

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2021



HELENA
PUBLIC SCHOOLS

Helena School District #1

Helena, Montana

ANNUAL FINANCIAL REPORT

Of the

HELENA SCHOOL DISTRICT #1

1325 Poplar Street

Helena, MT 59601

For the Fiscal Year Ended

June 30, 2021

Luke Muszkiewicz, Chair Helena Board of Trustees

Rex Weltz, Superintendent

T. Janelle Mickelson, Business Services Administrator

Prepared by:

T. Janelle Mickelson, C.P.A.

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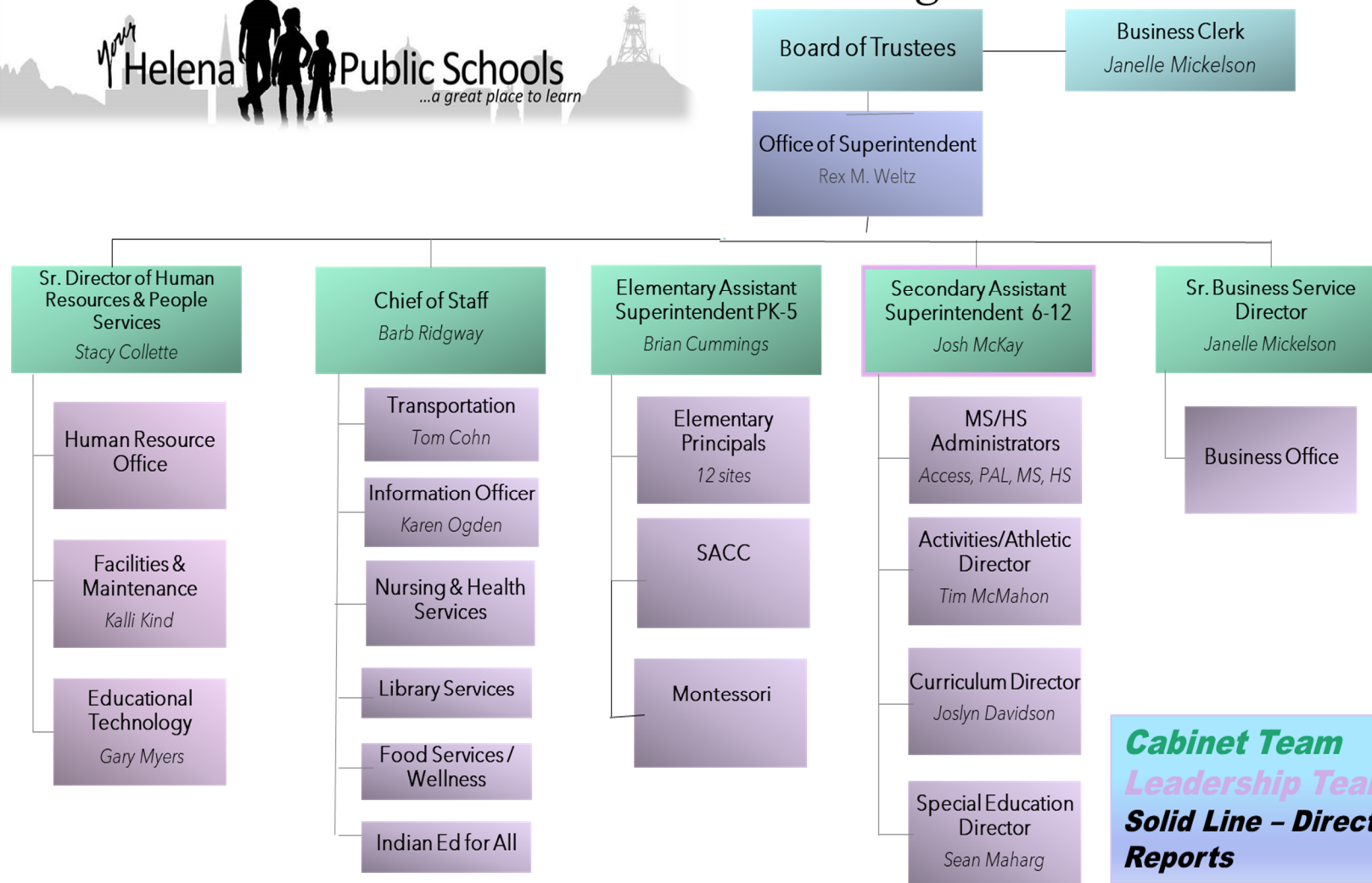
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District Organizational Structure



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

Organization

Board of Trustees

Elementary and High School Trustees

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Luke Muszkiewicz	Chairperson	2023
Siobhan Hathhorn	Vice-chair	2022
Janet Armstrong	Trustee	2024
Terry Beaver	Trustee	2024
Libby Goldes	Trustee	2022
Jennifer McKee	Trustee	2023
John McEwen	Trustee	2022

High School Trustees

Jennifer Walsh	Trustee - High School	2023
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List of Principal Officials

Rex Weltz	Superintendent
T. Janelle Mickelson	Business Services Administrator
Katrina Chaney	County Superintendent
Leo Gallagher	County Attorney



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, 2021, 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, 2021, 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, budgetary comparison schedule – budget to GAAP reconciliation, schedule of changes in total OPEB liability and related ratios, schedule of proportionate share of the net pension liability – teachers retirement and public employees retirement systems of Montana, and schedule of contributions – teachers retirement and public employees retirement systems of Montana, 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 schedule of school enrollment and schedules of student 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 also not a required parts of the basic financial statements.

The schedule of school enrollment, schedules of student 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 schedule of school enrollment, schedules of student 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 March 23, 2022, 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

Billings, Montana
March 23, 2022

Helena School District No. 1 Management's Discussion and Analysis For the Year Ended June 30, 2021

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, 2021. 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

- Average Number Belonging for budgeting purposes remained relatively stable in the elementary. The high school continues to see a decline in ANB as a result of the East Helena K-12 expansion.
- The state provided for a 1.83% inflationary increase on funding components for the general fund and increased the statewide guaranteed tax base ratio from 216% to 224%. The special education instructional block grant rate increased from \$151.53 to \$152.88, the special education related services block grant increased from \$50.51 to \$50.96, and the threshold to determine disproportionate costs was also raised. Overall, state aid to the general fund increased by \$1,511,063
- The high school general fund received the second of four-tuition payments for East Helena K-12 students served in the Helena School District (approximately \$407,576). Tuition payments received will reduce each year as East Helena K-12 enrolls students in each grade level.
- Salary increases were as follows: Teachers, Administration, Independents, and Custodians received steps; Para Educators received a 9% increase; Secretaries received a 12% increase; and Crafts received approximately a \$1.00 per hour increase. In addition, the District operated a hybrid remote-in person teaching and learning environment and hired approximately 25 proctors to facilitate the teaching and learning model. The School-Aged Child Care (SACC) program opened an additional site to comply with social distancing protocols and hired approximately 10 additional para educators to staff the site. Additional custodians were also hired to perform a higher level of cleaning to prevent the spread of the Covid-19 virus. Overall salary increases were approximately \$2,552,012.
- Health Benefits increased \$39 from \$781 per month to \$820 per month.
- Final touches are being made to the bond projects. The cash balance in the building fund will essentially be depleted by fiscal year 2021-22 year-end.
- The assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$19,838,374 with a total decrease in net position of \$2,784,604. The decrease in net position was primarily due to an increased pension expense of approximately \$12,900,000, an increase in the compensated absence liability of approximately \$1,590,000 and a decrease in interest earning of approximately \$576,600 offset by an increase in grant revenue of approximately \$9,600,000.

Fund Highlights

- The financial anomalies related to the pandemic continued into fiscal year 2020-21. The District was allocated \$1,368,382 in CARES - State Emergency Relief Fund (ESSER I), \$3,512,982 in CARES - Governor's Coronavirus Relief Fund (CRF), \$5,397,752 in CRRSA - State Emergency Relief Fund II (ESSER II), and \$11,534,874 in ARP - State Emergency Relief Fund II (ESSER III). These monies freed up money in the general fund, leaving a higher-than-normal cash balance at year-end. The money was transferred to the interlocal fund. In fiscal year 2020-21 the District used the money to pay for proctors, technology supplies, equipment and services, personal protective equipment (PPE), assessments and curriculum, HVAC cleaning and airflow studies, a boiler for the new site for the SACC program, summer school, and to support programs such as athletics and activities that experienced loss of revenue.
- As of the close of the current fiscal year, the governmental funds of the District reported a combined ending fund balance of \$30,408,974 an increase of \$1,047,597 in comparison with the previous year. The increase was primarily due to expenditures paid with ESSER and CARES funding, which freed up money in other funds (approximately \$3,567,748). The increase was offset with a decrease

in fund balance in the elementary building fund, reflecting the consumption of bond proceeds to complete safety and security upgrades in elementary and middle school buildings.

- School meals were provided free of charge throughout the school year, which resulted in a mere \$4,029 being collected in meal sales. However, federal school foods reimbursement nearly doubled. The food service fund ended the year with a positive cash balance of approximately \$426,534.
- Tuition for the School Age Child Care (SACC) program was waived for a portion of the year, resulting in a decline of local revenues of approximately \$500,000 over the course of two years. However, over \$600,000 in CARES funding was secured for the program. In addition, the pension liability increased by approximately \$185,800, the compensated absence liability increased by approximately \$74,300 and overall operating expenditures increased by approximately \$287,000. The result was a net loss of approximately \$441,342.
- Over the course of approximately two years technology needs in the elementary have outpaced resources, which has depleted the elementary technology fund. Over \$500,000 in expenditures were transferred out of the elementary technology fund into the general fund.
- The cash balance of \$1,376,610 in the building fund reflects that we are nearing the end of the bond projects.
- At year-end, after all cash transfers, the interlocal fund had a cash balance of \$7,838,725 of which \$831,544 is earmarked for school building budgets.
- Net position for the internal service funds decreased by approximately \$1,107,000, primarily due to increased health insurance claim payments and reduced revenue for the Print-shop due to the remote learning environment.
- At the end of the current fiscal year, unassigned fund balance for the general funds was \$5,129,615. Fund balance assigned in the general fund was \$7,963,233 of which \$143,949 was for encumbrances. Prepaid expenses of \$23,972 represented non-spendable fund balance. 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 \$55,085,000 as of June 30, 2021.
- The construction of three new elementary schools is complete and safety and security projects are expected to be complete by the end of December 2021. The district's capital assets, net of depreciation increased \$2,827,362 in fiscal year 2021.

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 18.

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 two categories: governmental and proprietary. With the implementation of GASB 84, Fiduciary Activities, the District no longer has 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, the elementary food service fund, the elementary miscellaneous programs fund and the elementary building reserve 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. The District's high school general fund budget

was amended to account for tuition receipts received from East Helena K-12 school district. All other original budgets and final budgets were identical. 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 24-26 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. With the implementation of GASB 84, Fiduciary Activities, the District does not operate any fiduciary funds.

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 60 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 \$19,838,374 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 \$56,524,663 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 \$22,815,900 represents resources that are subject to external restrictions on how they may be used. Of the \$22,815,900, \$9,276,705 or 41% represents unobligated resources in the self-insurance fund, \$4,120,075 or 18% represents resources restricted for capital projects, and \$3,141,713 or 14% represents resources restricted for retirement benefits.

The remaining balance is an *unrestricted net position* deficit totaling \$59,502,189. 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

- As noted earlier, the net position of the school district decreased by approximately \$2,784,604, primarily due to an increased pension expense, an increase in the compensated absence liability, and a decrease in interest earnings, offset by an increase in grant revenue.

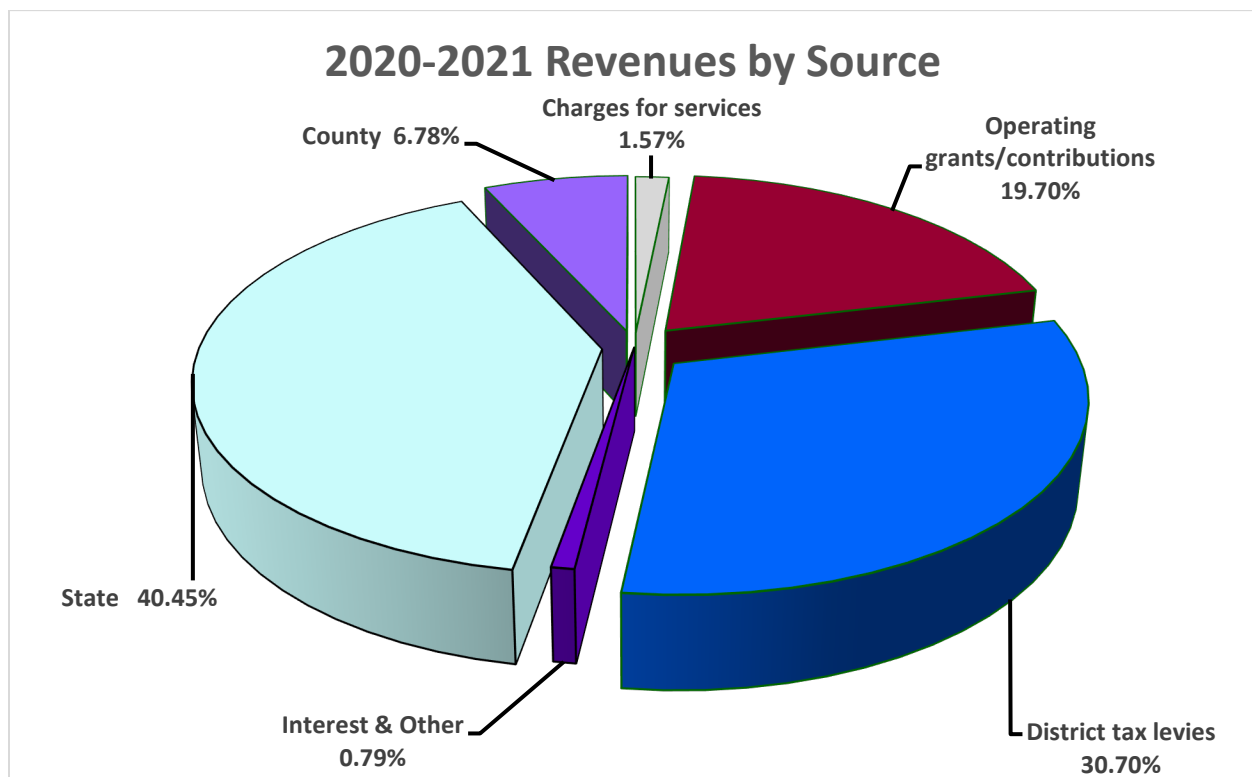
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current and other assets	\$45,365,501	\$44,624,055	\$493,270	\$539,600	\$45,858,771	\$45,163,655
Capital assets, net	<u>117,431,311</u>	<u>114,603,949</u>	<u>4,740</u>		<u>117,436,051</u>	<u>114,603,949</u>
Total Assets	162,796,812	159,228,004	498,010	539,600	163,294,822	159,767,604
Deferred Outflows						
-Pensions	17,435,566	11,764,815	211,613	140,245	17,647,179	11,905,060
-Other post employment benefits	<u>733,358</u>	<u>427,736</u>			<u>733,358</u>	<u>427,736</u>
Total deferred outflows	18,168,924	12,192,551	211,613	140,245	18,380,537	12,332,796
Long-term liabilities outstanding	153,101,082	141,839,349	1,141,016	880,895	154,242,098	142,720,244
Other Liabilities	<u>4,572,677</u>	<u>3,811,588</u>	<u>299,001</u>	<u>86,996</u>	<u>4,871,678</u>	<u>3,898,584</u>
Total liabilities	157,673,759	145,650,937	1,440,017	967,891	159,113,776	146,618,828
Deferred Inflows						
-Pensions	568,288	1,473,047	1,418	2,424	569,706	1,475,471
-Other post-employment benefits	<u>2,153,503</u>	<u>1,383,123</u>			<u>2,153,503</u>	<u>1,383,123</u>
Total deferred inflows	2,721,791	2,856,170	1,418	2,424	2,723,209	2,858,594
Net position:						
Net investment in capital assets	56,519,923	52,799,169	4,740		56,524,663	52,799,169
Restricted	22,815,900	23,838,976			22,815,900	23,838,976
Unrestricted	<u>(\$58,765,637)</u>	<u>(\$53,724,697)</u>	<u>(\$736,552)</u>	<u>(\$290,470)</u>	<u>(\$59,502,189)</u>	<u>(\$54,015,167)</u>
Total net position	<u>\$20,570,186</u>	<u>\$22,913,448</u>	<u>(\$731,812)</u>	<u>(\$290,470)</u>	<u>\$19,838,374</u>	<u>\$22,622,978</u>

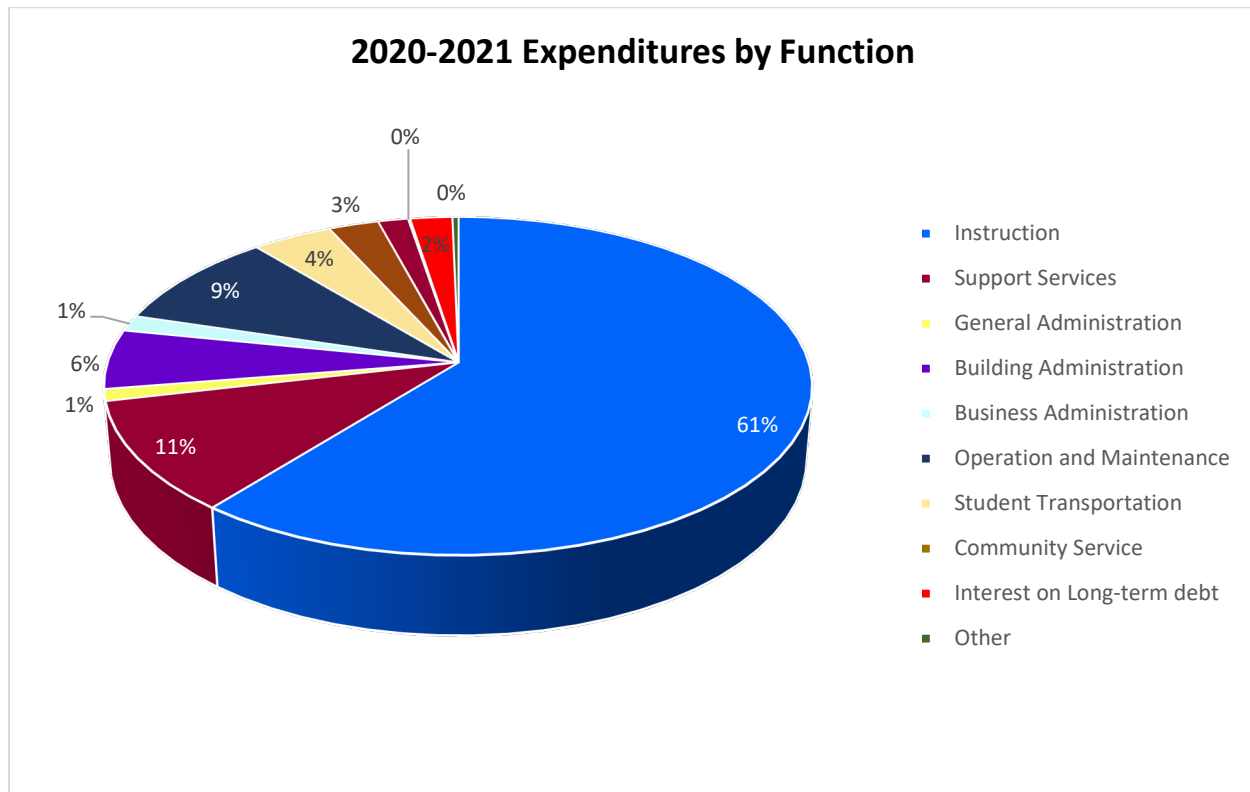
Changes in Net Activities of Helena School District No. 1

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues:						
Program revenues:						
Charges for services	\$1,532,536	\$3,596,898	\$263,690	\$607,105	\$1,796,226	\$4,204,003
Operating grants/contributions	21,976,828	12,350,724	613,084	24,967	22,589,912	12,375,691
General revenues:						
District tax levies	35,200,161	34,483,475			35,200,161	34,483,475
Interest	116,456	688,654	1,897	9,100	118,353	697,754
State	46,388,962	43,570,176			46,388,962	43,570,176
County	7,776,947	11,011,645			7,776,947	11,011,645
Net gain (loss) on disposition of property	16,405	25,945			16,405	25,945
All other	<u>706,887</u>	<u>572,610</u>	<u>80,962</u>	<u>60,724</u>	<u>787,849</u>	<u>633,334</u>
Total Revenues	\$113,715,182	\$106,300,127	\$959,633	\$701,896	\$114,674,815	\$107,002,023
Expenses:						
Instruction	71,373,191	64,639,591			71,373,191	64,639,591
Support Services	11,082,973	9,948,076	1,400,975	1,113,821	12,483,948	11,061,897
General Administration	1,326,312	1,520,725			1,326,312	1,520,725
School Administration	6,676,052	5,910,050			6,676,052	5,910,050
Business Administration	1,795,629	1,380,823			1,795,629	1,380,823
Operation and Maintenance	10,925,361	8,702,027			10,925,361	8,702,027
Student Transportation	4,939,808	4,523,145			4,939,808	4,523,145
Food Services	3,074,713	2,354,486			3,074,713	2,354,486
Student Extracurricular	1,845,442	3,190,359			1,845,442	3,190,359
Community Service	115,358	119,764			115,358	119,764
Interest and fees on Long-term debt	2,581,812	2,759,544			2,581,812	2,759,544
Other	<u>380,814</u>	<u>222,085</u>			<u>380,814</u>	<u>222,085</u>
Total expenses	<u>116,117,465</u>	<u>105,270,675</u>	<u>1,400,975</u>	<u>1,113,821</u>	<u>\$117,518,440</u>	<u>\$106,384,496</u>
Increase/(Decrease) in net position	(2,402,283)	1,029,452	(441,342)	(411,925)	(2,843,625)	617,527
Net position, prior year	<u>\$22,913,448</u>	<u>20,999,207</u>	<u>(\$290,470)</u>	<u>121,455</u>	<u>22,622,978</u>	<u>21,120,662</u>
Prior Period Adjustments:						
Restatements	59,021	884,789			59,021	884,789
Net position, current year	<u>\$20,570,186</u>	<u>\$22,913,448</u>	<u>(\$731,812)</u>	<u>(\$290,470)</u>	<u>\$19,838,374</u>	<u>\$22,622,978</u>

Governmental activities. Net position of the District decreased from governmental activities by \$2,784,604. Key elements of this change include:

- Grant income increased by approximately \$10,214,221 primarily due to the ESSER and CARES funding received.
- Due to limited extra-curricular activities because of the pandemic and school meals being free, charges for services were down approximately \$2,408,000.
- Interest revenue was down approximately \$579,401, reflecting the plummet in interest rates.
- Overall general revenues remained fairly constant. District tax levies increased by \$716,686, state revenues increased by \$2,818,786 and county revenues decreased by \$3,234,698. No retirement incentives were offered in fiscal year 2021, so the decrease in county revenues was anticipated.
- The pension expense increased approximately \$12,900,000 from the previous year.
- Very few employees took leave during the pandemic. This factor, along with increased wages, resulted in a large increase (\$1,590,000) in the compensated absences liability.
- Capital assets, net of depreciation increased by approximately \$2,827,000. As previously stated, the increase was primarily associated with safety and security projects for school buildings.
- The Trustees transferred a total of \$3,568,748 from the general, transportation and adult education funds to the elementary interlocal fund. At year end, the fund balance in the interlocal fund was \$7,838,725. 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. Over \$1,000,000 in employee bonuses were paid out of the interlocal fund.





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 decreased for a second consecutive year. Tuition for the School Age Child Care (SACC) program was waived for a portion of the year, resulting in a decline of local revenues of approximately \$350,000 from fiscal year 2020. That, coupled with an increase in expenditures (primarily salaries and supplies), resulted in a net loss of approximately \$441,342.

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 non-spendable, 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 \$30,408,974, an increase of \$1,047,597. As was mentioned earlier, the increase was primarily due to a larger than normal remaining fund balance at year-end in the general fund because expenditures that would normally be paid from the general fund were paid with ESSER and CARES money. Of this total fund balance, \$14,455,209 is restricted by 1) by state law or by grant agreements for a specific purpose, \$10,789,854 is assigned, the bulk of which is assigned for the multidistrict cooperative agreement, \$5,129,615 is unassigned, and \$34,296 is non-spendable (inventory and prepaid expenditures).

The general funds are the main operating funds of the elementary and high school districts. For financial statement reporting purposes, they are comprised of the elementary and high school general funds and flexibility funds, and the elementary interlocal fund. At the end of the current fiscal year, \$143,949 of the fund balance was assigned for encumbrances and \$7,819,284 was assigned for the multi-district cooperative agreement and flexibility funds, \$5,129,615 was unassigned and available for any general operations, and the remaining \$23,972 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 \$13,116,820 to total fund expenditures which represents approximately 22% of the total general fund expenditures.

Helena School District operates eleven 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 year-end is \$11,548,943. Of this total, \$10,324 is non-spendable prepaid expenses, \$10,305,868 is restricted by state law or grant agreements, \$1,232,751 assigned for encumbrances and by the District for a specific use.

The debt service funds have a total balance of \$356,007, an increase of \$323,505 from the previous year. As of June 30, 2021, the outstanding general obligation debt in the elementary school was \$55,085,000. The high school does not have any general obligation debt.

The capital projects funds have a total fund balance of \$5,387,204. A small portion (\$58,679) is assigned by the District for specific use. The remaining \$5,328,525 is restricted for the final phase of the safety and security projects, 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. The remaining safety and security upgrades are expected to be completed by December 2021.

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. As mentioned earlier, the demand for copies in the Print-shop declined as a result of remote learning. The result was a decrease in net position in that fund of \$33,096. The Warehouse net position increased slightly by \$5,015, primarily due to a reduction of inventory purchases. The net position of the Self-Insurance fund decreased by \$1,080,464 largely due to increased health insurance claim payments. Premium increases continue to be substantially less than national averages.

Governmental Fund Budgetary Highlights

Differences between the original and final budget resulted from the transfer of unexpended line items for District purposes at year-end as authorized by the Board of Trustees. In fiscal 2021, the District saw budget savings in the unused contingency line item, termination pay, substitute wages and technology purchases. Over expenditures in the instructional line item resulted from additional tech support hired and special education salaries. 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, 2021, was \$117,436,051 (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:

- Capital High School building security and safety and technology upgrades (\$732,287)
- Ray Bjork Learning Center building security and safety and technology upgrades (\$502,636)
- Kessler Elementary building security and safety and technology upgrades (\$488,130)
- Hawthorne Elementary building security and safety and technology upgrades (\$402,679)
- Jefferson Elementary building security and safety and technology upgrades (\$355,237)
- Central Elementary new construction (\$229,523)
- Kessler Elementary School partial re-roof and flooring (\$180,901)
- Helena High School partial re-roof (\$156,867)
- Helena High School building security and safety and technology upgrades (\$149,305)
- Jim Darcy Elementary new construction (\$146,133)
- Smith Elementary restroom remodel (\$127,167)
- Bryant Elementary new construction (\$123,119)

Capital Assets of Helena School District No.1

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Land	\$4,062,830	\$4,062,830
Construction in Progress	1,361,392	2,857,568
Land Improvements	2,960,339	3,005,872
Buildings	106,871,126	101,923,928
Machinery and equipment	<u>2,175,624</u>	<u>2,753,751</u>
Total	<u>\$117,431,311</u>	<u>\$114,603,949</u>

	<u>Business Activities</u>	
	<u>2021</u>	<u>2020</u>
Machinery and equipment	<u>\$4,740</u>	<u>\$0</u>
Total	<u>\$4,740</u>	<u>\$0</u>

Long-term debt. At the end of the current fiscal year, the District had total general obligation debt outstanding of \$55,085,000 and unamortized bond premium of \$6,731,429. All of the general obligation debt is backed by the full faith and credit of the government.

Outstanding Debt of Helena School District No.1

<u>Elementary</u>	<u>Original Issue Amount</u>	<u>Original Issue Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding Balance</u>
Series 2017	\$55,000,000	7/1/2037	3.00-5.00%	\$47,655,000
Series 2019	\$8,000,000	7/1/2039	3.00-4.00%	<u>7,430,000</u>
				55,085,000
		Unamortized bond premium		<u>6,731,429</u>
				<u>\$61,816,429</u>

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 \$161,318,398 and \$274,515,040 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.

Other long-term liabilities included compensated absences of \$5,924,810 for governmental funds and \$138,609 for the enterprise fund. As mentioned earlier, the compensated absence liability increased significantly in both the governmental funds (\$1,515,562) and the enterprise fund (\$74,281). 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 C.

Economic Factors and Next Year's Budgets and Rates

- Due to concerns regarding the pandemic and the District's hybrid learning model, elementary enrollment, which is used in calculating the ensuing year's budget, declined substantially in fiscal year 2021.
- The state provided for a 1.50% inflationary increase on funding components for the general fund and increased the statewide guaranteed tax base ratio from 232% to 250%. The special education instructional block grant rate increased from \$152.88 to \$156.45, the special education related services block grant increased from \$50.96 to \$52.15, and the threshold to determine disproportionate costs was also raised. Overall, state aid to the general fund is expected to increase by \$1,406,035 (3.43%). Overall state funding decreased by approximately .55%
- Taxable values increased in both the elementary and high school by approximately 7%.
- Helena School District educators are among the highest paid educators in the state. Sustainability of the salary schedule has become an increasing challenge. Over 90% of the District's budget is spent on salaries and benefits. The District and the Helena Education Association reached an agreement in fiscal year 2022 and agreed to move away from the PCAP matrix and a more traditional matrix was implemented.
- Live births in Lewis and Clark County were slightly up from 560 in 2020 to 576 in 2021.
- The median age of the population in Helena is relatively high at 40.1, which explains the relatively flat birth rate.
- Over the past several years, the County has seen steady growth. Property tax revenue has grown at approximately 2 percent each year. In the last several years, the County has seen a considerable uptick in construction growth, and the demand for services such as subdivision applications has increased.
- The "Helena Valleys" are experiencing new growth with almost two-thirds of all new growth occurring outside the cities of Helena and East Helena.

All of these factors, along with the effects of the ESSER funding and coping with the effects of the COVID-19 pandemic, were considered in preparing the 2022 budgets. The general fund elementary budget for fiscal year 2022 was \$38,593,891, an increase of 1.03%, while the high school general fund budget was \$22,924,703 an increase of .03%.

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, 1325 Poplar St., Helena, MT, 59601.

BASIC FINANCIAL STATEMENTS

HELENA SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION
JUNE 30, 2021

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Cash and cash equivalents	\$ 39,079,554	\$ 486,655	\$ 39,566,209
Property taxes receivable	1,023,157		1,023,157
Due from other governments	4,993,324	-	4,993,324
Accounts receivable	76,257	6,615	82,872
Inventories	158,913		158,913
Prepaid expenses	34,296		34,296
Capital assets not being depreciated	5,424,222		5,424,222
Capital assets, net of accumulated depreciation	112,007,089	4,740	112,011,829
Total assets	<u>162,796,812</u>	<u>498,010</u>	<u>163,294,822</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows - pension plans	17,435,566	211,613	17,647,179
Deferred outflows - other post-employment benefits	733,358		733,358
Total deferred outflows of resources	<u>18,168,924</u>	<u>211,613</u>	<u>18,380,537</u>
<u>LIABILITIES</u>			
Accounts payable	1,820,642	3,112	1,823,754
Accrued self-insurance claims	2,707,583		2,707,583
Unearned revenue	44,452	-	44,452
Resources received prior to being earned		295,889	295,889
<u>Noncurrent liabilities</u>			
Due within one year:			
Intercap loan payable	151,469		151,469
Bonds payable	2,746,438		2,746,438
Compensated absences	1,250,562	30,432	1,280,994
Due in more than one year:			
Intercap loan payable	315,883		315,883
Bonds payable	59,069,991		59,069,991
Compensated absences	4,674,248	108,177	4,782,425
Other post-employment benefits	3,606,009		3,606,009
Net pension liability	81,286,482	1,002,407	82,288,889
Total liabilities	<u>157,673,759</u>	<u>1,440,017</u>	<u>159,113,776</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows - pension plans	568,288	1,418	569,706
Deferred inflows - other post-employment benefits	2,153,503		2,153,503
Total deferred inflows of resources	<u>2,721,791</u>	<u>1,418</u>	<u>2,723,209</u>
<u>NET POSITION (DEFICIT)</u>			
Net investment in capital assets	56,519,923	4,740	56,524,663
Restricted for:			
Instruction	1,727,564		1,727,564
Transportation	1,630,243		1,630,243
Retirement benefits	3,141,713		3,141,713
Support services	1,617,270		1,617,270
Debt service	419,143		419,143
Capital projects	4,120,075		4,120,075
Extracurricular activities	624,138		624,138
Scholarships	259,049		259,049
Health insurance benefits	9,276,705		9,276,705
Unrestricted	(58,765,637)	(736,552)	(59,502,189)
Total net position (deficit)	<u>\$ 20,570,186</u>	<u>\$ (731,812)</u>	<u>\$ 19,838,374</u>

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, 2021**

ACTIVITIES OR FUNCTIONS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	TOTAL	BUSINESS- TYPE	TOTAL
				GOVERNMENTAL ACTIVITIES	ACTIVITIES	
<u>Governmental activities:</u>						
Instructional services:						
Regular	\$ 60,351,666	\$ 724,279	\$ 9,818,503	\$ (49,808,884)		\$ (49,808,884)
Special education	8,505,959	-	4,140,514	(4,365,445)		(4,365,445)
Vocational education	1,758,443	-	251,199	(1,507,244)		(1,507,244)
Adult education	757,124	-	93,229	(663,895)		(663,895)
Support services:						
Improvement of instruction services	9,276,208	61,984	2,705,041	(6,509,183)		(6,509,183)
Educational media services	1,806,765	10,987	-	(1,795,778)		(1,795,778)
General administration	1,326,312	-	-	(1,326,312)		(1,326,312)
School administration	6,676,052	-	-	(6,676,052)		(6,676,052)
Business services	1,795,629	-	-	(1,795,629)		(1,795,629)
Operations and maintenance of plant	10,925,361	17,945	367,904	(10,539,512)		(10,539,512)
Student transportation services	4,939,808	26,362	1,176,465	(3,736,981)		(3,736,981)
Community services	115,358			(115,358)		(115,358)
Other	380,814			(380,814)		(380,814)
Non-instructional services:						
Extracurricular	1,845,442	681,937	-	(1,163,505)		(1,163,505)
School food	3,074,713	9,042	3,423,973	358,302		358,302
Debt service:						
Interest payments	2,170,241	-	-	(2,170,241)		(2,170,241)
Bond agency fees	800	-	-	(800)		(800)
Special assessments	410,771	-	-	(410,771)		(410,771)
Total governmental activities	<u>116,117,465</u>	<u>1,532,536</u>	<u>21,976,828</u>	<u>(92,608,101)</u>		<u>(92,608,101)</u>
<u>Business-type activities:</u>						
SACC	<u>1,400,975</u>	<u>263,690</u>	<u>613,084</u>		\$ (524,201)	(524,201)
Total governmental and business-type activities	<u>\$ 117,518,440</u>	<u>\$ 1,796,226</u>	<u>\$ 22,589,912</u>	(92,608,101)	(524,201)	(93,132,302)
General revenues						
Property taxes for general purposes				35,200,161		35,200,161
State aid/entitlements				46,388,962		46,388,962
County retirement distribution				7,776,947		7,776,947
Other revenue local sources				706,887	80,962	787,849
Investment earnings				116,456	1,897	118,353
Net gain/(loss) on disposition of property				16,405		16,405
Total general revenues				<u>90,205,818</u>	<u>82,859</u>	<u>90,288,677</u>
Change in net position				<u>(2,402,283)</u>	<u>(441,342)</u>	<u>(2,843,625)</u>
Net position - beginning				<u>22,913,448</u>	<u>(290,470)</u>	<u>22,622,978</u>
Prior period adjustment-restatements				<u>59,021</u>		<u>59,021</u>
Net position - beginning - restated				<u>22,972,469</u>	<u>(290,470)</u>	<u>22,681,999</u>
Net position - ending				\$ 20,570,186	\$ (731,812)	\$ 19,838,374

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, 2021

	Major Funds				Other	Total
	General Fund	Elementary Food Service	Elementary Miscellaneous	Elementary Building Reserve	Governmental Funds	Governmental Funds
<u>ASSETS</u>						
Cash and cash equivalents	\$ 13,048,737	\$ 426,534	\$ 242,170	\$ 2,583,252	\$ 10,297,435	\$ 26,598,128
Property taxes receivable	554,390	-	-	45,831	422,936	1,023,157
Due from other governments	-	691,083	2,933,228	-	1,369,013	4,993,324
Accounts receivable	40,531	5,013	2,098	-	25,283	72,925
Prepaid expenses	23,972	-	-	-	10,324	34,296
Total assets	<u>\$ 13,667,630</u>	<u>\$ 1,122,630</u>	<u>\$ 3,177,496</u>	<u>\$ 2,629,083</u>	<u>\$ 12,124,991</u>	<u>\$ 32,721,830</u>
<u>LIABILITIES</u>						
Accounts payable	\$ 297,758	\$ 230,482	\$ 105,689	\$ 604,661	\$ 573,433	\$ 1,812,023
Unearned revenue	-	4,955	3,343	-	36,154	44,452
Total liabilities	<u>297,758</u>	<u>235,437</u>	<u>109,032</u>	<u>604,661</u>	<u>609,587</u>	<u>1,856,475</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unavailable revenue - property taxes	253,052	-	-	20,202	183,127	456,381
Total deferred inflows of resources	<u>253,052</u>	<u>-</u>	<u>-</u>	<u>20,202</u>	<u>183,127</u>	<u>456,381</u>
<u>FUND BALANCES</u>						
Non-spendable fund balance	23,972	-	-	-	10,324	34,296
Spendable fund balance:						
Restricted	-	887,193	814,326	2,004,220	10,749,470	14,455,209
Committed	-	-	-	-	-	-
Assigned	7,963,233	-	2,254,138	-	572,483	10,789,854
Unassigned	5,129,615	-	-	-	-	5,129,615
Total fund balances	<u>13,116,820</u>	<u>887,193</u>	<u>3,068,464</u>	<u>2,004,220</u>	<u>11,332,277</u>	<u>30,408,974</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 13,667,630</u>	<u>\$ 1,122,630</u>	<u>\$ 3,177,496</u>	<u>\$ 2,629,083</u>	<u>\$ 12,124,991</u>	<u>\$ 32,721,830</u>

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, 2021

Total fund balances for governmental funds	\$ 30,408,974
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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.	117,427,472
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Property taxes receivable are not available to pay current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.	456,381
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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.	9,748,000
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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	(467,352)	
General obligation bonds	(61,816,429)	
Compensated absences liability	(5,904,208)	
Post employment health insurance benefits	(3,606,009)	
Net pension liability	<u>(81,085,055)</u>	
		(152,879,053)

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.	15,408,412
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Total net position of governmental activities	<u><u>\$ 20,570,186</u></u>
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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, 2021

	Major Funds				Other	Total
	General	Elementary Food Service	Elementary Miscellaneous	Elementary Building Reserve	Governmental Funds	Governmental Funds
REVENUES						
Property taxes	\$ 18,677,388	\$ -	\$ -	\$ 1,584,932	\$ 14,927,810	\$ 35,190,130
Tuition and fees	578,699	-	-	-	365,656	944,355
Interest	33,006	1,406	5,865	4,763	36,529	81,569
Other district revenue	51,775	2,178	288,901	47,885	299,527	690,266
County	-	-	1,430,299	-	8,365,180	9,795,479
State of Montana	42,427,240	-	-	224,574	1,222,238	43,874,052
Federal	-	3,423,973	9,352,272	-	3,586,834	16,363,079
School lunch sales	-	9,042	-	-	-	9,042
Student extracurricular activity	-	-	-	-	492,757	492,757
Total revenues	<u>61,768,108</u>	<u>3,436,599</u>	<u>11,077,337</u>	<u>1,862,154</u>	<u>29,296,531</u>	<u>107,440,729</u>
EXPENDITURES						
Instructional services:						
Regular	33,458,586	-	4,060,324	-	6,777,553	44,296,463
Special education	4,756,900	-	786,294	-	2,863,422	8,406,616
Vocational education	1,437,973	-	-	-	299,766	1,737,739
Adult education	69,332	-	2,648	-	676,291	748,271
Support services:						
Improvement of instruction services	4,007,902	-	2,970,997	-	2,211,908	9,190,807
Educational media services	1,556,337	-	18,067	-	211,139	1,785,543
General administration	1,008,865	-	15,821	-	210,103	1,234,789
School administration	5,577,335	-	123,116	-	918,562	6,619,013
Business services	1,448,037	-	191,937	-	137,148	1,777,122
Operations and maintenance of plant	6,331,739	-	1,242,822	493,512	1,825,530	9,893,603
Student transportation services	7,019	-	93,386	-	4,702,962	4,803,367
Other	-	-	286,079	-	90,270	376,349
Community services	13,925	-	93,013	-	7,374	114,312
Non-instructional services:						
Extracurricular	1,273,262	-	3,740	-	550,612	1,827,614
School food	82	2,947,101	29,587	-	14	2,976,784
Capital outlay	80,946	-	215,579	1,807,518	3,403,746	5,507,789
Debt service:						
Principal payments	-	-	-	146,804	2,315,000	2,461,804
Interest payments	-	-	-	9,857	2,366,675	2,376,532
Bond agency fees	-	-	-	-	800	800
Special assessments	-	-	-	-	410,771	410,771
Total expenditures	<u>61,028,240</u>	<u>2,947,101</u>	<u>10,133,410</u>	<u>2,457,691</u>	<u>29,979,646</u>	<u>106,546,088</u>
Excess (deficiency) of revenues over (under) expenditures	<u>739,868</u>	<u>489,498</u>	<u>943,927</u>	<u>(595,537)</u>	<u>(683,115)</u>	<u>894,641</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	3,571,356	-	16,267	-	16,390	3,604,013
Transfers (out)	(1,968,752)	-	-	-	(1,635,261)	(3,604,013)
Proceeds from sale of fixed assets	-	-	834	-	10,753	11,587
Net gain/(loss) on disposition of property	-	-	2,500	-	2,318	4,818
Insurance recovery	-	-	-	10,933	66,597	77,530
Total other financing sources (uses)	<u>1,602,604</u>	<u>-</u>	<u>19,601</u>	<u>10,933</u>	<u>(1,539,203)</u>	<u>93,935</u>
Net change in fund balance	<u>2,342,472</u>	<u>489,498</u>	<u>963,528</u>	<u>(584,604)</u>	<u>(2,222,318)</u>	<u>988,576</u>
Fund Balance - Beginning	<u>10,774,348</u>	<u>397,695</u>	<u>2,104,936</u>	<u>2,588,824</u>	<u>13,495,574</u>	<u>29,361,377</u>
Restatements	-	-	-	-	59,021	59,021
Fund Balance - Beginning Restated	<u>10,774,348</u>	<u>397,695</u>	<u>2,104,936</u>	<u>2,588,824</u>	<u>13,554,595</u>	<u>29,420,398</u>
Fund Balance - Ending	<u>\$ 13,116,820</u>	<u>\$ 887,193</u>	<u>\$ 3,068,464</u>	<u>\$ 2,004,220</u>	<u>\$ 11,332,277</u>	<u>\$ 30,408,974</u>

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, 2021

Net change in fund balances - total governmental funds \$ 988,576

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	\$ 5,507,789	
Depreciation expense	<u>(2,674,147)</u>	
		2,833,642

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 increased during the fiscal year.		10,031
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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.		(1,107,481)
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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.

Principal payments on long-term debt		2,461,804
Amortization of bond premium		206,291
Post employment health insurance benefits		258,629
Compensated absences liability		(1,507,297)

In the governmental funds, benefits earned net of employee contributions is not recognized as an expense.		(12,682,078)
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On behalf pension contributions by the State are considered revenues in the statement of activities.		6,135,600
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Change in net position - statement of activities		<u><u>\$ (2,402,283)</u></u>
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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, 2021

	Business-Type Activities SACC Enterprise Fund	Governmental Activities Internal Service Funds
<u>ASSETS</u>		
<u>Assets</u>		
Cash and cash equivalents	\$ 486,655	\$ 12,481,426
Accounts receivable	6,615	3,332
Inventories	-	158,913
Capital assets, net of accumulated depreciation		
Machinery and equipment	4,740	3,839
Total assets	<u>498,010</u>	<u>12,647,510</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows - pension plans	211,613	47,980
Total deferred outflows of resources	<u>211,613</u>	<u>47,980</u>
<u>LIABILITIES</u>		
<u>Current liabilities</u>		
Accounts payable	3,112	8,619
Compensated absences	30,432	6,799
Claims payable	-	2,707,583
Resources received prior to being earned	295,889	-
Total current liabilities	<u>329,433</u>	<u>2,723,001</u>
<u>Noncurrent liabilities</u>		
Compensated absences	108,177	13,803
Net pension liability	1,002,407	201,427
Total long-term liabilities	<u>1,110,584</u>	<u>215,230</u>
Total liabilities	<u>1,440,017</u>	<u>2,938,231</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows - pension plans	1,418	9,259
Total deferred inflows of resources	<u>1,418</u>	<u>9,259</u>
<u>NET POSITION</u>		
Net investment in capital assets	4,740	3,839
Restricted-health insurance benefits		9,276,705
Unrestricted	(736,552)	467,456
Total net position	<u>\$ (731,812)</u>	<u>\$ 9,748,000</u>

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, 2021

	Business-Type Activities SACC Enterprise Fund	Governmental Activities Internal Service Funds
<u>OPERATING REVENUES</u>		
Grants	\$ 613,084	\$ -
Charges for services	263,690	11,639,427
Other	2,417	-
Total operating revenues	<u>879,191</u>	<u>11,639,427</u>
<u>OPERATING EXPENSES</u>		
Personal services	1,054,305	219,811
Contractual services	16,588	12,493,390
Supplies/materials	253,307	59,193
Other operating expenses	75,590	12,841
Other Purchased Services	-	1,660
Depreciation	1,185	6,280
Total operating expenses	<u>1,400,975</u>	<u>12,793,175</u>
Operating income (loss)	<u>(521,784)</u>	<u>(1,153,748)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Intergovernmental revenue	78,545	11,380
Interest earnings	1,897	34,887
Total non-operating revenues (expenses)	<u>80,442</u>	<u>46,267</u>
Change in net position	<u>(441,342)</u>	<u>(1,107,481)</u>
Net position (deficit) - beginning of year	<u>(290,470)</u>	<u>10,855,481</u>
Net position (deficit) - end of year	<u>\$ (731,812)</u>	<u>\$ 9,748,000</u>

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, 2021

	Business-Type Activities SACC Enterprise Fund	Governmental Activities Internal Service Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from sales and services	\$ 256,756	\$ 11,638,387
Receipts from grants	829,128	
Payments to suppliers for goods/services	(342,766)	(90,588)
Payments for claims	-	(11,903,372)
Payments to employees	(866,558)	(195,881)
Net cash provided (used) by operating activities	<u>(123,440)</u>	<u>(551,454)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Purchases of capital assets	(5,925)	
Net cash provided (used) by capital and related financing activities	<u>(5,925)</u>	<u>-</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Subsidy from other governments	78,545	11,380
Net cash provided (used) by noncapital financing activities	<u>78,545</u>	<u>11,380</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest on investments	1,897	34,887
Net cash provided (used) by investing activities	<u>1,897</u>	<u>34,887</u>
 Net increase (decrease) in cash and cash equivalents	 (48,923)	 (505,187)
Cash and cash equivalents at July 1, 2020	535,578	12,986,613
Cash and cash equivalents at June 30, 2021	\$ <u>486,655</u>	\$ <u>12,481,426</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (521,784)	\$ (1,153,748)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,185	6,280
Changes in assets and liabilities:		
Decrease (increase) in inventories	-	2,284
Decrease (increase) in accounts receivable	(2,593)	(1,040)
Increase (decrease) in accounts payable	2,719	(19,178)
Increase (decrease) in unearned revenue	(6,758)	
Increase (decrease) in deferred in/outflows	(72,374)	(37,405)
Increase (decrease) in claims payable	-	590,018
Increase (decrease) in grant resources received prior to being earned	216,044	
Increase (decrease) in compensated absences payable	74,281	8,265
Increase (decrease) in pension liability	185,840	53,070
Net cash provided (used) by operating activities	<u>\$ (123,440)</u>	<u>\$ (551,454)</u>

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. 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 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 Food Service – This fund is authorized by Montana Code Annotated (MCA) to account for school food service operations, including state and federal reimbursements.
- Elementary Miscellaneous Programs - This fund accounts for the activities of grants. Major resources are federal, state and local grants while expenditures include salaries, benefits, and operational supplies in relation to the grant purpose, generally instructional. A significant amount of the resources available to this fund are restricted.
- Elementary Building Reserve – This fund is authorized by Montana Code Annotated (MCA) for the purpose of financing voter approved building or construction projects funded with district mill levies.

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. Expenses consist of 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. The District does not report any private purpose trust funds or fiduciary funds.

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.

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 has cash deposits in checking accounts at four different banks which are fully insured through the Federal Deposit Insurance Corporation (FDIC). 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

Periodically, the District has activity between funds that is representative of lending/borrowing arrangements outstanding at the end of a 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 for the current fiscal year.

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 column in the government-wide financial statements. Capital assets are defined by the District as assets with a significant value, more than \$25,000 for land, buildings and building improvements and \$5,000 for all other assets, 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:

<u>Assets</u>	<u>Years</u>
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:

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

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, 2022.

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, 2022.

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, 2023.

GASB Statements No. 92-98 – In 2020 and 2021, the following GASB statements were issued:

- GASB Statement No. 92 – Omnibus 2020 – Issued to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature relative to certain GASB Statements. Effective for the fiscal year ending June 30, 2023.

- GASB Statement No. 93 – Replacement of Interbank Offered Rates – Issued to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). Effective for the fiscal year ending June 30, 2022.
- GASB Statement No. 94 – Public/Private and Public/Public Partnership Arrangements – Issued to improve financial reporting related to public-private and public-public partnership arrangements (PPPs). Effective for the fiscal year ending June 30, 2023.
- GASB Statement No. 95 – Postponements of Statement effective dates to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. Effective immediately.
- GASB Statement No. 96 – Subscription Based Information Technology Arrangements – Issued to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. Effective for the fiscal year ending June 30, 2023.
- GASB Statement No. 97 – Deferred Compensation Plans – Issued to increase consistency and comparability related to the reporting of fiduciary component units, as well as enhance the relevance, consistency and comparability of the accounting and financial reporting for Code Sec. 457 deferred compensation plans. Effective for the fiscal year ending June 30, 2022.
- GASB Statement No. 98 – The Annual Comprehensive Financial Report – Issued in response to concerns raised by stakeholders that common pronunciation of the acronym for comprehensive annual financial reports sounds like an objectionable racial slur. 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.

For the year ended June 30, 2021 actual expenditures in the budgeted funds were within the annual appropriations set for each fund.

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, 2021, as follows:

- School Aged Child Care Fund - \$(731,812) net position deficit. The deficit in this fund increased during the fiscal year by \$441,342 due to a waiver of tuition for a portion of the year (granted because of COVID-19), an increase in the cost of operational supplies, and a significant increase in its pension and compensated absences liabilities.

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. The District directs the investment of money pursuant to the provisions of State law. Cash and cash equivalents consist of:

Governmental activities (County)	\$39,024,899
Business-type activities (County)	486,655
Governmental activities (checking, savings)	<u>54,655</u>
Total cash and cash equivalents	<u>\$39,566,209</u>

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. 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 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, 2021, 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 \$158,913.

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:

	<u>General</u>	<u>Elementary Food Service</u>	<u>Elementary Miscellaneous</u>	<u>Elementary Building Reserve</u>	<u>Non-major Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>
Receivables:							
Taxes, gross	\$554,390			\$45,831	\$422,936		\$1,023,157
Accounts	4,033	\$5,013	\$2,098		25,283	\$3,332	39,759
Grants, Tuition	<u>36,498</u>	<u>691,083</u>	<u>2,933,228</u>		<u>1,369,013</u>		<u>5,029,822</u>
Total Receivables	<u>\$594,921</u>	<u>\$696,096</u>	<u>\$2,935,326</u>	<u>\$45,831</u>	<u>\$1,817,232</u>	<u>\$3,332</u>	<u>\$6,092,738</u>

Receivables of the School-Aged Child Care Fund, \$6,615 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:

	<u>Deferred inflows</u>	<u>Unearned revenues – grants</u>
General fund	\$253,052	
Elementary food service fund		\$4,955
Elementary miscellaneous fund		3,343
Elementary building reserve fund	20,202	
Non-major governmental funds grants		36,154
Non-major governmental funds taxes	<u>183,127</u>	
Total	<u>\$456,381</u>	<u>\$44,452</u>

Proprietary funds report unearned revenues in the School-Aged Child Care fund of \$295,889, which represents federal grantor advances.

E. Capital assets

Capital asset activity for the governmental funds for the year ended June 30, 2021 is listed below.

<u>Asset Category</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Other/ Disposals</u>	<u>Transfer</u>	<u>Ending Balance</u>
Capital assets, not depreciated:					
Land	\$4,062,830				\$4,062,830
Construction in progress	<u>2,857,568</u>	<u>\$4,847,111</u>	<u>\$(13,309)</u>	<u>\$(6,329,978)</u>	<u>1,361,392</u>
Total capital assets, not depreciated	<u>6,920,398</u>	<u>4,847,111</u>	<u>(13,309)</u>	<u>(6,329,978)</u>	<u>5,424,222</u>
Capital assets, depreciated:					
Land improvements	6,337,508	203,833			6,541,341
Buildings/improvements	118,935,236		191,907	6,319,999	125,447,142
Machinery and equipment	<u>10,646,205</u>	<u>456,845</u>	<u>13,590</u>	<u>9,979</u>	<u>11,126,619</u>
Total capital assets, depreciated	<u>135,918,949</u>	<u>660,678</u>	<u>205,497</u>	<u>6,329,978</u>	<u>143,115,102</u>
Accumulated Depreciation					
Land improvements	(3,331,636)	(249,366)			(3,581,002)
Buildings/improvements	(17,011,308)	(1,561,320)	(3,388)		(18,576,016)
Machinery and equipment	<u>(7,892,454)</u>	<u>(1,067,367)</u>	<u>8,826</u>		<u>(8,950,995)</u>
Total accumulated depreciation	<u>(28,235,398)</u>	<u>(2,878,053)</u>	<u>5,438</u>		<u>(31,108,013)</u>
Total depreciable capital assets, net	<u>107,683,551</u>	<u>(2,217,375)</u>	<u>210,935</u>	<u>6,329,978</u>	<u>112,007,089</u>
Total capital assets, net	<u>\$114,603,949</u>	<u>\$2,629,736</u>	<u>\$197,626</u>	<u>\$0</u>	<u>\$117,431,311</u>

Depreciation expense, abandoned CIP projects, and other adjustments were charged to functions/programs of the primary government as follows:

Governmental activities:	
Instruction	\$1,517,455
Support services	5,872
Administration	79,668
Operations and maintenance	936,994
Student transportation	77,797
Food services	<u>62,641</u>
Total depreciation expense – governmental activities	<u>\$2,680,427</u>

Capital asset activity for the SACC program (Business-type activities) for the year ended June 30, 2021 is listed below.

<u>Asset Category</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Other/ Disposals</u>	<u>Transfer</u>	<u>Ending Balance</u>
Machinery and equipment	0	\$5,925	0	0	\$5,925
Accumulated depreciation	<u>0</u>	<u>(1,185)</u>	<u>0</u>	<u>0</u>	<u>(1,185)</u>
Total capital assets, net	<u>\$0</u>	<u>\$4,740</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,740</u>

F. Commitments

At year-end, the District had commitments outstanding, in the form of purchase orders for \$2,597,539 for construction and maintenance projects. The projects included major improvements at Vigilante Stadium, boiler replacement at Jefferson Elementary, roofing projects at Jefferson Elementary, Four Georgians Elementary, and Capital High School; and flooring replacement at several schools. These projects were funded by the elementary building reserve, high school building reserve, and the elementary school building bond. In addition, the HVAC system at Capital High School received a major upgrade, which was funded with ESSER money. Including the aforementioned, the District had various encumbrances: \$143,949 in the general funds, \$642,532 in the elementary miscellaneous fund, \$1,526,598 in the elementary building reserve fund, and \$1,661,160 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 \$3,568,748 from other District funds, \$792,268 from the elementary general fund, \$1,176,480 from the high school general fund, \$1,200,000 from the elementary transportation fund, \$360,000 from the high school transportation fund, \$10,000 from the elementary adult education fund, and \$30,000 from the high school 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, which include but are not limited to one-time staffing costs of participating districts.

In addition to the inter-fund transfers mentioned above, the District evaluated student activity accounts and determined that some accounts should be reported as District funds rather than student activities. As a result, funds were transferred out of the student activity accounts as follows: \$16,267 transferred out of the elementary student activity fund to the elementary miscellaneous fund and \$18,994 transferred out of the high school student activity fund with \$2,608 being transferred to the high school general fund and \$16,386 being transferred to the high school miscellaneous fund.

Inter-fund receivables and payables

There were no inter-fund receivable or payable balances as of June 30, 2021.

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 leases a fleet of 48 small copy machines for use at various District sites at a base cost of \$38,934 per year, for five years.

The District also leases two high capacity Xerox copier/printers with annual lease payments of approximately \$37,478. 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:

<u>Year Ending June 31</u>	<u>Amount</u>
2022	\$107,859
2023	61,187
2024	50,311
2025	38,934
	<u>\$258,291</u>

I. Payables

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

	<u>General</u>	<u>Elementary Food Service</u>	<u>Elementary Misc.</u>	<u>Elementary Building Reserve</u>	<u>Non-Major Funds</u>	<u>Internal Service</u>	<u>Total</u>
Accounts to vendors and contractors	<u>\$297,758</u>	<u>\$230,482</u>	<u>\$105,689</u>	<u>\$604,661</u>	<u>\$573,433</u>	<u>\$8,619</u>	<u>\$1,820,642</u>

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.

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:

<u>Elementary</u>	<u>Original Issue Amount</u>	<u>Original Issue Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding Balance</u>
Series 2017	\$55,000,000	7/1/2037	3.00-5.00%	\$47,655,000
Series 2019	\$8,000,000	7/1/2039	3.00-4.00%	<u>7,430,000</u>
				55,085,000
		Unamortized bond premium		<u>6,731,429</u>
				<u>\$61,816,429</u>

Changes in long-term liabilities

Long-term liability activity for fiscal year 2021 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Governmental activities:					
GO Bonds	\$57,400,000		\$2,315,000	\$55,085,000	\$2,405,000
GO Bond Premiums	6,937,720		206,291	6,731,429	341,438
Intercap Loan	614,156		146,804	467,352	151,469
Pension Liability	68,148,829	\$13,137,653		81,286,482	
Compensated Absences	4,409,248	1,515,562		5,924,810	1,250,562
Other Post-Employment Benefits – Health	<u>4,329,396</u>		<u>723,387</u>	<u>3,606,009</u>	
Governmental activity long-term liabilities	<u>\$141,839,349</u>	<u>\$14,653,215</u>	<u>\$3,391,482</u>	<u>\$153,101,082</u>	
Business-type activities:					
Compensated Absences	\$64,328	\$74,281		\$138,609	\$30,432
Pension Liability	<u>816,567</u>	<u>185,840</u>		<u>1,002,407</u>	
Business-type activity long term liabilities	<u>\$880,895</u>	<u>\$260,121</u>	<u>\$0</u>	<u>\$1,141,016</u>	

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, 2021, \$20,602 of compensated absences and \$201,427 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
2022	\$2,556,469	\$2,284,161	\$4,840,630
2023	2,671,278	2,171,143	4,842,421
2024	2,794,605	2,048,567	4,843,172
2025	2,760,000	1,921,000	4,681,000
2026	2,890,000	1,789,700	4,679,700
2027-2031	16,470,000	6,927,850	23,397,850
2032-2036	19,860,000	3,536,000	23,396,000
2037-2039	5,550,000	281,800	5,831,800
	<u>\$55,552,352</u>	<u>\$20,960,221</u>	<u>\$76,512,573</u>

Annual maturities of bond premium are as follows:

Year Ending June 30,	
2022	\$341,438
2023	426,644
2024	492,698
2025	561,662
2026	617,180
2027-2031	2,039,459
2032-2036	1,789,154
2037-2039	463,194
	<u>\$6,731,429</u>

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 constraints 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 constraints 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, building and maintenance projects, and student extracurricular activities.
- **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.

	General Fund	Elementary Food Service	Elementary Miscellaneous	Elementary Building Reserve	Other Governmental Funds	Total
<u>Nonspendable for:</u>						
Prepaid expenses	\$23,972				\$10,324	\$34,296
<u>Restricted for:</u>						
Instruction			\$222,968		218,657	441,625
Support services					715,189	715,189
Retirement benefits					3,141,713	3,141,713
Student transportation					1,565,982	1,565,982
Operations and maintenance					12,360	12,360
Food services		\$887,193			0	887,193
Student extracurricular					624,138	624,138
Scholarships					259,049	259,049
Community services					292,980	292,980
COVID pandemic			514,139		184,157	698,296
Capital projects			77,219	\$2,004,220	3,379,238	5,460,677
Debt service					356,007	356,007
<u>Assigned for:</u>						
Instruction	7,834,061					7,834,061
Support services	10,100					10,100
Operations/maintenance	84,004				58,679	142,683
Student transportation			112,506		115,123	227,629
Other	35,068		2,141,632		398,681	2,575,381
Unassigned	5,129,615					5,129,615
Total	\$13,116,820	\$887,193	\$3,068,464	\$2,004,220	\$11,332,277	\$30,408,974

Prior period adjustments:

The government-wide net position and fund balances were restated as a result of the following:

- June 30, 2020 elementary building fund balance increased by \$9,164, due to an overstatement of June 30, 2020 payables.
- June 30, 2020 high school traffic education fund balance increased by \$21,057 due to an understated revenue estimate from the state.
- June 30, 2020 high school miscellaneous fund balance increased by \$28,800 due to a PRETS under reported revenue in a prior year.

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 \$345,582 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, 2021. 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:

	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2020</u>
Unpaid claims, July 1	\$2,117,565	\$2,318,737
Incurred claims (including IBNR)	10,828,159	9,052,321
Claim payments	<u>(10,238,141)</u>	<u>(9,253,493)</u>
Unpaid claims, June 30	<u>\$2,707,583</u>	<u>\$2,117,565</u>

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, 2021 there was one ex-employee 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 \$535 to \$1,599 depending on the coverage selected. The District acts as a secondary payor for retired Medicare-eligible claimants. As of the valuation date, 69 retirees and their dependents were covered for health care benefits. As of June 30, 2021, 4 retirees opted to continue insurance through the District. The District collects insurance premiums from participating retirees which are deposited into the District's health insurance fund.

Total OPEB Liability

	<u>June 30, 2021</u>
Total OPEB Liability	\$3,606,009
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	2.21%
20 Year Tax-Exempt Municipal Bond Yield	2.21%

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, 2020 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, 2020
Measurement date	June 30, 2020
Actuarial cost method	Entry Age Normal
Mortality	MTRS; see "Actuarial Assumptions" for details
Salary increases including inflation	MTRS; see "Actuarial Assumptions" for details

Changes in Total OPEB Liability

Changes in Total OPEB Liability

	<u>2020-2021</u>
Beginning of Year Balance	\$4,329,396
Changes for the year:	
Service cost	314,376
Interest on total OPEB liability	156,717
Effect of economic/demographic gains or losses	313,416
Effect of assumptions changes or inputs	(1,172,709)
Benefit payments	<u>(335,187)</u>
End of Year Balances	<u>\$3,606,009</u>

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.

	<u>2020-2021</u>		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>1.21%</u>	<u>2.21%</u>	<u>3.21%</u>
Total OPEB Liability	\$3,853,711	\$3,606,009	\$3,371,390

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.

	<u>2020-2021</u>		
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$3,253,868	\$3,606,009	\$4,019,446

OPEB Expense

<u>OPEB Expense</u>	<u>July 1, 2020 to June 30, 2021</u>
Service cost	\$314,376
Interest on total OPEB liability	156,717
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of economic/demographic gains or losses	43,807
Recognition of assumption changes or inputs	<u>(331,203)</u>
OPEB Expense	<u>\$183,697</u>

As of June 30, 2021, the deferred inflows and outflows of resources are as follows:

<u>Deferred Inflows/Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Payments subsequent to the measurement date		\$270,626
Difference between expected and actual experience		297,690
Changes of assumptions	<u>\$(2,153,503)</u>	165,042
Total	<u>\$(2,153,503)</u>	<u>\$733,358</u>

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:

2021	N/A
2022	(287,396)
2023	(318,227)
2024	(319,421)
2025	(298,074)
2026	(261,132)
Thereafter*	(206,521)

*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, 2021 Actuarial Valuation reports, without reflecting the adjustment of healthy member mortality for partial credibility that is utilized by the System actuary.

Interest Discount Rate:

<u>Measurement Date</u>	<u>Rate</u>
June 30, 2019	3.50%
June 30, 2020	2.21%
June 30, 2021	2.16%

Mortality:

<u>Non-Disabled:</u>	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.
<u>Disabled:</u>	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.

Percentage of Retirees Participating In Retiree Medical Coverage:

Future retirees: 35% 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.

Annual Medical Trend Rate	
2021-2022	5.90%
2022-2023	5.50%
2023-2024	5.10%
2024-2025	4.90%
2025-2026	4.80%
2026-2027	4.70%
2027-2028	4.60%
2028-2029	4.50%
2029-2035	4.40%
2035-2044	4.50%
2044-2051	4.60%
2051-2054	4.50%
2054-2065	4.40%
2065-2066	4.30%
2066-2068	4.20%
2068-2069	4.10%
2069-2071	4.00%
2071-2072	3.90%
2072-2074	3.80%
2074+	3.70%

Expected Monthly 2020-2021 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, age adjusted 'per member per month' (PMPM) costs for 2020-21 were developed. The post-65 premiums are sufficient to cover the post-65 medical costs; therefore, no implied rate subsidy is valued after age 64.

Age	Male		Female	
	Single	EE & SPS	Single	EE & SPS
50	\$527	\$1,231	\$659	\$1,231
55	688	1,505	773	1,505
60	879	1,827	904	1,827
64	1,090	2,154	1,020	2,155

Changes in Assumptions Since Prior Valuation: The discount rate was updated as of June 30, 2020, and June 30, 2021 in accordance with the parameters defined by GASB 75. A higher discount rate results in lower liabilities and vice versa. The 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 10/01/2020-9/30/2021		
Plan	Single	Subscriber & Spouse
Premium	\$783.00	\$1,481.00
Standard	535.00	1,012.00

Participant Data: The District relied on the following medical plan participant data as of May 1, 2021 and assumed there have been no significant changes in data between June 30, 2020 and May 1, 2021.

	Participant Count	Average Age	Average Service
Active Employees	877	44.8	10.8
Retirees	69	60.9	

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	\$ 205,733,271	\$13,687,697	\$219,420,968
Fiduciary Net Position	133,617,487	3,514,592	137,132,079
Net Pension Liability	<u>\$ 72,115,784</u>	<u>\$10,173,105</u>	<u>\$82,288,889</u>
Deferred Outflows of Resources	\$15,223,927	\$2,423,252	\$17,647,179
Deferred Inflows of Resources	\$102,086	\$467,620	\$569,706
Pension Expense	\$15,927,151	\$1,942,434	\$17,869,585

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 - $1.85\% \times \text{AFC} \times \text{years of creditable service}$ for members retiring with at least 30 years of creditable service and at least 60 years of age (rather than $1.6667 \times \text{AFC} \times \text{years of creditable service}$)

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

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, 2020, is based on the results of an actuarial valuation date of July 1, 2020. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2020 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 7.34%
- Price inflation 2.40%
- 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 7.34%. 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 2124. 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	Long-Term Expected Portfolio Real Rate of Return*
Domestic Equity	30.00%	6.19%
International Equity	16.00%	6.92%
Private Equity	14.00%	10.37%
Natural Resources	4.00%	3.43%
Real Estate	9.00%	5.74%
Core Fixed Income	20.00%	1.57%
Non-core Fixed Income	5.00%	3.97%
Cash	2.00%	0.11%
	100.00%	

The long-term capital market assumptions published in the *Survey of Capital Market Assumptions 2020 Edition* by Horizon Actuarial Service, LLC, yield a median real return of 4.94%. Assumed inflation is based on the intermediate inflation assumption of 2.40% in the 2020 OASDI Trustees Report used by the Chief Actuary for Social Security to produce 75 year cost projections. Combining these two results yields a nominal return of 7.34%.

Sensitivity Analysis

	1.0% Decrease (6.34%)	Current Discount Rate	1.0% Increase (8.34%)
The employer's proportion of net pension liability	\$96,020,003	\$72,115,783	\$52,115,975

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 7.34%, as well as

what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.34%) or 1.00% higher (8.34%) 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, 2021 and June 30, 2020 (reporting dates).

	Net Pension Liability <u>06/30/2021</u>	Net Pension Liability <u>06/30/2020</u>	Percent of collective NPL <u>as of 6/30/2021</u>	Percent of collective NPL <u>as of 6/30/2020</u>	Change in Percent of collective NPL
Helena proportionate share	\$72,115,783	\$61,396,152	3.2059%	3.1840%	0.0219%
State of Montana proportionate share associated with Helena	<u>42,648,393</u>	<u>37,169,121</u>	<u>1.8959%</u>	<u>1.9276%</u>	<u>(0.0317%)</u>
Total	<u>\$114,764,176</u>	<u>\$98,565,273</u>	<u>5.1018%</u>	<u>5.1116%</u>	<u>(0.0098%)</u>

At June 30, 2021, the employer recorded a liability of \$72,115,783 for its proportionate share of the Net Pension Liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of TRS' participating employers. At June 30, 2021, the employer's proportion was 3.2059 percent.

Changes in actuarial assumptions and other inputs: Since the previous measurement date, the following changes to actuarial assumptions were made: The discount rate was lowered from 7.50% to 7.34%; the investment rate of return assumption was lowered from 7.50% to 7.34%; and the inflation rate was reduced from 2.50% to 2.40%.

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

	<u>Pension Expense 6/30/2021</u>
Helena's proportionate share	\$ 10,276,408
State of Montana proportionate share associated with Helena School	<u>5,650,743</u>
Total	<u>\$ 15,927,151</u>

At June 30, 2021, the employer recognized a pension expense of \$15,927,151 for its proportionate share of the TRS' pension expense. The employer also recognized grant revenue of \$5,650,743 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, 2021, the employer reported its proportionate share of TRS' deferred outflows of resources and deferred inflows of resources related to TRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected economic experience	\$699,085	\$0
Changes in actuarial assumptions	3,777,030	82,936
Differences between projected and actual investment earnings	5,052,026	0
Changes in proportion and differences between actual and expected contributions	1,379,584	19,150
* Contributions paid to TRS subsequent to the measurement date - FY 2021 contributions	<u>4,316,202</u>	
Total	<u>\$15,223,927</u>	<u>\$102,086</u>

*Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

<u>Year Ended June 30:</u>	Amount of deferred outflows(inflows) to be recognized as an increase (decrease) to pension expense
2022	\$3,751,353
2023	3,217,287
2024	2,569,085
2025	1,267,915
2026	-0-
Thereafter	-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 (HAC). Member rights are vested after five years of service.

Service retirement:

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

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

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 2.02% effective July 1, 2018);
 - 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:

Fiscal Year	Member		State & Universities	Local Government		School Districts	
	Hired <07/01/11	Hired >07/01/11	Employer	Employer	State	Employer	State
2021	7.900%	7.900%	8.870%	8.770%	0.100%	8.500%	0.370%
2020	7.900%	7.900%	8.770%	8.670%	0.100%	8.400%	0.370%
2019	7.900%	7.900%	8.670%	8.570%	0.100%	8.300%	0.370%
2018	7.900%	7.900%	8.570%	8.470%	0.100%	8.200%	0.370%
2017	7.900%	7.900%	8.470%	8.370%	0.100%	8.100%	0.370%
2016	7.900%	7.900%	8.370%	8.270%	0.100%	8.000%	0.370%
2015	7.900%	7.900%	8.270%	8.170%	0.100%	7.900%	0.370%
2014	7.900%	7.900%	8.170%	8.070%	0.100%	7.800%	0.370%
2012-2013	6.900%	7.900%	7.170%	7.070%	0.100%	6.800%	0.370%
2010-2011	6.900%		7.170%	7.070%	0.100%	6.800%	0.370%
2008-2009	6.900%		7.035%	6.935%	0.100%	6.800%	0.235%
2000-2007	6.900%		6.900%	6.800%	0.100%	6.800%	0.100%

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution 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 Plan Choice Rate (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 \$33,951,150.

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, 2020 actuarial valuation was determined using the following actuarial assumptions.

- General wage growth* 3.50% *includes inflation at 2.40%
- Merit increases 0% to 4.8%
- Investment return, net 7.34%
- Admin expense as % of payroll 0.30%
- 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 7.34%. 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 2123. 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. The long-term rate of return as of June 30, 2020 was calculated using the average long-term capital market assumptions published in the *Survey of Capital Market Assumptions 2020 Edition* by Horizon Actuarial Service, LLC, yielding a median real rate of return of 4.94%. The assumed inflation is based on the intermediate inflation of 2.4% in the *2020 OASDI Trustees Report* by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.34%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020, are summarized in the table below:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash	2.00%	.11%
Domestic Equity	30.00%	6.19%
International Equity	16.00%	6.92%
Core Fixed Income	20.00%	1.57%
Private Investments	14.00%	10.37%
Real Estate	9.00%	5.74%
Natural Resources	4.00%	3.43%
Non-core Fixed Income	<u>5.00%</u>	3.97%
Total	<u>100.0%</u>	

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 7.34%, 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.

	<u>1.0% Decrease (6.34%)</u>	<u>Current Discount Rate</u>	<u>1.0% increase (8.34%)</u>
Helena School District Net Pension Liability	\$14,002,676	\$10,173,105	\$6,956,291

Summary of Significant Accounting Policies – MPERA prepares 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, 2020, was determined by taking the results of the June 30, 2019, 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, 2020, and 2019, 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 \$10,173,105 and the employer's proportionate share was 0.385606 percent.

	<u>Net Pension Liability 06/30/2020</u>	<u>Net Pension Liability 06/30/2019</u>	<u>Percent of collective NPL as of 6/30/2020</u>	<u>Percent of collective NPL as of 6/30/2019</u>	<u>Change in percent of collective NPL</u>
District proportionate share	\$10,173,105	\$7,569,244	0.385606%	0.362111%	0.023495%
State of Montana proportionate					
Share associated with Helena	<u>3,514,592</u>	<u>2,700,174</u>	<u>0.133219%</u>	<u>0.129176%</u>	<u>0.004043%</u>
Total	<u>\$13,687,697</u>	<u>\$10,269,418</u>	<u>0.518825%</u>	<u>0.491287%</u>	<u>0.027538%</u>

Changes in actuarial assumptions and methods: The following changes in assumptions or other inputs were made that affected the measurement of the TPL: The discount rate was lowered from 7.65% to 7.34%; the investment rate of return was lowered from 7.65% to 7.34%; and the inflation rate was reduced from 2.75% to 2.40%.

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. However, each employer may have unique circumstances that will impact the employer's proportionate share of the collective net pension.

Pension Expense

At June 30, 2020, the employer recognized \$1,367,651 for its proportionate share of the Plan's pension expense and recognized grant revenue of \$574,783 for support provided by the state of Montana for its proportionate share of the pension expense associated with the employer.

<u>As of Measurement Date</u>	<u>Pension Expense</u> <u>6/30/2020</u>
District's proportionate share	\$ 1,367,651
State of Montana proportionate share	<u>574,783</u>
Total	<u>\$ 1,942,434</u>

Deferred Inflows and Outflows - At June 30, 2020, the employer reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of</u> <u>Resources</u>	<u>Deferred Inflows of</u> <u>Resources</u>
Actual vs. expected experience	\$164,215	\$290,864
Projected investment earnings vs. actual	880,900	
Changes in assumptions	704,449	
Employer contribution subsequent to the measurement date	673,688	
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u> </u>	<u>176,757</u>
Total	<u>\$2,423,252</u>	<u>\$467,621</u>

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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

<u>For the measurement year ended June 30</u>	<u>Recognition of deferred outflows and deferred inflows in future years as an increase or (decrease) to pension expense</u>
2021	41,306
2022	712,761
2023	307,794
2024	220,082
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, 2020, 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 329 employers that have participants in the PERS-DCRP totaled \$775,195.

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, 2021, the District portion of the property taxes abated by Lewis and Clark County totaled \$39,039 as follows:

<u>Company</u>	<u>Amount</u>
The Boeing Corporation	\$17,780
Pioneer Aerostructures	<u>21,259</u>
	<u>\$39,039</u>

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, 2021, the District portion of the abated property taxes totaled \$452 under this program as follows:

<u>Company</u>	<u>Amount</u>
Stone Tree Climbing Center	\$ 452

Required Supplementary Information

HELENA SCHOOL DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2021

	General Fund			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>(BUDGETARY BASIS) - NOTE A</u>	<u>WITH FINAL BUDGET</u>
<u>REVENUES</u>				
Property taxes	\$ 18,612,799	\$ 18,612,799	\$ 18,677,388	\$ 64,589
Tuition and fees	12,215	419,791	578,699	158,908
Interest	62,269	62,269	16,337	(45,932)
Other district revenue	3,469	3,469	51,062	47,593
County			-	-
State of Montana	42,426,310	42,426,310	42,427,240	930
Amounts available for appropriation	61,117,062	61,524,638	61,750,726	226,088
<u>EXPENDITURES</u>				
Regular	33,614,078	33,614,078	32,202,953	1,411,125
Special education	4,529,304	4,529,304	4,570,075	(40,771)
Vocational education	1,374,570	1,374,570	1,419,900	(45,330)
Support services:				
Improvement of instruction services	3,873,328	3,873,328	3,929,379	(56,051)
Educational media services	1,506,124	1,506,124	1,526,463	(20,339)
General administration	1,541,992	1,949,568	927,155	1,022,413
School administration	5,308,583	5,308,583	5,502,822	(194,239)
Business services	1,324,583	1,324,583	1,455,924	(131,341)
Operations and maintenance of plant	6,713,690	6,713,690	6,333,297	380,393
Student transportation services		-	-	-
Community services	12,666	12,666	12,920	(254)
Non-instructional services:				
Extracurricular	1,250,392	1,250,392	1,274,879	(24,487)
School food	49,252	49,252	82	49,170
Non-instructional services:				
Capital outlay	18,500	18,500	50,171	(31,671)
Debt service:				
Principal payments	-	-	-	-
Interest payments	-	-	-	-
Total charges to appropriations	61,117,062	61,524,638	59,206,020	2,318,618
<u>Other Financing Sources (Uses):</u>				
Transfers (out)	-	-	(1,966,144)	(1,966,144)
Total other financing sources (uses)	-	-	(1,966,144)	(1,966,144)
Net change in fund balance			578,562	
Budgetary fund balance - July 1, 2020			4,562,696	
Restatements				
Budgetary fund balance - June 30, 2021			<u>\$ 5,141,258</u>	

See independent auditors' 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	\$ 61,750,726
Fund 182 inflows of resources - included in the general fund for financial statement reporting purposes, but not for budgetary purposes	16,470
Fund 129 inflows of resources - included in the general fund for financial statement reporting purposes, but not for budgetary purposes	551
Fund 229 inflows of resources - included in the general fund for financial statement reporting purposes, but not for budgetary purposes	361
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds	<u>\$ 61,768,108</u>
Uses/Outflows of resources	
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 59,206,020
Fund 182 outflows of resources - included in the general fund for financial statement reporting purposes, but not for budgetary purposes	1,278,680
Fund 129 outflows of resources - included in the general fund for financial statement reporting purposes, but not for budgetary purposes	40,000
Fund 229 outflows of resources - included in the general fund for financial statement reporting purposes, but not for budgetary purposes	35,000
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	609,170
Encumbrances reported at the end of the year	<u>(140,630)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 61,028,240</u>

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

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, 2021

Total OPEB Liability	2021	2020	2019	2018	2017
Service cost	\$314,376	\$287,391	\$393,351	\$425,373	\$353,556
Interest on total OPEB liability	156,717	163,396	204,786	168,305	203,669
Effect of economic/demographic gains or (losses)	313,416		37,731		
Effect of assumption changes or inputs	(1,172,709)	109,769	(1,642,661)	(299,813)	368,792
Benefit payments	(335,187)	(328,617)	(441,449)	(453,246)	(450,000)
Net change in total OPEB liability	(723,387)	231,939	(1,448,242)	(159,381)	476,017
Total OPEB liability - beginning	4,329,396	4,097,457	5,545,699	5,705,080	5,229,063
Total OPEB liability - ending	\$3,606,009	\$4,329,396	\$4,097,457	\$5,545,699	\$5,705,080
 Covered-employee payroll	 N/A	 N/A	 N/A	 N/A	 N/A
 Total OPEB liability as a percentage of covered-employee payroll	 N/A	 N/A	 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%
June 30, 2019	3.50%
June 30, 2020	2.21%

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, 2021

Teachers Retirement System:	2021	2020	2019	2018	2017
As of the June 30 Measurement Date					
Employer's proportion of the net pension liability	3.2059%	3.1840%	3.1437%	3.1502%	3.1113%
Employer's proportionate share of the net pension liability associated with the employer	\$ 72,115,783	\$ 61,396,152	\$ 58,350,944	\$ 53,114,391	\$ 56,838,244
State of Montana's proportionate share of the net pension liability associated with the employer	42,648,393	37,169,121	36,240,550	33,714,733	37,029,697
Total	\$114,764,176	\$98,565,273	\$94,591,494	\$ 86,829,124	\$ 93,867,941
Employer's covered payroll	\$44,127,462	\$43,221,690	\$41,990,904	\$ 41,549,727	\$ 40,385,463
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	163.43%	142.05%	138.96%	127.83%	140.74%
Plan fiduciary net position as a percentage of the total pension liability	64.95%	68.64%	69.09%	70.09%	66.69%
Public Employees Retirement System:	2020	2019	2018	2017	2016
As of the June 30 Measurement Date					
Employer's proportion of the net pension liability	.3856%	.3621%	.3543%	.4835%	.4743%
Employer's proportionate share of the net pension liability associated with the employer	\$ 10,173,105	\$ 7,569,244	\$ 7,395,754	\$ 9,415,853	\$8,078,258
State of Montana's proportionate share of the net pension liability associated with the employer	3,514,592	2,700,174	2,729,715	453,964	377,542
Total	\$13,687,697	\$10,269,418	\$10,125,469	\$ 9,869,817	\$ 8,455,800
Employer's covered payroll	\$6,677,792	\$6,169,141	\$6,020,372	\$ 6,197,232	\$ 5,872,509
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	152.34%	122.70%	122.85%	151.94%	137.56%
Plan fiduciary net position as a percentage of the total pension liability	68.90%	73.85%	73.47%	73.75%	74.71%

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 Proportionate Share of the Net Pension Liability
Teachers Retirement and Public Employees Retirement Systems of Montana (Continued)
For the Year Ended June 30, 2021

Teachers Retirement System:	2016	2015
As of the June 30 Measurement Date		
Employer's proportion of the net pension liability	3.1046%	3.1129%
Employer's proportionate share of the net pension liability associated with the employer	\$ 51,008,607	\$ 47,903,304
State of Montana's proportionate share of the net pension liability associated with the employer	34,151,359	32,809,594
Total	\$ 85,159,966	\$ 80,712,898
Employer's covered payroll	\$ 39,625,370	\$ 39,256,570
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	128.73%	122.03%
Plan fiduciary net position as a percentage of the total pension liability	69.30%	70.36%
Public Employees Retirement System:	2015	2014
As of the June 30 Measurement Date		
Employer's proportion of the net pension liability	.4743%	.4798%
Employer's proportionate share of the net pension liability associated with the employer	\$ 6,630,090	\$ 5,978,024
State of Montana's proportionate share of the net pension liability associated with the employer	311,547	279,453
Total	\$ 6,941,637	\$ 6,257,477
Employer's covered payroll	\$ 5,722,913	\$ 5,654,050
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	115.85%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	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, 2021

Teachers Retirement System:	2021	2020	2019	2018	2017
As of the June 30 Reporting Date					
Contractually required contributions	\$ 4,316,202	\$ 5,925,998	\$ 4,449,351	\$ 4,371,348	\$ 4,221,250
Contributions in relation to the contractually required contributions	4,316,202	5,925,998	4,449,351	4,371,348	4,221,250
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 45,041,133	\$ 44,127,462	\$ 43,221,690	\$ 41,990,904	\$ 41,549,727
Contributions as a percentage of covered payroll	9.58%	13.43%	10.29%	10.41%	10.16%
Public Employees Retirement System:	2021	2020	2019	2018	2017
As of the June 30 Reporting Date					
Contractually required contributions	\$673,688	\$566,843	\$513,872	\$ 493,585	\$ 501,979
Plan choice rate required contributions					
Contributions in relation to the contractually required contributions	673,688	566,843	513,872	493,585	501,979
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$7,925,766	\$6,677,792	\$6,169,141	\$ 6,020,372	\$ 6,197,232
Contributions as a percentage of covered payroll	8.50%	8.49%	8.33%	8.20%	8.10%

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 (Continued)
For the Year Ended June 30, 2021

Teachers Retirement System:	2016	2015
As of the June 30 Reporting Date		
Contractually required contributions	\$ 4,136,450	\$ 4,146,229
Contributions in relation to the contractually required contributions	4,136,450	4,146,229
Contribution deficiency (excess)	\$ -	\$ -
District's covered payroll	\$ 40,385,463	\$ 39,625,370
Contributions as a percentage of covered payroll	10.24%	10.46%
Public Employees Retirement System:	2016	2015
As of the June 30 Reporting Date		
Contractually required contributions	\$ 474,831	\$ 456,120
Plan choice rate required contributions	11,288	17,863
Contributions in relation to the contractually required contributions	486,119	473,983
Contribution deficiency (excess)	\$ -	\$ -
District's covered payroll	\$ 5,872,509	\$ 5,722,913
Contributions as a percentage of covered payroll	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, 2021

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%.

HELENA PUBLIC SCHOOLS
Notes to Required Supplementary Information
Pension Plan Information
For the Year Ended June 30, 2021

- 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 2020:

- The discount rate was lowered from 7.50% to 7.34%.
- The investment rate of return assumption was lowered from 7.50% to 7.34%.
- The inflation rate was reduced from 2.50% to 2.40%.

The following changes to the actuarial assumptions were adopted in 2019:

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

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

- Assumed rate of inflation was reduced from 3.25% to 2.50%
- Payroll growth assumption was reduced from 4.00% to 3.25%
- Investment return assumption was reduced from 7.75% to 7.50%.
- Wage growth assumption was reduced from 4.00% to 3.25%
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
 - For Males and Females: RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years.

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

- Mortality among disabled members was updated to the following:
 - For Males: RP 2000 Disabled Mortality Table, set back three years, with mortality improvements projected by Scale BB to 2022.
 - For Females: RP 2000 Disabled Mortality Table, set forward two years, with mortality improvements projected by Scale BB to 2022.
- Retirement rates were updated
- Termination rates were updated
- Rates of salary increases were updated

HELENA PUBLIC SCHOOLS
Notes to Required Supplementary Information
Pension Plan Information
For the Year Ended June 30, 2021

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.

HELENA PUBLIC SCHOOLS
Notes to Required Supplementary Information
Pension Plan Information
For the Year Ended June 30, 2021

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	29 years
Asset valuation method	4-year smoothed market
Inflation	2.50 percent
Salary increase	3.25 to 7.76 percent, including inflation for Non-University members and 4.25% for University members;
Investment rate of return	7.50 percent, net of pension plan investment expense, and including inflation

Public Employees Retirement System

Changes of Benefit Terms

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

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, 2021

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 30, 2019 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increases	0% to 8.47%
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	0.30%

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, 2021

Students Grade K – 8

Full-Time Students:

Fall Enrollment-EI District	MAEFAIRS Reports	District Reports	Difference
Kindergarten Half Day	N/A	N/A	
Kindergarten Full Day	530	530	
Grades 1-6	3422	3422	
Grades 7-8	1206	1206	
Spring Enrollment-EI District	MAEFAIRS Reports	District Reports	Difference
Kindergarten Half Day	N/A	N/A	
Kindergarten Full Day	514	514	
Grades 1-6	3403	3403	
Grades 7-8	1200	1200	

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	1	0	1	0	1	0	1	0	
1-6	0	50	0	0	0	50	0	0	
7-8	1	20	0	0	1	20	0	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	0	1	0	0	0	1	0	
1-6	0	64	0	0	0	64	0	0	
7-8	1	24	0	0	1	24	0	0	

Students Grade 9 – 12:

Full-Time Students:

Fall Enrollment-EI District	MAEFAIRS Reports	District Reports	Difference
Grade 9 - 12	2629	2629	
19-year olds included	3	3	
Job Corps	0	0	
Youth challenge	2	2	
Spring Enrollment-EI District	MAEFAIRS Reports	District Reports	Difference
Grade 9 - 12	2518	2518	
19-year olds included	1	1	
Job Corps	0	0	
Youth challenge	2	2	
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	4	8	1	11	4	8	1	11	
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	4	7	1	4	4	7	1	4	

HELENA SCHOOL DISTRICT NO. 1
SUPPLEMENTAL SCHEDULE OF STUDENT EXTRACURRICULAR FUND
For the Fiscal Year Ended June 30, 2021
C. R. Anderson Middle School

Activity	Beginning Activity		Residual	Ending Activity
	Balance 7/1/2020	Revenues/ Expenditures/ Transfers In Transfers Out	Equity Transfer	Balance 6/30/2021
Chorus	\$4,844	\$770 (\$690)		\$4,924
Yearbook	16,202		(\$16,202)	-
Orchestra Account	3,587	2,966 (2,804)		3,749
Band Activities	10,659	7,479 (2,461)		15,677
Spanish Club	244			244
Student Council	14,458	17		14,475
District Student	8,365	23		8,388
Dance Account	8,774	24		8,798
PBS	8			8
Cross Country Team	5			5
Chess Club	203			203
FLS Room130	(249)			(249)
International Club	268			268
Niceness is Priceless	412			412
Total	\$67,780	\$11,279 (\$5,955)	(\$16,202)	\$56,902

See independent auditor's report.

HELENA SCHOOL DISTRICT NO. 1
SUPPLEMENTAL SCHEDULE OF STUDENT EXTRACURRICULAR FUND
For the Fiscal Year Ended June 30, 2021
Helena Middle School

Activity	Beginning Activity	Revenues/ Transfers In	Expenditures/ Transfers Out	Residual Equity Transfer	Ending Activity
	Balance 7/1/2020				Balance 6/30/2021
Art Technology	\$2,728	\$8			\$2,736
Math Counts	82				82
Book Club	813	414	(\$642)		585
7th Grade Leadership /HMS Outreach	862				862
HMS Choir	95	28	(77)		46
HMS Civics Club	2,005	4,186	(4,879)		1,312
Computer Lab	251				251
Festival Orchestra	1,732	2			1,734
Fishing Club	709				709
HMS Chess Club	78				78
HMS MBI/WEB	1,744	645	(967)		1,422
Drama Club	244				244
Band Activities	3,786	29	(1,115)		2,700
Industrial Technology	76				76
Science Olympiad	1,030	1	(247)		784
Student Council	1,488	3,500	(3,531)		1,457
Recycling	65			(\$65)	-
Yellowstone Club	3,157	4			3,161
Yearbook	-	5			5
Spanish Club	223				223
Small Business Club	82				82
Construction Arts Club	387				387
HMS Bobcat Birders	607				607
Total	\$22,244	\$8,822	(\$11,458)	(\$65)	\$19,543

See independent auditor's report.

HELENA SCHOOL DISTRICT NO. 1
SUPPLEMENTAL SCHEDULE OF STUDENT EXTRACURRICULAR FUND
For the Fiscal Year Ended June 30, 2021
Capital High School

Activity	Beginning Activity Balance 7/1/2020	Revenues/ Transfers In	Expenditures/ Transfers Out	Residual Equity Transfer	Ending Activity Balance 6/30/2021
Art Club		\$3			\$3
Art Travel	\$967	335	(\$131)		1,171
Art Seen	35				35
AWQ	76				76
Band Fund	884	1,244	(493)		1,635
Band Scholarship	473	1			474
BBC Outdoor Club	66	5			71
BIO II Travel	149	30			179
Bear Necessities	5,587	1,716	(1,163)		6,140
Boys Basketball	14,917	13,460	(15,015)		13,362
Boys Track & Field	126	6,444			6,570
Bruin Pantry	2,791			(\$2,791)	-
Bruin Fastpitch	6,665	5,380	(5,148)		6,897
BPOA	9,229	862	(880)		9,211
Bruins Helping Bruins	2,018	13			2,031
C-Club	181	40			221
Cadettes	1,302	976	(844)		1,434
Boys Cross Country	2,596	19	(814)		1,801
Girls Cross Country	2,180	1,781	(3,930)		31
Capital Dome	9,188	19,906	(2,681)		26,413
Cap Football	2,670	33,104	(20,714)		15,060
Capital Boys Soccer	629	3,944	(2,687)		1,886
Capital Girls Soccer	536	11	(538)		9
Capital Swim Teams	1,373	62	(419)		1,016
Capital Volleyball	2,909	8,605	(11,453)		61
Cheerleaders	-	1,152	(1,111)		41
Chorus	4,618	1,129	(180)		5,567
CHS Golf	3,999	2,779	(3,107)		3,671
CISCO	771		(771)		-
Class of 2021	7,266	125	(984)		6,407
Class of 2022	1,092	1,405			2,497
Concessions	13,292	194			13,486
Computer Science Club	220	1			221
DECA	2,659	3,102	(1,315)		4,446
Design Club	128	27			155
ECO	500	1			501
FCA	399	899			1,298
Bruin Pure Performance/Fitness	6,165	26	(229)		5,962
French Club	4,986	20	(239)		4,767
Gay, Straight Alliance	432				432
German Club	1,160	6			1,166
Girls BB	1,086	17,972	(9,266)		9,792
Green Club	4,871	5,613	(2,820)		7,664
HOSA	914	910	(1,045)		779
Female Empowerment	449	1			450
FCCLA	2,931	12			2,943
Fly Fishing Club	140				140
Honor Society	885	2,194	(2,044)		1,035
Key Club	295	1			296
Latin Club	913	6			919
Lifting-CHS Powerhouse	734	19,786	(10,010)		10,510
Link Crew	2,367	59			2,426
MBI	7,655			(7,655)	-
Niceness is Priceless	14,327	2,901	(7,104)		10,124
Music Dept. Gala Acct.	420				420

See independent auditor's report.

HELENA SCHOOL DISTRICT NO. 1
SUPPLEMENTAL SCHEDULE OF STUDENT EXTRACURRICULAR FUND
For the Fiscal Year Ended June 30, 2021
Capital High School

Activity	Beginning Activity	Revenues/ Transfers In	Expenditures/ Transfers Out	Residual Equity Transfer	Ending Activity
	Balance 7/1/2020				Balance 6/30/2021
Orchestra	2,812	64	(119)		2,757
Partners Club	1,401	6			1,407
Paw Print	1,199	5			1,204
Pawsitively Printing	926	129	(1,076)		(21)
Pen and Ink	1,515	6			1,521
Photo club	1,608			(1,608)	-
Girls Track and Field	2,517	18,958	(8,137)		13,338
Respect	87				87
Science Robotics	7,948	29	(1,623)		6,354
Science Olympiad -Science Club	6,317	25	(1,646)		4,696
Shred Club	443	1			444
Skills USA	927	1,286	(1,098)		1,115
CHS Shufflers/CHS AP Lit	2,721	12			2,733
Spanish Club	175	98	(200)		73
Spanish Club Travel	86				86
Special Needs	608			(608)	-
Speech	2,662	469	(2,614)		517
Sports Med/1st Aid	156	25			181
Student Council	12,743	65	(906)		11,902
Tennis	3,791	8,331	(3,735)		8,387
Thespians	17,241	472	(989)		16,724
Training Room	752		(95)	(752)	(95)
Upward Bound/Talent Srch	914	1	(914)		1
VICA	719	1			720
Video Game Club	174				174
Vigilante Parade	16	1,275	(1,144)		147
Wall of Fame	372	1	(12)		361
Wrestling	6,616	1,561	(7,750)		427
Youth Alive	262				262
Youth Legislature	476		(300)		176
Total	\$231,405	\$191,082	(\$139,493)	(\$13,414)	\$269,580

See independent auditor's report.

HELENA SCHOOL DISTRICT NO. 1
SUPPLEMENTAL SCHEDULE OF STUDENT EXTRACURRICULAR FUND
For the Fiscal Year Ended June 30, 2021
Helena High School

Activity	Beginning Activity			Residual Equity Transfer	Ending Activity	
	Balance 7/1/2020	Revenues/ Transfers In	Expenditures/ Transfers Out		Balance 6/30/2021	
Art Club	\$1,563	\$2			\$1,565	
Auto Club	19	1,793	(\$606)		1,206	
Band	2,096	16,803	(641)		18,258	
Bengalettes	3,623	3,063	(6,911)		(225)	
Football	2,014	23,428	(23,683)		1,759	
Business Professionals	2,620	1,070	(1,338)		2,352	
Boys Basketball	4,175	7,319	(10,420)		1,074	
Girls Basketball	1,151	15,783	(14,079)		2,855	
Brawny Bengal Club	424	7,127	(5,819)		1,732	
Carnegie Hall Choir Club	3,180	26,767	(29,688)		259	
Cheerleaders	1,104	431	(690)		845	
Chorus	4,021	1,560	(1,874)		3,707	
Concession Maintenance	2,038	6			2,044	
Concessions	25,064	29	(200)		24,893	
Culinary Catering	10,640	499	(282)		10,857	
Cross Country Boys	1,348	5,450	(3,398)		3,400	
Cross Country Girls	248	8,422	(7,501)		1,169	
DECA	6,306	881	(746)		6,441	
Drafting Resale	2,235	6	(1,397)		844	
Green Group	578	3,146	(774)		2,950	
FCA	258		(29)		229	
Art Honor Society	160				160	
Food Pantry	995			(\$995)	-	
Forensics	6,687	7	(70)		6,624	
French Club	77				77	
German Club	578				578	
Golf	1,585	252	(2,264)		(427)	
GSA	366				366	
The Outdoor Club	2,710	3			2,713	
HHS Spirit Club	96				96	
HOSA	2,097	336	(730)		1,703	
Knitting Club	7				7	
Key Club	643		(476)		167	
JMG	1,107	619	(1,185)		541	
Latin Club	2,061	2			2,063	
Library Club	325	17			342	
Link Crew	462	647	(608)		501	
Mock Trial	4,497	25	(2,582)		1,940	
Native American Leadership	400				400	
National Honor Society	502		(541)		(39)	
Niceness is Priceless	8				8	
Nugget	32				32	
Orchestra	2,446	253	(109)		2,590	
Pottery	1,825	7			1,832	
Programs	3,585			(3,585)	-	
Pure Performance Group	137				137	
School Store	7,829	1,200	(4,455)		4,574	
Science Club	2,987	3	(447)		2,543	
Science Seminar	120	6,031	(5,551)		600	
Softball	4,741	7,439	(5,660)		6,520	
Soccer-Girls	4,233	2,808	(2,468)		4,573	
Soccer-Boys	2,868	9,689	(7,500)		5,057	
Spanish Club	250		(160)		90	
Special Living /FLS Peers	1,718	531	(248)		2,001	
Student Council	5,817	8,416	(6,942)		7,291	
Student Trainers	2,509	5	(491)		2,023	
Swimming	5,901	7			5,908	

See independent auditor's report.

HELENA SCHOOL DISTRICT NO. 1
SUPPLEMENTAL SCHEDULE OF STUDENT EXTRACURRICULAR FUND
For the Fiscal Year Ended June 30, 2021
Helena High School

Activity	Beginning Activity			Residual Equity Transfer	Ending Activity Balance 6/30/2021
	Balance 7/1/2020	Revenues/ Transfers In	Expenditures/ Transfers Out		
Tennis	2,759	4,358	(6,884)		233
Textbooks and Fines	(4)			4	-
Thespians	4,342	1,273	(2,261)		3,354
Track-Boys	2,974	8,596	(609)		10,961
Girls Track	846	11,678	(3,366)		9,158
3-7-77's	486	120	(120)		486
Ukulele Club	41				41
VICA Skills USA	2,406	503	(560)		2,349
Volleyball	7,154	9,870	(13,010)		4,014
Yearbook	6,924	17,311	(14,232)		10,003
Welding Resale	1,000			(1,000)	-
Welding Club	7,637	5,051	(3,951)		8,737
Woodworkers Club	1,062	3			1,065
Word Clues	64				64
Wrestling	10,074	2,511	(4,601)		7,984
HHS Travel Club	7,718	268	(6,768)		1,218
Total	<u>\$202,549</u>	<u>\$223,424</u>	<u>(\$208,925)</u>	<u>(\$5,576)</u>	<u>\$211,472</u>

See independent auditor's report.

HELENA SCHOOL DISTRICT NO. 1
SUPPLEMENTAL SCHEDULE OF STUDENT EXTRACURRICULAR FUND
For the Fiscal Year Ended June 30, 2021
District Activities - Elementary Schools

Activity	Beginning Activity Balance 7/1/20	Revenues/ Transfers In	Expenditures/ Transfers Out	Ending Activity Balance 6/30/21
Activity Acct - 220	\$102,819	\$6,198	(\$4,529)	\$104,488
Activity Acct - 196		377	(80)	297
Activity Acct - 197		64		64
Activity Acct - 193	1			1
Total	<u>\$102,820</u>	<u>\$6,639</u>	<u>(\$4,609)</u>	<u>\$104,850</u>

See independent auditor's report.

HELENA SCHOOL DISTRICT NO. 1
SUPPLEMENTAL SCHEDULE OF STUDENT EXTRACURRICULAR FUND
For the Fiscal Year Ended June 30, 2021
District Activities - High Schools

Activity	Beginning Activity Balance 7/1/20	Revenues/ Transfers In	Expenditures/ Transfers Out	Ending Activity Balance 6/30/21
Activity Acct - 220	\$10,062	\$111,209	(\$86,445)	\$34,826
Activity Acct - 220	(19,393)			(19,393)
Activity Acct - 220	(10,016)			(10,016)
Activity Acct - 220	(8,587)			(8,587)
Activity Acct - 225	-	4,267	(1,611)	2,656
Activity Acct - 295	1,752	413	(230)	1,935
Activity Acct - 296		747	(136)	611
Activity Acct - 297		1,645	(34)	1,611
Total	(\$26,182)	\$118,281	(\$88,456)	\$3,643

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, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-through Grantors Number	Program or Award Amount	Cash/ (Accrued) or Deferred Revenue at 7/1/2020	Receipts or Revenue Recognized	Disbursements/ Expenditures	Cash/ Accrued or (Deferred) Revenue at 6/30/2021
U.S. DEPARTMENT OF EDUCATION							
Direct Programs:							
Indian Education – Grants to Local Education Agencies	84.060A	S060A150856		-	34,187.00	47,928.00	(13,741.00)
Total direct programs				-	34,187.00	47,928.00	(13,741.00)
U.S. DEPARTMENT OF EDUCATION							
Pass-through Montana Office of Public Instruction:							
Special Education – Olympic Education Programs	84.380W	N/A	3,336.00	1,620.00	-	-	1,620.00
Title I Grants to Local Educational Agencies	84.010A	2504873220	2,239,251.00	(7,165.00)	7,165.00	-	-
Title I Grants to Local Educational Agencies	84.010A	2504873220	2,239,251.00		355,379.00	355,379.00	-
Title I Grants to Local Educational Agencies	84.010A	2504873120	22,408.00	(1,079.00)	1,079.00	-	-
Title I Grants to Local Educational Agencies	84.010A	2504873121				4,851.00	(4,851.00)
Title I Grants to Local Educational Agencies	84.010A	2504873121	2,155,352.00	-	1,431,235.00	1,462,732.00	(31,497.00)
Title I Grants to Local Educational Agencies	84.010A	250487372021	26,939.00			5,017.00	(5,017.00)
Title I Grants to Local Educational Agencies	84.010A	250488372020	17,720.00		17,696.00	17,696.00	-
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013A	2504884220	11,388.00	-	1,432.00	1,432.00	-
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013A	2504884221	21,964.00	-			-
Comprehensive Literacy Development	84.371C	2504873520	800,449.00	(288.00)	288.00	-	-
Comprehensive Literacy Development	84.371C	2504873520	800,449.00	-	-	140,868.00	(140,868.00)
Comprehensive Literacy Development	84.371C	2504873521	1,270,000.00	-	-	188,205.00	(188,205.00)
Comprehensive Literacy Development	84.371C	2504873521	1,270,000.00	-	69,016.00	591,005.00	(521,989.00)
Title IV A Student Support and Academic Enrichment	84.424A	2504875219	1,347.00	-	726.00	726.00	-
Preschool Development Grant	84.419A	2504871620	238,974.00	(66,320.00)	66,320.00	-	-
Education for Homeless Children and Youth	84.196A	2504875720	15,456.00	(12,301.00)	12,301.00	-	-
Education for Homeless Children and Youth	84.196A	2504875721	18,887.00	-	-	157.00	(157.00)
Adult Education – Basic Grants to States	84.002A	2504885620	70,600.00	(38,953.00)	38,953.00	-	-
Adult Education – Basic Grants to States	84.002A	2504885621	62,551.00	-	62,551.00	62,551.00	-
Career and Technical Education – Basic Grants to States	84.048A	02504888120	129,815.00	(38,886.00)	38,886.00	-	-
Career and Technical Education – Basic Grants to States	84.048A	02504888121	143,114.00		142,985.00	142,985.00	-
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126A		186,085.00	14,750.00	23,896.00	9,146.00	29,500.00
Elementary and Secondary Emergency Relief	84.425D	0250487912020	1,204,031.00	-	1,041,283.00	1,173,129.00	(131,846.00)
Elementary and Secondary Emergency Relief	84.425D	0250487912020	164,351.00	-	158,001.00	164,351.00	(6,350.00)
Elementary and Secondary Emergency Relief	84.425D	0250487922021	5,034,250.00	-	-	2,545,635.00	(2,545,635.00)
Elementary and Secondary Emergency Relief	84.425U	0250487932021	2,261,238.00	-	-	25,334.00	(25,334.00)
Elementary and Secondary Emergency Relief	84.425D	0250487922021			1,940.00	1,940.00	-
Special Education - Technology Media, and Materials for Individuals with Disabilities	84.323A	CHS Project Real	3,000.00		3,000.00	280.00	2,720.00
Special Education Cluster:							
Special Education – Grants to States	84.027	02504878120	1,816,709.00	10,896.00	73.00	10,969.00	-
Special Education – Grants to States	84.027	02504872021	1,841,646.00	-	1,235,323.00	1,841,646.00	(606,323.00)
Special Education – Preschool Grants	84.173 A	02504878320	49,588.00	(13,029.00)	13,029.00	-	-
Special Education – Preschool Grants	84.173 A	02504877921	50,677.00	-	50,677.00	50,677.00	-
Special Education – Assistive Technology	84.027		5,800.00	877.00		-	877.00
Total Special Education Cluster				3,764,420.00	(1,256.00)	1,299,102.00	1,903,292.00
Total pass-through Montana Office of Public Instruction				24,176,626.00	(149,878.00)	4,773,234.00	8,796,711.00
U.S. DEPARTMENT OF TRANSPORTATION							
Pass Through Montana Department of Transportation							
State and Community Highway Safety	20.600		40,000.00	(270.00)	270.00	-	-

See Accompanying Notes to Schedule of Expenditures of Federal Awards

Helena School District #1
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-through Grantors Number	Program or Award Amount	Cash/ (Accrued) or Deferred Revenue at 7/1/2020	Receipts or Revenue Recognized	Disbursements/ Expenditures	Cash/ Accrued or (Deferred) Revenue at 6/30/2021
State and Community Highway Safety	20.600		40,000.00	(10,330.00)	10,330.00		-
State and Community Highway Safety	20.600		40,000.00	-	9,142.00	9,142.00	-
State and Community Highway Safety	20.600		47,475.00	-	24,384.00	38,531.00	(14,147.00)
National Priority Safety Programs, Occupant Protection	20.616		4,938.00	-	-	-	-
Total pass-through Montana Department of Transportation			172,413.00	(10,600.00)	44,126.00	47,673.00	(14,147.00)
ENVIRONMENTAL PROTECTION AGENCY							
Pass Through Soil and Water Conservation Districts of Montana							
Nonpoint Source Implementation Grants	66.460	N/A	3,000.00	-	-	-	-
EcoSchools Natioan Wildlife Federation	66.951				777.00		777.00
Environmental Education Grants	66.951	96801101	3,000.00	-	-	-	-
Total Environmental Protection Agency			6,000.00	-	777.00	-	777.00
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Pass Through Montana Department of Public Health and Human Services							
COVID-19 Child Development Emergency Grant	93.575		80,000.00	79,845.00	190,500.00	-	270,345.00
Total pass-through Montana Department of Public Health and Human Services			80,000.00	79,845.00	190,500.00	-	270,345.00
U.S. DEPARTMENT OF TREASURY							
COVID-19 Coronavirus Relief Fund	21.019		238,740.00	-	238,740.00	238,740.00	-
COVID-19 Coronavirus Relief Fund	21.019		31,180.00	-	23,208.00	23,208.00	-
COVID-19 Coronavirus Relief Fund	21.019		47,450.00	-	39,551.00	39,551.00	-
COVID-19 Coronavirus Relief Fund	21.019		34,630.00	-	34,630.00	34,630.00	-
COVID-19 Coronavirus Relief Fund	21.019		35,675.00	-	35,675.00	35,675.00	-
COVID-19 Coronavirus Relief Fund	21.019		31,575.00	-	31,575.00	31,575.00	-
COVID-19 Coronavirus Relief Fund	21.019		45,700.00	-	45,700.00	45,700.00	-
COVID-19 Coronavirus Relief Fund	21.019		35,595.00	-	35,595.00	35,595.00	-
COVID-19 Coronavirus Relief Fund	21.019		28,725.00	-	28,725.00	28,725.00	-
COVID-19 Coronavirus Relief Fund	21.019		32,570.00	-	32,570.00	32,570.00	-
COVID-19 Coronavirus Relief Fund	21.019		35,475.00	-	34,219.00	34,219.00	-
COVID-19 Coronavirus Relief Fund	21.019		29,840.00	-	29,840.00	29,840.00	-
COVID-19 Coronavirus Relief Fund	21.019		50,000.00	-	50,000.00	50,000.00	-
COVID-19 Coronavirus Relief Fund	21.019		3,512,985.00	-	3,512,985.00	3,512,985.00	-
COVID-19 Coronavirus Relief Fund	21.019		77,140.00	-	77,140.00	77,140.00	-
Total US Department of Treasury			4,267,280.00	-	4,250,153.00	4,250,153.00	-
NATIONAL ENDOWMENT FOR HUMANITIES							
Promotion of the Humanities Federal/State Partnership	45.129		2,000.00	-	1,626.00	1,626.00	-
			2,000.00	-	1,626.00	1,626.00	-
U.S. DEPARTMENT OF AGRICULTURE							
Pass-through Montana Office of Public Information							
Child Nutrition Cluster:							
Non-Cash Assistance (Commodities):	10.553	N/A			141,444.00	141,444.00	-
National School Lunch Program							
Cash Assistance:							
Summer Food Service Program	10.559	N/A			3,252,655.00	3,252,655.00	-
Total Child Nutrition Cluster					3,394,099.00	3,394,099.00	-
School Fresh Fruit and Vegetable Program	10.582	N/A		-	45,395.00	45,395.00	-
				-			
School Nutrition Equipment Assistance	10.579	0487SY2019EG	3,600.00	-			-
Smarter Lunchroom	10.574	N/A		-	100.00	100.00	-
Total U.S Departmentn of Agriculture			-	-	3,439,594.00	3,439,594.00	-
TOTAL FEDERAL ASSISTANCE			28,704,319.00	(80,633.00)	12,734,197.00	16,583,685.00	(3,930,121.00)

See Accompanying Notes to Schedule of Expenditures of Federal Awards

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, 2021. 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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 23, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. 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 the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Billings, Montana
March 23, 2022



**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, 2021. 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 each of 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 the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of 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 programs for the year ended June 30, 2021.

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.



Billings, Montana
March 23, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

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**

21.019

Covid 19 Coronavirus Relief Fund

84.425D, 84.425U

Covid 19 – Education Stabilization
Fund

84.027, 84.173

Special Education Cluster

Dollar threshold used to distinguish between
Type A and Type B programs:

 \$750,000

Auditee qualified as low-risk auditee?

 x yes _____ no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the Year Ended June 30, 2021

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

2020-001 – Budgets - Implemented