Ekalaka Public Schools

Independent Auditor's Report and
Financial Statements

Year Ended June 30, 2020

WIPFLI

Ekalaka Public Schools

Year Ended June 30, 2020

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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 Ekalaka Public Schools (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

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; 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 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 District'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 District'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.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Combined General Fund	Unmodified
High School Bus Depreciation Fund	Unmodified
Elementary Debt Service Fund	Unmodified
High School Building Reserve Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion

As discussed in Note 11 of the financial statements, management of the District has not implemented the requirements of GASB Statement No. 75 and has not determined the District's annual other post-employment benefit (OPEB) cost and OPEB obligation. Accounting principles generally accepted in the United States require that such costs and obligations, which would increase the liabilities and change the expenditures in the statement of net position and the statement of activities, respectively be recorded. The amount by which this departure would affect the liabilities and expenditures of the District's government-wide financial statements is not reasonable determined.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Ekalaka Public Schools as of June 30, 2020, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Ekalaka Public Schools, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that budgetary comparison information, the schedules of proportionate share of the net pension liability and schedules of contributions as listed in the table of contents, 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, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

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 combining balance sheet- general fund, combining schedule of revenue, expenditures and changes in fund balance - general fund, extracurricular activities - schedule of cash receipts, disbursements and changes in the net position, and the schedule of reported enrollment, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining balance sheet - general fund, combining schedule of revenue, expenditures and changes in fund balance - general fund, extracurricular schedule of cash receipts, disbursements and changes in the net position and the schedule of reported enrollment are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the basic 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 23, 2021 on our consideration of the District'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 the District's internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

Billings, Montana
June 23, 2021

Ekalaka Public Schools

Statement of Net Position

June 30, 2020

Assets:		
Cash and equivalents	$	1,344,895
Taxes receivable		2,647
Due from other governments		23,000
Inventories		21,664
Capital assets:		
Land		81,828
Depreciable assets, net		6,943,714
Total capital assets		7,025,542
Total assets		8,417,748
Deferred outflows of resources:		
Pension contributions and related differences and changes		215,436
Total deferred outflows of resources		215,436
Liabilities:		
Long-term liabilities:		
Due within one year:		
Notes payable		580,000
Due in more than one year:		
Notes payable		1,815,000
Compensated Absences		49,018
Net pension liability		1,399,224
Total liabilities		3,843,242
Deferred inflows of resources:		
Pension related differences and changes		83,654
Total deferred inflows of resources		83,654
Net position:		
Net investment in capital assets		4,630,542
Restricted for:		
Compensated absences		294
Other fund activities		555,275
Debt service		3,193
Capital projects		241,762
Unassigned deficit		(724,778)
Total net position	$	4,706,288

See accompanying notes to financial statements.

Ekalaka Public Schools

Statement of Activities

For the Year Ended June 30, 2020	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenue
Primary Government:				
Instruction:				
Regular programs	$ 1,257,952	$ -	$ 100,850	$ (1,157,102)
Special programs	61,725	-	27,676	(34,049)
Vocational programs	115,678	-	-	(115,678)
Adult education	770	-	-	(770)
Traffic education	1,914	1,500	718	304
Support services	512,981	-	-	(512,981)
Operations and maintenance	347,245	-	-	(347,245)
Student transportation	282,250	-	84,621	(197,629)
Food service	129,330	21,072	64,602	(43,656)
Extracurricular	103,289	-	-	(103,289)
Interest on long-term debt	72,938	-	-	(72,938)
Unallocated depreciation	19,503	-	-	(19,503)
Total governmental activities	$ 2,905,575	$ 22,572	$ 278,467	(2,604,536)
General revenues:				
Property taxes, levied for general purposes				1,909,546
County retirement distribution				213,263
State aid				820,319
Interest				26,861
Miscellaneous				11,696
Special items:				
Loss on asset disposal				(2,896)
Total general revenues				2,978,789
Change in net position				374,253
Net position, beginning of year				4,332,035
Net position, end of year				$ 4,706,288

See accompanying notes to financial statements.

Ekalaka Public Schools

Balance Sheet - Governmental Funds

June 30, 2020	Combined General Fund	High School Bus Depreciation Fund	Elementary Debt Service Fund	High School Building Reserve	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	$ 568,925	$ 343,374	$ 2,176	$ 172,933	$ 257,487	$ 1,344,895
Taxes receivable	1,093	67	1,017	118	352	2,647
Due from other governments	-	-	-	-	23,000	23,000
Inventories	21,664	-	-	-	-	21,664
Total assets	$ 591,682	$ 343,441	$ 3,193	$ 173,051	$ 280,839	$ 1,392,206
Liabilities, deferred inflows of resources and fund balances:						
Deferred inflows of resources:						
Unavailable tax revenue	1,093	67	1,017	118	352	2,647
Total deferred inflows of resources	1,093	67	1,017	118	352	2,647
Fund balances:						
Nonspendable:						
Inventories	21,664	-	-	-	-	21,664
Restricted for:						
Compensated absences	-	-	-	-	294	294
Other fund activities	-	343,374	-	-	211,514	554,888
Debt service	-	-	2,176	-	-	2,176
Capital projects	-	-	-	172,933	68,679	241,612
Unassigned	568,925	-	-	-	-	568,925
Total fund balances	590,589	343,374	2,176	172,933	280,487	1,389,559
Total liabilities, deferred inflows of resources and fund balances	$ 591,682	$ 343,441	$ 3,193	$ 173,051	$ 280,839	$ 1,392,206

See accompanying notes to financial statements.

Ekalaka Public Schools

Reconciliation of the Balance Sheet - Governmental Funds to the Government-Wide Statement of Net Position

June 30, 2020

Total fund balances, governmental funds	$	1,389,559
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the statement of net position.		7,025,542
Property taxes receivable that are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the statement of net position.		2,647
Deferred outflow and inflow of resources are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the statement of net position.		131,782
Some liabilities such as compensated absences, bonds payable and net pension liability, are not included in the fund financial statement, but are included in the governmental activities of the statement of net position.		(3,843,242)
Net position of governmental activities in the statement of net position	$	4,706,288

Ekalaka Public Schools

Statement of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds

For the Year Ended June 30, 2020	Combined General Fund	High School Bus Depreciation Fund	Elementary Debt Service Fund	High School Building Reserve	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes for general purposes	$ 836,757	$ 66,306	$ 633,676	$ 115,638	$ 256,405	$ 1,908,782
Tuition	-	-	-	-	1,500	1,500
Intergovernmental:						
County sources	-	-	-	-	256,375	256,375
State sources	722,535	5,562	-	12,476	64,698	805,271
Federal sources	-	-	-	-	159,081	159,081
Interest on investments	13,975	5,637	2,634	1,237	3,378	26,861
Food services (Charges for Services)	-	-	-	-	21,072	21,072
Miscellaneous	769	-	-	-	10,927	11,696
Total revenues	1,574,036	77,505	636,310	129,351	773,436	3,190,638
Expenditures:						
Current:						
Instruction	880,207	-	-	-	201,661	1,081,868
Support services	346,024	-	-	-	159,156	505,180
Operations and maintenance	257,022	-	-	28,349	45,331	330,702
Student transportation	15,729	-	-	-	193,895	209,624
Food services	39,969	-	-	-	88,047	128,016
Extracurricular	90,005	-	-	-	13,284	103,289
Capital outlay	26,530	21,972	-	18,801	21,972	89,275
Debt service	-	-	637,938	-	-	637,938
Total expenditures	1,655,486	21,972	637,938	47,150	723,346	3,085,892
Excess (deficiency) of revenues over expenditures	(81,450)	55,533	(1,628)	82,201	50,090	104,746
Other financing sources (uses):						
Transfers in	-	-	-	55,000	34,000	89,000
Transfers out	(70,000)	(10,000)	-	-	(9,000)	(89,000)
Total other financing sources and uses	(70,000)	(10,000)	-	55,000	25,000	-
Net change in fund balances	(151,450)	45,533	(1,628)	137,201	75,090	104,746
Fund balances, beginning of year	742,039	297,841	3,804	35,732	205,397	1,284,813
Fund balances, end of year	$ 590,589	$ 343,374	$ 2,176	$ 172,933	$ 280,487	$ 1,389,559

Ekalaka Public Schools

Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds to Government-Wide Statement of Activities

For the Year Ended June 30, 2020

Net change in fund balances - total governmental funds:	$	104,746
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.		(322,850)
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the statement of activities reports only the gain on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset lost.		(2,896)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.		764
Statement of activities report expenses that the governmental funds do not and are not reported as expenditures in the governmental funds:		
Compensated absences expense		(13,119)
Pension expense, net of state on-behalf revenue		(46,667)
Governmental funds report expenses that the statement of activities do not and are not reported as expenditures in statement of activities:		
Capital outlays,		89,275
Principal payments on debt		565,000
Change in net position of governmental activities	$	374,253

See accompanying notes to financial statements.

Ekalaka Public Schools

Statement of Fiduciary Net Position and Changes in Fiduciary Net Position

As of and for the Year Ended June 30, 2020	Private Purpose Trust Fund	Agency Fund
Assets:		
Cash and cash equivalents	$ 75,721	$ 272,366
Total assets	75,721	272,366
Liabilities:	-	-
Other liabilities	-	7,209
Warrants payable	-	265,157
Total liabilities	-	272,366
Net position:		
Held in trust for student activities	62,629	-
Reserved for scholarships	13,092	-
Total net position	75,721	-
Net liabilities and net position	$ 75,721	$ 272,366

Change in Fiduciary Net Positions	
Additions:	
Revenue from student activities	$ 124,440
Interest on investments	224
Total additions	124,664
Deductions:	
Expenses for student activities	119,472
Total deductions	119,472
Change in net position held in trust	5,192
Net position, beginning of year	70,529
Net position, end of year	$ 75,721

See accompanying notes to financial statements.

Note 1: Reporting Entity

Ekalaka Public Schools (the "District") was established under Montana law to provide educational services below the college and university level to residents of the District. The District actually consists of two separate legal entities, high school and elementary districts. Accounting records of both districts must be maintained separately per State Law because of differences in funding and tax base. Yet, both are managed by one central Board of Trustees elected by the citizens and by a central administration appointed by and responsible to the Board.

The criteria for including organizations within the District's reporting entity are set forth in Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity." This statement defines the financial reporting entity as the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. The District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such financial accountability that would result in the District being considered a component unit of the entity.

Carter County provides services to the District; tax billings and cash collections all flow through the office of the County Treasurer. The County Commissioners have the legal obligation to set levy amounts to finance the budget of the District, as directed by the Board of Trustees. Despite the degree of services rendered, the District has determined that neither Carter County nor any other outside agency meets the criteria set forth in the preceding paragraph and therefore, no other agency has been included as a component unit of the District's financial statements.

The District functions in a fiduciary capacity relating to the student extracurricular and scholarship funds.

Note 2: Summary of Significant Accounting Policies

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below:

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities show information about the overall financial position and activities of the District with the exception of the extracurricular and scholarship funds. The extracurricular fund, which accounts for the extracurricular activities of the District's students and the scholarship fund, which accounts for amounts contributed by and disbursed for student scholarships, are reported as private purpose trust funds in the statement of fiduciary net position and changes in fiduciary net position.

Note 2: Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to students or the public who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

Fund Financial Statements

The District uses funds to report on its financial position and results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate ‘fund types'.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments, sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category) for the determination of major funds.

The District reports the following major governmental funds:

General Fund – The general fund is the general operating fund of the District. It accounts for resources traditionally associated with government operations which are not required to be accounted for in another fund. The District maintains the general fund to account for most of the instructional and administrative aspects of the District’s operations and to account for repair and maintenance of District property.

Elementary Flex Fund - Authorized by Section 20-9-543, MCA, for the purpose of paying salaries, operating expenses, building expenses, and purchasing supplies and equipment. It is funded by a state grant and voted levy.

High School Flex Fund - Authorized by Section 20-9-543, MCA, for the purpose of paying salaries, operating expenses, building expenses, and purchasing supplies and equipment. It is funded by a state grant and voted levy.

The General Fund has been blended with the elementary and high school flex funds on the governmental fund financial statements for financial reporting purposes under GASB Statement No.54, Fund Balance Reporting and Governmental Fund Type Definitions.

Note 2: Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

High School Bus Depreciation Fund - Authorized by Section 20-10-147, MCA, for the purpose of financing the replacement of buses and two-way radio equipment owned by a school district. The fund may be used to replace route buses or athletics/activities buses and to purchase additional yellow school buses for routes. However, the Bus Depreciation Fund may not be used to purchase additional athletics/activities buses. Districts wishing to purchase these buses can do so from their General Fund, Extracurricular Fund, or Impact Aid Fund, if applicable.

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

High School Building Reserve Fund - 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 are used to report assets held in a trustee capacity for others and are therefore not available to support District programs. The reporting focus is on net position and changes in net position and are reported using generally accepted accounting principles similar to business in the private sector.

The District’s fiduciary funds are presented in the statement of fiduciary net position and statement of changes in fiduciary net position by type (private purpose and agency). Because by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide financial statements.

Basis of Accounting and Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related 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 eligibility requirements imposed by the provider have been met. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

Note 2: Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District recognizes property taxes as a receivable at the time an enforceable legal claim is established and considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Those revenues susceptible to accrual are property taxes, special assessments, grants, interest revenue, and charges for services. Capital asset acquisitions are reported as expenditures in governmental funds and issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The District reports unavailable tax revenue as deferred inflows of resources and advances from grantors as liabilities on its government-wide statement of net position and on its balance sheet-governmental funds. Unavailable tax revenues and advances from grantors arise when potential revenue does not meet both the 'measurable' and 'available' criteria for recognition in the current period. Advances from grantors also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to resources, the liability for advances from grantors and the deferred inflow of resources for unavailable tax revenues are removed from the balance sheet and revenue is recognized.

Cash and Investments

Cash resources of the District for all funds other than extracurricular fund, are combined with cash resources of other districts within Yellowstone County to form a pool of cash that is managed by the Yellowstone County Treasurer. Investments of the pooled cash consist primarily of certificates of deposit and repurchase agreements and are carried at cost which approximates fair value. Among the instruments which state statutes authorize the District to invest in are direct obligations of the United States government; in savings or time deposits in a state or national bank, building or loan association, savings and loan association, or credit union insured by the FDIC, FSLIC, or NCUA located in the state; in a repurchase agreement or Montana short-term investment pool. Interest income received is distributed to the appropriate fund utilizing a formula based on the respective fund’s previous month’s ending balance of cash and cash equivalents.

Note 2: Summary of Significant Accounting Policies (Continued)

Cash and Investments (Continued)

The District issues warrants in payment of its obligations. When the warrants are presented the County Treasurer, the District's cash balance is reduced to pay the warrant. The cash and warrants payable for the payroll and claims clearing funds are netted for reporting purposes.

The cash and warrants payable in the payroll and claims clearing account are as follows:

	Payroll Clearing	Claims Clearing
Cash	265,157	-
Warrants payable	265,157	-

Information regarding the collateral and security for cash and cash equivalents is not available to the District. Montana state statute requires that collateral to secure deposits of public funds be held in direct obligations of the United States government or its agencies.

Extracurricular fund cash of $65,175 at June 30, 2020, is held the bank of Summit National Bank. The accounts are insured by the FDIC up to $250,000.

Inventories

Inventories are valued at the lower of cost or market using the first-in, first-out (FIFO) method.

Capital Assets

Capital assets, which include land, building, buildings improvements, vehicles, equipment, and construction in progress are reported in the government-wide financial statements. The District defines capital assets as assets with an initial cost of more than $5,000 and an estimated life in excess of one year or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Note 2: Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Life
Land improvements	20 years
Buildings and building improvements	15-50 years
Machinery and equipment	7-25 years

Compensated Absences

All full-time District employees accumulate vacation and/or sick leave hours for later use or for payment upon termination, death or retirement. Vacation and sick leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the District will compensate the employees for the benefits through paid time off or some other means. The compensated absences liability fund is used to pay the accumulated vacation and/or sick leave of a non-teaching employee upon termination, death or retirement. Such reserve may not exceed 30% of the District's recorded liability for accumulated sick leave and 30% of accumulated vacation leave for non-teaching or administrative employees.

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the State of Montana's Teachers Retirement System and the State of Montana's Public Employee Retirement System and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents an expenditure of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditures) until that time. The District has only one item, which arises only under accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, pension contributions and related differences and changes, is reported in the government-wide statement of net position. This amount is deferred and recognized as an outflow of resources in the period that the plans recognize the contributions and related differences and changes.

Note 2: Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items, one which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable tax revenue, is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The second relates to the differences and changes related to investment returns and assumptions in the Teachers Retirement System of Montana and the Montana Public Employee Retirement System is reported in the government-wide statement of net position. The amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*, requires the fund balance amounts to be reported within one of the fund balance categories listed below.

Nonspendable: Amounts that cannot be spent because they are either (1) not in spendable form (e.g. inventories and prepaid amounts) or (2) legally or contractually required to be maintained intact (e.g. the corpus or principal of a permanent fund).

Restricted: Amounts that can be spent only for a specific purpose pursuant to state law, enabling legislation, grant agreement, or donor agreement.

Committed: Amounts that can be used only for specific purposes determined by a formal action of the School District's Board of Trustees (the District's highest level of decision making authority).

Assigned: Amounts that are intended to be used by the government for specific purposes under the direction of the District Clerk by authority granted by the Board of Trustees.

Unassigned: This fund balance is the residual classification for the government's general fund. It is also used to report negative fund balances in other governmental funds.

It is the District’s policy that for purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

Note 2: Summary of Significant Accounting Policies (Continued)

Fund Balances (Continued)

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. All encumbrances are classified as either assigned fund balance or committed fund balance. At June 30, 2020, there were no encumbrances.

Net Position

Net position represents the residual of assets plus deferred outflows less liabilities and deferred inflows. Net investment in capital assets represents net position in the form of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Property Taxes

Property taxes are collected by Carter County who remits to the District their respective share of the collections. The 2019 property tax levy, which was perfected and became a receivable in October 2019, was levied to finance District operations during the year ended June 30, 2020. The tax levy was collectible in November 2019 and May 2020. As of May 31, 2020, uncollected property taxes became delinquent. Property taxes are attached as an enforceable lien on the underlying property. After a period of three years, Carter County, the collecting agent, may begin foreclosure proceedings and sell the property at auction. The District receives its share of the sale proceeds from Flathead County.

All property taxes are recognized in compliance with GASB interpretation "Property Tax Revenue Recognition in Government Funds," which states that such revenue is recorded when it becomes measurable and available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Note 2: Summary of Significant Accounting Policies (Continued)

Subsequent Events

Management has evaluated the activities and transactions subsequent to June 30, 2020, to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended June 30, 2020. Management has performed this evaluation through June 23, 2021, the date the financial statements were available to be issued, and determined that no subsequent events requiring adjustment or disclosure have occurred.

Note 3: Capital Assets

Governmental activities capital asset balances and activity for the year ended June 30, 2020, were as follows:

Governmental Activities	Balance 7/1/2019	Additions	Deletions	Transfers/ Adjustments	Balance 6/30/2020
Capital assets, not being depreciated:					
Land	$ 81,828	$ -	$ -	$ -	$ 81,828
Total capital assets, not being depreciated	81,828	-	-	-	81,828
Capital assets, being depreciated:					
Land improvements	197,013	-	-	-	197,013
Buildings and improvements	8,102,308	45,331	-	-	8,147,639
Machinery and equipment	958,533	43,944	(37,102)	-	965,375
Total capital assets, being depreciated	9,257,854	89,275	(37,102)	-	9,310,027
Accumulated depreciation:					
Land improvements	(29,860)	(9,851)	-	-	(39,711)
Buildings and improvements	(1,581,769)	(216,122)	-	-	(1,797,891)
Machinery and equipment	(466,040)	(96,877)	34,206	-	(528,711)
Total accumulated depreciation	(2,077,669)	(322,850)	34,206	-	(2,366,313)
Total capital assets, being depreciated, net	7,180,185	(233,575)	(2,896)	-	6,943,714
Governmental activities capital assets, net	$ 7,262,013	$ (233,575)	$ (2,896)	$ -	$ 7,025,542

Note 3: Capital Assets (Continued)

Depreciation expense was charged to the functions of the District as follows:

Instruction	$	212,864
Operations & Maintenance		16,543
Student Transportation		72,626
Food service		1,314
Unallocated		19,503
Total depreciation expense	$	322,850

Note 4: Long-Term Debt

The following is a summary of changes in current and long-term debt obligations for the year ended June 30, 2020:

	7/1/2019	Additions	Reductions	6/30/2020	Due Within One Year	Due in More Than One Year
Compensated absences payable	$ 35,899	$ 13,119	$ -	$ 49,018	$ -	$ 49,018
Bonds payable	2,960,000	-	(565,000)	2,395,000	580,000	1,815,000
Net pension liability	1,283,853	115,371	-	1,399,224	-	1,399,224
Total	$ 4,279,752	$ 128,490	$ (565,000)	$ 3,843,242	$ 580,000	$ 3,263,242

The current portion of compensated absences has not been separately stated due to the indeterminable nature of the liability. The compensated absences liability will be liquidated by several of the governmental funds.

The elementary district issued a general obligation school building bond, series 2014, September 26, 2014 for the purpose of building a new elementary school. The amount of the bond issued was $5,600,000.

The first principal payment was due July 1, 2015, and annually thereafter, with the final payment due July 1, 2024. The principal payments range from $500,000 to $620,000. Interest is due semi-annually starting January 1, 2015. Interest rate on the bond ranges from 2.000% to 2.625%. Starting July 1, 2019, the bonds may be called paying par value plus accrued interest.

Future bond obligations are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	$ 580,000	$ 306,431	$ 886,431
2022	590,000	293,831	883,831
2023	605,000	283,500	888,500
2024	620,000	269,200	889,200
Total	$ 2,395,000	$ 1,152,962	$ 3,547,962

Note 5: Employee Benefit Pension Plans

Teachers' Retirement System of Montana

a. Summary of Significant Accounting Policies

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

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

b. Plan Description

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

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

c. Summary of Benefits

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

- 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)

Note 5: Employee Benefit Pension Plans (Continued)

- Tier Two has a one percent higher normal employee contribution rate (though a temporary 1% supplemental employee contribution rate is also now currently in place for Tier One members), and
- Tier Two provides for an enhanced benefit calculation - 1.85% x AFC x years of creditable service - for members retiring with at least 30 years of creditable service and at least 60 years of age (rather than 1.6667 x AFC x years of creditable service).

A guaranteed annual benefit adjustment (GABA) is payable on January 1st of each calendar year for each retiree who has received at least 36 monthly retirement benefit payments prior to that date. The GABA is applicable to both Tier One and Tier Two members. The GABA for Tier One members is 1.5% of the benefit payable as of January 1st. For Tier Two members the GABA each year may vary from 0.5% to 1.5% based on the retirement system's funding status and the period required to amortize any unfunded accrued actuarial liability as determined in the prior actuarial valuation.

d. Overview of Contributions

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

The tables below show the legislated contribution rates for TRS members, districts and the state.

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

Note 5: Employee Benefit Pension Plans (Continued)

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

e. TRS Stand-Alone Statements

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

f. Actuarial Assumptions

The total pension liability as of June 30, 2019, is based on the results of an actuarial valuation date of July 1, 2019. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2019 valuation were based on the results of the last actuarial experience study, dated May 3, 2018. Among those assumptions were the following:

- Total wage increases* — 3.25% - 7.76% for Non-University Members and 4.25% for University Members
- Investment return — 7.50%
- Price inflation — 2.50%
- Postretirement Benefit Increases
  - Tier One Members: If the retiree has received benefits for the at least 3 years, the retirement allowance will be increased by 1.5% on January 1st.
  - Tier Two Members: The retirement allowance will be increased by an amount equal to or greater than .5%, but no more than 1.5% if the most recent actuarial valuation shows the System to be at least 90% funded and the provisions of the increase is not projected to cause the funded ratio to be less than 85%.
- Mortality among contributing members, service retired members, and beneficiaries
  - For Males and Females: RP-2000 Healthy Combined Mortality Table Projected to 2022 adjusted for partial credibility setback for two years.

Note 5: Employee Benefit Pension Plans (Continued)

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

*Total wage increases include 3.25% general wage increase assumption

g. Discount Rate

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

h. Target Allocations

Asset Class	Target Asset Allocation (a)	Real Rate of Return Arithmetic Basis (b)	Long-Term Expected Portfolio Real Rate of Return* (a) x (b)
Domestic Equity	35.00 %	6.05 %	2.12 %
International Equity	18.00 %	7.01 %	1.26 %
Private Equity	10.00 %	10.53 %	1.05 %
Natural Resources	3.00 %	4.00 %	0.12 %
Core Real Estate	7.00 %	5.65 %	0.40 %
TIPS	3.00 %	1.40 %	0.04 %
Intermediate Duration Bonds	19.00 %	2.17 %	0.41 %
High Yield Bonds	3.00 %	4.09 %	0.12 %
Cash	2.00 %	0.78 %	0.02 %
	100.00 %		5.54 %
		Inflation	2.50 %
	Expected arithmetic nominal return		8.04 %

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

Note 5: Employee Benefit Pension Plans (Continued)

The long term capital market assumptions published in the Survey of Capital Market Assumptions 2019 Edition by Horizon Actuarial Service, LLC, yield a median real return of 4.91%. Based on this information, the Board's adopted assumption of 5.00% for the real return is reasonable. Combined with the 2.50% inflation assumption, the resulting nominal return is 7.50%.

i. Sensitivity Analysis

	1% Decrease 6.50%	Current Discount Rate	1% Increase 8.50%
District's portion of net pension liability	1,567,773	1,146,245	793,073

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.

j. Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Montana Teachers' Retirement System (TRS or the System). Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective net pension liability. In accordance with Statement 68, the System has a special funding situation in which the state of Montana is legally responsible for making contributions directly to TRS that are used to provide pension benefits to the retired members of TRS. Due to the existence of a special funding situation, employers are also required to report the portion of the state of Montana's proportionate share of the collective net pension liability that is associated with the employer. The following table displays the amounts and the percentages of net pension liability for the fiscal years ended June 30, 2020 and June 30, 2019 (reporting dates).

	Net pension liability as of 6/30/2020	Net pension liability as of 6/30/2019	Percent of Collective NPL as of 6/30/2020	Percent of Collective NPL as of 6/30/2019	Change in Percent of Collective NPL
District proportionate share	$ 1,146,245	$ 1,088,234	0.0594 %	0.0586 %	0.0008 %
State of Montana proportionate share associated with the District	695,171	681,018	0.0361 %	0.0367 %	(0.0006)%
Total	$ 1,841,416	$ 1,769,252	0.0955 %	0.0953 %	0.0002 %

Note 5: Employee Benefit Pension Plans (Continued)

At June 30, 2020, the District recorded a liability of $1,146,245 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The District's proportion of the net pension liability was based on the District's contributions received by TRS during the measurement period July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of TRS' participating employers. At June 30, 2020, the District's proportion was 0.0594 percent.

***Changes in actuarial assumptions and other inputs*:** The Guaranteed Annual Benefit Adjustment (GABA) for Tier Two members is a variable rate between 0.50% and 1.50% as determined by the Board. Since an increase in the amount of the GABA is not automatic and must be approved by the Board, the assumed increase was lowered from 1.50% to the current rate of 0.50% per annum.

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

***Change in proportionate share*:** There were no changes between the measurement date of the collective net pension liability and the reporting date. However, each employer may have unique circumstances that will impact the employer's proportionate share of the collective net pension liability.

k. Pension Expense

	Pension Expense as of 6/30/2020
District proportionate share	$ 126,988
State of Montana proportionate share associated with the District	84,795
Total	$ 211,783

At June 30, 2020, the District recognized pension expense of $211,783 for its proportionate share of the TRS' pension expense. The District also recognized grant revenue of $84,795 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the District.

Note 5: Employee Benefit Pension Plans (Continued)

I. Deferred Inflows and Outflows

At June 30, 2020, the District reported its proportionate share of TRS' deferred outflows of resources and deferred inflows of resources related to TRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	7,587	-
Changes in actuarial assumptions	57,235	2,570
Difference between projected and actual investment earnings	11,111	-
Changes in proportion and differences between actual and expected contributions	6,401	32,602
*Contributions paid to TRS subsequent to the measurement date - FY 2020 contributions	75,036	-
Total	157,370	35,172

*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, 2021.

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

Year ended June 30:	Amount of Deferred Outflows (Inflows) to be recognized as an increase or (decrease) to Pension Expense
2021	34,384
2022	(764)
2023	4,344
2024	9,198

Note 5: Employee Benefit Pension Plans (Continued)

Montana Public Employee Retirement System

a. Summary of Significant Accounting Policies

MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the net pension liability (NPL); deferred outflows of resources and deferred inflows of resources related to pensions; pension expense; the fiduciary net position; and, additions to or deductions from fiduciary net position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

b. General Information about the Pension Plan

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

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

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

Service retirement

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

- Hired on or after July 1, 2011:
  - Age 65, 5 years of membership service;
  - Age 70, regardless of membership service.

Note 5: Employee Benefit Pension Plans (Continued)

Early Retirement

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

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

- Retired before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:
  - A refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018).
  - No service credit for second employment;
  - Start the same benefit amount the month following termination; and
  - Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
- Retired before January 1, 2016 and accumulate at least 2 years of additional service credit:
  - A recalculated retirement benefit based on provisions in effect after the initial retirement; and
  - GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.
- Retired on or after January 1, 2016 and accumulate 5 or more years of service credit:
  - The same retirement as prior to the return to service;
  - A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
  - GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Member's highest average compensation (HAC)

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

Compensation Cap

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

Monthly benefit formula

- Members hired prior to July 1, 2011
  - Less than 25 years of membership service: 1.785% of HAC per year of service credit;
  - 25 years of membership service or more: 2% of HAC per year of service credit.
- Members hired on or after July 1, 2011
  - Less than 10 years of membership service: 1.5% of HAC per year of service credit;
  - 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
  - 30 years or more of membership service: 2% of HAC per year of service credit.

Note 5: Employee Benefit Pension Plans (Continued)

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

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and July 30, 2013
- Members hired on or after July 1, 2013
    a. 1.5% each year PERS is funded at or above 90%;
    b. 1.5% is reduced by 0.1% for each 2.0% PERS is funded below 90%; and
    c. 0% whenever the amortization period for PERS is 40 years or more.

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

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

Not Special Funding: Per Montana law, state agencies and universities paid their own additional contributions. The employer paid contributions are *not* accounted for as special funding for state agencies and universities but are reported as employer contributions.

Member and employer contribution rates are shown in the table below.

	Member		**States & Universities**	**Local Government**		**School Districts**	
Fiscal Year	**Hired <7/1/11**	**Hired >7/1/11**	**Employer**	**Employer**	**State**	**Employer**	**State**
2020	7.900 %	7.900 %	8.770 %	8.670 %	0.100 %	8.400 %	0.370 %
2019	7.900 %	7.900 %	8.670 %	8.570	0.100 %	8.300 %	0.370 %
2018	7.900 %	7.900 %	8.570 %	8.470 %	0.100 %	8.200 %	0.370 %
2017	7.900 %	7.900 %	8.470 %	8.370 %	0.100 %	8.100 %	0.370 %
2016	7.900 %	7.900 %	8.370 %	8.270 %	0.100 %	8.000 %	0.370 %
2015	7.900 %	7.900 %	8.270 %	8.170 %	0.100 %	7.900 %	0.370 %
2014	7.900 %	7.900 %	8.170 %	8.070 %	0.100 %	7.800 %	0.370 %
2012-2013	6.900 %	7.900 %	7.170 %	7.070 %	0.100 %	6.800 %	0.370 %
2010-2011	6.900 %	- %	7.170 %	7.070 %	0.100 %	6.800 %	0.370 %
2008-2009	6.900 %	- %	7.035 %	6.935 %	0.100 %	6.800 %	0.235 %
2000-2007	6.900 %	- %	6.900 %	6.800 %	0.100 %	6.800 %	0.100 %

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

Note 5: Employee Benefit Pension Plans (Continued)

2. Employer contribution to the system:
    a. Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contribution rates.
    b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
    c. The portion of employer contributions allocated to the PCR are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.

3. Non-Employer Contributions:
    a. Special Funding
        i. The State contributed 0.1% of members' compensation on behalf of local government entities.
        ii. The State contributed 0.37% of members' compensation on behalf of school district entities.
        iii. The State contributed a Statutory Appropriation from the General Fund of $33,615,000.

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

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's total pension liability (TPL). The basis for the TPL as of June 30, 2019, was determined by taking the results of the June 30, 2018, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

The TPL minus the fiduciary net position equals the net pension liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2019 and 2018, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The employer recorded a liability of $252,979 and the employer's proportionate share was 0.012102 percent.

Note 5: Employee Benefit Pension Plans (Continued)

As of measurement date	Net pension liability as of 6/30/2019	Net pension liability as of 6/30/2018	Percent of Collective NPL 6/30/2019	Percent of Collective NPL 6/30/2018*	Change in Percent of Collective NPL
District proportionate share	$ 252,979	$ 195,619	0.012102 %	0.009373 %	0.002729 %
State of Montana proportionate share associated with the District	96,138	77,882	0.004599 %	0.003732 %	0.000867 %
Total	$ 349,117	$ 273,501	0.016701 %	0.013105 %	0.003596 %

*To be consistent with this year's calculation of the State of Montana Proportionate Share Associated with the District Percent of Collective NPL, the June 30, 2018 percentage has been recalculated using the actual State percentage presented on the allocation calculation instead of the 100% displayed last year. This does not change the dollar amount of the Net Pension Liability as of 6/30/2018, just the percentage.

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

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

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

Pension Expense: At June 30, 2019, the employer recognized $16,467 for its proportionate share of the Plan's pension expense and recognized grant revenue of $1,144 for the state of Montana proportionate share of the pension expense associated with the employer. Additionally, the employer recognized grant revenue of $5,383 from the State Statutory Appropriation from the general fund.

As of measurement date	Pension Expense as of 6/30/2019
District proportionate share	$ 16,467
District grant revenue - state of Montana proportionate share for the District	1,144
District grant revenue - state of Montana appropriation for the District	5,383
Total	$ 22,994

Note 5: Employee Benefit Pension Plans (Continued)

Recognition of Deferred Inflows and Outflows: At June 30, 2019, the employer reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. actual experience	11,996	11,904
Projected investment earnings vs actual investment earnings	3,067	-
Changes in assumptions	10,740	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	36,578
District contributions subsequent to the measurement date *	32,263	-
Total	58,066	48,482

*Amounts reported as deferred outflows of resources related to pensions resulting from 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, 2021.

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

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in future years as an increase or (decrease) in pension expense
2020	(9,254)
2021	(17,319)
2022	1,141
2023	2,753
Thereafter	-

Note 5: Employee Benefit Pension Plans (Continued)

Actuarial Assumptions: The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions.

Investment return (net of admin expense)	7.65%
Admin expense as % of payroll	.026%
General wage growth* *includes inflation at	3.50% 2.75%
Merit increases	0% to 6.30%
Postretirement benefit increases 1. Guaranteed Annual Benefit Adjustment (GABA) each January • After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit. • Members hired prior to July 1, 2007 • Members hired between July 1, 2007 & June 30, 2013 • Members hired on or after July 1, 2013 • For each year PERS is funded at or above 90% • The 1.5% is reduced by 0.1% for each 2.0% PERS is funded below 90% • 0% whenever the amortization period for PERS is 40 years or more	 3.0% 1.5% 1.5% 0%
Mortality • Contributing members, service retired members & beneficiaries • Disabled members	 RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, set back one year for males RP-2000 Combined Mortality Tables, with no projections

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a report dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. Several factors are considered in evaluating the long-term rate of return assumption including historical rates of return, rate of return assumptions adopted by similar public-sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019, are summarized in the table below.

Note 5: Employee Benefit Pension Plans (Continued)

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
Cash Equivalents	3.0 %	4.09 %
Domestic Equity	36.0 %	6.05 %
Foreign Equity	18.0 %	7.01 %
Fixed Income	23.0 %	2.17 %
Private Equity	12.0 %	10.53 %
Real Estate	8.0 %	5.65 %
Total	100.0 %	

Discount Rate: The discount rate used to measure the TPL was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed a statutory appropriation from the general fund. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

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

As of measurement date	1% Decrease (6.65%)	Current Discount Rate	1% Increase (8.65%)
District's net pension liability	363,459	252,979	160,135

d. PERS Disclosure for the Defined Contribution Plan

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

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

Note 5: Employee Benefit Pension Plans (Continued)

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

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

At the plan level for the measurement period ended June 30, 2019, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the *defined contribution* plan. Plan level non-vested forfeitures for the 316 employers that have participants in the PERS-DCRP totaled $714,024.

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

Note 6: Risk Management

The District is exposed to a considerable number of risks of loss, including: (1) damage to and loss of property and contents, (2) employee torts, (3) professional liability (e.g. errors and omissions), (4) environmental damage, (5) workers' compensation, (e.g. employee injuries), (6) and medical insurance costs of employees. Commercial policies transferring the risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, employee torts, and professional liabilities. Given the lack of coverage available, the District has no coverage for potential losses from environmental damages.

Coverage limits and the deductibles on the commercial policies have stayed relatively constant for the last several years, except for property and content coverage where the guaranteed values have been increased to approximate replacement cost of the assets. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years. The District is a participant in the Montana Schools Group Insurance Authority (MSGIA), Workers' Compensation Risk Retention Program, a public entity risk pool governed by schools for the benefit of schools and educational cooperatives located within the State of Montana. The District pays premiums on an experience-rated basis calculated actuarially to spread and moderate the costs of claims loss to each member of the pool. If the MSGIA experiences an unusually large number of losses under the workers' compensation programs during a policy year, such that notwithstanding reinsurance coverage for large individual losses, the joint insurance funds for the program may be exhausted before the next annual premiums are due, the Board of Trustees may, upon consultation with an actuary, impose premium surcharges on all participating entities, which, in total amount, will assure adequate funds to the MSGIA for the payment of all such losses.

Note 6: Risk Management (Continued)

The District is also a participant in the Montana Schools Unemployment Insurance Program (MSUIP), sponsored by the Montana School Boards Association and the Montana Association of School Business Officials, for the benefit of schools and cooperatives located within the State of Montana. The program was created pursuant to the Montana Interlocal Cooperation Act by execution of an Interlocal Agreement. The program is responsible for reimbursing the Department of Labor for all valid unemployment benefit claims of the member school districts. Each member of the program 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 COVID -19 pandemic has impacted and could further impact the District's operations and the operations of the District's suppliers and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts the District's operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the District's constituents , suppliers, and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. Even after the COVID-19 pandemic has subsided, the District may continue to experience adverse impacts to its operations as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the District cannot reasonably estimate the impact at this time.

Note 7: Due From Other Governments

Due from other governments at June 30, 2020 consists of amounts owed to the District from other governmental entities. These consist of the following:

	Total
Elementary miscellaneous programs	$ 23,000
Total	$ 23,000

Note 8: Non-Monetary Transactions

The District received $6,441 in USDA Commodities during the 2019–2020 fiscal year. The commodities received are valued at the average wholesale price as determined by the distributing agency. All commodities received by the District were treated as an expense of the fund receiving the commodities.

Note 9: Contingent Liabilities

The District participates in a number of federally assisted grant programs that are subject to audit and adjustment by the grantors. Such grantor audits of these programs, if any, for or including the year ended June 30, 2020, have not yet been conducted. Accordingly, the District's compliance with applicable grant requirements for those programs if audited by grantor agencies will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Note 10: Resource Transfers

During the year ended June 30, 2020, the District made resource transfers from the general fund, to the elementary building reserve in the amount of $10,000 and the high school building reserve fund in the amount of $55,000 to finance building maintenance. The District also made resource transfers of $5,000, $5,000, $10,000, $2,000 and $2,000 from the general fund, elementary bus depreciation, high school bus depreciation, elementary adult education and, and high school education funds, respectively, to the high school interlocal agreement fund pursuant to Montana code annotated section 20-9-704.

Note 11: Other Postemployment Benefits (OPEB)

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions, is an accounting and financial reporting requirement for employers to measure and report the cost and liabilities associated with other (than pension) postemployment benefits (OPEB).

The District participated in a multi-employer defined benefit healthcare plan administered by Montana Unified School Trust for employee and retired members during the year ended June 30, 2020. A retiree who retires with the Teachers' Retirement System (TRS) or the Public Employees' Retirement System (PERS) is eligible to keep the District's health insurance as a retiree. Retirement eligibility is determined based on a minimum of reaching age 50 with at least 5 years of membership with a TRS or PERS employer. The retiree is on the same medical plan as the District's active employees. The contribution requirement of plan members is established by the District's compensation committee in conjunction with their insurance provider. The required contribution is based on projected pay-as-you-go financing requirements.

The District has not implemented the requirements of GASB Statement 75 and as a result has not determined its annual OPEB cost and net OPEB obligation. The District's plan is considered to be unfunded since there are no assets and retiree benefits are paid annually on the cash basis.

Required Supplementary Information

Ekalaka Public Schools
Budgetary Comparison Schedule

For the Year Ended June 30, 2020	**General Fund**		
	Original Budget	Final Budget	Actual
Revenues:			
Property taxes	$ 837,355	$ 837,355	$ 836,757
Intergovernmental revenues:			
State sources	678,479	678,479	722,396
Interest on investments	740	740	4,837
Other revenue	-	-	769
Total revenues before reappropriations	1,516,574	1,516,574	1,564,759
Budgeted reappropriations	2,500	2,500	
Total revenues and reappropriations	1,519,074	1,519,074	
Expenditures:			
Current:			
Instruction	1,519,074	1,519,074	853,940
Support services	-	-	299,084
Operation and maintenance	-	-	242,980
Student transportation	-	-	70
Food services	-	-	24,992
Extracurricular	-	-	90,005
Total expenditures	1,519,074	1,519,074	1,511,071
Excess (deficiency) of revenues over expenditures	$ -	$ -	53,688
Other Financing Sources (Uses):			
Operating transfers in (out)			(70,000)
Total other financing sources (uses)			(70,000)
Excess (deficiency) of revenues and other sources over expenditures			(16,312)
Fund balance, beginning (Non-GAAP budgetary basis)			164,413
Fund balance, ending (Non-GAAP budgetary basis)			148,101
Adjustments to generally accepted accounting principles			
Current year encumbrances included in expenditures			-
Fund balance, ending (GAAP basis)			$ 148,101

Ekalaka Public Schools
Budgetary Comparison Schedule

For the Year Ended June 30, 2020	**Elementary Flex Fund**		
	Original Budget	Final Budget	Actual
Revenues:			
Intergovernmental revenues:			
State sources	-	-	139
Interest on investments	2,500	2,500	3,587
Total revenues before reappropriations	2,500	2,500	3,726
Budgeted reappropriations	216,854	216,854	
Total revenues and reappropriations	219,354	219,354	
Expenditures:			
Current:			
Instruction	219,354	219,354	25,334
Support services	-	-	23,792
Operation and maintenance	-	-	2,388
Food services	-	-	14,977
Total expenditures	219,354	219,354	66,491
Excess (deficiency) of revenues over expenditures	$ -	$ -	(62,765)
Fund balance, beginning (Non-GAAP budgetary basis)			216,854
Fund balance, ending (Non-GAAP budgetary basis)			154,089
Adjustments to generally accepted accounting principles			
Current year encumbrances included in expenditures			-
Fund balance, ending (GAAP basis)			$ 154,089

Ekalaka Public Schools

Budgetary Comparison Schedule

For the Year Ended June 30, 2020	High School Flex Fund		
	Original Budget	Final Budget	Actual
Revenues:			
Interest on investments	3,500	3,500	5,551
Total revenues before reappropriations	3,500	3,500	5,551
Budgeted reappropriations	360,772	360,772	
Total revenues and reappropriations	364,272	364,272	
Expenditures:			
Current:			
Instruction	364,272	364,272	933
Support services	-	-	23,148
Operation and maintenance	-	-	11,654
Student transportation	-	-	15,659
Capital outlay	-	-	26,530
Total expenditures	364,272	364,272	77,924
Excess (deficiency) of revenues over expenditures	$ -	$ -	(72,373)
Fund balance, beginning (Non-GAAP budgetary basis)			360,772
Fund balance, ending (Non-GAAP budgetary basis)			288,399
Adjustments to generally accepted accounting principles			
Current year encumbrances included in expenditures			-
Fund balance, ending (GAAP basis)			$ 288,399

Ekalaka Public Schools

Budgetary Comparison Schedule

For the Year Ended June 30, 2020	High School Bus Depreciation Fund		
	Original Budget	Final Budget	Actual
Revenues:			
Property taxes	$ 66,178	$ 66,178	$ 66,306
Intergovernmental revenues:			
State sources	-	-	5,562
Interest on investments	-	-	5,637
Total revenues before reappropriations	66,178	66,178	77,505
Budgeted reappropriations	297,841	297,841	
Total revenues and reappropriations	364,019	364,019	
Expenditures:			
Current:			
Student transportation	364,019	364,019	-
Capital outlay	-	-	21,972
Total expenditures	364,019	364,019	21,972
Excess (deficiency) of revenues over expenditures	$ -	$ -	55,533
Other Financing Sources (Uses):			
Operating transfers in (out)			(10,000)
Total other financing sources (uses)			(10,000)
Excess (deficiency) of revenues and other sources over expenditures			45,533
Fund balance, beginning (Non-GAAP budgetary basis)			297,841
Fund balance, ending (Non-GAAP budgetary basis)			343,374
Adjustments to generally accepted accounting principles			
Current year encumbrances included in expenditures			-
Fund balance, ending (GAAP basis)			$ 343,374

Ekalaka Public Schools

Notes to Budgetary Comparison Schedule

1) Budgetary Process

State Law requires that the District adopt budgets for certain funds, generally those supported by property taxes. Budgeted and non-budgeted funds are as follows:

Fund	Budgeted	Non-Budgeted
Governmental Funds:		
General	X	
Transportation	X	
Bus Depreciation	X	
School Food Services		X
Tuition	X	
Retirement	X	
Miscellaneous Programs		X
Adult Education	X	
Traffic Education		X
Compensated Absences		X
Impact Aid		X
Technology	X	
Flex Fund	X	
Interlocal		X
Debt Service	X	
Building		X
Building Reserve	X	
Endowment		X
Fiduciary Funds:		
Extracurricular		X
Payroll Clearing		X
Claims Clearing		X
High School Endowment		X

2) Budgets

The District's budget is prepared on the modified accrual basis of accounting, including encumbrances, which results in the accounting for certain transactions to be on a basis other than accounting principles generally accepted in the United States (modified accrual). The District's accounting records are maintained on the basis of cash receipts and disbursements during the year. At year end, certain adjustments are made to the District's accounting records to reflect the basis of accounting described above. Reported budget amounts represent the originally adopted budget. Total fund expenditures may not legally exceed the budgeted expenditures. The budget lapses at the end of each year. The results of operations, on the budget basis of accounting, described above, are presented in the budgetary comparison schedule to provide a meaningful comparison of actual results with the budget.

General fund budgets are based on the State of Montana's Foundation Program, which is based primarily on enrollment. Budgets of other funds are based on expected revenues and expenditures. Budgeted fund expenditures are limited by State Law to budgeted amounts which may be amended for emergencies as defined by State Law. Budget authority may be transferred between expenditure classifications within the same fund.

a. **Budgetary policy follows:**

1. By the second Monday in July, the County Assessor transmits a statement of the assessed valuation and taxable valuation of all property to the County Superintendent of Schools.

2. Before the second Monday in August, the County Superintendent estimates revenue by fund and provides this information to the Board of Trustees prior to the final budget meeting.

3. On the second Monday in August, the Board of Trustees must meet to legally adopt the final budget. This budget is adopted consistent with the District's basis of accounting, except for encumbrances discussed below.

4. Upon adoption of the final budget, expenditures and operating transfers are limited to the total fund budget. Unexpended and unencumbered appropriations lapse at year end. Under State Law and District Policy, management may amend the budget without seeking Board approval as long as the total individual fund budget is not exceeded.

5. Individual fund budgets may only be increased with Board approval, in a manner prescribed by State Law (MCA 20-9-161 through MCA 20-9-166).

Encumbrances outstanding at year-end represent the estimated amount of expenditures ultimately to result if unperformed purchase orders or contracts in process at year-end were completed. They do not constitute expenditures or liabilities and will not until performance is essentially complete. The encumbrances have been reported as an assignment of fund balance of the balance sheet – governmental funds. Because inclusion of these obligations is required for budgetary purposes, they have been included in expenditures in the budgetary comparison schedule. The difference between this basis of presentation and GAAP basis is reconciled on the face of this statement.

Ekalaka Public Schools

Schedule of Proportionate Share of the Net Pension Liability
Teacher's Retirement System of Montana

Determined as of the Measurement Date

	2020	2019	2018	2017	2016
District's proportion of the net pension liability	0.0594 %	0.0586 %	0.0622 %	0.0600 %	0.0596 %
District's proportionate share of the net pension liability associated with the District	1,146,245	1,088,234	1,048,495	1,095,202	979,410
State of Montana's proportionate share of the net pension liability associated with the District	695,171	681,018	665,753	716,845	663,044
Total	1,841,416	1,769,252	1,714,248	1,812,047	1,642,454
District's covered payroll	806,927	783,124	820,212	778,106	760,863
District's proportionate share of the net pension liability as a percentage of its covered payroll	142.05 %	138.96 %	127.83 %	140.75 %	128.72 %
Plan fiduciary net position as a percentage of the total pension liability	68.64 %	69.09 %	70.09 %	66.69 %	69.30 %

	2015
District's proportion of the net pension liability	0.0555 %
District's proportionate share of the net pension liability associated with the District	853,693
State of Montana's proportionate share of the net pension liability associated with the District	587,324
Total	1,441,017
District's covered payroll	699,604
District's proportionate share of the net pension liability as a percentage of its covered payroll	122.03 %
Plan fiduciary net position as a percentage of the total pension liability	70.36 %

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

Ekalaka Public Schools

Schedule of Contributions

Teacher's Retirement System of Montana

Determined as of the Reporting Date

	2020	2019	2018	2017	2016
Contractually required contributions	75,036	72,382	71,716	71,932	67,468
Contributions in relation to the contractually required contributions	75,036	72,382	71,716	71,932	67,468
Contribution deficiency (excess)	0	0	0	0	0
District's covered payroll	827,294	806,927	783,124	820,212	778,106
Contributions as a percentage of covered payroll	9.07 %	8.97 %	9.16 %	8.77 %	8.67 %

	2015
Contractually required contributions	65,204
Contributions in relation to the contractually required contributions	65,204
Contribution deficiency (excess)	0
District's covered payroll	760,863
Contributions as a percentage of covered payroll	8.57 %

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

Ekalaka Public Schools

Notes to Required Supplementary Information
Teachers Retirement System of Montana

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

1) **Final Average Compensation:** average of earned compensation paid in five consecutive years of full-time service that yields the highest average.
2) **Service Retirement:** eligible to receive a service retirement benefit if the member has been credited with at least five full years of creditable service and has attained the age of 60; or has been credited with 30 or more years of full-time or part-time creditable service and has attained age 55.
3) **Early Retirement:** eligible to receive an early retirement allowance if a member is not eligible for service retirement but has at least five years of creditable service and attained age 55.
4) **Professional Retirement Option:** if the member has been credited with 30 or more years of service and has attained the age of 60, they are eligible for an enhanced allowance equal to 1.85% of average final compensation times all service at retirement. Otherwise, the multiplier used to calculate the retirement allowance will be equal to 1.67%.
5) **Annual Contribution:** 8.15% of member's earned compensation.
6) **Supplemental Contribution Rate:** on or after July 1, 2023, the TRS Board may require a supplemental contribution up to 0.5% if the following three conditions are met:
   a. The average funded ratio of the System based on the last three annual actuarial valuations is equal to or less than 80%; and
   b. The period necessary to amortize all liabilities of the System based on the latest annual actuarial valuation is greater than 20 years; and
   c. A state or employer contribution rate increase or a flat dollar contribution to the Retirement System Trust fund has been enacted that is equivalent to or greater than the supplemental contribution rate imposed by the TRS Board.
7) **Disability Retirement:** A member will not be eligible for a disability retirement if the member is or will be eligible for a service retirement on the sate of termination.
8) **Guaranteed Annual Benefit Adjustment (GABA):**
   a. If the most recent actuarial valuation shows that Retirement System liabilities are at least 90% funded and the provision of the increase is not projected to cause the System's liabilities to be less than 85% funded, the GABA may increase from the 0.5% floor up to 1.5%, as set by the Board.

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

- Annual state contribution equal to $25 million paid to the System in monthly installments.
- One-time contribution payable to the Retirement System by the trustees of a school district maintaining a retirement fund. The one-time contribution to the Retirement System shall be the amount earmarked as an operating reserve in excess of 20% of the adopted retirement fund budget for the fiscal year 2013. The amount received was $22 million in FY 2014.
- 1% supplemental employer contribution. This will increase the current employer rates:
    - School districts contributions will increase from 7.47% to 8.47%.
    - The Montana University System and state agencies will increase from 9.85% to 10.85%.
    - The supplemental employer contribution will increase by 0.1% each fiscal year for fiscal year 2014 through 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 2019:

- The Guaranteed Annual Benefit Adjustment (GABA) for Tier Two members is a variable rate between 0.50% and 1.50% as determined by the Board. Since an increase in the amount of the GABA is not automatic and must be approved by the Board, the assumed increase was lowered from 1.50% to the current rate of 0.50% per annum.

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

- Assumed rate of inflation 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:
    - For Males and Females: RP-2000 Healthy Combined Mortality Table Projected to 2022 adjusted for partial credibility setback for two years.
    - The tables include margins for mortality improvement which is expected to occur in the future.
- Mortality among disabled members was updated to the following:
    - For Males: RP 2000 Disabled Mortality Table, set back three years, with mortality improvements projected by Scale BB to 2022.
    - For Females: RP 2000 Disabled Mortality Table, set forward two years, with mortality improvements projected by Scale BB to 2022.

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

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

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

The following changes to the actuarial assumption 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 assumption 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 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	31 years
Asset valuation method	4-year smoothed market
Inflation	2.50 percent
Salary increase	3.25 to 7.76 percent, including inflation for Non-University Members and 4.25% for University Members
Investment rate of return	7.50 percent , net of pension plan investment expense, and including inflation

Ekalaka Public Schools

Schedule of Proportionate Share of the Net Pension Liability
Montana Public Employees Retirement System

Determined as of the Measurement Date

	2019	2018	2017	2016	2015
District's proportion of the net pension liability (percentage)	0.012102 %	0.009373 %	0.016375 %	0.019308 %	0.019394 %
District's net pension liability (amount)	252,979	195,619	318,923	328,877	271,097
State's net pension liability (amount)	96,138	77,882	20,313	15,370	12,739
Total	349,117	273,501	339,236	344,247	283,836
District's covered payroll	206,186	159,212	209,904	239,078	234,004
District's proportionate share as a percent of covered payroll	122.69 %	122.87 %	151.94 %	137.56 %	115.85 %
Plan fiduciary net position as a percent of total pension liability	73.85 %	73.47 %	73.75 %	74.71 %	78.40 %

	2014
District's proportion of the net pension liability (percentage)	0.018163 %
District's net pension liability (amount	226,314
State's net pension liability (amount)	10,579
Total	236,893
District's covered payroll	218,875
District's proportionate share as a percent of covered payroll	103.40 %
Plan fiduciary net position as a percent of total pension liability	79.87 %

The amounts presented for each fiscal year were determined as of June 30, the measurement date. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

Ekalaka Public Schools

Schedule of Contributions

Montana Public Employees Retirement System

Determined as of the Reporting Date

	2020	2019	2018	2017	2016
Contractually required DB contributions	32,263	17,175	13,055	17,003	19,331
Plan choice rate required contributions	0	0	0	0	1,828
Contributions in relation to the contractually required contributions	32,263	17,175	13,055	17,003	21,159
Contribution deficiency (excess)	0	0	0	0	0
District's covered payroll	384,082	206,186	159,212	209,904	239,078
Contributions as a percent of covered payroll	8.40 %	8.33 %	8.20 %	8.10 %	8.85 %

	2015
Contractually required DB contributions	18,650
Plan choice rate required contributions	2,809
Contributions in relation to the contractually required contributions	21,459
Contribution deficiency (excess)	0
District's covered payroll	234,004
Contributions as a percent of covered payroll	9.17 %

The amounts presented for each fiscal year were determined as of June 30, the most recent fiscal year end. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of Benefit Terms:

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

2017:

Working Retiree Limitations - for PERS

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

Refunds

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

Interest credited to member accounts

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

Lump-sum payouts

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

Disabled PERS Defined Contribution (DC) Members

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculation of actuarially determined contributions

The following actuarial assumptions were adopted from the June 2016 Experience Study:

General wage growth*	3.50%
Investment rate of return*	7.65%
*Includes inflation at	2.75%
Merit salary increase	0% to 8.47%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Mortality (healthy members)	For males and females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (disabled members)	For males and females: RP 2000 Combined Mortality Table, with no projections
Admin expense as % of payroll	0.26%

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

Supplementary Information

Ekalaka Public Schools

Combining Balance Sheet - General Fund

June 30, 2020	General Fund	Elementary Flex Fund	High School Flex	Total
Assets:				
Cash and investments	$ 126,437	$ 154,089	$ 288,399	$ 568,925
Taxes receivable	1,093	-	-	1,093
Inventories	21,664	-	-	21,664
Total assets	149,194	154,089	288,399	591,682
Liabilities, deferred inflows of resources and fund balances:				
Deferred inflows of resources:				
Deferred revenue	1,093	-	-	1,093
Total deferred inflows of resources	1,093	-	-	1,093
Fund balances:				
Nonspendable:				
Inventories	21,664	-	-	21,664
Unassigned	126,437	154,089	288,399	568,925
Total fund balances	148,101	154,089	288,399	590,589
Total liabilities, deferred inflows of resources and fund balances	$ 149,194	$ 154,089	$ 288,399	$ 591,682

Ekalaka Public Schools

Combining Schedule of Revenues, Expenditures and Changes In Fund Balances - General Fund

For the Year Ended June 30, 2020	General Fund	Elementary Flex Fund	High School Flex	Total
Revenues:				
Property taxes for general purposes	$ 836,757	$ -	$ -	$ 836,757
Intergovernmental:				
State sources	722,396	139	-	722,535
Interest on investments	4,837	3,587	5,551	13,975
Other	769	-	-	769
Total revenues	1,564,759	3,726	5,551	1,574,036
Expenditures:				
Current:				
Instruction	853,940	25,334	933	880,207
Support services	299,084	23,792	23,148	346,024
Operation and maintenance	242,980	2,388	11,654	257,022
Student transportation	70	-	15,659	15,729
Food services	24,992	14,977	-	39,969
Extracurricular	90,005	-	-	90,005
Capital outlay	-	-	26,530	26,530
Total expenditures	1,511,071	66,491	77,924	1,655,486
Excess (deficiency) of revenues over expenditures	53,688	(62,765)	(72,373)	(81,450)
Other financing sources (uses):				
Transfers out	(70,000)	-	-	(70,000)
Total other financing sources and uses	(70,000)	-	-	(70,000)
Net change in fund balances	(16,312)	(62,765)	(72,373)	(151,450)
Fund balances, beginning of year	164,413	216,854	360,772	742,039
Fund balances, end of year	$ 148,101	$ 154,089	$ 288,399	$ 590,589

Ekalaka Public Schools

Extracurricular Activities - Schedule of Cash Receipts, Disbursements and Changes in Net Position

Student Activity	Net Position July 1, 2019	Receipts	Disbursements	Transfers	Net Position June 30, 2020
EGS Student Supplies	$ 286	$ -	$ -	$ -	$ 286
C-Club	4,608	320	3,092	-	1,836
Annual	4,044	271	564	-	3,751
Athletics	6,128	33,165	37,585	-	1,708
Class of 2019	93	-	79	-	14
Class of 2020	7,488	-	1,372	(5,714)	402
Class of 2021	3,459	1,232	1,930	1,656	4,417
Class of 2022	2,187	2,040	28	369	4,568
Class of 2023	(3,141)	2,080	-	3,689	2,628
Class of 2024	-	732	-	-	732
Class of 2025	-	501	-	-	501
Honor Society	121	314	225	-	210
Concessions	1,207	28,065	28,264	-	1,008
Close-up	8,096	9,149	2,244	-	15,001
FCCLA	6,966	15,183	16,367	-	5,782
FFA	6,576	13,534	12,865	-	7,245
Music	413	15,097	11,684	-	3,826
Science Club	2,742	1,443	1,903	-	2,282
Speech	925	1,313	1,080	-	1,158
Student Council	5,463	1	190	-	5,274
Total	$ 57,661	$ 124,440	$ 119,472	$ -	$ 62,629

See independent auditor's report.

Ekalaka Public Schools

Schedule of Reported Enrollment

Students Grade K-8:

Full-Time Students:

Fall Enrollment-EI District	MAEFAIRS Reports	District Reports	Difference
Kindergarten Half Day	0	0	0
Kindergarten Full Day	13	13	0
Grades 1-5	53	53	0
Grades 6-8	30	30	0
Spring Enrollment-EI District	**MAEFAIRS Reports**	**District Reports**	**Difference**
Kindergarten Half Day	0	0	0
Kindergarten Full Day	12	12	0
Grades 1-5	48	48	0
Grades 6-8	30	30	0

Part-Time Students:

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

Ekalaka Public Schools

Schedule of Reported Enrollment (Continued)

Students Grade 9-12:

Full-Time Students:

Fall Enrollment-EI District	**MAEFAIRS Reports**	**District Reports**	**Difference**
Grade 9-12	42	42	0
19-year olds included	0	0	0
Job Corps	0	0	0
Youth challenge	0	0	0
Spring Enrollment-EI District	**MAEFAIRS Reports**	**District Reports**	**Difference**
Grade 9-12	42	42	0
19-year olds included	0	0	0
Job Corps	0	0	0
Youth challenge	0	0	0
Early Graduates	0	0	0

Part-Time Students:

Fall	**Per MAEFAIRS Enrollment Reports**				**Per District Reports**				
Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	Difference
9-12	0	0	0	0	0	0	0	0	0
Spring	**Per MAEFAIRS Enrollment Reports**				**Per District Reports**				
Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	Difference
9-12	0	0	0	0	0	0	0	0	0

WIPFLI

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*

Board of Trustees
Ekalaka Public Schools
Carter County
Ekalaka, Montana

We have audited, in accordance with auditing standards generally accepted in the United States 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 Ekalaka Public Schools (the"District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 23, 2021, which included a qualified opinion on the governmental activities because management of the District has not implemented the requirements of GASB Statement No. 75 and has not determined the District's annual other postemployment benefit (OPEB) cost and OPEB obligation.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2020-001 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2020-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2020-002.

Ekalaka Public Schools' Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Ekalaka Public Schools' response and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

Wipfli LLP

Wipfli LLP

Billings, Montana
June 23, 2021

Ekalaka Public Schools

Schedule of Findings and Responses

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Governmental Activities	Qualified
General Fund	Unmodified
High School Bus Depreciation Fund	Unmodified
Elementary Debt Service Fund	Unmodified
High School Building Reserve Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___X___ Yes _______ No
- Significant deficiency(ies) identified? ___X___ Yes _______ No

Noncompliance material to financial statements noted? ___X___ Yes _______ No

Section II - Financial Statement Findings

2020-001 **GASB 75 Other Postemployment Benefits**

Criteria or Specific Requirement: The Governmental Accounting Standards Board's (GASB) Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions require that governments with more than 100 employees that provide other postemployment benefits obtain biannually an actuarial study to determine the government's other postemployment benefit liability (OPEB). For governments with fewer than 100 employees, a calculation using the specified alternative method measurement in place of an actuarial study may be performed.

Condition: The District did not have an actuarial valuation done to determine its OPEB liability and related expense as of June 30, 2020.

Context: We inquired of District management to determine if the required valuation had been completed and were informed that it had not been performed.

Cause: The District did not see the value in getting the valuation in proportion to the cost of the valuation.

Effect: We inquired of District management to determine if the required valuation had been completed and were informed that it had not been performed.

Auditor's Recommendations: The District should engage an actuarial firm to determine the OPEB liability and expense every other year as required by GASB Statement No. 75 which became effective for fiscal year 2018.

View of Responsible Officials: The District should engage an actuarial firm to determine the OPEB liability and expense every other year as required by GASB Statement No. 75 which became effective for fiscal year 2018.

2020-002 **Budget**

Criteria or Specific Requirement: Montana statue MCA 20-9-133(2) requires that money of the District may not be used to pay expenditures made, liabilities incurred or warrants in excess of the final budget established for each budgeted fund.

Condition: At June 30, 2020, the District had overspent the high school general fund by $5,759.

Context: We compared the District's actual expenditures for each budgeted fund to ensure that that budgeted funds were not overspent.

Cause: The high school general funds were overspent due to the District maintaining an out of date supply inventory listing that required the District to adjust them at year end.

Effect: The District is in violation of Montana statue MCA 20-9-133(2).

Auditor's Recommendation: At year end, the District should do a proper accounting for remaining supply inventory by providing the employees doing the count with blank count sheets.

View of Responsible Official: We will compare budget to actual in a timely fashion to ensure that the budgeted funds will not be overspent.

Ekalaka Public Schools

Schedule of Findings and Questioned Costs (Continued)

Section III - Auditees Summary Schedule of Prior Year Audit Findings

Finding 2019-001 Implementation of GASB 75 Other Postemployment Benefits **- Not Implemented**

Restated as 2020-001

Finding 2019-002 Budgets **- Partially Implemented**

Restated as 2020-002

Finding 2019-003 Internal Controls over Student Activity Fund **- Implemented**