

DESMET PUBLIC SCHOOL  
MISSOULA COUNTY, MONTANA  
Fiscal Year Ended June 30, 2019

**AUDIT REPORT**

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

DESMET PUBLIC SCHOOL  
MISSOULA COUNTY, MONTANA

Fiscal Year Ended June 30, 2019

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DESMET PUBLIC SCHOOL  
MISSOULA COUNTY, MONTANA

**ORGANIZATION**

Fiscal Year Ended June 30, 2019

**BOARD OF TRUSTEES**

Aaron Foster  
Emily Villegas  
Andrew Lowney  
Meredith Webster

Board Chairman  
Vice Chairman  
Trustee  
Trustee

**DISTRICT OFFICIALS**

Matt Driessen  
Christy McLaren  
Erin Lipkind  
Elizabeth Kaleva

District Principal  
District Clerk  
County Superintendent  
District Attorney

**DESMET PUBLIC SCHOOL  
MISSOULA COUNTY, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Fiscal Year Ended June 30, 2019**

This management's discussion and analysis provides an overview of the School's financial activities for the fiscal year ended June 30, 2019.

**FINANCIAL HIGHLIGHTS**

DeSmet is a small school located west of the City of Missoula. The student population comes from two main areas: owned homes and three trailer parks on Highway 10 West. The student population continues to fluctuate throughout the school year, changing by anywhere from between 15 to 20 students throughout the academic year. This has a great effect on the ANB (Average Number Belonging) count, which directly affects funding from the State.

The School's financial operations in 2019 resulted in an increase in net position of \$283,706. Revenues increased by \$2,147 while expenses increased by \$57,864. The \$283,706 increase was due to the TIF District ending and a final audit found an error of distribution and withholdings for the school district of \$303,294, which was returned to the school.

**USING THIS ANNUAL REPORT**

This annual report consists of financial statements for the School as a whole with more detailed information for certain School funds. The Statement of Net Position and the Statement of Activities provide information about the activities of the School as a whole and present a long-term view of the School's finances (they include capital assets and long-term liabilities).

Fund financial statements present a short-term view of the School'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). They present detailed information about the School's general fund and certain other funds. There is also summarized financial information about the student activity fund for which the School acts as a trustee.

**THE SCHOOL AS A WHOLE**

One important question asked about the School's finances is, "is the School's financial condition better or worse as a result of the year's activities?" The information in the government-wide financial statements helps answer this question. These statements include all the accrual basis of accounting (and report depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies.

The change in net position (the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources) over time is one indicator of whether the School's financial health is improving or deteriorating. However, you need to consider other nonfinancial factors in making an assessment of the School's health, such as changes in enrollment, changes in the State's funding of educational costs, changes in the economy, changes in the School's tax base, etc. to assess the overall health of the School.

**DESMET PUBLIC SCHOOL  
MISSOULA COUNTY, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Fiscal Year Ended June 30, 2019**

Changes in the School's net position were as follows:

<b>Table 1 - Net Position</b>
-------------------------------

	<b>Governmental Activities</b>		
	<b><u>FY19</u></b>	<b><u>FY18</u></b>	<b><u>Change Inc (Dec)</u></b>
Current and other assets	\$ 1,273,189	\$ 784,910	\$ 488,279
Capital assets	959,459	971,844	(12,385)
Total assets	<b>\$ 2,232,648</b>	<b>\$ 1,756,754</b>	<b>\$ 475,894</b>
Long-term debt outstanding	\$ 251,694	\$ 288,992	\$ (37,298)
Other liabilities	1,139,021	909,535	229,486
Total liabilities	<b>\$ 1,390,715</b>	<b>\$ 1,198,527</b>	<b>\$ 192,188</b>
Net investment in capital assets	\$ 919,459	\$ 896,844	\$ 22,615
Restricted	751,725	466,764	284,961
Unrestricted (deficit)	(829,251)	(805,381)	(23,870)
Total net position	<b>\$ 841,933</b>	<b>\$ 558,227</b>	<b>\$ 283,706</b>

The decrease in long-term debt is due to GASB 68 implementation, which created changes in the Teacher's Retirement System net pension liability. The district also had a cash inflow of \$303,294 from the audit of the TIF District records which found an error in their withholding to our school over a ten year period which was deposited into our building reserve fund. These two items are the main reason for the increase in net position of \$283,706.

Changes in the School's program revenues and expenses can be seen in the table below:

**DESMET PUBLIC SCHOOL  
MISSOULA COUNTY, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Fiscal Year Ended June 30, 2019**

**Table 2 - Changes in Net Position**

	<b>Governmental Activities</b>		
	<b><u>FY19</u></b>	<b><u>FY18</u></b>	<b><u>Change Inc (Dec)</u></b>
<b>Revenues</b>			
<i>Program revenues (by major source):</i>			
Charges for services	\$ 925	\$ 642	\$ 283
Operating grants and contributions	424,658	490,122	(65,464)
<i>General revenues (by major source):</i>			
Property taxes for general purposes	742,814	719,825	22,989
Grants and entitlements not restricted to specific programs	469,260	427,770	41,490
Investment earnings	20,347	12,533	7,814
Miscellaneous (other revenue)	20,130	20,639	(509)
State entitlement (block grants)	-	15,274	(15,274)
State contributions to retirement	53,973	23,814	30,159
County retirement	122,444	141,785	(19,341)
Total revenues	<u>\$ 1,854,551</u>	<u>\$ 1,852,404</u>	<u>\$ 2,147</u>
<b>Program expenses</b>			
Instructional - regular	\$ 703,421	\$ 699,324	\$ 4,097
Instructional - special education	295,932	255,723	40,209
Supporting services - operations & maintenance	128,958	117,266	11,692
Supporting services - general	145,745	156,757	(11,012)
Supporting services - educational media services	59,234	68,753	(9,519)
Administration - general	94,833	86,385	8,448
Administration - school	89,819	91,898	(2,079)
Administration - business	74,417	70,726	3,691
Student transportation	116,647	108,700	7,947
Extracurricular	12,697	9,999	2,698
School food	103,953	101,306	2,647
Debt service expense - interest	3,512	5,429	(1,917)
Unallocated depreciation*	44,971	44,009	962
Total expenses	<u>\$ 1,874,139</u>	<u>\$ 1,816,275</u>	<u>\$ 57,864</u>
<b>Increase (decrease) in net position</b>	<u>\$ (19,588)</u>	<u>\$ 36,129</u>	<u>\$ (55,717)</u>

Revenues increased by \$2,147 in FY2019.

School property taxes were levied through the building reserve permissive levy to fund safety and maintenance around the school and state tuition permissive levies to fund additional aides for special needs students accounting for the majority of the increase of expenses from FY19 to FY18.

**DESMET PUBLIC SCHOOL  
MISSOULA COUNTY, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Fiscal Year Ended June 30, 2019**

**FUND FINANCIAL STATEMENTS**

The fund financial statements provide detailed information about the most significant of the School's funds. The school is required to provide detailed information for its "major" funds. Major funds are defined as the general fund and other funds where the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures exceed 10% of total government fund amounts.

In the 2019 fiscal year the miscellaneous programs fund and the building reserve funds exceeded one or more of the four 10% thresholds. The assets, revenues, and expenditures of the miscellaneous programs fund exceeded the threshold as did the assets of the building reserve fund.

Revenue and expenditures in the miscellaneous programs fund are primarily funded and expended in accordance with federal and state grant requirements. The building reserve fund is funded by a permissive levy and was used to make repairs to the school to help make the school ADA compliant.

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

Total governmental fund balances decreased by \$26,744 while government-wide net position decreased by \$19,588. The increase in state funding for teacher retirement and an increase in investment returns accounted for the largest increase in government fund balances. These increases were offset by the decreases in operating grants and miscellaneous revenue.

Generally accepted accounting principles (GAAP) require the School to present, as required supplemental information, budget to actual comparisons for the general fund and all budgeted special revenue funds. Information for the general and technology funds is included in this audit. The miscellaneous fund is an unbudgeted special revenue fund. There was no significant change between the budget and actual expenditures for the general fund.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

There were \$959,459 in capital assets in FY 2019. The only other change in capital assets is due to depreciation expense for the year. Major changes to long-term debt are due to changes in the net pension liability of the State of Montana for its participation in the Teachers' Retirement System and the early retirement incentive offered by the School, as well as, implementation of GASB 75.

**DESMET PUBLIC SCHOOL  
MISSOULA COUNTY, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Fiscal Year Ended June 30, 2019**

**THE FUTURE OF THE SCHOOL**

DeSmet is a small school located west of Missoula. Our student population comes from three small residential zones in our district. Ninety percent of our district is zoned as light industrial or other zoned. Through discussions with the county commissioners and the planning board we are hopeful that a mixed use zoning will be incorporated within our district to increase our residential population. DeSmet is working with area developers to build family housing on our property and working with the County/City Zoning office to change the light industrial zoning next to our school to residential.

The district has a five person school board as required by state law. A district the size of DeSmet requires five trustees: population more than 1000 but less than 6500.

As we look to the future of DeSmet we are preparing for phase II of our school expansion and update in facilities. DeSmet has hired Hulteng CCM, Inc., as a contractor representative. DeSmet is currently contracting Gavin-Hanks architectural firm to do a phase II analysis on creating a full sized gym and additional classroom facilities is planned for early fall. We will put a bond levy before the voters in the November election to fund the expansion and create the subdivision around our school. We have incorporated MBI-PBIS model of student engagement, we are a School-Wide Title School with a strong RTI component and we are increasing our literacy strategies across the board for our students. We have contracted with Overdrive and have an E-Library of over a million books for our students.

Over the last year we have hired new instructors in fourth, fifth, and sixth grades, along with a new seventh and eighth grade ELA instructor. DeSmet incorporated a 2<sup>nd</sup> breakfast program in kindergarten through eighth grade, so we are school-wide second breakfast, which has decreased student referrals for discipline. The new curriculum was implemented along with administrative emphasis on incorporating differentiated learning and teaching to the content. This hard work by the staff has resulted in an increase in student scores on assessments as measured by Renaissance Student Assessment Tests and SBAC scores. Over the next year our focus will be to earn a state recognized achievement of Silver for our MBI (Montana Behavioral Initiative) school wide initiative. We will solidify our achievement marks in National Testing and strive for a 16% increase by this time next year. STEM will be incorporated in all classrooms at all grade levels, as supported by EiE (Engineering is Elementary) and a dedicated STEM instructor kindergarten through sixth grade. Professional development of the staff will be focused to strengthen our school wide Title 1 initiative and enhance our instructor's pedagogical skills in STEM and mathematic curriculum.

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

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

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
DeSmet Public School  
Missoula County  
Missoula, Montana

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of DeSmet Public School, Missoula County, Montana, as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of DeSmet Public School, Missoula County, Montana, as of and for the year ended June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the total OPEB liability and related ratios, schedules of proportionate share of the net pension liability, and schedules of contributions on pages 2 through 6 and 42 through 46, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of revenues and expenditures for the extracurricular fund and the schedule of enrollment are presented for purposes of additional analysis and are not a required part of the financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2020, on our consideration of the DeSmet Public School, Missoula County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DeSmet Public School, Missoula County, Montana's internal control over financial reporting and compliance.

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

June 10, 2020

**DeSmet Public School, Missoula County, Montana**  
**Statement of Net Position**  
**June 30, 2019**

		<b>Governmental Activities</b>
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$	946,580
Taxes and assessments receivable, net		56,764
Total current assets	\$	1,003,344
Noncurrent assets		
Capital assets - land	\$	329,980
Capital assets - depreciable, net		629,479
Total noncurrent assets	\$	959,459
Total assets	\$	1,962,803
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows of resources - pensions	\$	245,772
Deferred outflows of resources - OPEB		24,073
Total deferred outflows of resources	\$	269,845
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$</b>	<b>2,232,648</b>
<b>LIABILITIES</b>		
Current liabilities		
Warrants payable	\$	49,702
Accounts payable		16,742
Accrued payroll		4,651
Current portion of long-term liabilities		9,360
Current portion of long-term capital liabilities		40,000
Current portion of compensated absences payable		11,904
Total current liabilities	\$	132,359
Noncurrent liabilities		
Noncurrent portion of long-term liabilities	\$	156,230
Noncurrent portion of compensated absences		34,200
Net pension liability		1,052,562
Total noncurrent liabilities	\$	1,242,992
Total liabilities	\$	1,375,351
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources - pensions	\$	15,364
Total deferred inflows of resources	\$	15,364
<b>NET POSITION</b>		
Net investment in capital assets	\$	919,459
Restricted for capital projects		474,211
Restricted for debt service		50,407
Restricted for special projects		227,107
Unrestricted		(829,251)
Total net position	\$	841,933
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$</b>	<b>2,232,648</b>

See accompanying Notes to the Financial Statements

**DeSmet Public School, Missoula County, Montana**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2019**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>
<u>Primary government:</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>
<u>Governmental activities:</u>				<u>Governmental Activities</u>
Instructional - regular	\$ 703,421	\$ -	\$ 109,165	\$ (594,256)
Instructional - special education	295,932	-	115,620	(180,312)
Supporting services - operations & maintenance	128,958	-	-	(128,958)
Supporting services - general	145,745	-	84,657	(61,088)
Supporting services - educational media services	59,234	-	2,885	(56,349)
Administration - general	94,833	-	-	(94,833)
Administration - school	89,819	-	-	(89,819)
Administration - business	74,417	-	-	(74,417)
Student transportation	116,647	-	29,650	(86,997)
Extracurricular	12,697	-	1,421	(11,276)
School food	103,953	925	81,260	(21,768)
Debt service expense - interest	3,512	-	-	(3,512)
Unallocated depreciation*	44,971	-	-	(44,971)
Total governmental activities	\$ 1,874,139	\$ 925	\$ 424,658	\$ (1,448,556)
General Revenues:				
Property taxes for general purposes			\$ 742,814	
Grants and entitlements not restricted to specific programs			469,260	
Investment earnings			20,347	
Miscellaneous (other revenue)			20,130	
State contributions to retirement			53,973	
County retirement			122,444	
Total general revenues, special items and transfers			\$ 1,428,968	
Change in net position			\$ (19,588)	
Net position - beginning			\$ 558,227	
Restatements			303,294	
Net position - beginning - restated			\$ 861,521	
Net position - end			\$ 841,933	

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

**DeSmet Public School, Missoula County, Montana**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2019**

	<u>General</u>	<u>Miscellaneous Programs</u>	<u>Building Reserve</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 210,856	\$ 108,432	\$ 410,205	\$ 217,087	\$ 946,580
Taxes and assessments receivable, net	38,083	-	3,674	15,007	56,764
<b>TOTAL ASSETS</b>	<u>\$ 248,939</u>	<u>\$ 108,432</u>	<u>\$ 413,879</u>	<u>\$ 232,094</u>	<u>\$ 1,003,344</u>
<b>LIABILITIES</b>					
Current liabilities:					
Warrants payable	\$ 49,702	\$ -	\$ -	\$ -	\$ 49,702
Accounts payable	15,953	304	-	485	16,742
Accrued payroll	2,760	-	-	1,891	4,651
Total liabilities	<u>\$ 68,415</u>	<u>\$ 304</u>	<u>\$ -</u>	<u>\$ 2,376</u>	<u>\$ 71,095</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows of resources - taxes	\$ 38,083	\$ -	\$ 3,674	\$ 15,007	\$ 56,764
Total deferred inflows of resources	<u>\$ 38,083</u>	<u>\$ -</u>	<u>\$ 3,674</u>	<u>\$ 15,007</u>	<u>\$ 56,764</u>
<b>FUND BALANCES</b>					
Restricted	\$ -	\$ 108,128	\$ 410,205	\$ 214,711	\$ 733,044
Unassigned fund balance	142,441	-	-	-	142,441
Total fund balance	<u>\$ 142,441</u>	<u>\$ 108,128</u>	<u>\$ 410,205</u>	<u>\$ 214,711</u>	<u>\$ 875,485</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND CHANGES IN FUND BALANCES</b>	<u>\$ 248,939</u>	<u>\$ 108,432</u>	<u>\$ 413,879</u>	<u>\$ 232,094</u>	<u>\$ 1,003,344</u>

See accompanying Notes to the Financial Statements

**DeSmet Public School, Missoula County, Montana**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**June 30, 2019**

<b>Total fund balances - governmental funds</b>	\$	875,485
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		959,459
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		56,764
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(251,694)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(1,052,562)
The changes between actuarial assumptions, differences in expected vs actual pension experiences, changes in proportionate share allocation, and current year retirement contributions as they relate to the net pension liability are a deferred outflow of resources and are not payable in current period, therefore are not reported in the funds.		245,772
The changes between actuarial assumptions, differences in projected vs actual investment earnings, and changes in proportionate share allocation as they relate to the net pension liability are a deferred inflows of resources and are not available to pay for current expenditures, therefore are not reported in the funds.		(15,364)
The changes between actuarial assumptions and differences in projected vs actual liability as they relate to the total other post-employment benefits liability are a deferred outflows of resources and are not payable in the current period, therefore are not reported in the funds.		24,073
<b>Total net position - governmental activities</b>	<b>\$</b>	<b><u><u>841,933</u></u></b>

See accompanying Notes to the Financial Statements

**DeSmet Public School, Missoula County, Montana**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2019**

	<u>General</u>	<u>Miscellaneous Programs</u>	<u>Building Reserve</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Local revenue	\$ 504,299	\$ 56,078	\$ 31,200	\$ 244,934	\$ 836,511
County revenue	-	-	-	137,524	137,524
State revenue	563,296	84,657	-	13,213	661,166
Federal revenue	-	93,353	-	72,024	165,377
Total revenues	<u>\$ 1,067,595</u>	<u>\$ 234,088</u>	<u>\$ 31,200</u>	<u>\$ 467,695</u>	<u>\$ 1,800,578</u>
<b>EXPENDITURES</b>					
Instructional - regular	\$ 452,452	\$ 96,373	\$ -	\$ 85,164	\$ 633,989
Instructional - special education	148,044	23,977	-	123,911	295,932
Supporting services - operations & maintenance	104,965	-	12,229	11,264	128,458
Supporting services - general	52,607	84,657	-	8,481	145,745
Supporting services - educational media services	49,421	2,886	-	6,927	59,234
Administration - general	82,587	-	-	12,246	94,833
Administration - school	69,459	-	-	20,360	89,819
Administration - business	43,785	-	-	30,632	74,417
Student transportation	11,323	2,800	-	102,524	116,647
Extracurricular	8,705	2,766	-	1,226	12,697
School food	22,182	1,678	-	77,318	101,178
Debt service expense - principal	-	-	-	35,000	35,000
Debt service expense - interest	-	-	-	3,512	3,512
Capital outlay	30,476	5,385	-	-	35,861
Total expenditures	<u>\$ 1,076,006</u>	<u>\$ 220,522</u>	<u>\$ 12,229</u>	<u>\$ 518,565</u>	<u>\$ 1,827,322</u>
Net Change in Fund Balance	<u>\$ (8,411)</u>	<u>\$ 13,566</u>	<u>\$ 18,971</u>	<u>\$ (50,870)</u>	<u>\$ (26,744)</u>
Fund balances - beginning	\$ 150,852	\$ 94,562	\$ 87,940	\$ 265,581	\$ 598,935
Restatements	-	-	303,294	-	303,294
Fund balances - beginning, restated	<u>\$ 150,852</u>	<u>\$ 94,562</u>	<u>\$ 391,234</u>	<u>\$ 265,581</u>	<u>\$ 902,229</u>
Fund balance - ending	<u>\$ 142,441</u>	<u>\$ 108,128</u>	<u>\$ 410,205</u>	<u>\$ 214,711</u>	<u>\$ 875,485</u>

See accompanying Notes to the Financial Statements

**DeSmet Public School, Missoula County, Montana**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2019**

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

<b>Net change in fund balances - total governmental funds</b>	\$ (26,744)
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
- Capital assets purchased	35,861
- Depreciation expense	(48,246)
The change in compensated absences is shown as an expense in the Statement of Activities	
	(2,317)
Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:	
- Long-term debt principal payments	35,000
Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:	
- Post-employment benefits other than retirement liability	28,688
Pension expense related to the net pension liability is shown as an expense on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance	
	(165,161)
State aid revenue related to the net pension liability is shown as a revenue on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance	
	53,973
Current year contributions to retirement benefits are shown as deferred outflows of resources on the Statement of Net Position and shown as expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance when paid.	
	69,358
<b>Change in net position - Statement of Activities</b>	<b>\$ <u><u>(19,588)</u></u></b>

See accompanying Notes to the Financial Statements

**DeSmet Public School, Missoula County, Montana**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2019**

		<u>Private Purpose Trust Funds</u>
<b>ASSETS</b>		
Cash and short-term investments	\$	<u>13,358</u>
Total assets	\$	<u><u>13,358</u></u>
 <b>NET POSITION</b>		
Assets held in trust	\$	<u><u>13,358</u></u>

See accompanying Notes to the Financial Statements

**DeSmet Public School, Missoula County, Montana**  
**Statement of Changes in Net Position**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2019**

		<u>Private Purpose Trust Funds</u>
<b>ADDITIONS</b>		
Contributions:		
Student activities	\$	<u>15,505</u>
Total additions	\$	<u>15,505</u>
 <b>DEDUCTIONS</b>		
Student activities	\$	<u>16,389</u>
Change in net position	\$	<u>(884)</u>
 Net Position - Beginning of the year	 \$	 14,242
 Net Position - End of the year	 \$	 <u><u>13,358</u></u>

See accompanying Notes to the Financial Statements

DESMET PUBLIC SCHOOL  
MISSOULA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2019

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**New Accounting Pronouncements**

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

**Change in Accounting Principle**

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

**Financial Reporting Entity**

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

DESMET PUBLIC SCHOOL  
MISSOULA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2019

*Primary Government*

The District was established under Montana law to provide elementary educational services to residents of the District. The District provides education from kindergarten through the eighth grade.

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. The financial statements include all of the operations of the District controlled by the Board of Trustees. Based on the criteria for determining the reporting entity (separate legal entity and financial or fiscal dependency on other governments) the District is a primary government as defined by GASB Cod. Sec. 2100 and has no component units.

**Basis of Presentation, Measurement Focus and Basis of Accounting**

**Government-wide Financial Statements:**

*Basis of Presentation*

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

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

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.

DESMET PUBLIC SCHOOL  
MISSOULA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2019

*Measurement Focus and Basis of Accounting*

On the government-wide Statement of Net Position and the Statement of Activities, both 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 three categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is displayed in a separate column in the governmental funds statements. All of the remaining funds are aggregated and reported in a single column as non-major funds. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

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

*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.

DESMET PUBLIC SCHOOL  
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**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2019

The District defined the length of time used for “available” for purposes of revenue recognition in the governmental fund financial statements is collection within 60 days of the end of the current fiscal period with the exception of property taxes and other state grants that is upon receipt.

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

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

***Major Funds:***

The District reports the following major governmental funds:

*General Fund* - This is the District’s primary operating fund and it accounts for all financial resources of the District except those required to be accounted for in other funds. The fund also reports the outstanding warrants of the District that are tracked in clearing funds. These funds have been combined with the General fund for reporting purposes as stated above.

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

*Building Reserve Fund* – the Building Reserve Fund is authorized by Section 20-9-502, MCA, for the purpose of financing voter approved building or construction projects funded with District mill levies.

***Fiduciary Funds:***

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

DESMET PUBLIC SCHOOL  
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**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2019

*Private-purpose Trust Funds* – To report all other trust arrangements under which the principal and income benefit individuals, private organizations, or other governments. For reporting, the District has determined to include the Student Extracurricular Activities Funds in this fund. These funds are explained in more detail below.

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

**NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

**Cash Composition**

The District’s cash, except for the Student Extracurricular Fund (an expendable trust) is held by the County Treasurer and pooled with other County cash. School district cash which is not necessary for short-term obligations, the District participates in a County-wide investment program whereby all available cash is invested by the County Treasurer in pooled investments. Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. The County’s investment portfolio as of June 30, 2019, consisted of demand deposits, repurchase agreements, U.S. Government Securities, money market, and the State Short-Term Investment Pool (STIP). Interest earned on pooled investments is distributed to each contributing entity 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. Information regarding investment risk, collateral, security, and fair values for Missoula County deposits and investments is available from Missoula County Treasurer’s office, 200 W. Broadway Street, Missoula, Montana 59802. Fair value approximates carrying value for investments as of June 30, 2019.

DESMET PUBLIC SCHOOL  
 MISSOULA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2019

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Cash held by the county treasurer	\$ 945,580
Cash in banks:	
Demand deposits	14,358
Total	<u>\$ 959,938</u>

**Deposits**

The District's deposit balance at year end was \$14,358 and the bank balance was \$14,459, which was fully insured by FDIC as of June 30, 2019.

	<u>June 30, 2019 Balance</u>
<u>Depository Account</u>	
Insured	\$ 14,459
Total deposits and investments	<u>\$ 14,459</u>

**NOTE 3. RECEIVABLES**

**Tax Receivables**

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

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

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

DESMET PUBLIC SCHOOL  
 MISSOULA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
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An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts.

**NOTE 4. INVENTORIES**

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

**NOTE 5. CAPITAL ASSETS**

The District's assets are capitalized at historical cost or estimated historical cost. District policy has set the capitalization threshold for reporting capital assets at \$4,500. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings and Improvements	8 – 70 years
Machinery and Equipment	5 – 10 years

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

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

Governmental activities:

	Balance <u>July 1, 2018</u>	<u>Additions</u>	Balance <u>June 30, 2019</u>
Capital assets not being depreciated:			
Land	\$ 329,980	\$ _____	\$ 329,980
Total capital assets not being depreciated	\$ 329,980	\$ -	\$ 329,980
Other capital assets:			
Buildings	\$ 1,687,887	\$ 30,476	\$ 1,718,363
Machinery and equipment	63,007	5,385	68,392
Total other capital assets at historical cost	\$ 1,750,894	\$ 35,861	\$ 1,786,755
Less: accumulated depreciation	\$ (1,109,030)	\$ (48,246)	\$ (1,157,276)
Total	\$ 971,844	\$ (12,385)	\$ 959,459

DESMET PUBLIC SCHOOL  
 MISSOULA COUNTY, MONTANA  
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Governmental capital assets depreciation expense was charged to functions as follows:

Governmental Activities:	
Supporting services – operations and maintenance	\$ 500
School food	2,775
Unallocated	<u>44,971</u>
Total governmental activities depreciation expense	<u>\$48,246</u>

**NOTE 6. LONG TERM DEBT OBLIGATIONS**

In the governmental-wide financial statements, outstanding debt is reported as liabilities.

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

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2019, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2019</u>	Due Within <u>One Year</u>
General obligation bonds	\$ 75,000	\$	\$ (35,000)	\$ 40,000	\$ 40,000
Compensated absences	43,787	2,317		46,104	11,904
Net pension liability*	857,517	195,045		1,052,562	
Other post-employment benefits**	170,205		(4,615)	165,590	9,360
Total	<u>\$ 1,146,509</u>	<u>\$ 197,362</u>	<u>\$ (39,615)</u>	<u>\$ 1,304,256</u>	<u>\$ 61,264</u>

\*See Note 8

\*\*See Note 7

General Obligation Bonds - The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds outstanding as of June 30, 2019 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2019</u>
Governmental	1999	5.10 to 5.50%	20yrs	7/1/19	<u>\$475,000</u>	varies	<u>\$40,000</u>

DESMET PUBLIC SCHOOL  
 MISSOULA COUNTY, MONTANA  
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Annual requirement to amortize debt:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 40,000	\$ 1,100
Total	<u>\$ 40,000</u>	<u>\$ 1,100</u>

**Compensated Absences**

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

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

**NOTE 7. POSTEMPLOYMENT HEALTHCARE PLAN**

*Plan Description.* The healthcare plan provides for, and Montana State Law (2-18-704) requires local governments to allow employees with at least 5 years of service and who are at least age 50 along with surviving spouses and dependents to stay on the government's health care plan as long as they pay the same premium. This creates a defined benefit Other Post-Employment Benefits Plan (OPEB), since retirees are usually older than the average age of the plan participants, they receive a benefit of lower insurance rates. The OPEB plan is a single-employer defined benefit plan administered by the District. The government has not created a trust to accumulate assets to assist in covering the defined benefit plan costs, and covers these when they come due. The government has less than 100 plan members and thus qualifies to use the “Alternative Measurement Method” for calculating the liability. The above described OPEB plan does not provide a stand-alone financial report.

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

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

DESMET PUBLIC SCHOOL  
 MISSOULA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Inactive employees or beneficiaries receiving benefit payments	2
Active employees	26
Total employees	28

Total OPEB Liability

The District's total OPEB liability of \$165,590 at June 30, 2019, and was determined by actuarial valuation using the actuarial entry age normal funding method. The measurement date of the determined liability was July 1, 2018.

*Actuarial assumptions and other input.* The total OPEB liability in the June 30, 2018 actuarial costs method, entry age level percentage of pay was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.40%
20- year Municipal Bond Yield	3.40%
Inflation Rate	2.50%
Salary Increases	3.00%
Dental and Vision Trend Rate	4.00%

Medical Trend Rate was 6.50% as of July 1, 2017 grading to 5.00% over 6 years.

Mortality was based on the RP-2014 White Collar Mortality Tables (de-trended to 2006) and then projected beyond the valuation date using scale MP-2016.

For the assumption of percent married current retirees the actual retiree/spouse elections were used. For Future retirees males were assumed at 85% and females assumed at 65%.

For the age difference assumption, the actual spouse birthdate for current retirees (if provided) was used. For all others, males assumed to be the same age as females.

Retiree Plan Participation

Future Retirees Electing Coverage	
Pre-65 subsidy available	N/A
Pre-65 subsidy not available	30%

Percent of Married Retirees Electing Spouse Coverage

Percent Future Retirees Electing Pre-65 Spouse Coverage	
Spouse subsidy available	N/A
Spouse subsidy not available	10%

DESMET PUBLIC SCHOOL  
MISSOULA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2019

DeSmet Public School provides access to dental and vision insurance during retirement. However, the implicit rate liability is not significant for these benefits so they have not been included in the valuation.

<b><u>Economic Assumption</u></b>	<b><u>Rationale</u></b>
All Economic Assumptions	Economic assumptions are based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.
Discount Rate	Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-year Municipal Bond Yield.
20-Year Municipal Bond Yield	The municipal bond rate assumption was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the Measurement Date.
Salary Increases	The salary scale has been determined based on the long-term inflation assumption plus any additional wage increase assumption in excess of inflation. The additional wage assumption is based on a review of increases in the taxable wage base compared to inflation. Any additional information on expected salary increases provided by the client is also reflected in the assumption.
Inflation	The long-term inflation assumption has been chosen based on a review of historical changes in the Consumer Price Index (CPI). Published projections of future inflation rates were also considered.
Mortality	The rates used are recent tables developed and recommended by the Society of Actuaries.
Retirement & Withdrawal	The retirement and withdrawal assumptions used by value GASB 75 liabilities are similar to those used to value pension liabilities for Montana School District employees. The state pension plans base their assumptions on periodic experience studies.

DESMET PUBLIC SCHOOL  
MISSOULA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2019

Disability	Plan disability benefits are of similar value to other pan benefits. Therefore, disability incidence is presumed to be included in retirement and withdrawal incidence.
Medical Trend Rate	The medical trend rate has been chosen based on a review of historical medical increase rates, projected medical increase rates, and projected health care expenditures as a percentage of GDP. The components of health care costs were considered when developing the aggregate set of trend rates.
Retiree Plan Participation & Percent of Married Retirees Electing Spouse Coverage	The plan participation percentages for retirees and their spouses reflect past, current, and expected future expectation of medical plan enrollment for current actives and retirees. These amounts are adjusted to reflect population changes, differences in actual versus expected liabilities, and changes in enrollment/participation patterns.

Changes in the Total OPEB Liability

Balance at 6/30/2018	\$ <u>170,205</u>
Changes for the year:	
Service Cost	\$ 10,527
Interest Cost	5,792
Benefit Payments	<u>(20,934)</u>
Net Changes	\$ <u>(4,615)</u>
Balance at 6/30/2018	\$ <u><u>165,590</u></u>

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

	1% Decrease (2.80%)	Discount Rate (3.80%)	1% Increase (4.80%)
Total OPEB Liability \$	\$ <u>173,633</u>	\$ <u>165,590</u>	\$ <u>158,017</u>

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

	1% Decrease	Healthcare Cost Trends*	1% Increase
Total OPEB Liability \$	\$ 154,866	\$ 165,590	\$ 177,726

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

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

For the year ended June 30, 2019, the District recognized an OPEB expense of \$4,615. The District reported deferred outflows of resources or \$24,073 related to OPEB as differences between expected and actual experience or changes in assumptions performed in the alternative measurement method.

**NOTE 8. NET PENSION LIABILITY**

**Summary of Significant Accounting Policies**

**TRS**

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

**Plan Descriptions**

**TRS**

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

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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](http://trs.mt.gov).

**Summary of Benefits**

**TRS**

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

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

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

The GABA 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.

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**Overview of Contributions**

**TRS**

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

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

**Stand-Alone Statements**

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

**Net Pension Liability**

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

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

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	TRS NPL as of 6/30/18	TRS NPL as of 6/30/19	Percent of Collective NPL	Total NPL as of 6/30/18	Total NPL as of 6/30/19	Percent of Collective NPL
Employer Proportionate Share	\$ 857,517	\$ 1,052,562	0.0567%	\$ 857,517	\$ 1,052,562	0.0567%
State of Montana Proportionate Share associated with Employer	544,523	658,866	0.0355%	544,523	658,866	0.0355%
<b>Total</b>	<b>\$ <u>1,402,040</u></b>	<b>\$ <u>1,711,428</u></b>	<b><u>0.0922%</u></b>	<b>\$ <u>1,402,040</u></b>	<b>\$ <u>1,711,428</u></b>	<b><u>0.0922%</u></b>

At June 30, 2019, the employer reported a liability of \$1,052,562 for its proportionate share of the net pension liability of 0.0567 percent. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 for TRS. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The 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.

*Changes in actuarial assumptions and methods:*

**TRS**

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

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

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*Changes in benefit terms:*

**TRS**

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

*Changes in proportionate share:*

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

**Pension Expense as of 6/30/19**

Pension Expense as of 6/30/19

	<u>TRS</u>
Employer Proportionate Share	\$ 111,186
State of Montana Proportionate Share associated with the Employer	53,973
Total	<u><u>\$ 165,159</u></u>

At June 30, 2019, the employer recognized a Pension Expense of \$111,186 for its proportionate share of the pension expense. The employer also recognized grant revenue of \$53,973 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the employer.

**Recognition of Beginning Deferred Outflow**

At June 30, 2019, the employer recognized a beginning deferred outflow of resources for the employers fiscal year 2018 contributions of \$67,186.

DESMET PUBLIC SCHOOL  
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**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:

	TRS Deferred Outflows of Resources	TRS Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 7,511	\$ 657
Changes in actuarial assumptions	85,800	1,558
Difference between projected and actual investment earnings	-	9,501
Changes in proportion and difference between actual and expected contributions	83,103	3,648
*Contributions paid subsequent to the measurement date - FY19 Contributions	69,358	
Total	\$ 245,772	\$ 15,364

\*Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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

**Deferred Inflows and Outflows**

TRS: Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2020	\$ 83,091	\$ 5,863	\$ 77,228
2021	\$ 67,889	-	\$ 67,889
2022	\$ 42,611	\$ 21,776	\$ 20,835
2023	\$ -	\$ 4,900	\$ (4,900)
2024	\$ -	-	-
Thereafter	\$ -	-	-



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**Target Allocations**

TRS

<u>Asset Class</u>	Target Asset <u>Allocation</u>	Real Rate of Return Arithmetic <u>Basis</u>	Long-Term Expected Portfolio Real Rate of <u>Return*</u>
Domestic Equity	36.00%	6.68%	2.34%
International Equity	18.00%	6.98%	1.26%
Private Equity	10.00%	10.15%	1.02%
Natural Resources	3.00%	4.09%	0.12%
Core Real Estate	7.00%	5.38%	0.38%
TIPS	3.00%	1.78%	0.05%
Intermediate Duration Bonds	19.00%	2.15%	0.41%
High Yield Bonds	3.00%	4.36%	0.13%
Cash	<u>2.00%</u>	0.81%	<u>0.02%</u>
Total	<u>100.00%</u>		<u>5.73%</u>
	Inflation		<u>2.50%</u>
	Expected arithmetic nominal return		8.23%

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

The assumed long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2013 through 2017, is outlined in a report dated May 3, 2018. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation). Estimates of variability and correlations for each asset class, were developed by the System's investment consultant. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. 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%. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2018, is summarized in the above table.

DESMET PUBLIC SCHOOL  
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**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2019

**Sensitivity Analysis**

	<u>1.0% Decrease</u>	<u>Current Discount Rate</u>	<u>1.0% Increase</u>
TRS	\$ 1,477,304	\$ 1,052,562	\$ 721,933

**TRS**

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

**NOTE 9. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES**

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

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

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

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

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

**Restricted Fund Balance**

<u>Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Miscellaneous Programs	\$ 108,128	Third party grantor restrictions
Building Reserve	410,205	Future building improvements
All other aggregate	6,303	Pupil transportation
	10,210	Student Food Services and supplies
	2,144	Special Education Services
	30,178	Employer Cost of Benefits
	9,979	Building Maintenance
	2,072	Future Sick and vacation leave
	43,555	Debt Service Payments
	60,332	Future building improvements
	<u>49,938</u>	Technology maintenance and upgrades
<b>Total</b>	<b><u>\$ 733,044</u></b>	

DESMET PUBLIC SCHOOL  
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**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2019

**NOTE 10. RESTATEMENTS**

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

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
		Delinquent tax increment payment from Missoula County due to a County miscalculation received during current
Building Reserve	\$ <u>303,294</u>	fiscal year.

**NOTE 11. JOINT VENTURES**

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose which are subject to joint control, in which the participating governments retain 1) an ongoing financial interest or 2) an ongoing financial responsibility.

**Special Education Cooperative**

The District is a member of the Missoula Area Education Cooperative. The Cooperative is comprised of 17 member districts, each of which contributes to the operating costs of the Cooperative based on an annual fiscal budget adopted by the Cooperative and the benefits derived from the Cooperative's services. Every year each member district appoints a member to the Joint Advisory Board. From this board a five-member Management Council is elected to administer the Cooperative. The District's contributions for the payment of the special educational services provided was \$35,178 for the fiscal year ended June 30, 2019.

**NOTE 12. RISK MANAGEMENT**

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

Insurance Policies:

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

DESMET PUBLIC SCHOOL  
MISSOULA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2019

Insurance Pools:

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

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

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

**NOTE 13. SUBSEQUENT EVENTS**

**Covid 19 Virus**

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

On November 5, 2019, the voters passed a general obligation school building bond in the amount of \$6,000,000. On January 21, 2020 the District adopted a resolution authorizing the issuance, sale and delivery of the bonds to be closed on March 10, 2020 for the sale price of aggregate principal of \$5,000,000 less underwriters discount of \$45,000 plus the original issue premium of \$493,276.

On January 21, 2020, the District contracted with Hultemg, CCM, Inc. for construction representative services for a cost of \$208,000 to assist in the oversight of the design and construction and close out phases of the school additions and renovations of the bond project. Total paid as of April 2020 was \$47,748.

DESMET PUBLIC SCHOOL  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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On January 26, 2020, the District contracted with GAVIN-hanks Architectural Studio, PLLC, for the post-bond design phase of the expansion and upgrades of the DeSmet Public School campus for a new gymnasium and schools addition/remodel. The fees for these services are \$433,190. The firm also provide pre-bond services totaling \$94,068 of which \$9,058 remained unspent which was rolled into the post-bond phase bringing the total cost to \$518,200. Total paid to GAVIN-hanks as of April 2020 was \$268,354.

On June 4, 2020, the district awarded the construction bid to Jackson Contractor Group, Inc. for \$4,235,400 for the addition of a gymnasium, locker rooms, kitchen, cafeteria, and classrooms and the remodel of some existing building to accommodate new offices and new classrooms.

**REQUIRED SUPPLEMENTAL  
INFORMATION**

**DeSmet Public School, Missoula County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2019**

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
<b>RESOURCES (INFLOWS):</b>				
Local revenue	\$ 505,996	\$ 505,996	\$ 503,659	\$ (2,337)
State revenue	565,589	565,589	563,296	(2,293)
Amounts available for appropriation	\$ 1,071,585	\$ 1,071,585	\$ 1,066,955	\$ (4,630)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Instructional - regular	\$ 444,854	\$ 444,854	\$ 452,452	\$ (7,598)
Instructional - special education	206,861	206,861	148,044	58,817
Supporting services - operations & maintenance	95,622	95,622	104,965	(9,343)
Supporting services - general	51,548	51,548	52,607	(1,059)
Supporting services - educational media services	48,783	48,783	49,421	(638)
Administration - general	79,260	79,260	82,587	(3,327)
Administration - school	71,305	71,305	69,459	1,846
Administration - business	45,902	45,902	43,785	2,117
Student transportation	8,364	8,364	11,323	(2,959)
Extracurricular	9,619	9,619	8,705	914
School food	15,543	15,543	22,182	(6,639)
Total charges to appropriations	\$ 1,077,661	\$ 1,077,661	\$ 1,076,006	\$ 1,655
Net change in fund balance			\$ (9,051)	
Fund balance - beginning of the year			\$ 122,597	
Fund balance - end of the year			\$ 113,546	

**DeSmet Public School, Missoula County, Montana**  
**Budgetary Comparison Schedule**  
**Budget-to-GAAP Reconciliation**

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

	<b>General</b>
<b>Sources/Inflows of resources</b>	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,066,955
Combined funds (GASBS 54) revenues	640
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	\$ 1,067,595
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,076,006
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 1,076,006

**Note B**

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

**DESMET PUBLIC SCHOOL  
MISSOULA COUNTY, MONTANA  
SCHEDULE OF CHANGES IN THE  
TOTAL OPEB LIABILITY AND RELATED RATIOS  
For Fiscal Year Ended June 30, 2019**

	2019	2018
<b>Total OPEB liability</b>		
Service Cost	\$ (4,615)	\$ 7,234
Net change in total OPEB liability	(4,615)	7,234
Total OPEB Liability - beginning	170,205	162,971
Restatement	-	-
Total OPEB Liability - ending	\$ <u>165,590</u>	\$ <u>170,205</u>
Covered-employee payroll	\$ 873,958	\$ 848,503
Total OPEB liability as a percentage of covered -employee payroll	19%	20%

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

**DeSmet Public School, Missoula County, Montana**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**For the Year Ended June 30, 2019**

	<u>TRS 2019</u>	<u>TRS 2018</u>	<u>TRS 2017</u>	<u>TRS 2016</u>	<u>TRS 2015</u>
Employer's proportion of the net pension liability	0.0567%	0.0509%	0.0484%	0.0488%	0.0500%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 1,052,562	\$ 857,517	\$ 884,190	\$ 802,016	\$ 768,981
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 658,866	\$ 544,523	\$ 579,385	\$ 544,306	\$ 529,302
Total	<u>\$ 1,711,428</u>	<u>\$ 1,402,040</u>	<u>\$ 1,463,575</u>	<u>\$ 1,346,322</u>	<u>\$ 1,298,283</u>
Employer's covered payroll	\$ 757,450	\$ 670,811	\$ 628,249	\$ 623,035	\$ 630,178
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	138.96%	127.83%	140.74%	128.73%	122.03%
Plan fiduciary net position as a percentage of the total pension liability	69.09%	70.09%	66.69%	69.30%	70.36%

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

**DeSmet Public School, Missoula County, Montana**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2019**

	<b>TRS 2019</b>	<b>TRS 2018</b>	<b>TRS 2017</b>	<b>TRS 2016</b>	<b>TRS 2015</b>
Contractually required contributions	\$ 69,358	\$ 67,186	\$ 67,018	\$ 54,469	\$ 56,489
Contributions in relation to the contractually required contributions	\$ 69,358	\$ 67,186	\$ 67,018	\$ 54,469	\$ 56,489
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 766,568	\$ 757,450	\$ 670,811	\$ 628,249	\$ 623,035
Contributions as a percentage of covered payroll	9.05%	8.87%	9.99%	8.67%	9.07%

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

**DeSmet Public School, Missoula County, Montana**  
**Notes to Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability and**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2019**

**Teachers' Retirement System of Montana (TRS)**

**Changes of Benefit Terms:**

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

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

The GABA for Tier 1 members has also been modified as follows:

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

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

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

- A State or employer contribution rate increase or a flat dollar contribution to the Retirement System Trust fund has been enacted that is equivalent to or greater than the supplemental contribution rate imposed by the TRS Board.
- Disability Retirement: A member will not be eligible for a disability retirement if the member is or will be eligible for a service retirement on the date of termination
- Guaranteed Annual Benefit Adjustment (GABA):  
If the most recent actuarial valuation shows that Retirement System liabilities are at least 90% funded, and the provision of the increase is not projected to cause the System's liabilities to be less than 85% funded, the GABA may increase from the 0.5% floor up to 1.5%, as set by the Board.

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

- Annual State contribution equal to 425 million paid to the System in monthly installments.
- One-time contribution payable to the Retirement System by the trustees of a school district maintaining a retirement fund. The one-time contribution to the Retirement System shall be the amount earmarked as an operating reserve in excess of 20% of the adopted retirement fund budget for the fiscal year 2013. The amount received was \$22 million in FY 2014.
- 1% supplemental employer contribution. This will increase the current employer rates:
  - School Districts contributions will increase from 7.47% to 8.47%
  - The Montana University System and State Agencies will increase from 9.85% to 10.85%.
  - The supplemental employer contribution will increase by 0.1% each fiscal year for fiscal year 2014 thru fiscal year 2024. Fiscal years beginning after June 30, 2024 the total supplemental employer contribution will be equal to 2%.
- Members hired prior to July 1, 2013 (Tier 1) under HB 377 are required to contribute a supplemental contribution equal to an additional 1% of the member's earned compensation.
- Each employer is required to contribute 9.85% of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position to the System.

### **Changes in actuarial assumptions and other inputs:**

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

- Correctly reflect the proportion of members that are assumed to take a refund of contributions upon termination and appropriately reflect the three-year COLA deferral period for Tier 2 Members.
- The 0.63% load applied to the projected retirement benefits of the university members "to account for larger than average annual compensation increases observed in the years immediately preceding retirement" is not applied to benefits expected to be paid to university members on account of death, disability and termination (prior to retirement eligibility).
- The actuarial valuation was updated to reflect the assumed rate of retirement for university members at age 60 is 8.50% as stated in the actuarial valuation report.

- The actuarial valuation was updated to reflect the fact that vested terminations are only covered by the \$500 death benefit for the one year following their termination and, once again when the terminated member commences their deferred retirement annuity (they are not covered during the deferral period). Additionally, only the portion of the terminated members that are assumed to “retain membership in the System” are covered by the \$500 death benefit after termination.

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

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

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

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

- Mortality among disabled members was updated to the following:

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

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

**Method and assumptions used in calculations of actuarially determined contributions:**

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	26 years
Asset valuation method	4-year smoothed market
Inflation	3.25%
Salary increase	4.00% – 8.51%, including inflation for Non-University members and 5.00% for University Members
Investment rate of return	7.75%, net of pension plan investment expense, and including inflation

# **SUPPLEMENTAL INFORMATION**

**DeSmet Public School**  
**Missoula County, Montana**  
**SCHEDULE OF ENROLLMENT**  
**For the Fiscal Year Ended June 30, 2019**

**Fall Enrollment - October, 2018**

**Elementary School District**

	<b>FALL</b>	<b>Audit Per</b>	
	<b>Per Enrollment</b>	<b>District Records</b>	<b>Difference</b>
	<b><u>Reports</u></b>	<b><u>District Records</u></b>	<b><u>Difference</u></b>
Kindergarten Full	10	10	0
Grades 1-6	69	69	0
Grades 7-8	24	24	0
Total Elementary	<u>103</u>	<u>103</u>	<u>0</u>

**Spring Enrollment - February, 2019**

**Elementary School District**

	<b>SPRING</b>	<b>Audit Per</b>	
	<b>Per Enrollment</b>	<b>District Records</b>	<b>Difference</b>
	<b><u>Reports</u></b>	<b><u>District Records</u></b>	<b><u>Difference</u></b>
Kindergarten - Full	11	11	0
Grades 1-6	71	71	0
Grades 7-8	27	27	0
Total Elementary	<u>109</u>	<u>109</u>	<u>0</u>

DeSmet Public School  
 Missoula County, Montana  
 EXTRACURRICULAR FUND  
**SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS**  
 Fiscal Year Ended June 30, 2019

FUND ACCOUNT	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers In(Out)</u>	<u>Ending Balance</u>
Band	\$ 595	\$ 1,725	\$ 2,029	\$ -	\$ 291
Book Fair	27	248	271	-	4
Fun Run/Nature Garden	1,829	1,781	1,237	-	2,373
Library Fines	97	324	324	-	97
RIF Community Projects	7,132	27	1,394	-	5,765
Science Club	12	500	226	-	286
Student Activity	2,079	-	-	-	2,079
Student Athletic	420	-	-	-	420
Student Council	714	1,367	1,348	-	733
Yearbook	960	690	693	-	957
8th Grade (2019)	-	8,843	8,867	377	353
8th Grade (2018)	377	-	-	(377)	-
Total	<u>\$ 14,242</u>	<u>\$ 15,505</u>	<u>\$ 16,389</u>	<u>\$ -</u>	<u>\$ 13,358</u>

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

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

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

To the Board of Trustees  
DeSmet Public School  
Missoula County  
Missoula, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of DeSmet Public School, Missoula County, Montana, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the DeSmet Public School's basic financial statements and have issued our report thereon dated June 10, 2020.

**Internal Control Over Financial Reporting**

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

*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 the DeSmet Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Derrington, Downey and Associates, CPAs, P.C.*

June 10, 2020

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

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

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**REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS**

To the Board of Trustees  
DeSmet Public School  
Missoula County  
Missoula, Montana

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

<u>Recommendation</u>	<u>Action Taken</u>
Misstatement of Cash and Due To and Due From Other Funds	Implemented

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

June 10, 2020