ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2019

HELENA
PUBLIC SCHOOLS

Helena School District #1

Helena, Montana

ANNUAL FINANCIAL REPORT

Of the

HELENA SCHOOL DISTRICT #1

55 S. Rodney

Helena, MT 59601

For the Fiscal Year Ended

June 30, 2019

Luke Muszkiewicz, Chair Helena Board of Trustees

Tyler Ream, Superintendent

T. Janelle Mickelson, Business Services Administrator

Prepared by:

T. Janelle Mickelson, C.P.A.

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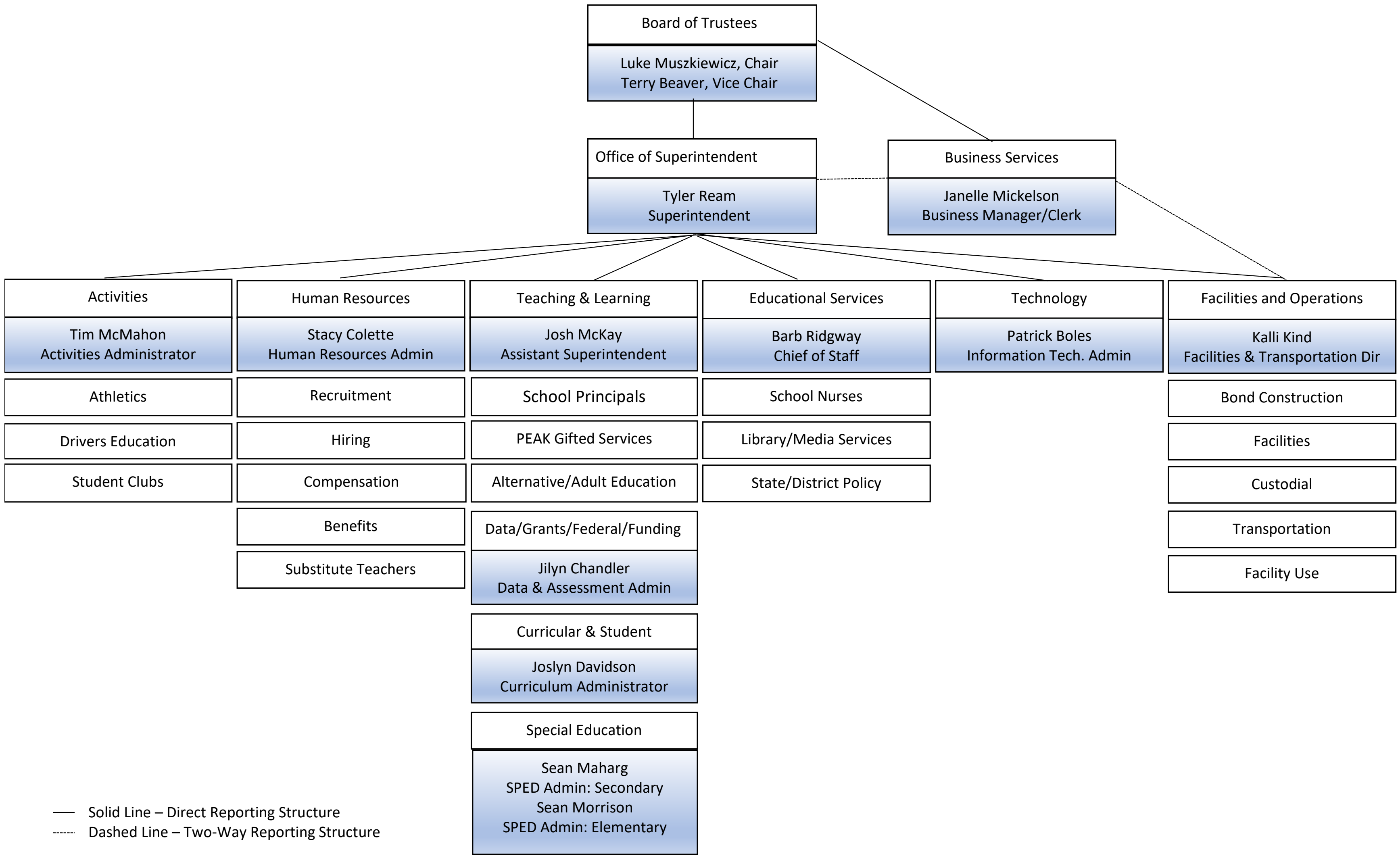


School District No. 1
Lewis and Clark County
Helena, Montana

Organization

Board of Trustees

Elementary and High School Trustees

Name	Position	Term Expires
Luke Muszkiewicz	Chairperson	2020
Terry Beaver	Vice-chair	2021
Sara Sullivan	Past Chairperson	2021
Libby Goldes	Trustee	2022
Siobhan Hathhorn	Trustee	2022
Jeff Hindoien	Trustee	2020
John McEwen	Trustee	2022

High School Trustees

Jennifer Walsh	Trustee - High School	2020

List of Principal Officials

Tyler Ream	Superintendent
T. Janelle Mickelson	Business Services Administrator
Katrina Chaney	County Superintendent
Leo Gallagher	County Attorney

WIPFLi LLP
CPAs and Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Helena School District No.1
Lewis & Clark County
Helena, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Helena School District No.1, (the "District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Helena School District No.1, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis, budgetary comparison schedule – general fund, schedule of proportionate share of the net pension liability, schedule of contributions, and schedule of changes in total OPEB liability and related ratios 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.

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 schedules of school enrollment and schedules of extracurricular funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required parts of the basic financial statements.

The schedules of school enrollment, schedules of extracurricular funds, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedules of school enrollment, schedules of extracurricular funds, and schedule of expenditures of federal awards are 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 February 28, 2020, 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 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

Helena, Montana
February 28, 2020

Helena School District No. 1
Management's Discussion and Analysis
For the Year Ended June 30, 2019

The management's discussion and analysis of Helena School District No. 1 (the District), Lewis and Clark County, Helena, Montana's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

- Student enrollment, which is used to calculate Average Number Belonging (ANB) for budgeting purposes decreased slightly with the elementary experiencing a decrease of 36 ANB and the high school experiencing a decrease of 10.
- The state provided for a 1.87% inflationary increase on funding components for the general fund, increased the statewide guaranteed tax base ratio from 193% to 216%, and reinstated the Data for Achievement payment. The special education instructional block grant rate decreased from $151.16 to $150.57, the special education related services block grant decreased from $50.38 to $50.19, and the threshold to determine disproportionate costs was also raised, resulting in an overall decrease in state special education payments. Overall, state aid to the general fund increased by $2,119,464.
- The Pupil Transportation reimbursements were reduced by approximately 13% and the Transportation and Combined Block Grants were eliminated. The total estimated loss in revenue as a result of these reductions was approximately $473,556. In addition, the Facilities Debt Service Assistance was suspended indefinitely.
- The loss of taxable value in the high school district as a result of the East Helena K-12 expansion was $15,848,417 or about 14% of the tax base. East Helena began enrolling students in ninth grade in fiscal year 2020. Helena School District #1 is anticipating a loss of more than 100 ANB beginning in fiscal year 2021 and for each of the next four years.
- The assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $21,120,662 with a total increase in net position of $2,054,408. The increase in net position was primarily due to unspent/unobligated bond proceeds and an increase of unrestricted fund balance in the elementary interlocal fund.

Fund Highlights

- As of the close of the current fiscal year, the governmental funds of the District reported combined ending fund balances of $38,320,976, a decrease of $30,078,384 in comparison with the previous year. The consumption of bond proceeds to build three new elementary schools was the major contributing factor for the decrease.
- At the end of the current fiscal year, unassigned fund balance for the general funds was $4,011,436. Fund balance assigned for encumbrances in the general funds was $5,632,492. There were no restricted fund balances in the combined general funds.

Capital Asset and Long-term Debt Highlights

- On May 2, 2017, District voters approved a $63 million elementary bond to build three new elementary schools and to address safety, security and technology upgrades in all K-8 school buildings. In September 2017, Helena School District issued $55 million of the authorized $63 million at a premium of $6,359,194. The remaining $8,000,000 of the $63,000,000 authorized was issued June 5, 2019 at a premium of $793,224. The combined bonded indebtedness on these issues was $59,605,000 as of June 30, 2019.
- The final payment of the elementary Kessler bonds, which were inherited from a school district during consolidation, was made in fiscal year 2019.
- The construction of three new elementary schools and safety and security projects at all elementary and middle schools resulted in an increase of $41,138,905 in the district's capital assets, net of depreciation.
- The District borrowed $757,799 from the Montana Board of Investments under the Intercap Revolving Program to pay for a re-roofing project at Broadwater Elementary School.

Overview of the Financial Statements
This discussion and analysis is intended to serve as an introduction to the basic financial statements of the Helena School District. The basic financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) the budgetary schedules and the other required supplemental information and 4) notes to the financial statements. Also included in the annual report is other supplementary information which is intended to furnish additional detail to support the basic financial statements. These components are described below:

Government-wide financial statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the District finances, in a manner similar to a private-sector business. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to private-sector accounting. The statement of net position and changes in it from year to year is a measure of the financial position of the District. Over time, increases or decreases are an indicator of the financial health. Other considerations such as the change in the tax base and funding decisions by the State of Montana affect the financial health.

The *statement of net position* presents information on all of the assets, deferred outflows of resources, liabilities, and deferred inflows of the District, with the difference between them reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The activities include governmental activities and business-type activities.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Most services normally associated with school government are considered governmental activities, and fall into this category including instruction, support services, general, school and business administrative services, operation and maintenance, student transportation, food services, community services, and other expenditures. The business-type activity of the District is comprised of a school-aged childcare center.

The government-wide financial statements include the financial information for the District and are reported beginning on page 16.

Fund financial statements: A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same function reported as governmental activities within the government-wide financial statements. These funds focus on how money flows into and out of the funds and the balances left at year-end that are available for spending. They provide a short-term view of the District's general governmental operations and the basic services that it provides. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term *inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the near-term financing decisions of the Board of Trustees of Helena Public Schools. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District is comprised of an elementary district and a high school district that are separate legal entities required and recognized by state law. The elementary and high school districts each maintain fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general funds of each district and the elementary building fund, which are considered to be major funds. Data from the remaining governmental funds are combined into a single aggregated presentation.

The District adopts an annual appropriated budget for its general funds, select special revenue, debt service, and building reserve funds as required by state law. All original budgets and final budgets were identical, except for the general fund which increased by $130,183 because of an enrollment increase. The budgetary comparison schedules (page 60 and 61) show how actual expenditures compared to the original and final budgeted expenditures for the general fund. There were no significant variances between the final expenditure budget and the actual expenditures.

Proprietary funds. The District maintains two different types of proprietary funds. The *Enterprise fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District uses enterprise funds to account for the School-Aged Child Care (SACC) program. *Internal service funds* are a group of accounts used to accumulate and allocate cost internally among the various functions of the school district. The District uses internal service funds to account for the warehousing of its art, office, custodial and nursing supplies, for printing services, for collecting health insurance premiums and costs for District employees, and finally to pay the liability premiums of the district. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the SACC program and when combined are considered to be a major fund (Business –Type Activities) of the District. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. The basic proprietary fund financial statements can be found on pages 22 - 24 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the programs of the District. The basic fiduciary fund financial statements can be found on pages 25 – 26 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 – 58 of this report.

Other information In addition to the basic financial statements and the accompanying notes, this report also presents certain *required supplementary information.* Required supplementary information can be found beginning on page 59 of this report.

The School District as a Whole

As noted earlier, net position may serve over time as a useful indicator of the financial position of the government. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $21,120,662, at the close of the most recent fiscal year.

The school district's investment in capital assets such as land, buildings, and equipment, less related outstanding debt used to acquire the assets represents $52,365,174 of net position. The Helena School District uses these capital assets to provide educational and related services to students; and as a result, these assets are not available for future spending. Although the investment in the capital assets by the District is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets by law cannot be used to liquidate these liabilities.

The second portion of the net position, *restricted net position,* of Helena School District which totals $21,925,623 represents resources that are subject to external restrictions on how they may be used. Of the $21,925,623, $9,961,731 or 45% represents unobligated resources in the self-insurance fund, $4,948,861 or 23% represents resources restricted for capital projects, and $3,164,866 or 14% represents resources restricted for retirement benefits.

The remaining balance is an *unrestricted net position* deficit totaling $53,170,135. This deficit is primarily due to the net pension liability for the Montana Public Employees Retirement and Teachers' Retirements systems.

At the end of the current fiscal year, the District is able to report positive balances in net position for the government as a whole as was true for the prior fiscal year.

Net Position of Helena School District No. 1

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	$56,710,708	$83,435,070	$705,484	$600,854	$57,416,192	$84,035,924
Capital assets, net	104,830,427	63,691,522			104,830,427	63,691,522
Total Assets	161,541,135	147,126,592	705,484	600,854	162,246,619	147,727,446
Deferred Outflows						
-Pensions	11,563,878	7,137,560	99,332	52,018	11,663,210	7,189,578
-Other post employment benefits	421,143	961,599			421,143	961,599
Total deferred outflows	11,985,021	8,099,159	99,332	52,018	12,084,353	8,151,177
Long-term liabilities outstanding	141,138,917	131,769,817	638,446	605,937	141,777,363	132,375,754
Other Liabilities	7,393,737	3,562,705	37,719	26,636	7,431,456	3,589,341
Total liabilities	148,532,654	135,332,522	676,165	632,573	149,208,819	135,965,095
Deferred Inflows						
-Pensions	2,354,702	588,568	7,196	5,304	2,361,898	593,872
-Other post-employment benefits	1,639,593	253,402			1,639,593	253,402
Total deferred inflows	3,994,295	841,970	7,196	5,304	4,001,491	847,274
Net position:						
Net investment in capital assets	52,365,174	52,232,683			52,365,174	52,232,683
Restricted	21,925,623	20,901,067			21,925,623	20,901,067
Unrestricted	(53,291,590)	(54,082,491)	121,455	14,995	(53,170,135)	(54,067,496)
Total net position	$20,999,207	$19,051,259	$121,455	$14,995	$21,120,662	$19,066,254

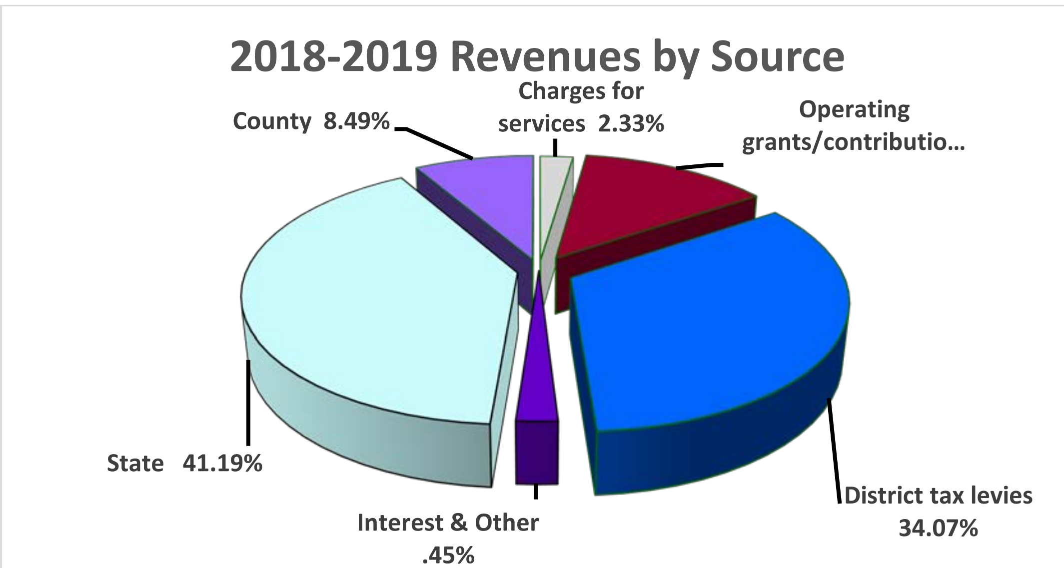
As noted earlier, the net position of the school district increased by $2,054,408. The increase in net position was primarily due to unspent/unobligated bond proceeds and an increase of unrestricted fund balance in the elementary interlocal fund.

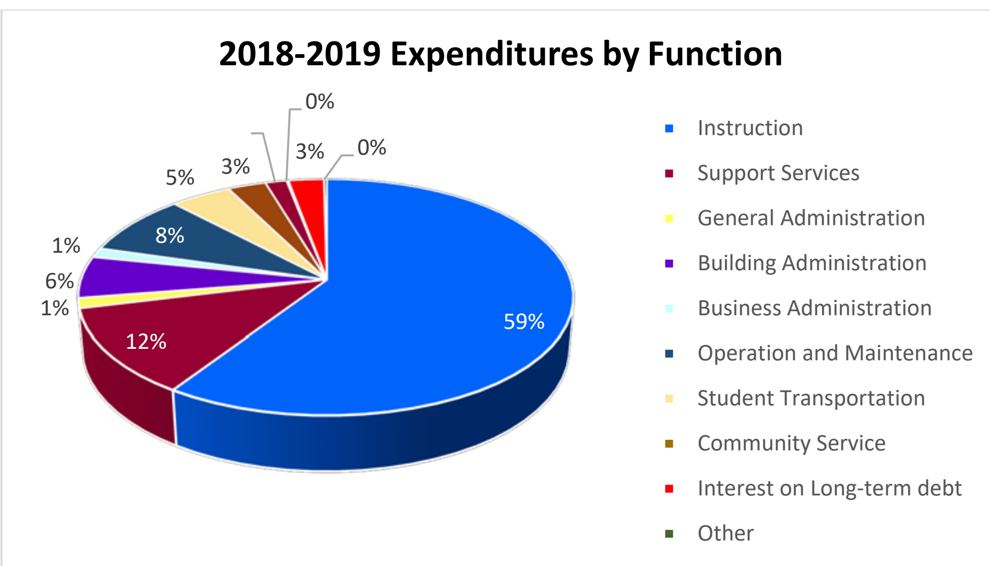
Changes in Net Activities of Helena School District No. 1

Revenues:	Governmental Activities 2019	Governmental Activities 2018	Business-type Activities 2019	Business-type Activities 2018	Total 2019	Total 2018
Program revenues:						
Charges for services	$1,472,270	$1,413,813	$811,748	$697,271	$2,284,018	$2,111,084
Operating grants/contributions	13,172,568	12,908,264	32,006	23,672	13,204,574	12,931,936
General revenues						
District tax levies	33,413,906	30,627,442			33,413,906	30,627,442
Interest	1,349,765	1,052,451	11,735	6,435	1,361,500	1,058,886
State	40,396,201	38,276,344			40,396,201	38,276,344
County	8,323,761	8,560,735			8,323,761	8,560,735
Net gain (loss) on disposition of property	(1,653,770)				(1,653,770)	
All other	716,008	1,014,304	18,751	14,918	734,759	1,029,222
Total Revenues	97,190,709	93,853,353	874,240	742,296	98,064,949	94,595,649
Expenses:						
Instruction	56,885,531	52,497,219			56,885,531	52,497,219
Support Services	10,627,430	10,664,457	767,780	402,625	11,395,210	11,067,082
General Administration	1,340,367	910,045			1,340,367	910,045
School Administration	5,478,629	5,317,192			5,478,629	5,317,192
Business Administration	1,288,489	1,249,075			1,288,489	1,249,075
Operation and Maintenance	8,065,266	7,413,130			8,065,266	7,413,130
Student Transportation	4,396,953	4,103,747			4,396,953	4,103,747
Food Services	2,742,692	2,676,125			2,742,692	2,676,125
Student Extracurricular	1,530,704	1,640,137			1,530,704	1,640,137
Community Service	129,537	134,143			129,537	134,143
Interest and fees on Long-term debt	2,542,036	2,225,100			2,542,036	2,225,100
Other	215,127	219,129			215,127	219,129
Total expenses	95,242,761	89,049,499	767,780	402,625	96,010,541	89,452,124
Increase/(Decrease) in net position	1,947,948	4,803,854	106,460	339,671	2,054,408	5,143,525
Net position, prior year	19,051,259	14,247,405	14,995	(324,676)	19,066,254	13,922,729
Net position, current year	$20,999,207	$19,051,259	$121,455	$14,995	$21,120,662	$19,066,254

Governmental activities. Net position of the District increased from governmental activities by $1,947,948. Key elements of this change include:

- District tax levies increased by $2,786,464 and state revenues increased by $2,119,857
- Wages and benefits increased in most line items to reflect negotiated agreements. Cafeteria plan benefits to employees increased as well.
- Capital assets, net of depreciation increased by $41,138,905. As previously stated, the increase was primarily associated with new construction of three new elementary schools and safety & security projects for all elementary and middle school buildings.
- Both the student population and employee FTE remained relatively stable, with a slight increase in elementary enrollment.
- The Trustees transferred a total of $1,543,302 from the general, transportation and adult education funds to the elementary interlocal fund. At year end, the fund balance in the interlocal fund was $5,130,791. This multidistrict cooperative fund was created for the purpose of purchasing K-12 curriculum and resource adoption, professional development, emergency staffing to achieve accreditation standards, and operational costs for the participating districts, which include but are not limited to one-time staffing costs of participating districts. The District plans to offer an early retirement incentive in fiscal year 2020. The cost of the incentives will be paid for with the resources in this fund.
- Deferred outflows for pensions and other post-employment benefits increased by $3,933,176 and deferred inflows for pensions and other post-employment benefits increased by $3,154,217 for an overall net increase of $778,959.





Generally, since Montana State law requires a balanced budget in the budgeted funds, the growth in expenditures matches the growth in the revenues for these funds. The greatest increase within all of the expense functions is in the benefits and salaries for employees. The district spends on an average 90-95% of the general fund budget on salaries and benefits. Since the non-salary expense budgets in all categories in the general fund have been frozen by the Board of Trustees, in order to balance the budgets; the increases in the expense categories reflects wage and benefit increases.

Business-type activities. The net position of the District's School-Aged Child Care (SACC) program increased by $106,460 over the previous year. The program is offered at all elementary sites and staffing changes were instituted along with fee adjustments to increase staff to student efficiency and cover the cost of operations.

Financial Analysis of the Government's Funds
Fund accounting is mandated by Montana State law and is used by the Helena School District to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the *governmental funds* of the District is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the financial requirements of the school district. In particular, *unassigned fund balance* may serve as a useful measure of the net resources available for spending at the end of the year. Unassigned fund balance represents amounts that are neither nonspendable, restricted, committed, or assigned – they are the residual balance.

As of the end of the current fiscal year, the governmental funds of the school district reported a combined ending fund balance of $38,320,976, a decrease of $30,078,384. As noted earlier, the consumption of bond proceeds to build three new elementary schools was the major contributing factor for the decrease. Of this total fund balance, $26,574,500 is restricted by 1) state law or by grant agreements for a specific purpose, $7,685,092 is assigned, the bulk of which is located in the elementary interlocal agreement fund, $3,979,766 is unassigned, and $81,618 is non-spendable (inventory and prepaid expenditures).

The general funds are the main operating funds of the elementary and high school districts. At the end of the current fiscal year, $501,701 of the fund balance was assigned for encumbrances, $5,130,791 was assigned for instructional purposes and early retirement incentives, $4,011,436 was unassigned and available for any general operations, and the remaining $58,942 was non-spendable fund balance (prepaid expenditures). As a measure of the liquidity of this fund, it may be useful to compare the total fund balance of $9,702,870 to total fund expenditures which represents approximately 16% of the total general fund expenditures.

Helena School District operates nine special revenue funds, which account for activities related to transportation of students; food service; tuition payment to out-of-district schools and facilities; employer retirement benefits; federal program activities; adult education; facility rentals; and technology programs. The combined total fund balance of these funds at fiscal yearend is $28,618,106. Of this total, $22,676 is non-spendable prepaid expenses, $26,574,500 is restricted by state law or grant agreements, $2,052,600 is assigned for encumbrances, and a deficit $31,670 is unassigned.

The debt service funds have a total balance of $320,317, an increase of $550,782 from the previous year. As of June 30, 2019, the outstanding general obligation debt in the elementary school was $59,605,000. All of the general obligation debt in high school districts has been paid.

The capital projects funds have a total fund balance of $19,932,194. A small portion ($56,803) is assigned for encumbrances. The remaining $19,875,391 is restricted for safety and security projects related to the most recent bond issue in all elementary and middle school buildings, safety, security, energy conservation, equipping, remodeling or major maintenance projects. In November 2013, district voters approved a ten-year building reserve levy for $1,250,000 at the elementary district and $750,000 at the high school district. The construction of the three new elementary schools and several of the safety and security projects in the elementary and middle school buildings were completed by August 2019. In addition, the district completed several projects during the year including re-roofs at Broadwater Elementary, Helena Middle School, CR Anderson Middle School, and Helena High School, land improvements for the bus drop-off locations at Smith and Kessler elementary schools, CR Anderson Middle School, and Helena High School, building security equipment at Four Georgians Elementary, Rossiter Elementary, Warren Elementary, CR Anderson Middle School, and Helena Middle School, a rebuild of the maintenance building and land improvements of the maintenance department grounds, and technology upgrades.

Proprietary funds. The proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. In addition to the single enterprise fund, SACC, that was discussed earlier, Helena has four internal service funds, Warehouse, Print-shop, Self (health) Insurance, and Liability Insurance. The net position of the Print-shop increased by $39,269, primarily due to a slight reduction in operating expenditures. In an attempt to eliminate deficit cash balance in the Warehouse, payroll and operating expenditures related to the Warehouse were paid by the general fund. As a result, net position increased by $54,984. The net position of the Self-Insurance fund decreased by $656,269, largely the result of a few high cost claims. Premium increases continue to be substantially less than national averages.

Governmental Fund Budgetary Highlights

Differences between the original and final budget resulted from a $130,183 increase due to higher enrollment in the Elementary District and the transfer of unexpended line items (generally from utilities savings and support services) to other line items for District purposes at year-end as authorized by the Board of Trustees. Over expenditures in the instructional line item resulted from new curriculum and special education salaries, supplies, and equipment. State law generally does not permit a school district to transfer from one fund balance to another fund to increase the district budgets. Also, the funds are not permitted to exceed the budgeted expenditures in total.

Capital Asset and Debt Administration

Capital assets. The investment by the District in capital assets for the governmental and business-type activities as of June 30, 2019, was $104,830,427 (net of accumulated depreciation.) This investment in capital assets included land, buildings, improvements, and equipment.

Capital assets increased during the current fiscal year including the following major additions:

- Bryant Elementary new construction ($14,585,059)
- Central Elementary new construction ($14,456,316)
- Jim Darcy Elementary new construction ($14,267,302)
- Four Georgians Elementary building security and safety and technology upgrades ($538,017)
- Broadwater Elementary building security and safety and technology upgrades ($510,242)
- CR Anderson Middle School building security and safety and technology upgrades ($584,158)
- Rossiter Elementary School building security and safety and technology upgrades ($492,675)
- Warren Elementary School building security and safety and technology upgrades ($280,806)
- Helena Middle School safety and security and technology upgrades ($566,180)
- Broadwater Elementary re-roof ($510,241)
- Helena Middle School re-roof ($340,412)
- CR Anderson Middle School re-roof ($306,923)
- Helena High School re-roof ($407,465)
- Maintenance building re-build and land improvements ($162,369)

Capital Assets of Helena School District No.1

	Governmental Activities	
	2019	2018
Land	$4,062,830	$4,039,445
Construction in Progress	49,555,958	11,285,803
Land Improvements	3,200,077	3,431,073
Buildings	46,412,470	43,482,655
Machinery and equipment	1,599,092	1,452,546
Total	$104,830,427	$63,691,522

Long-term debt. At the end of the current fiscal year, the District had total general obligation debt outstanding of $59,605,000 and unamortized bond premium of $7,089,175. All of the general obligation debt is backed by the full faith and credit of the government.

Outstanding General Obligation Debt of Helena School District No.1

Elementary	Original Issue Amount	Original Issue Maturity Date	Interest Rate	Outstanding Balance
Series 2017	$55,000,000	7/1/2037	3.00-5.00%	$51,605,000
Series 2019	$8,000,000	7/1/2039	3.00-4.00%	$8,000,000
				59,605,000
		Unamortized bond premium		7,089,175
				$66,694,175

State law limits the amount of general obligation debt that the school district may issue up to 100 percent of its guaranteed tax base rate per student. The current debt limitation for the Elementary District is $139,824,160, and $266,327,730 at the High School District, both are in excess of the net amount of outstanding general obligation debt. The District received a rating from Moody's Investors Service of A1 based on the district's moderately sized tax base that has experienced steady growth, slightly below average wealth levels, satisfactory financial performance and a minimal debt burden.

In March 2018, the District secured an $800,000 promissory note from the Montana Board of Investments under the INTERCAP Revolving Program. The loan proceeds were used to pay for a re-roofing project at Broadwater Elementary School. Of the $800,000 approved, the District was advanced $757,798.78 and does not intend to make any additional drawdowns on the note. The maturity date of the note is February 15, 2024. At the time of the advancement of the loan proceeds, the interest rate was 3.150%. The interest rate on the note is adjusted on February 16th of each year. Principal and interest payments are due semi-annually on February 15th and August 15th. The first payment on the note is due August 15, 2019. Property tax revenues from the building reserve levy are being used to repay the loan.

Other long-term liabilities included compensated absences of $4,426,297 for governmental funds and $54,937 for the enterprise fund. The compensated absence liability increased slightly in the governmental funds ($44,664) and decreased slightly in the enterprise fund ($6,046). Another debt component, OPEB, reflects future health benefits estimated to be paid to employees for health insurance premiums. Additional information regarding the long-term debt for the District can be found in note J.

Economic Factors and Fiscal Year 2019 Budgets and Rates

- State funding for schools increased by 5.54%. However, with the decrease of 4.5% in 2018, the increase over two years was only 1.04%.
- The elementary taxable value increased slightly, up 1.68%. With the opening of the new East Helena High School, the high school taxable value decreased as expected by 10.95%.
- Helena School District educators are among the highest paid educators in the state. Sustainability of the salary schedule has become an increasing challenge.
- Live births in Lewis and Clark County were down from 752 in 2018 to 571 in 2019.
- The median age of the population in Helena is relatively high at 41.6.
- The state is projecting K-8 enrollment to remain flat. Internal projections support that.
- As East Helena K-12 begins enrolling high school students, high school enrollment is expected to decline by over 100 students each year for four (4) years beginning in fiscal year 2020.
- The cafeteria benefits were increased by 1% for all groups of employees.
- The "Helena Valleys" are experiencing new growth. Between 2000 and 2010 almost two-thirds of all new growth occurred outside the cities of Helena and East Helena.

All of these factors were considered in preparing the 2019 budgets. The general fund elementary budget for fiscal year 2019 was $36,211,525, an increase of .80%, while the high school general fund budget was $22,892,553 an increase of 1.46%.

Requests for Information

These financial reports are designed to provide a general overview of the finances of the District for all those with an interest in the government's finances. Questions concerning any of the information should be addressed to the Business Services Administrator, 55 S. Rodney, Helena, MT, 59601.

BASIC FINANCIAL STATEMENTS

HELENA SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION
JUNE 30, 2019

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	$ 55,162,944	$ 649,501	$ 55,812,445
Property taxes receivable	814,523		814,523
Due from other governments	427,967	1,454	429,421
Accounts receivable	54,042	54,529	108,571
Inventories	169,614		169,614
Prepaid expenses	81,618		81,618
Capital assets not being depreciated	53,618,788		53,618,788
Capital assets, net of accumulated depreciation	51,211,639		51,211,639
Total assets	161,541,135	705,484	162,246,619
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension plans	11,563,878	99,332	11,663,210
Deferred outflows - other post-employment benefits	421,143		421,143
Total deferred outflows of resources	11,985,021	99,332	12,084,353
LIABILITIES			
Accounts payable	4,860,457	1,800	4,862,257
Accrued self-insurance claims	2,318,737		2,318,737
Unearned revenue	214,543	35,919	250,462
Noncurrent liabilities			
Due within one year:			
Intercap loan payable	143,643		143,643
Bonds payable	2,356,454		2,356,454
Compensated absences	1,119,616	15,991	1,135,607
Due in more than one year:			
Intercap loan payable	614,156		614,156
Bonds payable	64,337,721		64,337,721
Compensated absences	3,306,681	38,946	3,345,627
Other post-employment benefits	4,097,457		4,097,457
Net pension liability	65,163,189	583,509	65,746,698
Total liabilities	148,532,654	676,165	149,208,819
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension plans	2,354,702	7,196	2,361,898
Deferred inflows - other post-employment benefits	1,639,593		1,639,593
Total deferred inflows of resources	3,994,295	7,196	4,001,491
NET POSITION (DEFICIT)			
Net investment in capital assets	52,365,174		52,365,174
Restricted for:			
Instruction	556,478		556,478
Transportation	1,456,242		1,456,242
Retirement benefits	3,164,866		3,164,866
Support services	1,455,677		1,455,677
Debt service	381,768		381,768
Capital projects	4,948,861		4,948,861
Health insurance benefits	9,961,731		9,961,731
Unrestricted	(53,291,590)	121,455	(53,170,135)
Total net position (deficit)	$ 20,999,207	$ 121,455	$ 21,120,662

The notes to the basic financial statements are an integral part of this statement

HELENA SCHOOL DISTRICT NO. 1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

		PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
ACTIVITIES OR FUNCTIONS	**EXPENSES**	**CHARGES FOR SERVICES**	**OPERATING GRANTS AND CONTRIBUTIONS**	**TOTAL GOVERNMENTAL ACTIVITIES**	**BUSINESS-TYPE ACTIVITIES**	**TOTAL**
Governmental activities:						
Instructional services:						
Regular	$ 47,148,899	$ 539,303	$ 2,335,823	$ (44,273,773)		$ (44,273,773)
Special education	7,189,058	-	4,371,551	(2,817,507)		(2,817,507)
Vocational education	2,092,263	-	225,302	(1,866,961)		(1,866,961)
Adult education	455,311	-	90,476	(364,835)		(364,835)
Support services:						
Improvement of instruction services	8,774,081	-	3,391,431	(5,382,650)		(5,382,650)
Educational media services	1,853,349	45,289	-	(1,808,060)		(1,808,060)
General administration	1,340,367	-	-	(1,340,367)		(1,340,367)
School administration	5,478,629	-	-	(5,478,629)		(5,478,629)
Business services	1,288,489	-	-	(1,288,489)		(1,288,489)
Operations and maintenance of plant	8,065,266	61,918	-	(8,003,348)		(8,003,348)
Student transportation services	4,396,953	21,549	1,009,258	(3,366,146)		(3,366,146)
Community services	129,537			(129,537)		(129,537)
Other	215,127			(215,127)		(215,127)
Non-instructional services:						
Extracurricular	1,530,704	73,008	-	(1,457,696)		(1,457,696)
School food	2,742,692	731,203	1,748,727	(262,762)		(262,762)
Debt service:						
Interest payments	2,162,482	-	-	(2,162,482)		(2,162,482)
Bond agency fees	7,920	-	-	(7,920)		(7,920)
Bond issuance costs	90,545	-	-	(90,545)		(90,545)
Special assessments	281,089	-	-	(281,089)		(281,089)
Total governmental activities	95,242,761	1,472,270	13,172,568	(80,597,923)		(80,597,923)
Business-type activities:						
SACC	767,780	811,748	32,006		$ 75,974	75,974
Total governmental and business-type activities	$ 96,010,541	$ 2,284,018	$ 13,204,574	(80,597,923)	75,974	(80,521,949)
		General revenues				
		Property taxes for general purposes		33,413,906		33,413,906
		State aid/entitlements		40,396,201		40,396,201
		County retirement distribution		8,323,761		8,323,761
		Other revenue local sources		716,008	18,751	734,759
		Investment earnings		1,349,765	11,735	1,361,500
		Net gain/(loss) on disposition of prop		(1,653,770)		(1,653,770)
		Total general revenues		82,545,871	30,486	82,576,357
		Change in net position		1,947,948	106,460	2,054,408
		Net position - beginning		19,051,259	14,995	19,066,254
		Net position - ending		$ 20,999,207	$ 121,455	$ 21,120,662

The notes to the basic financial statements are an integral part of this statement.

HELENA SCHOOL DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	Major Funds		Other	Total
	General Fund	Elementary Building	Governmental Funds	Governmental Funds
ASSETS				
Cash and cash equivalents	$ 9,798,668	$ 18,829,697	$ 13,699,812	$ 42,328,177
Property taxes receivable	457,239	-	357,284	814,523
Due from other governments	80	-	427,887	427,967
Accounts receivable	7,299	-	45,780	53,079
Prepaid expenses	58,942	-	22,676	81,618
Total assets	$ 10,322,228	$ 18,829,697	$ 14,553,439	$ 43,705,364
LIABILITIES				
Accounts payable	$ 403,525	$ 3,842,976	$ 547,231	$ 4,793,732
Unearned revenue	-	-	214,543	214,543
Total liabilities	403,525	3,842,976	761,774	5,008,275
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	215,833	-	160,280	376,113
Total deferred inflows of resources	215,833	-	160,280	376,113
FUND BALANCES				
Non-spendable fund balance	58,942	-	22,676	81,618
Spendable fund balance:				
Restricted	-	14,986,721	11,587,779	26,574,500
Assigned	5,632,492	-	2,052,600	7,685,092
Unassigned	4,011,436	-	(31,670)	3,979,766
Total fund balances	9,702,870	14,986,721	13,631,385	38,320,976
Total liabilities, deferred inflows, and fund balances	$ 10,322,228	$ 18,829,697	$ 14,553,439	$ 43,705,364

The notes to the basic financial statements are an integral part of this statement.

HELENA SCHOOL DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total fund balances for governmental funds		$ 38,320,976
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		104,820,427
Property taxes receivable are not available to pay current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.		376,113
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		10,467,608
Some liabilities are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position:		
Intercap loans	(757,799)	
General obligation bonds	(66,694,175)	
Compensated absences liability	(4,417,489)	
Post employment health insurance benefits	(4,097,457)	
Net pension liability	(65,007,878)	
		(140,974,798)
Deferred outflows and inflows of resources related to pension plans and other post-employment benefits are not current financial resources and, therefore, are not reported in the governmental funds.		7,988,881
Total net position of governmental activities		$ 20,999,207

The notes to the basic financial statements are an integral part of this statement.

HELENA SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Major Funds		Other	Total
	General	Elementary Building	Governmental Funds	Governmental Funds
REVENUES				
Property taxes	$ 18,345,226	$ -	$ 14,932,374	$ 33,277,600
Tuition and fees	185,991	-	219,469	405,460
Interest	173,724	693,155	250,407	1,117,286
Other district revenue	3,264	8,381	931,742	943,387
County	-	-	8,864,863	8,864,863
State of Montana	40,652,468	-	3,533,751	44,186,219
Federal	-	-	6,956,215	6,956,215
School lunch sales	-	-	731,203	731,203
Total revenues	59,360,673	701,536	36,420,024	96,482,233
EXPENDITURES				
Instructional services:				
Regular	33,310,368	161,306	9,468,926	42,940,600
Special education	3,452,135	-	3,671,745	7,123,880
Vocational education	1,633,462	-	439,802	2,073,264
Adult education	-	-	451,183	451,183
Support services:				
Improvement of instruction services	4,767,158	-	3,816,205	8,583,363
Educational media services	1,578,843	-	257,701	1,836,544
General administration	810,653	-	180,416	991,069
School administration	4,584,418	-	808,102	5,392,520
Business services	1,010,664	-	262,922	1,273,586
Operations and maintenance of plant	6,191,312	11,980	1,267,849	7,471,141
Student transportation services	-	-	4,252,326	4,252,326
Other	-	-	213,177	213,177
Community services	12,125	-	115,671	127,796
Non-instructional services:				
Extracurricular	1,249,872	-	189,693	1,439,565
School food	162,699	-	2,539,866	2,702,565
Capital outlay	120,757	42,637,055	2,008,418	44,766,230
Debt service:				
Principal payments	-	-	1,893,000	1,893,000
Interest payments	-	-	2,225,725	2,225,725
Bond agency fees	-	6,545	1,375	7,920
Bond issuance costs	-	90,545	-	90,545
Special assessments	-	-	281,089	281,089
Total expenditures	58,884,466	42,907,431	34,345,191	136,137,088
Excess (deficiency) of revenues over (under) expenditures	476,207	(42,205,895)	2,074,833	(39,654,855)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,543,302	-	-	1,543,302
Transfers (out)	(778,302)	-	(765,000)	(1,543,302)
Issuance of long-term debt	-	8,000,000	-	8,000,000
Proceeds from sale of fixed assets	-	1,037	567	1,604
Net gain/(loss) on disposition of property	4,100	-	19,744	23,844
Proceeds from long term liability	-	-	757,799	757,799
Premium on issuance of debt	-	793,224	-	793,224
Total other financing sources (uses)	769,100	8,794,261	13,110	9,576,471
Net change in fund balance	1,245,307	(33,411,634)	2,087,943	(30,078,384)
Fund Balance - Beginning	4,805,597	48,398,355	15,195,408	68,399,360
Restatements	3,651,966	-	(3,651,966)	-
Fund Balance - Beginning Restated	8,457,563	48,398,355	11,543,442	68,399,360
Fund Balance - Ending	$ 9,702,870	$ 14,986,721	$ 13,631,385	$ 38,320,976

The notes to the basic financial statements are an integral part of this statement.

HELENA SCHOOL DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds		$ (30,078,384)
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense. In the current period these amounts are:		
Capital outlays - governmental funds	$ 44,766,232	
Depreciation expense	(1,943,107)	
		42,823,125
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows in the funds. Deferred property tax revenue decreased during the fiscal year.		136,306
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is reported with the governmental activities.		(555,246)
The statement of activities reports the gain/(loss) on the sale/disposal of capital assets. However, in the governmental funds, the proceeds are reported as financial resources. Thus, the changes in net position differs from the change in fund balance by the cost of capital assets sold/disposed.		(1,679,220)
The issuance of long-term debt (e.g. bonds, notes and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Issuance of long-term debt		(8,757,799)
Premium on issuance of long-term debt		(793,224)
Principal payments on long-term debt		1,893,000
Amortization of bond premium		63,243
Post employment health insurance benefits		(478,405)
Compensated absences liability		(53,352)
In the governmental funds, benefits earned net of employee contributions is not recognized as an expense.		(2,565,556)
On behalf pension contributions by the State are considered revenues in the statement of activities.		1,993,460
Change in net position - statement of activities		$ 1,947,948

The notes to the basic financial statements are an integral part of this statement.

HELENA SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	Business-Type Activities SACC Enterprise Fund	Governmental Activities Internal Service Funds
ASSETS		
Assets		
Cash and cash equivalents	$ 649,501	$ 12,834,767
Due from other governments	1,454	-
Accounts receivable	54,529	963
Inventories	-	169,614
Capital assets, net of accumulated depreciation		
Machinery and equipment	-	10,000
Total assets	705,484	13,015,344
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension plans	99,332	36,331
Total deferred outflows of resources	99,332	36,331
LIABILITIES		
Current liabilities		
Accounts payable	1,800	66,725
Unearned revenue	35,919	-
Compensated absences	15,991	3,188
Claims payable	-	2,318,737
Total current liabilities	53,710	2,388,650
Noncurrent liabilities		
Compensated absences	38,946	5,620
Net pension liability	583,509	155,311
Total long-term liabilites	622,455	160,931
Total liabilities	676,165	2,549,581
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension plans	7,196	34,486
Total deferred inflows of resources	7,196	34,486
NET POSITION		
Net investment in capital assets		10,000
Restricted-health insurance benefits		9,961,731
Unrestricted	121,455	495,877
Total net position	$ 121,455	$ 10,467,608

The notes to the basic financial statements are an integral part of this statement

HELENA SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Business-Type Activities SACC Enterprise Fund	Governmental Activities Internal Service Funds
OPERATING REVENUES		
Grants	$ 32,006	$ -
Charges for services	811,748	10,116,400
Other	417	1,020
Total operating revenues	844,171	10,117,420
OPERATING EXPENSES		
Personal services	654,628	101,683
Contractual services	21,120	10,702,676
Supplies/materials	73,361	99,470
Other operating expenses	18,671	143
Depreciation	-	5,000
Total operating expenses	767,780	10,908,972
Operating income (loss)	76,391	(791,552)
NON-OPERATING REVENUES (EXPENSES)		
Intergovernmental revenue	18,334	3,826
Interest earnings	11,735	232,480
Total non-operating revenues (expenses)	30,069	236,306
Change in net position	106,460	(555,246)
Net position - beginning of the year	14,995	11,022,854
Net position - end of the year	$ 121,455	$ 10,467,608

The notes to the basic financial statements are an integral part of this statement

HELENA SCHOOL DISTRICT NO. 1

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Business-Type Activities SACC Enterprise Fund	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from sales and services	$ 778,028	$ 10,118,476
Receipts from grants	32,006	
Payments to suppliers for goods/services	(111,393)	(43,130)
Payments for claims	-	(10,486,442)
Payments to employees	(667,541)	(164,753)
Net cash provided (used) by operating activities	31,100	(575,849)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Subsidy from other governments	18,334	3,826
Net cash provided (used) by noncapital financing activities	18,334	3,826
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	11,735	232,480
Net cash provided (used) by investing activities	11,735	232,480
Net increase (decrease) in cash and cash equivalents	61,169	(339,543)
Cash and cash equivalents at July 1, 2018	588,332	13,174,310
Cash and cash equivalents at June 30, 2019	$ 649,501	$ 12,834,767
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ 76,391	$ (791,552)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	-	5,000
Changes in assets and liabilities:		
Decrease (increase) in inventories	-	(10,242)
Decrease (increase) in accounts receivable	(42,007)	1,056
Decrease (increase) in due from other governments	(1,454)	-
Increase (decrease) in accounts payable	1,759	66,725
Increase (decrease) in unearned revenue	9,324	
Increase (decrease) in deferred in/outflows	(45,422)	55,739
Increase (decrease) in claims payable	-	216,234
Increase (decrease) in compensated absences payable	(6,046)	(8,687)
Increase (decrease) in pension liability	38,555	(110,122)
Net cash provided (used) by operating activities	$ 31,100	$ (575,849)

The notes to the basic financial statements are an integral part of this statement

HELENA SCHOOL DISTRICT NO. 1
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	Private-Purpose Trusts
ASSETS	
Cash and cash equivalents	$ 852,967
Receivables:	
Other receivables	2,920
Total receivables	2,920
Total assets	855,887
LIABILITIES	
Other current liabilities	41,364
Total liabilities	41,364
NET POSITION	
Held in trust for scholarships	256,351
Held in trust for other purposes	558,172
Total net position	$ 814,523

The notes to the basic financial statements are an integral part of this statement

HELENA SCHOOL DISTRICT NO. 1
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Private-Purpose Trust
ADDITIONS	
Contributions	
Private sources	$ 19,125
Student activities	1,895,065
Total contributions	1,914,190
Investment earnings	
Interest	29,955
Total investment earnings	29,955
Total additions	1,944,145
DEDUCTIONS	
Student activities	1,911,835
Student scholarships	17,450
Total deductions	1,929,285
Change in net position	14,860
Net position - beginning of year	799,663
Net position - end of year	$ 814,523

The notes to the basic financial statements are an integral part of this statement

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Helena School District #1 (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. Reporting entity

The District is a public school comprised of an elementary district that is governed by an elected seven-member board of trustees and a high school district that is governed by the seven elementary trustees and one additional elected high school only trustee. The accompanying financial statements include all of the operations of the two districts financially accountable to the combined Board of Trustees. There are no potential component units that meet any of the criteria to be either blended or discretely presented. The District is not a component unit of any other primary government.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support. Fiduciary activities are reported only in the fund financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that clearly are identifiable with a specific function or segment. *Program revenues* include 1) fees and charges paid by students and other recipients of goods or services offered by a given function, and 2) grants and contributions that are restricted to meeting the operation or capital requirement of a particular function. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

Depreciation expense for capital assets that can specifically be identified with a function is included in its direct expenses. Depreciation expense for “shared” capital assets (for example, a school building that is used primarily for instructional and other functions such as administration) is ratably included in the direct expenses of the appropriate functions. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Interest on general long-term liabilities is considered an indirect expense and is reported in the Statement of Activities as a separate line item.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and 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 all eligibility requirements imposed by the provider have been met.

Governmental 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 measurable and available. Revenue is considered to be available if it is collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the School District considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. These revenues include grants (to the extent that revenues are earned as eligible expenditures are incurred), and property taxes collected within sixty days of year end. All other revenue items are considered to be measurable and available only when the government receives cash. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures as well as expenditures relating to compensated absences and claims are recorded only when payment is due.

1) Fund Financial Statements

The District uses funds to report financial position and the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The financial activities of the District are classified into fund categories as described below.

Governmental Funds

The District reports the following major governmental funds:

- General Funds - are the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. In addition to Funds 101 and 201, the District includes Funds 129 (Elementary Flexibility), Fund 229 (High School Flexibility) and Fund 182 (Elementary Interlocal) in its general funds as the revenue streams are unrestricted.

- Elementary Building – This fund is authorized and used primarily to account for the proceeds of bonds sold, for insurance proceeds for damaged property, or the sale or rental of property.

The District reports the following major proprietary fund:

- School Aged Child Care – This fund accounts for the activities of the day care of the school district. Significant revenues include tuition and expenses include staff salaries/benefits and operational supplies for the program.

Additionally, the District reports the following fund types:

Special Revenue Funds – are used to account for the proceeds of specific revenue sources, generally taxes that are committed or legally restricted to expenditure for specified purposes other than major capital projects or debt.

Debt Service Funds – are used to account for resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds – are used to account for resources that are restricted, committed or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and procurement of equipment necessary for providing education programs for students within the District.

Permanent Funds – are used to account for resources that are permanently restricted to the extent that only earnings, not principal, may be used for the purposes of supporting the government's programs.

Proprietary Funds

Enterprise Funds – are used to account for operations 1) financed and operated similar to private business enterprises, where the intent of the Trustees is to finance or recover costs primarily through user charges; 2) where the Trustees have decided periodic determination of revenue earned, expenses incurred, or net income is appropriate, or 3) where the activity is financed solely by a pledge of the net revenues from fees and charges of the activity. The District has one enterprise fund.

Internal Service Funds – are used to account for the financing of goods and services provided by one department or agency to other departments, agencies, or other governmental entities on a cost-reimbursement basis.

Fiduciary Funds

These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, or other governments. These assets cannot be used to support the programs of the government.

Private Purpose Trust Funds – are to account for assets held by the District in a trustee capacity, where both the principal and earnings benefit individuals, private organizations or other governments. Examples of private purpose trust funds include the student activities and high school scholarship funds.

Proprietary Activity Accounting and Financial Reporting
Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided and 2) operating grants (state and federal), and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the ongoing operations of a proprietary fund. The principal operating revenues of the District's School Aged Child Care enterprise (SACC) fund and of the District's internal service funds are charges to customers, individual schools or employees for sales, services, or insurance premiums. Operating expenses for the enterprise fund and internal service funds include the cost of sales and services, administrative expenses, depreciation, medical premiums and expenses and associated costs. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Indirect expenses include general government, support services, administration, transportation, extracurricular costs and are based on a full cost allocation approach which spread the expenses among the functions. The allocation is performed through the general fund and is included in the direct program expenses for various function activities within the individual funds.

D. Assets, liabilities, and net position or equity

1) Deposits and investments

The majority of the cash of the District is held by the Lewis and Clark County Treasurer and is pooled with other County cash in an external investment pool. A portion of the Student Extracurricular Fund, (a fiduciary fund), has cash deposits in checking accounts at four different banks which are fully insured through the Federal Deposit Insurance Corporation (FDIC). The High School Scholarship (a fiduciary fund) investments include a combination of Certificates of Deposits and Federal National Mortgage bonds (AAA rated) and are fully insured. The County Treasurer, at the direction of the District Trustees, invests the pooled cash pursuant to State Law (MCA 20-9-213(4)). Allowable investments include direct obligations of the United States Government and some United States Agencies, savings or time deposits in a state or national bank, building and loan associations, savings and loans associations, or credit unions insured by the FDIC or NCUA located in the State, or in a repurchase agreement. It is allowable to invest monies under the Short-term investment pool (STIP) of the State Unified Investment Program established in Title 17, Chapter 6, Montana Code Annotated. Interest income earned is distributed pro-rata to the appropriate funds using the average monthly balance of cash in each fund.

2) Receivables and payables

The District had activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year generally referred to as "due to/from other funds." The District does not have any residual balances outstanding between the governmental activities and business-type activities.

All trade receivables, including those for the SACC, are shown as the gross charge. These receivables are deemed to be fully collectible and, as such, no allowance for doubtful accounts receivable has been established. Property tax receivables are shown as the gross charge as entered into the system by the Lewis and Clark County Assessor/Treasurer and Clerk and Recorder. Both property taxes and payments from the County and State are not shared taxes.

Property taxes are levied as assessed on January 1 of each year. The tax levy is divided into two billings and is due November 30 of the current year and May 31 of the ensuing year. The billings are considered past due after the due date, at which time, penalty and interest charges are assessed.

3) Inventory and prepaid expenses

Inventories are valued at cost using the weighted average method. Inventories reflect the balances in internal service funds and are recorded as expenditures based on the consumption method. Inventories are expensed when purchased because the amounts on hand at the end of the year are not material. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both government-wide and fund financial statements.

4) Capital assets
Capital assets, which include property, plant, construction in progress, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Capital assets purchased with grant funds comply with the specific requirements listed with each grant authorization.

The costs of normal maintenance and repairs that do not increase the capacity or efficiency of the asset or extend its useful life beyond the original estimate are not capitalized. Major outlays for capital assets and improvements are capitalized as projects when completed. Upon disposal of capital assets, historical cost or estimated historical cost is removed. Proceeds from the sales are generally recorded as revenue in the fund that originally acquired the assets.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives. Salvage value is not used:

Assets	Years
Land Improvements	80
Buildings	80
Building Improvements	80
Vehicles	5
Instructional, Computers, Audio Visual Equipment	3
Musical, Athletic, Playground Equipment, Other	10

5) Accounts payable
Accounts payable to vendors and contractors include general accounts, retainages, deposits, and other accrued contingent liabilities not included in short or long-term liabilities.

6) Compensated absences
Non-teaching District employees earn vacation leave ranging from fifteen to twenty-four days per year depending on the employee's years of service, as required by Montana State law. Vacation leave may be accumulated not to exceed two times the maximum number of days earned annually. Sick leave is earned at a rate of one day per month for all employees with no limit on accumulation. Upon retirement or termination, non-teaching employees are paid 100% of unused vacation leave; and all non-teaching employees and teachers with at least ten years of service are paid 25% of unused sick leave. All payments are made at the current rate of pay of the employee at the time of retirement or termination and include related payroll taxes. A liability for these amounts is reported in the governmental funds only if they have matured, for example as a result of employee resignations and retirements. Vested or accumulated leave for proprietary and fiduciary funds is recorded as an expense and liability of those funds in the financial statements.

7) Long-term obligations
In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8) Statement of cash flows
In the statement of cash flows for proprietary funds, cash and cash equivalents include all assets in the cash and investment pool. This pool is similar to a demand deposit account for enterprise and internal service funds so that deposits and cash withdrawals may be made at any time without prior notice or penalty. This treatment is in conformity with GASB Statement No. 9, which states that deposits in cash management pools that have the general characteristics of demand deposit accounts are appropriately classified as cash. Additionally, the investment with STIP is deemed to be a cash equivalent since it is sufficiently liquid as to permit withdrawal of cash at any time without prior notice or penalty.

9) Deferred outflows/inflows of resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. The element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows of resources for pension-related amounts: payments since the measure date, changes in assumptions, and the difference between projected and actual earnings. Deferred outflows of resources are also reported for payments made since the measure date and the changes in assumptions related to other post-employment benefits.

In addition to liabilities, the statement of net position reports a separate section of deferred inflows of resources. This element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. The District reports deferred inflows of resources for pension-related and other post-employment benefits amounts: for its share of TRS and MPERS differences between expected and actual earnings, its share of the difference between expected and actual experience, and the changes in assumptions and inputs. Tax revenues that are not expected to be collected in time to pay current liabilities are deferred inflows of resources as well.

10) Pensions

Montana Public Employees Retirement System (MPERS) and Teachers Retirement System (TRS) – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the MPERS/TRS and additions to/deductions from MPERS/TRS's fiduciary net position have been determined on the same basis as they are reported by MPERS/TRS. 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.

11) Net position and fund balances

In the financial statements, assets and deferred outflows of resources in excess of liabilities and deferred inflows of resources are presented in one of two ways depending on the measurement focus of the statement.

On the *Statement of Net Position* for government-wide reporting and for the proprietary funds and on the fiduciary funds' Statement of Fiduciary Net Position, net position is segregated into three categories: net position invested in capital assets; restricted net position; and unrestricted net position.

Net investment in capital assets represents total capital assets net of accumulated depreciation, debt directly related to capital assets, and unspent bond proceeds. Any deferred outflows/inflows of resources directly related to debt, if applicable, are included in this section as well. Significant unspent deferred inflows of resources are not included.

Restricted net position represents amounts whose use is not subject solely to the government's own discretion. Restrictions may be placed on net position by an external third party that provided the resources, by laws or regulations of other governments, by enabling legislation, by endowment agreements, or by the nature of the asset.

Unrestricted surplus (deficit) net position represents amounts not included in other categories.

On the *Balance Sheet – Governmental Funds*, assets and deferred outflows of resources in excess of liabilities and deferred inflows of resources are reported as fund balances and are segregated into separate classifications indicating the extent to which the District is bound to honor constraints on the specific purposes for which those funds can be spent. The District adopted a spending policy for nonspendable and spendable fund balances with the following order of spending: restricted, committed, assigned, and unassigned.

Fund balance is reported as Nonspendable when the resources cannot be spent because they are either in a nonspendable form or are legally or contractually required to remain intact. Resources in nonspendable form include inventories and prepaid items.

Fund balance is reported as Restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, the District's policy is to use restricted resources first, and then unrestricted resources, as they are needed.

Fund balance is reported as Committed when the Board of Trustees passes a resolution that places specific constraints on how the resources may be used. The Trustees can modify or rescind the resolution at any time through passage of an additional resolution.

Amounts in the Assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. Unlike commitments, assignments generally exist temporarily. Action does not normally have to be taken for the removal of an assignment.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that is not otherwise reported as nonspendable, restricted, committed, or assigned. Additionally, this classification is used to report any negative fund balance amounts in other governmental funds.

12) Use of estimates
The preparation of financial statements, in conformity with accounting principles generally accepted (GAAP) in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

13) Adoption of GASB pronouncements:
During the fiscal year ended June 30, 2019, the District implemented the following GASB Pronouncements:

GASB Statement No. 83, Certain Asset Retirement Obligations. Issued November 2016, this statement addresses accounting and financial reporting for certain asset retirement obligations (ARO's). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. This standard does not have any impact upon the District during the year of implementation.

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. Issued March 2018, this statement improves the information disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

The following GASB pronouncements have been issued, but are effective in the future:

GASB Statement No. 84, Fiduciary Activities. Issued January 2017, the objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement is effective for the fiscal year ending June 30, 2020.

GASB Statement No. 87, Leases. Issued June 2017, the objective of this statement is to improve accounting and financial reporting for leases and enhance the relevance and consistency of information about governments' leasing activities. This statement is effective for the fiscal year ending June 30, 2021.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. Issued June 2018, the objectives of this statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest costs incurred before the end of a construction period. This statement is effective for the fiscal year ending June 30, 2021.

GASB Statement No. 90, Majority Equity Interest an amendment of GASB Statements No. 14 and No. 61. Issued August 2018, this statement seeks to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement is effective for the fiscal year ending June 30, 2020.

GASB Statement No. 91, Conduit Debt Obligations. Issued May 2019, the objective of this statement is to provide for a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice. This statement is effective for the fiscal year ending June 30, 2022.

Helena School District will implement the new GASB pronouncements no later than the fiscal year required by the effective date. The District is currently evaluating whether the above-listed new GASB pronouncements will have a significant financial impact to the District or in issuing its financial statements.

II. Stewardship, compliance, and accountability

A. General budgetary information

An annual appropriated operating budget is adopted each fiscal year for each school district (elementary and high school) fund in accordance with State law. These levied funds are the General Fund, Special Revenue Funds – Transportation, Tuition, Retirement, Adult Education, Technology, and Flexibility – the Debt Service, and Building Reserve Fund. All annual appropriations lapse at fiscal year-end. The legal level of budgetary control is at the fund level only. Budgetary transfers between funds are not permitted.

B. Budget process

The District operates within the budget requirements for school districts as specified by State law. The District budgets are adopted and maintained under the following budgetary statutes and procedures:

- By March 1, the County Assessor transmits a statement of the assessed valuation and taxable valuation of all property in each school district to each district and to the County Superintendent of Schools to be used for preliminary estimates.

- By the second Monday in July, the Department of Revenue must certify the taxable value of the District including the value of new construction. Any anticipated budget increase resulting from this new construction requires public notice and formal resolution of intent to utilize this increase.

- Any increase in local property taxes, except through value from new construction, up to the cap in the general fund, must be submitted for electorate approval in May of each year. Any increase over the new construction value in the transportation, bus depreciation, and adult education funds must be submitted to the electorate for approval.

- By August 15th, the Board of Trustees must meet to legally adopt the final budgets. Tax levies to raise the appropriate revenues are fixed at that time.

- After adoption of the final budgets, the Board authorizes management to transfer budget between line items as limited to the total fund appropriation, in accordance with state law. However, an emergency, as defined by state law and adopted by resolution by the Board of Trustees, authorizes revisions that alter the total expenditures of any fund.

- Reported budget amounts represent the originally adopted budget as amended by resolution of the Board of Trustees.

Appropriations in all funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is used to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (for which performance under the executory contract is expected in the ensuing year) are re-appropriated and become part of the subsequent year's budget.

C. Budgetary/GAAP basis difference

Legally required budgets are adopted on the modified accrual basis of accounting that is consistent with the budget laws of the State of Montana, which is a basis of accounting not in accordance with generally accepted accounting principles (GAAP). Under the budget basis of the District, certain revenues and the related assets are recognized when received rather than when susceptible to accrual or earned, and certain expenditures are recognized when disbursed as determined by the date of the expenditure rather than when the obligation was incurred. Annual appropriated budgets are legally adopted for all school district budgeted funds. GAAP requires that budget to actual comparisons be presented for the general fund and all major special revenue funds for which annual budgets have been adopted.

Note A of the Budgetary Comparison Schedule, Budget-to-GAAP Reconciliation reconciles the amount reported in the basic governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (which is presented on a non-GAAP budgetary basis) to the amounts reported in the basic governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance (which is presented on a GAAP basis) for the general and major special revenue funds.

D. Deficit fund balance

The District has funds with a deficit as of June 30, 2019, as follows:

- High School Debt Service Fund - $(10,174) fund balance deficit. The deficit is due to county special improvement district taxes being assessed at a higher rate than anticipated. The deficit will be mitigated with property taxes levied in FY20.
- High School Miscellaneous Fund - $(21,496) fund balance deficit. This deficit represents amounts accrued as accounts payable for a watermain break in Helena High School.

III. Detailed notes on all funds

A. Deposits and investments

As noted previously, the Lewis and Clark County Treasurer holds District cash, except a portion of the Middle and High School Extracurricular funds and a High School scholarship account. The District directs the investment of money pursuant to the provisions of State law. Cash and cash equivalents consist of:

Governmental activities (County)	$55,162,944
Business-type activities (County)	649,501
Fiduciary fund (County)	470,797
Fiduciary fund (checking, savings)	125,819
High School Scholarship account	256,351
Total cash and cash equivalents	$56,665,412

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Middle and High School Extracurricular Fund cash is a combination of checking and savings accounts and is fully insured by the FDIC. The High School Scholarship account is invested in 1) fully insured certificates of deposit ($135,147) and 2) cash and cash equivalents-Bank Insured Deposit Program ($121,204). The account is insured for $500,000 through FDIC and D.A. Davidson purchases additional securities protection from London insurers for a total of $25 million for each account. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit risk quality per GASB Statement No. 40.

The District is a member of the Lewis and Clark County Investment Pool, an external investment pool. All cash, except the cash in checking/savings for student extracurricular funds and high school scholarship funds listed above, is invested through this pool. The pool is not registered with the Securities and Exchange Commission (SEC). This investment pool is comprised of all money belonging to the county, school districts and special districts for which there is not an immediate demand. It is managed by the County Treasurer, County Commission and an Investment Committee that is comprised of county officials, school district officials, private sector individuals, and representatives from other entities that participate in the pool. The fair value of the school district's position in the pool is the same as the value of the pool shares. The County reported that as of June 30, 2019, the book value and fair value of the investments were almost the same; therefore, the County had no unrealized gain or loss to record.

The State of Montana permits the following investments by the County:

- Direct obligations of the United States Government
- Securities issued and guaranteed by agencies of the United States
- Mutual funds that invest only in government obligations
- Securities issued by agencies of the United States
- Securities guaranteed by the United States or by an agency of the United States but not issued by agencies of the United States
- Repurchase agreements
- State Short-term Investment Pool (STIP)

B. Inventories

Inventories are valued at cost or, if donated, at fair value when received, using the weighted average method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Donated food commodities are reported in the governmental funds as revenue when received. As of year-end, the Internal Service funds had inventories valued at $169,614.

C. Receivables

Receivables as of year-end for the individual major and non-major funds, internal service funds, and fiduciary funds in the aggregate, net of the applicable allowances for uncollectible accounts, are as follows:

	General	Elementary Building	Non-major Funds	Internal Service Funds	Total
Receivables:					
Taxes, gross	$457,239		$357,284		$814,523
Accounts	7,299		45,780	$963	54,042
Grants, Tuition	80		427,887		427,967
Total Receivables	$464,618	$0	$830,951	$963	$1,296,532

Receivables of the School-Aged Child Care Fund, $55,983 are gross receivables. Any uncollected accounts over 90 days are removed and turned over to collection.

D. Deferred inflows of resources and unearned revenue

Governmental funds report *deferred inflows of resources* for amounts for which asset recognition criteria has been met, but for which revenue recognition criteria has not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Governmental funds also report *deferred inflows of resources* in connection with revenues collected after all eligibility requirements are met, but prior to meeting time requirements. Unearned revenues are a liability created when prepayment is made in advance of receiving goods or services. At the end of the current fiscal year, the various components of *deferred inflows of resources and unearned revenues* reported in the governmental funds were as follows:

	Deferred inflows	Unearned revenues – grants
General fund	$215,833	
Non-major governmental funds grants		$214,543
Non-major governmental funds taxes	160,280	
Total	$376,113	$214,543

Proprietary funds report unearned revenues in the School-Aged Child Care fund of $35,919.

E. Capital assets

Capital asset activity for the governmental funds for the year ended June 30, 2019 is listed below.

Asset Category	Beginning Balance	Additions	Disposals	Other/ Transfer	Ending Balance
Capital assets, not depreciated:					
Land	$4,039,445	$23,385			$4,062,830
Construction in progress	11,285,803	40,205,720	$(17,128)	$(1,918,437)	49,555,958
Total capital assets, not depreciated	15,325,248	40,229,105	(17,128)	(1,918,437)	53,618,788
Capital assets, depreciated:					
Land improvements	6,396,601	109,908	(217,405)		6,289,104
Buildings/improvements	59,017,746	3,804,607	(2,385,003)	1,503,069	61,940,419
Machinery and equipment	8,253,828	622,612	(113,194)	410,368	9,173,614
Total capital assets, depreciated	73,668,175	4,537,127	(2,715,602)	1,913,437	77,403,137
Total cost of capital assets	88,993,423	44,766,232	(2,732,730)	5,000	131,021,925
Accumulated Depreciation					
Land improvements	(2,965,528)	(274,084)	150,585		(3,089,027)
Buildings/improvements	(15,535,091)	(795,089)	802,231		(15,527,949)
Machinery and equipment	(6,801,282)	(873,934)	100,694		(7,574,522)
Total accumulated depreciation	(25,301,901)	(1,943,107)	1,053,510	0	(26,191,498)
Total depreciable capital assets, net	48,366,274	2,594,020	(1,662,220)	1,913,437	51,211,639
Total capital assets, net	$63,691,522	$42,823,125	$(1,679,220)	$(5,000)	$104,830,427

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Instruction	$ 844,671
Support services	70,764
Administration	334,825
Operations and maintenance	504,542
Student transportation	102,770
Food services	14,875
Student extracurricular activities	70,660
Total depreciation expense – governmental activities	$1,943,107

The SACC program (Business-type activities) does not have capital assets.

F. Commitments

At year-end, the District had commitments outstanding, in the form of purchase orders for $9,233,502 for construction projects. The projects included bond safety & security and remodeling at nine elementary schools and both middle schools; major re-roofs at Rossiter Smith Elementary School and Capital High School; a boiler replacement at Four Georgians Elementary; Jim Darcy building bond; Bryant building bond; Central building bond; furniture, fixtures and equipment at the three new elementary schools; and curriculum updates. These projects were funded by the elementary and high school building reserve funds, the elementary school building bond, elementary and high school transportation funds, and elementary and high school technology funds. Including the aforementioned, the District had various encumbrances: $501,701 in the general funds, $9,878,296 in the elementary building fund, and $859,952 in the non-major governmental funds. Note K. delineates the fund balance status.

G. Inter-fund receivables, payables, and transfers

Inter-fund transfers

The elementary interlocal agreement fund received $1,543,302 from other District funds, $366,512 from the elementary general fund, $411,790 from the high school general fund, $550,000 from the elementary transportation fund, $95,000 from the high school transportation fund, and $120,000 from the elementary adult education fund. These transfers are permitted by the interlocal agreement, as well as under state law. Transfers are permitted for the purpose of purchasing K-12 curriculum and resource adoption, professional development, emergency staffing to achieve accreditation standards, and operational costs for the participating districts.

Inter-fund receivables and payables

There were no inter-fund receivable or payable balances as of June 30, 2019.

H. Leases obligations

Operating lease obligations

The District leases eight driver's education cars which are financed from the High School Drivers' Education Fund. The District entered into a lease for a fleet of 45 smaller copier machines for use at various District sites for approximately $67,200 per year, for four years. Most of these copier leases were scheduled to expire on June 30, 2019. The District opted to renew the leases for one additional year. In September 2015, the District entered into a lease for two high capacity Ricoh copier/printers with annual lease payments of approximately $32,400. In October 2017, one of the Ricoh copiers was traded in for a Xerox high capacity copier/printer with an annual lease payment of approximately $26,100. The second Ricoh copier was also traded in for a smaller Xerox high capacity copier/printer July 1, 2019 with an annual lease payment of $11,378. These leases are paid by the Print-shop Fund, an internal service fund. The District will not purchase these machines.

The future minimum lease payments are as follows:

Year Ending June 30	Amount
2020	$137,655
2021	50,465
2022	41,612
2023	37,478
	$267,210

I. Payables

Payables and other accrued liabilities at June 30th, are as follows:

	General	Elementary Building	Other Governmental	Internal Service	Total
Accounts to vendors and contractors	$403,525	$3,842,976	$547,231	$66,725	$4,860,457

J. Long-term debt

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition, construction, or major remodeling of school facilities. General obligation bonds have been issued for governmental activities. On September 21, 2017, the elementary district issued general obligation bonds with a principal amount of $55,000,000. A premium of $6,382,616 was associated with the issuance of these bonds. The remaining $8,000,000 of the $63,000,000 authorized was issued on June 5, 2019. A premium of $793,224 is associated with the issuance of these bonds.

The final payment of $13,000 for the elementary Kessler bonds, which were inherited from a school district during consolidation, was made in fiscal year 2019. The original issue amount of these general obligation bonds was $185,283.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds generally are issued as 20-year serial bonds with varying amounts of principal due each year. General obligation bonds currently outstanding are as follows:

Elementary	Original Issue Amount	Original Issue Maturity Date	Interest Rate	Outstanding Balance
Series 2017	$55,000,000	7/1/2037	3.00-5.00%	$51,605,000
Series 2019	$8,000,000	7/1/2039	3.00-4.00%	8,000,000
				59,605,000
			Unamortized bond premium	7,089,175
				$66,694,175

Changes in long-term liabilities

Long-term liability activity for fiscal year 2019 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental activities:					
GO Bonds	$53,498,000	$8,000,000	$1,893,000	$59,605,000	$2,205,000
GO Bond Premiums	6,359,194	793,224	63,243	7,089,175	151,454
Intercap Loan		757,799		757,799	143,643
Pension Liability	61,985,291	3,177,898		65,163,189	
Compensated Absences	4,381,633	44,664		4,426,297	1,119,616
Other Post-Employment Benefits – Health	5,545,699		1,448,242	4,097,457	
Governmental activity long-term liabilities	$131,769,817	$12,773,585	$3,404,485	$141,138,917	
Business-type activities:					
Compensated Absences	$60,983		$6,046	$54,937	$15,991
Pension Liability	544,954	$38,555		583,509	
Business-type activity long term liabilities	$605,937	$38,555	$6,046	$638,446	

The Internal service funds (warehouse, print-shop, liability insurance, and health insurance) service the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the totals for governmental activities. At June 30, 2019 $8,808, of compensated absences and $155,311 of pension liability recorded in the internal service funds were included in the amounts above. Payment for compensated absences of employees is from the originating fund for the employee pay.

Annual debt service requirements to maturity for general obligation bonds and the intercap loan are as follows:

Ending June 30,	Principal	Interest	Total
2020	$2,348,643	$2,496,898	$4,845,541
2021	2,461,804	2,386,143	4,847,947
2022	2,556,469	2,291,557	4,848,026
2023	2,671,278	2,174,163	4,845,441
2024	2,794,605	2,049,405	4,844,010
2025-2029	15,165,000	8,229,450	23,394,450
2030-2034	18,405,000	4,997,300	23,402,300
2035-2039	13,960,000	1,229,600	15,189,600
	$60,362,799	$25,854,516	$86,217,315

Annual maturities of bond premium are as follows:

Year Ending June 30,	
2020	$151,454
2021	206,290
2022	341,438
2023	426,644
2024	492,698
2025-2029	2,690,502
2030-2034	1,603,663
2035-2039	1,176,486
	$7,089,175

K. Net position/fund balances

The residual of all other elements presented in the statement of net position is *net* position on the government-wide and proprietary fund financial statements. The residual of all other elements presented in the balance sheet on the governmental fund financial statements is *fund balance.*

Net position is divided into three components: net investment in capital assets (capital assets net of related debt), restricted and unrestricted. Net position is reported as restricted when constrains are placed upon it by external parties or are imposed by constitutional provisions or enabling legislation.

The governmental fund financial statements present fund balances based on a hierarchy that shows, from highest to lowest, the level or form of constraints on fund balance resources and the extent to which the District is bound to honor them. The District first determines and reports non-spendable balances, then restricted, then committed, and so forth.

Fund balance classifications are summarized as follows:

- Non-spendable. This category includes fund balance amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact. Fund balance amounts related to inventories and prepaids are classified as non-spendable.

- Restricted. This category includes net fund resources that are subject to external constrains that have been placed on the use of the resources either a) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. Restricted fund balance amounts include the following:
    a) unspent tax revenues levied for specific purposes as required by law, such as transportation, out-of-district instruction payments, retirement payments, adult education, technology, capital projects and debt service;
    b) balances remaining for nutrition services, driver education, curriculum adoption, low income instruction, drug and mental health services, professional development, and building and maintenance projects.

- Committed. The committed fund balance classification includes amounts that can be used only for the specific purpose determined by formal action of the District's Board of Trustees. The Board is the highest level of decision-making authority for the District that can by resolution commit fund balance.

- Assigned. Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. Unlike commitments, assignments generally only exist temporarily. Assigned amounts include the following:
    a) Used for curriculum adoption, field trip transportation, building and maintenance, technology and other general purposes.

- Unassigned. Residual balances in the general fund and flexibility funds are classified as unassigned as well as negative fund balances in the high school debt service fund and a portion of the high school miscellaneous grants fund.

	General Fund	Elementary Building	Other Governmental Funds	Total
Nonspendable for:				
Prepaid expenses	$58,942		$22,676	$81,618
Restricted for:				
Instruction			292,785	292,785
Support services			1,430,028	1,430,028
Retirement benefits			2,878,998	2,878,998
Student transportation			1,409,891	1,409,891
Operations and maintenance			29,374	29,374
Food services			12,930	12,930
Community services			285,868	285,868
Capital projects		$14,986,721	4,917,414	19,904,135
Debt service			330,491	330,491
Assigned for:				
Instruction	5,630,136			5,630,136
Support services	1,547			1,547
School admin	767			767
Operations/maintenance	42		56,803	56,845
Student transportation			306,682	306,682
Other			1,689,115	1,689,115
Unassigned	4,011,436		(31,670)	3,979,766
Total	$9,702,870	$14,986,721	$13,631,385	$38,320,976

Fund balance restatement:

The fund balance of the District's general fund increased by $3,651,966 during the fiscal year, with a corresponding decrease in the fund balance of the other governmental funds as follows:

- $3,524,446 – Elementary interlocal agreement funds that are no longer restricted for curriculum.
- $78,286 – Elementary flexibility funds, the expenditure of which is not restricted in any manner.
- $49,234 – High School flexibility funds, the expenditure of which is not restricted in any manner.

IV. Other information

A. Risk management

The District is exposed to various risks of loss related to torts; damage to, theft of, or destruction of assets; professional liability, i.e. errors and omissions; environmental damage and natural disasters; workers' compensation, i.e. employee injuries; and medical insurance costs of employees. A variety of methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, employee torts and professional liability coverage. Coverage limits and the deductibles on the commercial policies have been 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 insurance coverage in the past. Given the lack of coverage available, the District has no coverage for potential losses from environmental damages and a pool limit for earthquake and flood damages.

The District has joined with other Montana employers to form a self-insurance pool offering workers' compensation coverage. This pool, named Montana State Fund, provides claim administrative services. Premiums paid to Montana State Fund amounted to $320,186 for the fiscal year.

Employee medical insurance is provided through an internally administered, self-funded plan. The District provides medical and dental coverage for employees through an Internal Service Fund that is administered by Allegiance Administrators for the period that ends on October 1, 2019. Rates for the employees and employer are determined in consultation with the administrator for the ensuing year. An excess coverage insurance policy is purchased by the District.

Liabilities of the fund are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of these items. The balances of claims liabilities during the past two fiscal years are as follows:

	Fiscal Year 2018	Fiscal Year 2019
Unpaid claims, July 1	$1,559,161	$2,102,503
Incurred claims (including IBNR)	9,005,003	9,596,709
Claim payments	(8,461,661)	(9,380,475)
Unpaid claims, June 30	$2,102,503	$2,318,737

B. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the State of Montana and the federal government. Any disallowed claim, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial. The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government. The costs associated with this are covered through District insurance.

C. Other post-employment benefits

Health Insurance

The District provides 18 to 36 months optional post-employment health care benefits in accordance with Public Law 99-272, known as the Consolidated Omnibus Budget Reconciliation Act (COBRA), to the following employees and dependents who elect to continue and pay administratively established premiums: (1) employees who were covered by the District health insurance plan at the time they discontinued employment, and (2) spouses or other dependents who lose dependent eligibility. At June 30, 2019 there were two individuals who elected to have COBRA coverage through the District.

In accordance with section 2-18-704, MCA, the District also provides optional post-employment health care benefits to the following employees and dependents who elect to continue coverage and pay administratively established premiums: (1) employees and dependents who retire under applicable retirement policy and (2) surviving dependents of deceased employees. Retirement eligibility differs by retirement system. Administratively established premiums vary from $486 to $1,345 depending on the coverage selected. The District acts as a secondary payor for retired Medicare-eligible claimants. As of the valuation date, 93 retirees and their dependents were covered for health care benefits. The District collects insurance premiums from participating retirees which are deposited into the District's health insurance fund.

Total OPEB Liability

	June 30, 2019
Total OPEB Liability	$4,097,457
Covered payroll	N/A
Total OPEB Liability as a % of covered payroll	N/A

The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB 74 and 75.

Discount Rate

Discount Rate	3.87%
20 Year Tax-Exempt Municipal Bond Yield	3.87%

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Other Key Actuarial Assumptions

The actuarial assumptions that determined the total OPEB liability as of June 30, 2019 were based on the results of an actuarial experience study for the period 2012-2017 for the State of Montana Teachers' Retirement System (MTRS).

Valuation date	June 30, 2018
Measurement date	June 30, 2018
Salary increases including inflation	MTRS; see “Actuarial Assumptions” for details
Mortality	MTRS; see “Actuarial Assumptions” for details
Actuarial cost method	Entry Age Normal

Changes in Total OPEB Liability

Changes in Total OPEB Liability	**2018-2019**
Beginning of Year Balances	$5,545,699
Changes for the year:	
Service cost	393,351
Interest on total OPEB liability	204,786
Effect of economic/demographic gains or losses	37,731
Effect of assumptions changes or inputs	(1,642,661)
Benefit payments	(441,449)
End of Year Balances	$4,097,457

Sensitivity Analysis

The following presents the total OPEB liability of the Helena School District #1, calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	2018-2019		
	1% Decrease 2.87%	**Discount Rate 3.87%**	**1% Increase 4.87%**
Total OPEB Liability	$4,386,415	$4,097,457	$3,827,166

The following presents the total OPEB liability of the Helena School District #1, calculated using the current healthcare cost trend rates as well as what the Helena School District #1's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	2018-2019		
	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	$3,695,373	$4,097,457	$4,569,884

OPEB Expense

OPEB Expense	July 1, 2018 to June 30, 2019
Service cost	$393,351
Interest on total OPEB liability	204,786
Recognition of Deferred Inflows/Outflows of Resources	
Reverse payments made after measurement date – June 30, 2018	706,985
Record payments made after measurement date – June 30, 2019	(190,712)
Recognition of economic/demographic gains or losses	4,825
Recognition of assumption changes or inputs	(199,381)
OPEB Expense	$919,854

As of June 30, 2019, the deferred inflows and outflows of resources are as follows:

Deferred Inflows/Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Payments subsequent to the measurement date		$190,712
Difference between expected and actual experience		32,906
Changes of assumptions	$(1,639,593)	197,525
Total	$(1,639,593)	$421,143

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

Year ending June 30:	
2020	$(194,556)
2021	(194,556)
2022	(194,556)
2023	(225,387)
2024	(226,581)
2025	(205,234)
Thereafter*	(168,292)

*Note that additional future deferred inflows and outflows of resources may impact these numbers.

Actuarial Assumptions

The following actuarial assumptions were used in the development of the Helena School District #1 retiree health cost projections. Where consistent with the terms of the plan, actuarial assumptions have utilized the assumptions for the State of Montana Teachers' Retirement System (MTRS) as provided in the July 1, 2019 Actuarial Valuation reports.

Interest Discount Rate:

Measurement Date	Rate
June 30, 2017	3.58%
June 30, 2018	3.87%
June 30, 2019	3.50%

Mortality:

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

Employee Turnover/Withdrawal: MTRS for all employees.

Disablement: MTRS disability rates for all employees.

Retirement: MTRS retirement rates for general members for all employees.

Salary Adjustment Factors: MTRS General Members for all employees. Rates are shown below.

% Merit and Longevity Increase Next Year	
Service	**General Members**
1	4.51%
2	4.09
3	3.46
4	2.94
5	2.52
6	2.21
7	1.89
8	1.68
9	1.47
10	1.31
11	1.16
12	1.00
13	0.84
14	0.68
15	0.58
16	0.47
17	0.37
18	0.26
19	0.21
20	0.16
21	0.11
22+	0.00

In addition to the merit and longevity increase, each person is assumed to get an economic increase of 3.25% each year.

Inflation: 2.30%

Percentage of Retirees Participating In Retiree Medical Coverage:

Future retirees: 45% of current employees are expected to participate in the Helena School District #1's retiree health insurance plan.

Current retirees: Actual retiree participation.

Percentage of Retirees Electing Family Coverage:

Future retirees: 30% of future retirees that take coverage are assumed to elect two-party coverage.

Current retirees: Actual family coverage election.

Age Difference of Active Employees and Spouses: Spouses same age as participants.

Annual Medical Trend Rate Assumptions: Based on recent experience, the experience of medical insurers, Milliman's future trend expectations, and judgment. The trend rates reflect the anticipated impact of the excise tax on high cost health plans beginning in 2022.

Annual Medical Trend Rate	
2018-2019	6.20%
2019-2020	5.90%
2020-2021	5.30%
2030-2031	5.10%
2040-2041	5.10%
2050-2051	5.40%
2060-2061	5.10%
2070-2071	4.40%
2080-2081	4.10%
2081+	4.00%

Expected Monthly 2018-2019 Medical Costs Per Retiree: Relative cost factors were developed from the Milliman Health Cost Guidelines. Based on the District's claim experience, current premiums, plan provisions, and related age cost factors assumptions we developed age adjusted 'per member per month' (PMPM) costs for 2018-19. The post-65 premiums are sufficient to cover the post-65 medical costs; therefore, no implied rate subsidy is valued after age 64.

	Male		Female	
Age	**Single**	**EE & SPS**	**Single**	**EE & SPS**
50	$496	$1,181	$617	$1,182
55	649	1,442	725	1,443
60	832	1,749	850	1,749
64	1,034	2,063	962	2,064

Changes in Assumptions Since Prior Valuation: The discount rate was updated as of June 30, 2018, and June 30, 2019 in accordance with the parameters defined by GASB 75. A higher discount rate results in lower liabilities and vice versa. The MTRS assumptions, expected medical costs, medical trend rate, and participation rate have been updated. The overall result of the change in assumptions is a decrease in liability.

Summary of Plan Provisions

Eligibility Requirements and Benefits

Eligibility requirements and benefits are as follows:

Eligibility - A retiree is considered eligible for coverage under this plan only if the retiree was covered under the plan as a participant on their last day of active service prior to retirement and retires from MTRS.

Retiree Health Benefits - Retirees pay 100% of the premiums to continue coverage.

Summary of Participant Data

Monthly Retiree Premiums: The District's current premium rates are shown in the following table.

Pre-65 Monthly Health Insurance Premiums 10/01/2018-9/30/2019		
Plan	**Single**	**Subscriber & Spouse**
Premium	$711.00	$1,345.00
Standard	486.00	919.00

Participant Data: The District relied on the following medical plan participant data as of April 18, 2019 and assumed there have been no significant changes in data between June 30, 2018 and April 18, 2019.

	Participant Count	**Average Age**	**Average Service**
Active Employees	871	44.8	9.4
Retirees	99	63.0	

Other Employee Benefits

The District operates an Internal Revenue Code Section 125 plan for medical, day care, health insurance, and life insurance expenses. Employees can contribute pretax dollars up to $2,400 per year for medical expenses and up to $5,000 per year for day care expenses. The entire health and life insurance premiums are tax sheltered.

D. Employee benefit pension plans

Employees of the District participate in one of two state-wide cost sharing multiple-employer retirement benefits plans, Teachers Retirement System (TRS) and Public Employees Retirement System (PERS). Contributions to the plans are as required by state statute. Information about each plan is as follows:

Employer's proportion of TRS and PERS pension amounts combined

	District's proportionate share associated with TRS	District's proportionate share associated with PERS	Total Pension Amounts
Total Pension Liability	$ 188,762,745	$10,125,469	$198,888,214
Fiduciary Net Position	130,411,801	2,729,715	133,141,516
Net Pension Liability	$ 58,350,944	$7,395,754	$65,746,698
Deferred Outflows of Resources	$9,933,187	$1,730,023	$11,663,210
Deferred Inflows of Resources	$719,720	$1,642,178	$2,361,898
Pension Expense	$6,858,855	$629,783	$7,488,638

Teachers' Retirement System (TRS)

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

The TRS Board is the governing body of the Teachers' Retirement System and staff administers the systems 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 website at trs.mt.gov.

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

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

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

The table below shows the legislated contribution rates for TRS members, employers and the State.

School District and Other Employers

	Members	Employers	General Fund	Total employee and 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%

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

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

- Total wage increases* 3.25%-7.76%
- Investment return 7.50%
- Price inflation 2.50%
- Postretirement benefit increases
    - Tier One members: If the retiree has received benefits for at least 3 years, the retirement allowance will be increased by 1.5% on January 1st.
    - Tier Two members: The retirement allowance will be increased by an amount equal to or greater than 0.5% but no more than 1.5% if the most recent actuarial valuation shows the System to be at least 90% funded and the provisions of the increase is not projected to cause the funded ratio to be less than 85%.
- Mortality among contributing members, service retired members, and beneficiaries
    - For males and females: RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years
- Mortality among disabled members
    - For males: RP 2000 Disabled Mortality Table, set back three years, with mortality improvements projected by Scale BB to 2022.
    - For females: RP 2000 Disabled Mortality Table, set forward two years, with mortality improvements projected by Scale BB to 2022.

*Total wage increases include 3.25% general wage increase assumption

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

Target Allocations

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

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

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2013 through 2017, is outlined in a report dated May 3, 2018. Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation). Estimates of variability and correlations for each asset class, were developed by the System's investment consultant. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The long-term rate of return assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The average long-term capital market assumptions published in the Survey of Capital Market Assumptions 2017 Edition by Horizon Actuarial Service, LLC, yield a median real return of 5.07%. Our recommended assumption of 5.00% for the real return reflects granting each source some degree of credibility. Combined with the 2.50% inflation assumption, the resulting nominal return is 7.50%.

Sensitivity Analysis

	1.0% Decrease (6.50%)	Current Discount Rate	1.0% Increase (8.50%)
The employer's proportion of net pension liability	$80,234,320	$58,350,944	$40,021,876

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

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

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

	Net Pension Liability 06/30/2019	Net Pension Liability 06/30/2018	Percent of collective NPL as of 6/30/2019	Percent of collective NPL as of 6/30/2018	Change in Percent of collective NPL
Helena proportionate share	$58,350,944	$53,114,391	3.1437%	3.1502%	(0.0065%)
State of Montana proportionate share associated with Helena	36,240,550	33,714,733	1.9525%	1.9996%	(0.0471%)
Total	$94,591,494	$86,829,124	5.0962%	5.1498%	(0.0536%)

At June 30, 2019, the employer recorded a liability of $58,350,944 for its proportionate share of the Net Pension Liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The employer's proportion of the net pension liability was based on the employer's contributions received by TRS during the measurement period July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of TRS' participating employers. At June 30, 2019, the employer's proportion was 3.1437 percent.

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

- Assumed rate of inflation was reduced from 3.25% to 2.50%
- 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 fortwo 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

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

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

Pension Expense

	Pension Expense 6/30/2019	
Helena's proportionate share	$	5,025,413
State of Montana proportionate share associated with Helena School		1,833,442
Total	$	6,858,855

At June 30, 2019, the employer recognized a pension expense of $6,858,855 for its proportionate share of the TRS' pension expense. The employer also recognized grant revenue of $1,833,442 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the employer.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected economic experience	$416,409	$36,411
Changes in actuarial assumptions	4,756,521	86,381
Differences between projected and actual investment earnings	0	526,712
Changes in proportion and differences between actual and expected contributions	310,906	70,216
* Contributions paid to TRS subsequent to the measurement date - FY 2019 contributions	4,449,351	
Total	$9,933,187	$719,720

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

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

Year Ended June 30:	Deferred Outflows of Resources (a)	Deferred Inflows of Resources (b)	Amount recognized in pension expense as an increase or (decrease) to pension expense (a)-(b)
2020	$2,915,661	$148,325	$2,767,336
2021	2,131,504	25,533	2,105,971
2022	1,388,848	1,226,371	162,477
2023	-0-	271,667	(271,667)
2024	-0-	-0-	-0-
Thereafter	-0-	-0-	-0-

Public Employees' Retirement System (PERS)

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, 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 may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be members of both the *defined 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).

Summary of Benefits

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 (RAC). 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.

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):

1) Retired before January 1, 2016 and accumulate less than 2 years additional service credit or retired on or after January 1, 2016 and accumulate less than 5 years additional service credit:
   a. A refund of member's contributions plus return interest (currently .77% effective July 1, 2017);
   b. No service credit for second employment;
   c. Start the same benefit amount the month following termination; and
   d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
2) Retired before January 1, 2016 and accumulate at least 2 years of additional service credit:
   a. A recalculated retirement benefit based on provisions in effect after the initial retirement; and
   b. GABA starts on the recalculated benefits in the January after receiving the new benefit for 12 months.
3) Retired on or after January 1, 2016 and accumulate 5 or more years of service credit:
   a. The same retirement as prior to the return to service;
   b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
   c. GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Member's highest average compensation (HAC)

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

Compensation Cap

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

Monthly benefit formula

Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

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

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

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

Overview of 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.

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

	Member		State & Universities	Local Government		School Districts	
Fiscal Year	**Hired <07/01/11**	**Hired >07/01/11**	**Employer**	**Employer**	**State**	**Employer**	**State**
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 rates.

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

3. Non-Employer contributions:
   a. Special funding
      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 $33,454,182.

Stand-Alone Statements

The 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.

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

- General wage growth* 3.50% *includes inflation at 2.75%
- Merit increases 0% to 6.3%
- Investment return, net 7.65%
- Admin expense as % of payroll 0.26%
- Postretirement benefit increases:
  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.
  - 3% for members hired prior to July 1, 2007
  - 1.5% for members hired between July 1, 2007 and June 30, 2013
  - Members hired on or after July 1, 2013:
    a. 1.5% for each year PERS is funded at or above 90%;
    b. 1.5% reduced by 0.1% for each 2% PERS is funded below 90%; and
    c. 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members, service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, set back one year for males.
- Mortality assumptions among disabled members were based on RP 2000 Combined Mortality Tables with no projections.

Discount Rate - The discount rate used to measure the TPL was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed a statutory appropriation from the general fund. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2121. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

Target Allocations - 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, 2018, are summarized in the table below:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
Cash Equivalents	2.60%	4.00%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.35%
Fixed Income	23.40%	1.00%
Private Equity	12.00%	7.75%
Real Estate	8.00%	4.00%
Total	100.0%	

Sensitivity Analysis

The sensitivity of the proportionate share of NPL to changes in the discount rate is shown 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.

	1.0% Decrease (6.65%)	Current Discount Rate	1.0% increase (8.65%)
Helena School District Net Pension Liability	$10,695,973	$7,395,754	$4,685,748

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 NPL, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, the fiduciary net position and additions to/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 adheres to all accounting principles generally accepted by the United States of America. MPERA applies all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

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

The TPL minus the fiduciary net position equals the net pension liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2018, and 2017, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The employer recorded a liability of $7,395,754 and the employer's proportionate share was 0.3543 percent.

	Net Pension Liability 06/30/2018	Net Pension Liability 06/30/2017	Percent of collective NPL as of 6/30/2018	Percent of collective NPL as of 6/30/2017	Change in percent of collective NPL
District proportionate share	$7,395,754	$9,415,853	0.3543%	0.4835%	(0.1291%)
State of Montana proportionate Share associated with Helena	2,729,715	453,964	0.5249%	2.3136%	(1.7887%)
Total	$10,125,469	$9,869,817	0.8792%	2.7971%	(1.9178%)

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, 2018, the employer recognized $447,605 for its proportionate share of the Plan's pension expense and recognized grant revenue of $182,178 for the state of Montana proportionate share of the pension expense associated with the employer. Additionally, the employer recognized grant revenue of $0 from the State Statutory Appropriation from the General Fund.

As of Measurement Date	Pension Expense 6/30/2018	Pension Expense 6/30/2017
District's proportionate share	$ 447,605	$ 1,043,253
State of Montana proportionate share	182,178	24,202
State of Montana – state appropriation for District		134,695
Total	$ 629,783	$ 1,202,150

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Actual vs. expected experience	$562,397	
Projected investment earnings vs. actual		$114,855
Changes in assumptions	628,898	
Employer contribution subsequent to the measurement date	538,728	
Changes in proportion share and differences between employer contributions and proportionate share of contributions		1,527,323
Total	$1,730,023	$1,642,178

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

For the measurement year ended June 30	Recognition of deferred outflows and deferred inflows in future years as an increase or (decrease) to pension expense
2019	$ 145,335
2020	26,498
2021	(575,523)
2022	(47,193)
2023	$0
Thereafter	$0

PERS Disclosure for the defined contribution plan

SCHOOL DISTRICT 1 - HELENA 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.

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

E. Tax Abatements

The District's property tax revenue is subject to tax abatement agreements entered into by Lewis and Clark County. Under the Montana Code Annotated, Title 15, Chapter 24, Part 14, the localities may grant property tax abatements to new or expanding industries. In the first 5 years, qualifying expansions must be taxed at 50% of their taxable value. Each year thereafter, the percentage must be increased by equal percentages until the full taxable value is attained in the 10th year. In subsequent years, the property must be taxed at 100% of its taxable value. Property taxes abated by this section are subject to recapture if the ownership does not add at least $50,000 worth of qualifying improvements or modernized processes within the first two years in which these benefits are provided. For the fiscal year ended June 30, 2019, the District portion of the property taxes abated by Lewis and Clark County totaled $64,820 as follows:

Company	Amount
The Boeing Corporation	$32,676
Pioneer Aerostructures	32,144
	$64,820

Under 15-24-1502, MCA, remodeling, reconstruction, or expansion of an existing structure that increases its taxable value by at least 5% may receive a property tax exemption during the construction period, not to exceed 12 months, and for up to 5 years following completion of construction. The property tax exemption is limited to 100% of the increase in taxable value. In addition to this property tax exemption, the structures may receive a property tax reduction for four years following the exemption starting at 20% and increasing each year by 20% to 100% in the fifth year. Property taxes abated by this section are subject to recapture if the ownership does not meet the requirements of this section or the City's resolution granting the abatement. For the fiscal year ended June 30, 2019, the District portion of the abated property taxes totaled $468 under this program as follows:

Company	Amount
Stone Tree Climbing Center	$ 468

Required Supplementary Information

HELENA SCHOOL DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2019

	General Fund			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) - NOTE A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES				
Property taxes	$ 18,340,445	$ 18,340,445	$ 18,345,226	$ 4,781
Tuition and fees	1,195	1,195	185,991	184,796
Interest	54,536	54,536	103,971	49,435
Other district revenue	12,815	12,815	2,979	(9,836)
State of Montana	40,695,087	40,825,270	40,652,468	(172,802)
Amounts available for appropriation	59,104,078	59,234,261	59,290,635	56,374
EXPENDITURES				
Regular	32,863,175	32,993,358	33,058,941	(65,583)
Special education	3,424,235	3,424,235	3,452,135	(27,900)
Vocational education	1,702,420	1,702,420	1,636,754	65,666
Support services:				
Improvement of instruction services	4,104,593	4,104,593	4,767,158	(662,565)
Educational media services	1,618,964	1,618,964	1,579,503	39,461
General administration	2,094,611	2,094,611	810,328	1,284,283
School administration	4,610,736	4,610,736	4,579,955	30,781
Business services	1,045,054	1,045,054	1,010,366	34,688
Operations and maintenance of plant	6,356,885	6,356,885	6,057,750	299,135
Community services	13,128	13,128	12,125	1,003
Non-instructional services:				
Extracurricular	1,221,012	1,221,012	1,248,221	(27,209)
School food	49,265	49,265	162,699	(113,434)
Capital outlay		-	66,314	(66,314)
Total charges to appropriations	59,104,078	59,234,261	58,442,249	792,012
Other Financing Sources (Uses):				
Transfers (out)	-	-	(778,302)	(778,302)
Total other financing sources (uses)	-	-	(778,302)	(778,302)
Net change in fund balance			70,084	
Budgetary fund balance - July 1, 2018			3,665,349	
Budgetary fund balance - June 30, 2019			$ 3,735,433	

See independent auditor's report

HELENA SCHOOL DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION

Note A - Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

		General Fund
Sources/Inflows of resources		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	$	59,290,635
Fund 182 inflows of resources - included in the general fund for financial statement reporting purposes, but not for budgetary purposes		69,753
Fund 229 inflows of resources - included in the general fund for financial statement reporting purposes, but not for budgetary purposes		285
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds	$	59,360,673
Uses/Outflows of resources		
Acutal amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$	58,442,249
Fund 182 outflows of resources - included in the general fund for financial statement reporting purposes, but not for budgetary purposes		6,710
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Encumbrances reported at the beginning of the year		937,208
Encumbrances reported at the end of the year		(501,701)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$	58,884,466

Note: Amounts presented in the Budgetary Comparison Schedule and Related Budget-to-GAAP Reconciliation present only Funds 101 and 201. Other funds included in the general fund for financial statement reporting purposes are not included in these schedules

See independent auditor's report

HELENA SCHOOL DISTRICT NO.1
Required Supplementary Information
Schedule of Changes in Total OPEB Liability and Related Ratios
Other Postemployment Benefits
For the Year Ended June 30, 2019

Total OPEB Liability	**2019**	**2018**	**2017**
Service cost	$393,351	$425,373	$353,556
Interest on total OPEB liability	204,786	168,305	203,669
Effect of economic/demographic gains or (losses)	37,731		
Effect of assumption changes or inputs	(1,642,661)	(299,813)	368,792
Benefit payments	(441,449)	(453,246)	(450,000)
Net change in total OPEB liability	(1,448,242)	(159,381)	476,017
Total OPEB liability - beginning	5,545,699	5,705,080	5,229,063
Total OPEB liability - ending	$4,097,457	$5,545,699	$5,705,080
Covered-employee payroll	N/A	N/A	N/A
Total OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A

Notes to Schedule:

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period for the respective measurement date, as listed:

June 30, 2016	2.85%
June 30, 2017	3.58%
June 30, 2018	3.87%

Governmental Accounting Standard Board, Statement 75 requires this information to be provided for 10 years. Additional years will be displayed as they become available.

HELENA SCHOOL DISTRICT NO. 1
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
Teachers Retirement and Public Employees Retirement Systems of Montana
For the Year Ended June 30, 2019

Teachers Retirement System:	2019	2018	2017	2016	2015
As of the June 30 Measurement Date					
Employer's proportion of the net pension liability	3.1437%	3.1502%	3.1113%	3.1046%	3.1129%
Employer's proportionate share of the net pension liability associated with the employer	$ 58,350,944	$ 53,114,391	$ 56,838,244	$ 51,008,607	$ 47,903,304
State of Montana's proportionate share of the net pension liability associated with the employer	36,240,550	33,714,733	37,029,697	34,151,359	32,809,594
Total	$94,591,494	$ 86,829,124	$ 93,867,941	$ 85,159,966	$ 80,712,898
Employer's covered payroll	$41,990,904	$ 41,549,727	$ 40,385,463	$ 39,625,370	$ 39,256,570
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	138.96%	127.83%	140.74%	128.73%	122.03%
Plan fiduciary net position as a percentage of the total pension liability	69.09%	70.09%	66.69%	69.30%	70.36%

Public Employees Retirement System:	2019	2018	2017	2016	2015
As of the June 30 Measurement Date					
Employer's proportion of the net pension liability	.3543%	.4835%	.4743%	.4743%	.4798%
Employer's proportionate share of the net pension liability associated with the employer	$ 7,395,754	$ 9,415,853	$ 8,078,258	$ 6,630,090	$ 5,978,024
State of Montana's proportionate share of the net pension liability associated with the employer	2,729,715	453,964	377,542	311,547	279,453
Total	$10,125,469	$ 9,869,817	$ 8,455,800	$ 6,941,637	$ 6,257,477
Employer's covered payroll	$6,020,372	$ 6,197,232	$ 5,872,509	$ 5,722,913	$ 5,654,050
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	122.85%	151.94%	137.56%	115.85%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.47%	73.75%	74.71%	78.40%	79.87%

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

HELENA SCHOOL DISTRICT NO. 1
Required Supplementary Information
Schedule of Contributions
Teachers Retirement and Public Employees Retirement Systems of Montana
For the Year Ended June 30, 2019

Teachers Retirement System:	2019	2018	2017	2016	2015
As of the June 30 Reporting Date					
Contractually required contributions	$ 4,449,351	$ 4,371,348	$ 4,221,250	$ 4,136,450	$ 4,146,229
Contributions in relation to the contractually required contributions	4,449,351	4,371,348	4,221,250	4,136,450	4,146,229
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 43,221,690	$ 41,990,904	$ 41,549,727	$ 40,385,463	$ 39,625,370
Contributions as a percentage of covered payroll	10.29%	10.41%	10.16%	10.24%	10.46%

Public Employees Retirement System:	2019	2018	2017	2016	2015
As of the June 30 Reporting Date					
Contractually required contributions	$538,728	$ 493,585	$ 501,979	$ 474,831	$ 456,120
Plan choice rate required contributions				11,288	17,863
Contributions in relation to the contractually required contributions	538,728	493,585	501,979	486,119	473,983
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$6,490,704	$ 6,020,372	$ 6,197,232	$ 5,872,509	$ 5,722,913
Contributions as a percentage of covered payroll	8.30%	8.20%	8.10%	8.28%	8.28%

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

HELENA PUBLIC SCHOOLS
Notes to Required Supplementary Information
Pension Plan Information
For the Year Ended June 30, 2019

Teacher's Retirement System
Changes of Benefit Terms:

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

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

The second tier benefit structure for members hired on or after July 1, 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 date of termination
(8) **Guaranteed annual benefit adjustment (GABA)**:
    a. If the most recent actuarial valuation shows that Retirement System liabilities are at least 90% funded and the provision of the increase is not projected to cause the System's liabilities to be less than 85% funded, the GABA may increase from the 0.5% floor up to 1.5%, as set by the Board.

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

- Annual State contribution equal to $25 million paid to the System in monthly installments.
- One-time contribution payable to the Retirement System by the trustees of a school district maintaining a retirement fund. The one-time contribution to the Retirement System shall be the amount earmarked as an operating reserve in excess of 20% of the adopted retirement fund budget for the fiscal year 2013. The amount received was $22 million in FY 2014.

- 1% supplemental employer contribution. This will increase the current employer rates:
  - School Districts contributions will increase from 7.47% to 8.47%
  - The Montana University System and State Agencies will increase from 9.85% to 10.85%.
  - The supplemental employer contribution will increase by 0.1% each fiscal year for fiscal year 2014 through fiscal year 2024. For fiscal years beginning after June 30, 2024 the total supplemental employer contribution will be equal to 2%.
- Members hired prior to July 1, 2013 (Tier 1) under HB 377 are required to contribute a supplemental contribution equal to an additional 1% of the member's earned compensation.
- Each employer is required to contribute 9.85% of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position to the System.

Changes in actuarial assumptions and other inputs:

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

- 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 assumptions were adopted in 2015:

- Correctly reflect the proportion of members that are assumed to take a refund of contributions upon termination and appropriately reflect the three year COLA deferral period for Tier 2 Members.
- The actuarial valuation was updated to reflect the fact that vested terminations are only covered by the $500 death benefit for the one year following their termination and, once again when the terminated member commences their deferred retirement annuity (they are not covered during the deferral period). Additionally, only the portion of the terminated members that are assumed to "retain membership in the System" are covered by the $500 death benefit after termination.

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

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

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

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

- Mortality among disabled members was updated to the following:

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

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

Method and assumptions used in calculations of actuarially determined contributions:

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

<u>Public Employees Retirement System</u>

Changes of Benefit Terms

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

2017 Legislative Changes:

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.

HELENA PUBLIC SCHOOLS
Notes to Required Supplementary Information
Pension Plan Information
For the Year Ended June 30, 2019

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

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

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increases	0%to 6.30%
Asset valuation method	4-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.

Other Supplemental Information

HELENA SCHOOL DISTRICT NO. 1
ENROLLMENT/ANB SCHEDULE
For the Year Ended June 30, 2019

Students Grade K – 8

Full-Time Students:

Fall Enrollment-El District	MAEFAIRS Reports	District Reports	Difference
Kindergarten Half Day	N/A	N/A	
Kindergarten Full Day	584	584	
Grades 1-6	3585	3585	
Grades 7-8	1128	1128	
Spring Enrollment-El District	**MAEFAIRS Reports**	**District Reports**	**Difference**
Kindergarten Half Day	N/A	N/A	
Kindergarten Full Day	585	585	
Grades 1-6	3591	3591	
Grades 7-8	1129	1129	

Part Time Students:

Fall	Per MAEFAIRS Reports 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	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
K-Full	3	56	0	0	0	1	2	0	
1-6	0	13	0	0	2	60	0	0	
7-8	3	18	0	3	0	10	1	0	
Spring	**Per MAEFAIRS Reports 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	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
K-Full	0	55	1	0	1	0	2	0	
1-6	0	11	0	0	1	63	3	0	
7-8	1	17	1	5	0	9	1	2	

Students Grade 9 – 12:

Full-Time Students:

Fall Enrollment-El District	MAEFAIRS Reports	District Reports	Difference
Grade 9 - 12	2879	2879	
19-year olds included	1	1	
Job Corps	2	2	
Youth challenge	0	0	
Spring Enrollment-El District	**MAEFAIRS Reports**	**District Reports**	**Difference**
Grade 9 - 12	2789	2789	
19-year olds included	1	1	
Job Corps	1	1	
Youth challenge	0	0	
Early Graduates	0	0	

Part Time Students:

Fall	Per MAEFAIRS Reports 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	13	22	5	4	13	22	5	4	
Spring	**Per MAEFAIRS Reports 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	16	28	13	41	16	28	13	41	

HELENA SCHOOL DISTRICT NO. 1
SUPPLEMENTAL SCHEDULE OF STUDENT EXTRACURRICULAR FUND
For the Fiscal Year Ended June 30, 2019
C. R. Anderson Middle School

Activity	Beginning Activity Balance 7/1/18	Revenues/ Transfers In	Expenditures/ Transfers Out	Ending Activity Balance 6/30/19
Activity Acct	0	25,440	(25,440)	-
Builder's Club	1,620	278	(542)	1,356
Chorus	2,741	4,972	(4,759)	2,954
Fines & Breakage	-	106	(106)	-
SNAP	75	4,339	(3,399)	1,015
Band Rental	-	4,667	(4,667)	-
Interest Account	-	2,253	(2,253)	-
Library	-	129	(129)	-
Yearbook	10,881	4,496	(2,883)	12,494
Orchestra Rental	-	2,926	(2,926)	-
Orchestra Account	3,467	6,244	(7,110)	2,601
Band Activities	4,952	9,545	(10,654)	3,843
PE Activities	1,625	12,276	(10,640)	3,261
PE Fitness Account	-	804		804
Tech Ed	-	785	(785)	-
Industrial Tech	801	71		872
JMG	2,437		(63)	2,374
Spanish Club	197	141	(65)	273
Student Council	6,017	35,196	(31,783)	9,431
District Student	8,114			8,114
Pop Accounts	-	10,377	(10,377)	-
CRA Soccer Club	117			117
Dance Account	3,912	3,657	(789)	6,780
Science Olympiad	3,461	190	(1,809)	1,842
WEB	715	60	(125)	649
Team 1/406	-	525	(520)	5
Big Sky Team	155	426	(546)	35
Team 3/Vigilante	189	1,374	(1,322)	241
Team 4/Wildside	77	135	(197)	15
Team 7/Gold	590	710	(1,105)	195
Team 8/ Sapphire	5,623	3,641	(4,160)	5,104
Team 9/ Platinum	545	3,245	(1,917)	1,873
Cub Companions	-	800	(800)	-
Close Up	65			65
Angel Fund	-	1,000	(1,000)	-
PBS	8			8
Hot Chocolate for Cancer	-	907	(900)	7
Cross Country Team	38		(33)	5
Hospitality Fund	-	275	(275)	-
FLS Room 109	282	-		282
Chess Club	25	80	(30)	75
FLS Room130		883	(458)	425
Glacier Club		1,632	(1,523)	109
International Club		720	(509)	211
Niceness is Priceless		206	(58)	148
Total	58,729	145,511	(136,657)	67,583

See independent auditor's report.

HELENA SCHOOL DISTRICT NO. 1
SUPPLEMENTAL SCHEDULE OF STUDENT EXTRACURRICULAR FUND
For the Fiscal Year Ended June 30, 2019
Helena Middle School

Activity	Beginning Activity Balance 7/1/18	Revenues/ Transfers In	Expenditures/ Transfers Out	Ending Activity Balance 6/30/19
Annual	9			9
Art Technology	2,829	907	(1,067)	2,669
Math Counts		214	(140)	74
Band Rental	-	1,558	(1,558)	-
Book Club	218	4,584	(2,022)	2,780
7th Grade Leadership /HMS Outreach	831	125	(93)	863
HMS Choir	1			1
HMS Civics Club	60	7,070	(6,181)	949
Computer Lab	251			251
7th Grade Neighborhood	36			36
Festival Orchestra	28	2,253	(2,201)	80
Fines and Breakage	-	88	(88)	-
Fishing Club	709			709
HMS Sports	-	15,690	(15,690)	-
Interest Earnings	-	1,146	(1,146)	-
8th Grade Neighborhood	752	2,510	(3,239)	23
HMS Chess Club	78			78
HMS MBI	7,917	3,698	(2,781)	8,834
Orchestra Rental	-	1,455	(1,455)	-
P.E. Activities	3,079	6,444	(6,995)	2,527
Drama Club	205		(48)	157
Band Activities	3,967	14,279	(14,452)	3,794
Industrial Technology	530	2,319	(2,080)	770
Science Olympiad	1,628	981	(1,288)	1,321
Student Council	1,277	4,067	(4,278)	1,066
Recycling	65			65
Yellowstone Club	2,803	2,895	(4,634)	1,064
6th Grade Neighborhood	154	500	(454)	200
Spanish Club	223			223
Small Business Club	82			82
Construction Arts Club	362			362
HMS Bobcat Birders	607			607
Total	28,701	72,783	(71,890)	29,594

HELENA SCHOOL DISTRICT NO. 1
SUPPLEMENTAL SCHEDULE OF STUDENT EXTRACURRICULAR FUND
For the Fiscal Year Ended June 30, 2019
Capital High School

Activity	Beginning Activity Balance 7/1/18	Revenues/ Transfers In	Expenditures/ Transfers Out	Ending Activity Balance 6/30/19
General /Advanced Fees	-	61	(61)	-
Activity Fees	-	29,555	(29,555)	-
Activity Tickets	-	28,634	(28,634)	-
AP Fund	-	41,502	(41,502)	-
Applied Design	-	978	(978)	-
Art Travel	-	3,959	(3,138)	821
Art Seen	56	35	(56)	35
Auto Mech Resale	-	3,463	(3,463)	-
Band Fund	1,186	3,577	(3,289)	1,474
Band Scholarship	470	-	-	470
BBC Outdoor Club	65	-	-	65
BIO II Travel	255	14,824	(14,930)	149
Bear Necessities	17	19,821	(14,956)	4,882
Boys Basketball	6,568	30,403	(27,572)	9,399
Boys Track & Field	2,066	2,565	(3,208)	1,423
Bruin Pantry	1,137	3,829	(2,671)	2,295
Bruins Budget	-	573	(573)	-
Bruin Fastpitch	2,929	6,924	(4,964)	4,889
Bruin Tech	31	-	(30)	1
Building Trades Resale	-	2,463	(2,463)	-
BPOA	8,045	22,120	(23,593)	6,572
Bruins Helping Bruins	538	985	-	1,523
C-Club	21	617	(234)	404
Cadettes	510	4,544	(4,223)	831
Boys Cross Country	3,899	2,190	(1,372)	4,717
Girls Cross Country	5,039	3,870	(5,259)	3,650
Capital Dome	7,309	32,981	(31,301)	8,989
Cap Football	2,493	14,391	(16,429)	455
Capital Boys Soccer	1,195	2,069	(1,687)	1,577
Capital Girls Soccer	1,170	819	(1,421)	568
Capital Swim Teams	3,456	2,530	(4,548)	1,438
Capital Volleyball	1,288	9,744	(9,435)	1,597
Ceramics Resale	-	2,150	(2,150)	-
Cheerleaders	252	5,775	(4,661)	1,366
Chorus	7,952	11,426	(11,344)	8,034
CHS Golf	9,620	5,257	(7,437)	7,440
CISCO	758	8	-	766
Class of 2019	9,177	99	(9,276)	-
Class of 2020	597	13,572	(3,385)	10,784
Class of 2021	646	35	-	681

Class of 2022		264	-	264
Concessions	8,619	18,903	(16,222)	11,300
Computer Science Club	152	100	(35)	217
DECA	275	32,340	(27,477)	5,138
Design Club	480	3,881	(4,234)	127
Dessert Show	798	9	(806)	1
Drafting Resale	-	3	(3)	-
ECO	580	3,286	(3,419)	447
Envirothon /Indep Research	48	-	-	48
FCA	1,145	102	(687)	560
Fine Arts Resale	-	1,822	(1,822)	-
Bruin Pure Perfomance/Fitness	2,966	2,482	(1,069)	4,379
French Club	3,055	1,812	(1,189)	3,678
Gate Receipts	-	43,712	(43,712)	-
Gay, Straight Alliance	284	107	(113)	278
German Club	2,690	233	(1,260)	1,663
Girls BB	2,853	9,172	(11,504)	521
Green Club	2,517	2,669	(740)	4,446
HOSA	368	4,791	(3,618)	1,541
Family and Consumer Science	-	2,875	(2,875)	-
Female Empowerment		425	(50)	375
FCCLA	2,094	1,286	(470)	2,910
Fly Fishing Club	507	328	(294)	541
Home Ec. Revolving	-	113	(113)	-
Intro to Construction	-	147	(147)	-
Honor Society	1,951	1,461	(2,007)	1,405
Ind. Arts Resale	-	784	(784)	-
Key Club	714	-	(319)	395
Latin Club	611	112	-	723
Library Revolving	-	815	(815)	-
Lifting-CHS Powerhouse	3,012	14,726	(16,325)	1,413
Lifetime Sports	-	9,028	(9,028)	-
Link Crew	3,292	2,806	(2,679)	3,419
MBI	1,373	1,011	(555)	1,829
Niceness is Priceless	890	12,698	(10,936)	2,652
Music Dept. Gala Acct.	1,189	25	(506)	708
Orchestra	6,445	2,671	(6,031)	3,085
Paleontology Resale		2,120	(2,120)	-
Parking Fees	-	14,236	(14,236)	-
Partners Club	1,549	66	(235)	1,380
Paw Print	1,735	1,007	(1,172)	1,570
Pawsitively Printing	1	1,183	(319)	865
Pen and Ink	2,119	586	(89)	2,616
Photo club	92	1,729	(1,820)	1
Girls Track and Field	1,299	6,808	(5,847)	2,260
Respect	87	-	-	87
Science Robotics	3,740	8,203	(5,290)	6,653
Science Resale	-	2,196	(2,196)	-

Shop Welding	-	2,398	(2,398)	-
Science Olympiad -Science Club	11,024	5,150	(8,909)	7,265
Shred Club	790	-	(350)	440
Skills USA	1,621	2,314	(3,444)	491
CHS Shufflers/CHS AP Lit	652	2,653	(603)	2,702
Spanish Club	74	439	(403)	110
Spanish Club Travel	50	-	-	50
Special Needs	331	1,018	(926)	423
Speech	1,369	5,561	(3,311)	3,619
Speech Travel		20	(20)	-
Sports Med/1st Aid	156	-	-	156
Student Council	6,786	12,928	(10,757)	8,957
Tennis	2,889	4,943	(6,737)	1,095
Textbooks and Fines	-	5,130	(5,130)	-
Thespians	10,978	16,500	(16,190)	11,288
Training Room	1,682	1,155	(931)	1,906
Upward Bound/Talent Srch	-	1,773	(1,773)	-
Vending Acct	-	5,537	(5,537)	-
VICA	885	4,750	(3,839)	1,796
Video Game Club	8	-	-	8
Vigilante Parade	288	3,140	(3,412)	16
Wall of Fame	370	-	-	370
Welding Resale	-	5,682	(5,682)	-
Wrestling	6,369	12,575	(13,555)	5,389
Youth Alive	236	24	-	260
Youth Legislature	-	1,036	(930)	106
Total $	$ 184,833	$ 638,207	$ (619,803)	$ 203,237

HELENA SCHOOL DISTRICT NO. 1
SUPPLEMENTAL SCHEDULE OF STUDENT EXTRACURRICULAR FUND
For the Fiscal Year Ended June 30, 2019
Helena High School

Activity	Beginning Activity Balance 7/1/18	Revenues/ Transfers In	Expenditures/ Transfers Out	Ending Activity Balance 6/30/19
Act Participation	-	28,920	(28,920)	-
Activity Tickets	-	27,642	(27,642)	-
Art Club	1,733	-	(215)	1,518
AP Exams	583	42,967	(43,550)	-
Auto Club	1,635	4,332	(5,018)	949
Band	2,533	71,427	(70,191)	3,769
Bengalettes	499	4,456	(3,860)	1,095
Football	2,090	37,437	(37,768)	1,759
Bengal Spirit	-	9,782	(9,782)	-
Biology Club	573	-	(573)	-
Business Company	473	-	(473)	-
Business Professionals	920	2,682	(1,953)	1,649
Boys Basketball	706	13,549	(12,321)	1,934
Girls Baksetball	273	8,311	(7,873)	711
Brawny Bengal Club		20,888	(19,201)	1,687
Cheerleaders	-	10,464	(7,365)	3,099
Chemistry-Goggles	-	66	(66)	-
Chorus	461	24,106	(22,728)	1,839
Concession Maintenance	-	1,077	-	1,077
Concessions	27,542	16,649	(19,127)	25,064
Class of 2018	4,110	-	(4,110)	-
Class of 2019	10,227	20	(8,160)	2,087
Culinary Catering	9,195	2,307	(1,575)	9,927
Cross Country Boys	2,433	3,926	(6,050)	309
Cross Country Girls	876	6,335	(7,152)	59
DECA	9,436	25,660	(31,554)	3,542
Drafting Resale	-	150	-	150
Draft Vending		1,468	(1,468)	-
Green Group	783	2,077	(2,255)	605
FCA		550	-	550
Art Honor Society	151	4	-	155
Food Pantry		1,144	(150)	994
Forensics	4,988	8,524	(7,164)	6,348
French Club	128	1,190	(1,242)	76
Game Receipts	-	61,933	(61,933)	-
German Club	150	1,244	(920)	474
Golf	7,887	3,165	(7,268)	3,784
GSA	161	-	(79)	82
The Outdoor Club	822	2,781	(1,179)	2,424
HOSA	266	2,559	(1,291)	1,534
ID Cards	-	135	(93)	42

See independent auditor's report.

Intramural Sports	-	553	(553)	-
Interest Earnings	-	8,001	(7,376)	625
International Club	40	-	(40)	-
Knitting Club	7	-	-	7
Key Club	834	103	(122)	815
JMG	276	4,011	(3,617)	670
Latin Club	653	878	(120)	1,411
Library	-	1,013	(658)	355
Lifetime Sports	-	4,649	(4,649)	-
Link Crew	124	1,147	(632)	639
Locker Fee	-	905	(905)	-
Math Motivation	-	751	(751)	-
Mock Trial	2,353	5,296	(4,176)	3,473
MBI	460	1,248	(1,085)	623
Native American Leadership	110	-	-	110
National Honor Society	113	1,576	(1,430)	259
Needy Children	-	100	(100)	-
Niceness is Priceless		1,707	(1,628)	79
Nugget	204	188	(360)	32
Orchestra	5,714	831	(2,183)	4,362
Pannings	245	-	-	245
Parking Lot	-	7,688	(7,688)	-
PE Locks	-	421	(421)	-
Pottery	1,571	97	-	1,668
Programs	6,861	7,916	(7,789)	6,988
Pure Performance Group	129	4	-	133
School Store	9,718	56,734	(56,601)	9,851
Science Club	4,309	3,896	(4,517)	3,688
Science Seminar	6,476	14,542	(12,842)	8,176
Softball	7,481	11,681	(12,091)	7,071
Soccer-Girls	1,074	6,527	(4,637)	2,964
Soccer-Boys	519	10,366	(10,440)	445
Spanish Club	123	-	(36)	87
Special Living /FLS Peers	892	2,790	(2,960)	722
Student Council	3,113	20,363	(12,016)	11,460
Student Trainers	1,620	2,450	(963)	3,107
Swimming	3,377	4,165	(1,616)	5,926
Tennis	2,120	8,138	(10,258)	-
Textbooks and Fines	-	6,666	(6,666)	-
Thespians	5,404	6,043	(6,932)	4,515
Track-Boys	553	2,248	(2,387)	414
Girls Track	583	4,775	(4,533)	825
3-7-77's	322	130	(450)	2
Ukulele Club	137	32	(129)	40
Principal Vending Machine	-	6,624	(6,624)	-
VICA Skills USA	2,455	554	(1,191)	1,818
Volleyball	4,317	14,507	(13,896)	4,928
Yearbook	675	33,389	(14,686)	19,378
Welding Resale	-	9,842	(9,842)	-

Welding Club		3,741		6,217		(4,220)	5,738
Woodshop Resale		-		806		(806)	-
Woodworkers Club				1,568		-	1,568
Word Clues		160		4		-	164
Wrestling		7,268		4,674		(5,019)	6,923
HHS Travel Club		796		5,645		(4,852)	1,589
Total	$	178,561	$	744,386	$	(719,762)	$ 203,185

HELENA SCHOOL DISTRICT NO. 1
SUPPLEMENTAL SCHEDULE OF STUDENT EXTRACURRICULAR FUND
For the Fiscal Year Ended June 30, 2019
District Activities - Elementary Schools

Activity	Beginning Activity Balance 7/1/18	Revenues/ Transfers In	Expenditures/ Transfers Out	Ending Activity Balance 6/30/19
Activity Acct - 220	143,582	43,910	(42,360)	145,132
Activity Acct - 000	-			-
Activity Acct - 193	1	.		1
Total	143,583	43,910	(42,360)	145,133

HELENA SCHOOL DISTRICT NO. 1
SUPPLEMENTAL SCHEDULE OF STUDENT EXTRACURRICULAR FUND
For the Fiscal Year Ended June 30, 2019
District Activities - High Schools

Activity	Beginning Activity Balance 7/1/18	Revenues/ Transfers In	Expenditures/ Transfers Out	Ending Activity Balance 6/30/19
Activity Acct - 220	(33,539)	287,080	(278,730)	(25,189)
Activity Acct - 225		37,863	(54,514)	(16,651)
Activity Acct - 803			(4,773)	(4,773)
Activity Acct - 804			(3,302)	(3,302)
Activity Acct - 295	624		(186)	438
Total	(32,915)	324,943	(341,505)	(49,477)

See independent auditor's report.

Single Audit Section

Helena School District #1
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantors Number	Program or Award Amount	Cash/ (Accrued) or Deferred Revenue at 7/1/2018	Receipts or Revenue Recognized	Disbursements/ Expenditures	Cash/ (Accrued) or Deferred Revenue at 6/30/2019
U.S. DEPARTMENT OF EDUCATION							
Direct Programs:							
Indian Education – Grants to Local Education Agencies	84.060A	S060A150856	66,471	0	57,862	57,862	0
Total direct programs			66,471	0	57,862	57,862	0
U.S. DEPARTMENT OF EDUCATION							
Pass-through Montana Office of Public Instruction:							
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	02504888418	6,494	(6,088)	6,088	0	0
Special Education – Olympic Education Programs	84.380W	N/A	3,336	1,620	0	0	1,620
Title I Grants to Local Educational Agencies	84.010A	02504873218	2,207,201	(76,969)	76,969		0
Title I Grants to Local Educational Agencies	84.010A	02504873219	2,207,202		66,816	66,816	0
Title I Grants to Local Educational Agencies	84.010A	02504873218	22,843	(600)	600		0
Title I Grants to Local Educational Agencies	84.010	N/A	3,897	669		669	0
Title I Grants to Local Educational Agencies	84.010A	2504883318	97,750	(1,106)	1,106	0	0
Title I Grants to Local Educational Agencies	84.010A	2504873219	2,269,061		1,831,155	1,869,280	(38,125)
Title I Grants to Local Educational Agencies	84.010A	2504883318	97,750		5,684	5,684	0
Title I Grants to Local Educational Agencies	84.010A	2504873118	22,843		682	682	0
Title I Grants to Local Educational Agencies	84.010A	2504873119	22,843		20,519	22,843	(2,324)
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.010 D	2504884218	18,045	(4,831)	4,831		0
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.010 D	2504884218	18,045		13,583	13,583	0
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.010 D	2504884219	12,921		10,394	12,921	(2,527)
Subtotal CFDA #84.010			7,000,401	(82,837)	2,032,339	1,992,478	(42,976)
Supporing Effective Instruction State Grants	84.367A	2504871418	6,013	0	2,995	2,995	0
Supporing Effective Instruction State Grants	84.367A	2504871419	6,450	0	2,547	4,308	(1,761)
Subtotal CFDA #84.367A			12,463	0	5,542	7,303	(1,761)
Comprehensive Literacy Development	84.371C	2504873518	181,353	(39,017)	89,485	50,468	0
Comprehensive Literacy Development	84.371C	2504873519	681,187		424,770	455,434	(30,664)
Subtotal CFDA #84.371C			862,540	(39,017)	514,255	505,902	(30,664)
Title IV A Student Support and Academic Enrichment	84.424A	2504875219	1,347	0	585	585	0

Helena School District #1
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantors Number	Program or Award Amount	Cash/ (Accrued) or Deferred Revenue at 7/1/2018	Receipts or Revenue Recognized	Disbursements/ Expenditures	Cash/ (Accrued) or Deferred Revenue at 6/30/2019
Preschool Development Grant	84.419A	2504871619	80,000	0	49,700	49,700	0
Twenty-First Century Community Learning Center	84.287			0			0
Education for Homeless Children and Youth	84.196A	2504875719	10,064	0	8,038	10,064	(2,026)
				0			
Adult Education – Basic Grants to States	84.002A	2504885619	58,995	0	27,854	58,995	(31,141)
Career and Technical Education – Basic Grants to States	84.048A	02504888118	135,933	(15,957)	15,957		0
Career and Technical Education – Basic Grants to States	84.048A	02504888119	139,614	0	121,187	139,312	(18,125)
Subtotal CFDA #84.048A			275,547	(15,957)	137,144	139,312	(18,125)
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126A		325,175	96,706	147,057	104,116	139,647
Special Education Cluster:							
Special Education – Grants to States	84.027	02504877718	2,305,198	(3,545)	3,545		0
Special Education – Preschool Grants	84.173 A	02504877918	46,437	(29,550)	29,550		0
Special Education – Grants to States	84.027	02504877719	2,305,198	0	1,855,732	1,963,403	(107,671)
Special Education – Preschool Grants	84.173 A	02504877919	48,191	0	48,191	48,191	
Special Education – Assistive Technology	84.027		5,800	877		0	877
Total Special Education Cluster			4,710,824	(32,218)	1,937,018	2,011,594	(106,794)
Total pass-through Montana Office of Public Instruction			13,347,186	(77,791)	4,865,620	4,880,049	(92,220)
U.S. DEPARTMENT OF TRANSPORTATION							
Pass Through Montana Department of Transportation							
State and Community Highway Safety	20.600		38,000	(11,127)	20,066	8,939	0
State and Community Highway Safety	20.600		40,000		21,590	33,398	(11,808)
Subtotal CFDA #20.600			78,000	(11,127)	41,656	42,337	(11,808)
National Priority Safety Programs, Occupant Protection	20.616		4,938			3,664	(3,664)
Total pass-through Montana Department of Transportation			82,938	(11,127)	41,656	46,001	(15,472)

Helena School District #1
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantors Number	Program or Award Amount	Cash/ (Accrued) or Deferred Revenue at 7/1/2018	Receipts or Revenue Recognized	Disbursements/ Expenditures	Cash/ (Accrued) or Deferred Revenue at 6/30/2019
ENVIRONMENTAL PROTECTION AGENCY							
Pass Through Soil and Water Conservation Districts of Montana							
EcoSchools Natioan Wildlife Federation	66.951		3,000	0	2,223	2,223	0
Total Environmental Protection Agency			3,000	0	2,223	2,223	0
U.S. DEPARTMENT OF AGRICULTURE							
Pass-through Montana Office of Public Information							
Child Nutrition Cluster:							
Non-Cash Assistance (Commodities):	10.553	N/A			149,280	149,280	0
National School Lunch Program							
Cash Assistance:							
School Breakfast Program	10.553	N/A			453,929	453,929	0
National School Lunch Program	10.555	N/A			1,013,661	1,013,661	0
Summer Food Service Program	10.559	N/A			85,890	85,890	0
Total Child Nutrition Cluster					1,702,760	1,702,760	0
School Fresh Fruit and Vegetable Program	10.582	N/A			42,045	42,045	0
After School Snack Program	10.558	N/A			35,726	35,726	0
Smarter Lunchroom	10.574	N/A		100		100	0
Total U.S Department of Agriculture			0	100	1,929,811	1,780,631	0
TOTAL FEDERAL AWARDS			13,499,595	(88,818)	6,897,172	6,766,766	(107,692)

Notes to the Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Helena School District #1 under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Helena School District #1.

Note 2 - Summary of Significant Accounting Policies

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

Note 3 – Indirect Cost Rate

Helena School District #1 has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4 – Subrecipients

The District does not have any subrecipients or subrecipient expenditures.

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
Helena School District No.1
Helena, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Helena School District No.1 (the "District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 28, 2020.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Wipfli LLP

Wipfli LLP

Helena, Montana
February 28, 2020

WIPFLi LLP
CPAs and Consultants

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Trustees
Helena School District No.1
Helena, Montana

Report on Compliance for Each Major Federal Program

We have audited Helena School District No.1's (the "District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Helena School District No.1's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Programs

In our opinion, Helena School District No.1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Wipfli LLP

Wipfli LLP

Helena, Montana
February 28, 2020

SCHEDULE OF FINDINGS AND QUESTIONED COST
For the Year Ended June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
Material weakness		yes	X	no
Significant deficiency		yes	X	no
Noncompliance material to financial statements noted?		yes	X	no

Federal Awards

Internal control over major programs:				
Material weakness		yes	X	no
Significant deficiency		yes	X	no
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with (2 CFR 200.516(a)) the Uniform Guidance?		yes	X	no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000			
Auditee qualified as low-risk auditee?		yes	X	no

Section II – Financial Statement Findings

None noted

Section III – Federal Award Findings and Questioned Costs

None noted

Section IV – Auditees Summary Schedule of Prior Audit Findings

None noted