GBB Fundraiser	533				533
Jr. High Lounge/Pop	9				9
Jr. High Soccer Fundraiser	171				171
Jr. High Tackle Football	1,309				1,309
Jr. High Track Fundraiser	24				24
Subtotal	108,392	128,345	101,185	(13,304)	122,248

Student Activity	Balance June 30 2018	Revenues & Misc Earnings	Expenditures & Misc Charges	Transfers In (Out)	Balance June 30 2019
Jr. High Volleyball Fundraiser	668				668
Jr. High Wrestling	299				299
JMG (Jobs for MT Grads)	20				20
Jr. High Activities	365	9,350	6,721	30	3,024
Jr. High Annual	140				140
Jr. High Graduation	3,382	5,074	3,656		4,800
Jr. High Student Council	60	3,827	2,798		1,089
Key Club	1,910	3,778	4,315		1,373
Little Dribblers	680				680
Math Counts	119				119
Meals	14,840		12,024	12,000	14,816
MT 13-C	2,213	11,552	7,324	(300)	6,141
MT State Class A	4,087	4,200	8,487	200	0
MT State Class C Tip Off	836	19,621	14,423		6,034
Music	1	540	674	133	0
Newspaper	248				248
NHS Scholarship	4,264	3,376	2,870		4,770
Pep Club	730				730
Percussion Fundraiser	71				71
SC Improvement Fund	5,709	100		2,667	8,476
Softball Fundraiser	4,554	4,647	3,002		6,199
School Play	3,830	8,570	5,360	(150)	6,890
Soccer	0	2,488	2,837	349	0
Soccer Fundraiser - Boys	976	1,114	1,692		398
Soccer Fundraiser - Girls	640	1,113	1,571		182
Soccer Playoff	407	1,414	1,324	(497)	0
Softball	0	9,210	10,414	1,204	0
Speech & Drama	0	2,205	2,898	693	0
Speech & Drama Club	173				173
State Softball	8,713		8,757	44	0
Student Council	1,723	7,536	7,021	500	2,738
Sunshine Fund	572				572
The Bronc Store	(2)	434	227		205
Track	0	7,406	1,457	(5,949)	0
Track Fundraiser	167		130		37
Unicef	0	102	102		0
Volleyball	25	3,551	4,918	1,342	0
Volleyball Fundraiser	2,461	20,169	16,412		6,218
WR Fundraiser	919	1,000			1,919
Wrestling	0	872	1,910	1,038	0
Yearbook	3,571	5,840	7,226		2,185
Youth Action Committee 7-12	0	221			221
Subtotal previous page	108,392	128,345	101,185	(13,304)	122,248
	$177,763	$267,655	$241,735	$0	$203,683

Supplementary Schedule
SCHOOL DISTRICT NO. 40

Frenchtown, Montana
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Grantor Number	Passed through Sub-recipients	Total Federal Expenditures
U.S. Department of Agriculture				
Food and Nutrition Service				
Through the State of Montana Office of Public Instruction				
Child Nutrition Cluster				
Breakfast	10.553			59,523
Lunch	10.555			224,105
Commodities	10.555			42,823
Total Child Nutrition Cluster				326,451
Total U.S. Dept. of Agriculture				$326,451
U.S. Department of Education				
Office of Elementary and Secondary Education				
Through the State of Montana Office of Public Instruction				
Title I, Part A Improving Basic Programs	84.010A	32-0599-31-19		324,950
Title I, Part A Improving Basic Programs	84.010A	32-0599-31-18		10,934
Title II, Improving Teacher Quality	84.367A	32-0599-14-		48,583
Title II, Improving Teacher Quality	84.367A	32-0599-14-		1,593
Title III, Part A	84.365	32-0599-219		386
Title IV, 21st Century Community Learning Center	84.287	32-0599-17-19		112,714
Office of Special Education and Rehabilitation Services				
Through the State of Montana Office of Public Instruction				
Special Education Cluster				
IDEA - Part B Children with Disabilities	84.027	32-0599-77-19		254,929
IDEA - Preschool	84.173	32-0599-79-19		9,978
Total Special Education Cluster				264,907
Office of Vocational and Adult Education				
Through the State of Montana Office of Public Instruction				
Carl Perkins Vocational Education	84.048A	32-0599-81-19		15,930
Total U.S. Depart of Ed through State of MT				779,997
Total U.S. Department of Education				$779,997
Total Passed Through State of Montana				$1,106,448
TOTAL FEDERAL EXPENDITURES			$0	$1,106,448

The Notes to Schedule of Federal Expenditures are an integral part of this schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

Note 1. Basis of Presentation
The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity for School District No. 40 under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of School District No. 40, it is not intended to and does not present the financial position, changes in net assets, or cash flows of School District No. 40.

Note 2. Summary of Significant Accounting Policies
Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate
School District No. 40 has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

School District No. 40
Frenchtown, Montana
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019
Statistical Information

School District No. 40
Frenchtown, Montana

OTHER INFORMATION

FOR THE YEAR ENDED JUNE 30, 2019

Maximum Bonded Indebtedness

State law permits a maximum bonded indebtedness for the school district of 100% of the District's taxable valuation at June 30, 2019 of $11,846,266. However, for school districts qualifying for guaranteed tax base aid, the law permits maximum bonded indebtedness equal to 50% of the statewide taxable valuation per student multiplied by the average number belonging (ANB).

The maximum bonded indebtedness under this exception is:

	State Guarantee Per Student	Average Number Belonging FY 19 Budget	Percent Allowed	Maximum Bonded Indebtedness
High School	$43,027	428	50%	$9,207,778
Elementary	$38,729	949	50%	$18,376,911
Maximum Bonded Indebtedness Allowed				$27,584,689
Less:				
Outstanding Bonds at June 30, 2019				$(9,790,000)
Maximum Bonded Indebtedness Available				$17,794,689

District Taxable Valuations

	Assessed (Market) Valuation	Taxable Valuation	Taxable Valuation as a Percent of Assessed Valuation
January 1, 2010	$ 446,100,000	$ 11,800,000	2.65%
January 1, 2011	$ 420,900,000	$ 10,900,000	2.59%
January 1, 2012	$ 436,600,000	$ 11,000,000	2.52%
January 1, 2013	$ 452,000,000	$ 11,043,405	2.44%
January 1, 2014	$ 469,300,000	$ 11,200,000	2.39%
January 1, 2015	$ 734,600,000	$ 10,800,000	1.47%
Note: 2015 reassessment and taxable valuation formula change			
January 1, 2016	$ 734,619,505	$ 10,816,053	1.47%
January 1, 2017	$ 735,913,969	$ 10,868,120	1.48%
January 1, 2018	$ 791,118,256	$ 11,731,308	1.48%
January 1, 2019	$ 800,599,411	$ 11,846,266	1.48%

School District No. 40
Frenchtown, Montana

OTHER INFORMATION

FOR THE YEAR ENDED JUNE 30, 2019

District Tax Levies (in Mills)

Taxing Entity	Fiscal year ended June 30												
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
School District No.40													
General Fund	156.20	156.80	161.39	155.71	164.70	167.60	166.84	167.68	167.62	172.48	173.25	176.18	166.65
Transportation Fund	11.46	14.18	20.46	20.70	16.25	17.32	20.47	20.02	23.81	25.18	29.08	28.90	33.52
Debt Service Fund	10.15	112.29	74.04	98.50	100.33	100.93	104.46	95.81	106.87	114.72	119.33	133.13	102.10
Bus Depreciation Fund	6.66	4.88	9.60	8.25	6.31	0.69	0.71	18.08	17.92	18.51	18.42	8.72	25.26
Building Reserve Fund	3.64	3.81	4.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13.80	26.49	26.46
Technology Fund	2.55	2.67	2.81	2.62	2.88	3.20	3.17	3.16	3.14	3.23	3.22	2.98	2.95
Adult Education Fund	0.00	0.00	2.00	2.00	0.00	0.00	0.00	1.00	1.00	1.00	1.30	1.36	1.13
Tuition Fund	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7.92	9.61	11.94	12.96	15.46
Total School District	190.66	294.63	274.32	287.78	290.47	289.74	295.65	305.75	328.28	344.73	370.34	390.72	373.53
State School Levy	144.26	144.26	145.64	144.62	143.45	142.50	140.17	144.60	145.64	144.35	143.73	141.91	142.04
District Levy	190.66	294.63	274.32	285.78	290.47	289.74	295.65	305.75	328.28	344.73	370.34	390.72	373.53
State Levy-University	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
County	168.14	168.14	176.57	174.74	175.58	177.91	181.42	186.69	196.46	205.66	211.89	212.32	217.23
Frenchtown Rural Fire District	42.08	136.19	46.46	46.46	46.46	46.46	50.14	54.14	58.14	65.74	67.03	64.03	68.34
Others: MUTD, Elk Meadows							136.34	175.30	192.36	198.48	200.99	192.35	193.57
Total	551.14	749.22	648.99	657.60	661.96	662.61	809.72	872.48	926.88	964.96	999.98	1,007.33	1,000.71

*Note- 2009 Mill value amounts include a total of 14.55 additional mills to correct tax levy calculation error regarding a taxable valuation error in 2007.

School District No. 40
Frenchtown, Montana

OTHER INFORMATION

FOR THE YEAR ENDED JUNE 30, 2019

Student Enrollment

Fall student count of K-12 students, for the years ended June 30, attending the District's schools has been as follows:

	Student Count	Change	%
October			
2008	1,249		
2009	1,246	(3)	(0.2)%
2010	1,182	(64)	(5.1)%
2011	1,166	(16)	(1.4)%
2012	1,162	(4)	(0.3)%
2013	1,194	32	2.75%
2014	1,200	6	0.50%
2015	1,253	53	4.42%
2016	1,288	35	2.79%
2017	1,320	32	2.48%
2018	1,322	2	0.15%

School District No. 40
Frenchtown, Montana

OTHER INFORMATION

FOR THE YEAR ENDED JUNE 30, 2019

Tax Collections

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Fiscal Year	Total Tax Levy	Current Tax Collections	Collections as % of Levy	Total Tax Collections	Collections as % of Levy
2018/19	$4,585,206	$4,180,805	91.2%	$4,380,881	95.5%
2017/18	4,582,663	4,328,925	94.5%	4,828,495	105.4%
2016/17	4,006,250	3,724,694	93.0%	3,821,634	95.4%
2015/16	3,668,417	3,501,387	95.4%	3,698,708	100.8%
2014/15	3,663,614	3,458,600	94.4%	3,602,034	98.3%
2013/14	3,382,125	3,174,512	93.9%	3,283,214	97.1%
2012/13	3,265,102	2,971,706	91.0%	3,278,005	100.4%
2011/12	3,169,351	2,931,090	92.5%	3,132,220	98.8%
2010/11	3,408,030	3,227,404	94.7%	3,465,967	101.7%
2009/10	3,811,241	3,264,974	85.7%	3,764,278	98.8%
2008/09	3,511,719	2,944,114	83.8%	3,155,419	89.9%
2007/08	3,862,636	3,598,797	93.2%	3,670,049	95.0%
2006/07	2,396,146	2,194,796	91.6%	2,352,583	98.1%
2005/06	2,498,907	2,380,935	95.3%	2,490,662	99.7%
2004/05	2,302,229	2,060,084	89.5%	2,332,445	101.3%
2003/04	2,120,959	2,012,407	94.9%	2,375,784	112.0%
2002/03	2,003,714	1,566,753	78.2%	1,653,285	82.5%
2001/02	1,565,337	1,463,827	93.5%	1,589,086	101.5%

Note- Fiscal 2014/15 includes $69,733 protested taxes received.

School District No. 40
Frenchtown, Montana

OTHER INFORMATION

FOR THE YEAR ENDED JUNE 30, 2019

Major Taxpayers

The taxable values of the District's ten largest taxpayers are as follows:

Taxpayer	Business	Taxable Value	Percent of Ten Largest Values	Percent of Total Taxable Value
Montana Rail Link	Railroad	$412,740	23.46%	3.4841%
NorthWestern Energy	Gas and Electric Utility	349,357	19.86%	2.9491%
Missoula Electric Coop Inc	Electric Utility	242,966	13.81%	2.0510%
M2Green Redevelopment	Industrial	233,740	13.29%	1.9731%
Montana Stewards LLC	Town Pump Travel Plaza	182,251	10.36%	1.5385%
4M Family Limited Partnership	Truck Stop (Muralts)	99,749	5.67%	0.8420%
Verizon Wireless	Tele-Communications	66,102	3.76%	0.5580%
Decker Montana Land Co LLC	Agricultural/Land	63,665	3.62%	0.5374%
AT&T Mobility LLC	Tele-Communications	57,230	3.25%	0.4831%
Qwest Corp &/or Centurylink Inc	Tele-Communications	51,222	2.91%	0.4324%
Total		$1,759,022	100.00%	14.8487%

ROSS R. STALCUP

CERTIFIED PUBLIC ACCOUNTANT, P.C.

INDEPENDENT AUDITORS 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

Board of Trustees
School District No. 40
Frenchtown, Montana

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District No. 40, Frenchtown, Montana as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise School District No. 40's basic financial statements, and have issued our report thereon dated February 26, 2020.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered School District No. 40'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 School District No. 40's internal control. Accordingly, we do not express an opinion on the effectiveness of School District No. 40's internal control.

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

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

Compliance and Other Matters
As part of obtaining reasonable assurance about whether School District No. 40's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly,

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compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

February 26, 2020

Ross R. Stalcup
Certified Public Accountant

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ROSS R. STALCUP

CERTIFIED PUBLIC ACCOUNTANT, P.C.

INDEPENDENT AUDITORS REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
School District No. 40
Frenchtown, Montana

Report on Compliance for Each Major Federal Program
We have audited the compliance of School District No. 40, Frenchtown, Montana (the District) with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on one of School District No. 40's major federal programs for the year ended June 30, 2019. The District's major federal program is 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 the School District No. 40's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of School District No. 40's compliance.

Opinion on the Major Federal Program
In our opinion, School District No. 40 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

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Report on Internal Control Over Compliance

Management of School District No. 40, Frenchtown, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 School District No. 40's internal control over compliance.

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

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

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

February 26, 2020

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ROSS R. STALCUP

CERTIFIED PUBLIC ACCOUNTANT, P.C.

SCHOOL DISTRICT NO. 40
FRENCHTOWN, MONTANA

Schedule of Findings and Questioned Costs

SECTION I SUMMARY OF AUDITORS RESULTS

1. The Independent auditors report on the financial statements expressed an unmodified opinion.
2. The audit disclosed no material weaknesses in internal control over financial reporting.
3. The audit disclosed no significant deficiencies in internal control over financial reporting.
4. The audit disclosed no material noncompliance matters in relation to the financial statements.
5. There were no deficiencies in internal control over major programs reported during the audit.
6. The report on compliance for major programs expressed an unmodified opinion.
7. The audit disclosed no audit findings that are required to be reported in accordance with 2 CFR Part 200 (Uniform Guidance).
8. The major program of School District No. 40, Frenchtown, Montana:

   ESEA Title I CFDA No. 84-010

9. The dollar threshold for Type A programs for School District No. 40:

   $750,000.

10. The District did qualify as a low-risk auditee.

SECTION II FINDINGS IN RELATION TO THE AUDIT OF THE FINANCIAL STATEMENTS

None

OTHER MATTERS:

None

SECTION III FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

SECTION IV – STATUS OF PRIOR YEAR FINDINGS

None

February 26, 2020

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Certified Public Accountant

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