

GALLATIN GATEWAY PUBLIC SCHOOL

GALLATIN COUNTY, MONTANA

Fiscal Year Ended June 30, 2020

**AUDIT REPORT**

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

GALLATIN GATEWAY PUBLIC SCHOOL

GALLATIN COUNTY, MONTANA

Fiscal Year Ended June 30, 2020

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GALLATIN GATEWAY PUBLIC SCHOOL

GALLATIN COUNTY, MONTANA

**ORGANIZATION**

Fiscal Year Ended June 30, 2020

**BOARD OF TRUSTEES**

Aaron Schwieterman  
Julie Fleury  
Mary Martin  
Carissa Paulson  
Patti Ringo

Chairperson  
Vice Chairperson  
Trustee  
Trustee  
Trustee

**DISTRICT OFFICIALS**

Carrie Fisher  
Theresa Keel  
Marty Lambert  
Matthew Henry

District Clerk  
Superintendent  
County Attorney  
County Superintendent

**Gallatin Gateway Public School District**  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
*For Fiscal Year Ending June 30, 2020*

**Introduction**

This section of the Gallatin Gateway School District Financial Statements presents the management's discussion and analysis of the financial performance during the fiscal year ending June 30, 2020. This narrative overview and analysis of the financial activities of the Gallatin Gateway District includes a comparison of prior year financial statements as per compliance with Governmental Accounting Standards Board Statement #34. Readers of the management's discussion and analysis are encouraged to consider the information presented in this section as well as other areas of the financial statements.

**Financial and Other Highlights**

- The Gallatin Gateway School District assets exceeded liabilities in FY (fiscal year) 2020 by \$569,511
- The district net position decreased \$19,004 at the close of FY 2020 mostly due to more expenses than revenue.
- Total revenues for the district were up 11% or \$209,205 to \$2,135,206 in FY 2020 mostly due to increases in grants/entitlement revenue (\$43,431), district levies (\$38,237), operating grants (\$32,430), state contributions to retirement (\$59,398), and county revenue (\$58,448).
- The district received 40% (was 41.9% in FY 2019) of district revenue from district levies in FY 2020 while grants/entitlements revenue was 34.3% (was 35.8% in FY 2019) of district revenue.
- Total expenses for the district were up 12.1% or \$232,199 largely due to increases in instruction (\$162,825) and operation/maintenance (\$86,484).
- The district had a \$19,004 more in expenses than revenue in FY 2020.
- At the end of FY 2020, the Gallatin Gateway School District had bonded debt outstanding of \$120,000 for capital assets.
- The net investment in capital assets of the district increased 10.9% in FY 2020 mostly due to a long-term capital debt payment of \$110,000 and added capital assets of \$80,811 and depreciation of \$56,048.
- The population of Gallatin County has increased 27.8% or 24,919 people since 2010 compared to Montana at 8%.
- The district has experienced an increase in enrollment over the past five years, increasing 24 students or 16.1%.
- District expenses for instruction account for 53.3% of the total expenses.
- The overall financial condition of the Gallatin Gateway School District is good and remained nearly the same in FY 2020 with a 1.7% decrease in net position.

**Gallatin Gateway Public School District**  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
*For Fiscal Year Ending June 30, 2020*

***Overview of the Gallatin Gateway District Financial Statements***

The management's discussion and analysis report is intended to serve as an introduction to the basic financial statements of the Gallatin Gateway K-8 School District. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. It also, contains other supplementary information in addition to the basic financial statements.

**Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the Gallatin Gateway District finances in a manner similar to a private-sector business. This broad overview is accomplished using a *statement of net position* and a *statement of activities*. Each statement distinguishes between governmental and business type activities and between the total governmental and business type activities of the school district.

The *statement of net position* presents information on all of the assets and liabilities of the Gallatin Gateway District, with the difference between the two 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 Gallatin Gateway District is improving or deteriorating.

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 Gallatin Gateway District principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions 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 fall into the governmental activity category including instruction, support services, general, school and business administrative services, operation and maintenance, student transportation, community services, and other expenditures. The Gallatin Gateway District does not operate any business-type activities.

**Fund-based Financial Statements**

Fund-based financial statements, consisting of a series of statements, provide information about government's major and non-major governmental funds. These governmental fund financial statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The governmental fund statements consist of the balance sheet and statement of revenues, expenditures, and change in fund balance.

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

**Gallatin Gateway Public School District**  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
*For Fiscal Year Ending June 30, 2020*

**Governmental funds**

*Governmental funds* are used to account for essentially the same function reported as governmental activities in the government-wide financial statements. 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. Such information may be useful in evaluating a government's near-term financing requirements.

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 the Gallatin Gateway School District. 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 Gallatin Gateway District is recognized by state law and consists of the Gallatin Gateway School (grades K-8). Major governmental funds are reported separately and all other funds are combined for this report. 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 fund and building reserve fund because they were the major funds for the 2020 fiscal year. The other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Gallatin Gateway District adopts an annual appropriated budget for its general funds, select special revenue, debt service, and building reserve funds as required by state law. A budgetary comparison is provided for all budgeted funds later in this report.

**Fiduciary funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds may include pension and employee benefit trust funds where resources are held in trust for employee benefit plans. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the programs of the district. Student activity accounts and scholarship trusts are the most common fiduciary funds in school districts. The Gallatin Gateway District has fiduciary funds in their Private Purpose Trust Fund (Student Activity Account) which has a balance of \$15,629 at the end of FY 2020.

***Notes to the Financial Statements***

The notes to the financial statements provide additional information that can be very helpful to a full understanding of the data provided in the government-wide and fund financial statements and can be found later in this report.

**Gallatin Gateway Public School District**  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
*For Fiscal Year Ending June 30, 2020*

**Other information**

In addition to the basic financial statements and the accompanying notes, this report also presents certain *required supplementary information* concerning the official student enrollment and federal grant audit reports.

**Overall District Financial Position and Analysis**

As noted earlier, net position may serve over time as a useful indicator of the financial position of the district. In the case of the Gallatin Gateway School District, assets exceeded liabilities in FY (fiscal year) 2020 by \$569,511. The district net position decreased \$19,004 at the close of FY 2020 mostly due to more expenses than revenue. Total revenues for the district were up 11% or \$209,205 in FY 2020 mostly due to increases in grants/entitlement revenue (\$43,431), state contributions to retirement (\$59,398), county revenue (\$58,448), operating grants/contributions (\$32,430), and district levies (\$38,237). The district received 40% (was 41.9% in FY 2019) of district revenue from district levies in FY 2020 while grants/entitlements revenue was 34.3% (was 35.8% in FY 2019) of district revenue. Total expenses for the district were up 12.1% or \$232,199 largely due to increases in instruction (\$162,825) and operation/maintenance (\$86,484). District expenses for instruction account for 53.3% of the total expenses and is the largest expense. At the end of FY 2019, the governmental funds of the school district reported a combined ending fund balance of \$499,898 and at the end of FY 2020 the fund balance was \$449,794 which represents a 7.5% decrease. The capital assets of the district increased 10.9% in FY 2020 mostly due to a long-term capital debt payment of \$110,000 and added capital assets of \$80,811 and depreciation of \$56,048. The net investment in capital assets for governmental activities as of June 30, 2020, was \$1,298,714 after depreciation and debt was subtracted. At the end of FY 2020, the Gallatin Gateway School District had bonded debt outstanding of \$120,000 for capital assets. In addition, the district had long-term liabilities of \$52,518 for compensated absences of employees, \$1,319,910 for the TRS and PERS portion of net pension liability, OPEB liabilities of \$36,034, and other long-term liabilities of \$14,748. The district only made a small transfer of funds out of the general fund of \$12,999 in FY 2020. District liabilities decreased 2% or \$34,870 in FY 2020. The overall financial condition of the Gallatin Gateway School District is good and remained nearly the same with a 1.7% decrease in net position in FY 2020. The chart on the following page presents information on the district net position for FY 2019 and FY 2020.

**COVID-19 and Education in the District**

The emergence of the COVID-19 pandemic in the spring of 2020 in the United States and Montana forced immediate changes to educational programming in the district. The district moved to remote online delivery of curriculum and instruction when Montana closed schools to in-person learning in March of 2020. District teachers either taught students remotely online or provided lessons for students to complete at home. The district continued to serve meals for students during the pandemic. The district has utilized plans and protocols in place during the 2020-21 school year to reduce the impacts of COVID on student education. These plans included procedures and safety protocols for staff and students during in person learning along with additional components if the district had to suspend in person instruction due to the virus. The district is using COVID relief funding to purchase necessary cleaning supplies and equipment, PPE supplies, and remote learning components. At this time many financial and academic impacts of the COVID pandemic on the district are uncertain including future revenue impacts.

**Gallatin Gateway Public School District**  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
For Fiscal Year Ending June 30, 2020

**Net Position of the District**

Governmental Activities				
	FY 2020	FY 2019	Change	Percent Change
Current and Other Assets	\$826,292	\$897,421	(\$71,129)	-7.9%
Capital Assets	\$1,418,714	\$1,401,459	\$17,255	1.2%
<b>Total Assets</b>	<b>\$2,245,006</b>	<b>\$2,298,880</b>	<b>(\$53,874)</b>	<b>-2.3%</b>
<b>Liabilities</b>				
Long-term Debt Outstanding	\$1,535,836	\$1,541,611	(\$5,775)	-0.4%
Other Liabilities	\$139,659	\$168,754	(\$29,095)	-17.2%
<b>Total Liabilities</b>	<b>\$1,675,495</b>	<b>\$1,710,365</b>	<b>(\$34,870)</b>	<b>-2.0%</b>
<b>Net Position</b>				
Net Investment in Capital Assets	\$1,298,714	\$1,171,459	\$127,255	10.9%
Restricted	\$283,152	\$366,553	(\$83,401)	-22.8%
Unrestricted	(\$1,012,355)	(\$949,497)	(\$62,858)	-6.6%
<b>Total Net Position</b>	<b>\$569,511</b>	<b>\$588,515</b>	<b>(\$19,004)</b>	<b>-3.2%</b>

A large portion of the net position (\$1,298,714) of the Gallatin Gateway District at the close of FY 2020 reflects the investment by the school district in capital assets such as land, buildings, machinery, and equipment. The capital assets of the Gallatin Gateway District have a small amount of related debt. The Gallatin Gateway 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. The net investment in capital assets of the district increased 10.9% due to a long term capital debt payment of \$110,000 along with \$80,811 of capital assets added and \$56,048 of depreciation.

Another portion of the net position of the Gallatin Gateway District represents *unrestricted funds* which may be used to meet the ongoing obligations of the school district to citizens and creditors. The district has a negative balance of unrestricted funds mostly due to the addition of net pension liability in FY 2015 to the district financial statements. The unrestricted funds decreased 6.6% or \$62,858 from FY 2019 to FY 2020. The *restricted funds* which are subject to external restrictions on their use decreased 20.4% or \$83,401 from FY 2019 to FY 2020. The Gallatin Gateway District was able to report a positive balance of net position in FY 2020. The net position of the Gallatin Gateway District decreased \$19,004 or 3.2% during FY 2020 and was \$569,511.



**Gallatin Gateway Public School District**  
**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**  
*For Fiscal Year Ending June 30, 2020*

**District Wide - Statement of Activities**

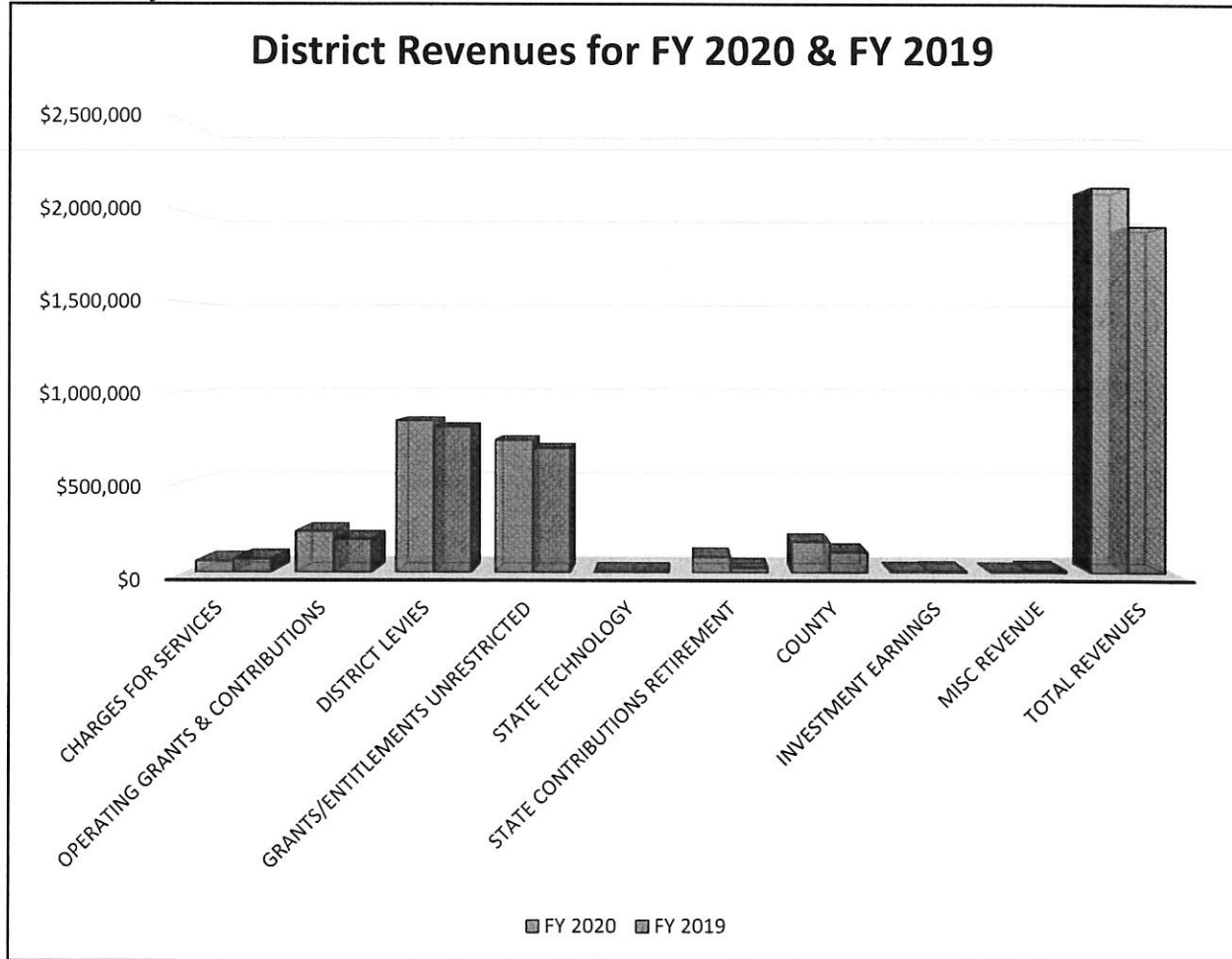
Governmental Activities				
	FY 2020	FY 2019	Change	% Change
Program revenues:				
Charges for Services	\$64,312	\$75,951	(\$11,639)	-15.3%
Operating Grants & Contributions	\$217,138	\$184,708	\$32,430	18%
General revenues				
District Levies	\$846,096	\$807,859	\$38,237	5%
Grants/Entitlements - unrestricted	\$734,491	\$691,060	\$43,431	6.3%
State Technology	\$1,090	\$0	\$1,090	100%
State Contributions - retirement	\$88,316	\$28,918	\$59,398	205.4%
County	\$172,262	\$113,814	\$58,448	51.4%
Investment Earnings	\$7,402	\$9,366	(\$1,964)	-21.0%
All Other	\$4,099	\$14,325	(\$10,226)	-71.4%
<b>Total Revenues</b>	<b>\$2,135,206</b>	<b>\$1,926,001</b>	<b>\$209,205</b>	<b>11%</b>
Expenses:				
Instruction	\$1,149,284	\$986,459	\$162,825	16.5%
Support Services	\$68,735	\$61,268	\$7,467	12.2%
Media	\$44,785	\$36,434	\$8,351	22.9%
Administration	\$211,227	\$197,929	\$13,298	6.7%
Operation & Maintenance	\$271,734	\$185,250	\$86,484	46.7%
Business Services	\$131,859	\$101,801	\$30,058	29.5%
Transportation	\$67,446	\$101,009	(\$33,563)	-33.2%
Extracurricular	\$23,053	\$33,694	(\$10,641)	-31.6%
School Food Services	\$132,645	\$140,500	(\$7,855)	-5.6%
Interest	\$8,060	\$11,315	(\$3,255)	-28.8%
Community Services	\$11,777	\$20,608	(\$8,831)	100.0%
Unallocated Depreciation	\$33,605	\$45,744	(\$12,139)	-26.5%
<b>Total Expenses</b>	<b>\$2,154,210</b>	<b>\$1,922,011</b>	<b>\$232,199</b>	<b>12.1%</b>
<b>Change in Net Position</b>	<b>(\$19,004)</b>	<b>\$3,990</b>	<b>(\$22,994)</b>	<b>-576%</b>
<b>Beginning Net Position</b>	<b>\$588,515</b>	<b>\$584,525</b>	<b>\$3,990</b>	<b>0.7%</b>
<b>Ending Net Position</b>	<b>\$569,511</b>	<b>\$588,515</b>	<b>(\$19,004)</b>	<b>-3.2%</b>

Major changes in district wide governmental activities from FY 2019 to FY 2020 include:

- Total revenues for the district were up 11% or \$209,205 in FY 2020 mostly due to increases in grants/entitlement revenue (\$43,431), state contributions to retirement (\$59,398), county revenue (\$58,448), operating grants/contributions (\$32,430), and district levies (\$38,237).
- Total expenses for the district were up 12.1% or \$232,199 largely due to increases in instruction (\$162,825) and operation/maintenance (\$86,484).
- The district had a \$19,004 more in expenses than revenue in FY 2020.
- Net position for the district decreased 3.2% in FY 2020 and was a positive \$569,511.

**Gallatin Gateway Public School District**  
**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**  
*For Fiscal Year Ending June 30, 2020*

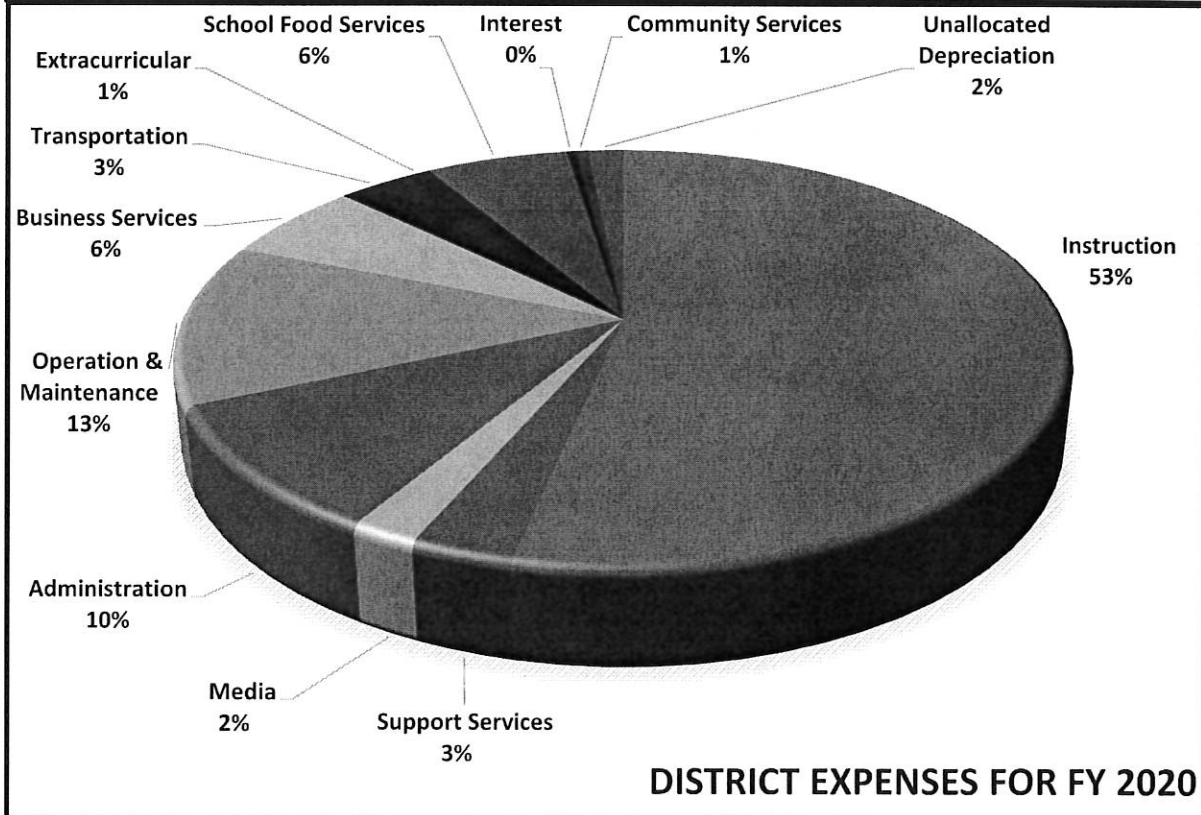
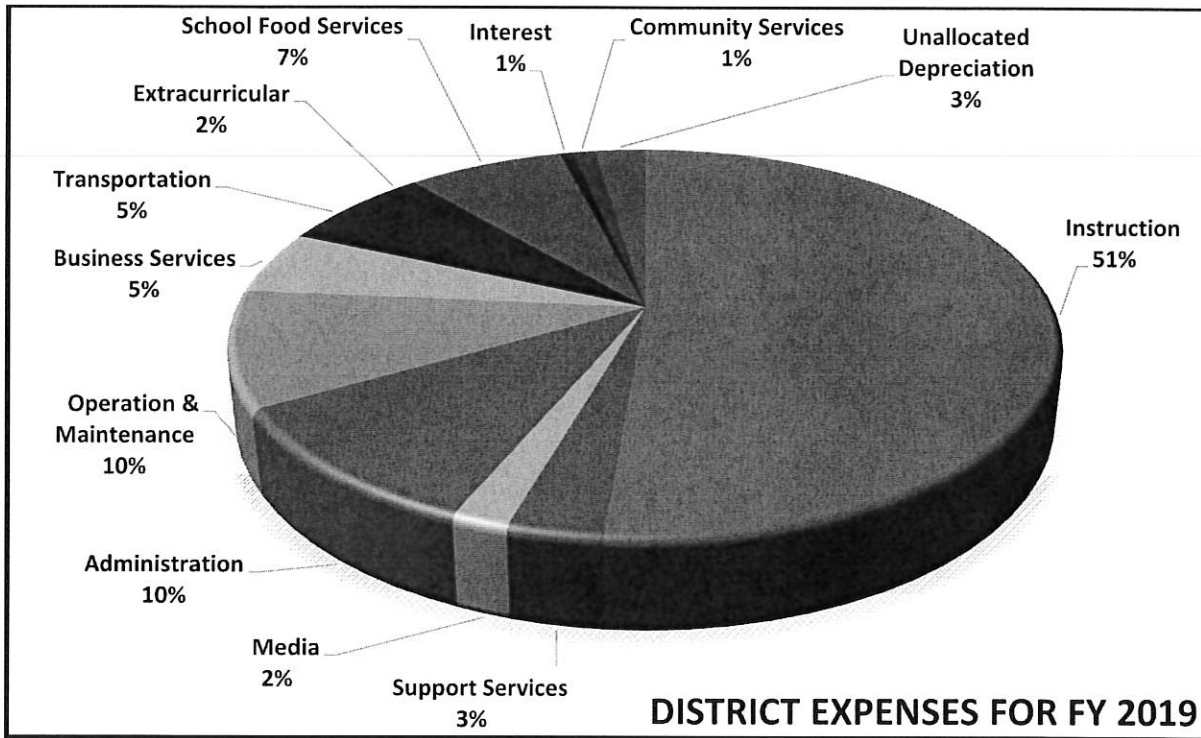
**Revenue by Source for FY 2020 and FY 2019**



The bar graph presented above shows that revenue from district levies was the largest source for the Gallatin Gateway District in FY 2020 followed by unrestricted grants and entitlements. The major changes from FY 2019 to FY 2020 were increases in revenue from unrestricted grants/entitlements, county, state contributions to retirement, operating grants/contributions, district levies, and total revenue. Generally, since state law requires levied fund budgets to be “balanced,” the changes in expenditures matched the changes in the revenues of these funds.

District Expenses -The charts on the following page, present district expenses by category for FY 2019 and FY 2020. The graphs illustrate the major expenditure areas, with instruction costs accounting for 51% & 53% of the district expenses in FY 2019 and FY 2020, operation & maintenance accounting for 10% and 13%, administration was 10% and 10%, along with food services at 7% and 6% of the total district expenses. The major changes in FY 2020 were increases in instruction (2%), business services (1%), and operation/maintenance (3%). Decreases occurred in unallocated depreciation (1%), interest (1%), food services (1%), extracurricular (1%), and transportation (2%).

**Gallatin Gateway Public School District**  
**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**  
*For Fiscal Year Ending June 30, 2020*



**Gallatin Gateway Public School District**  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
*For Fiscal Year Ending June 30, 2020*

**Financial Analysis of the Government's Funds**

Fund accounting is mandated by Montana State law and is used by the Gallatin Gateway 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. At the end of FY 2019, the governmental funds of the school district reported a combined ending fund balance of \$499,898 and at the end of FY 2020 the fund balance was \$449,794 which represents a 10% decrease. Approximately 32.8% (was 26.5% in FY 2019) or \$147,565 of the total fund balances in FY 2020 constitutes *unassigned fund balance*, which is available for spending at the discretion of the Board of Trustees. The general fund is the main operating fund of the district. At the end of FY 2019, the general fund had a balance of \$149,666 and at the close of FY 2020 the balance was \$181,019 which was a 20.9% increase. The general fund unassigned balance was \$147,899 for FY 2020. The total fund balances in the district decreased \$50,104 during FY 2020 which was a 10% decrease.

**Governmental Fund Financial Statements**

Fund-based financial statements, consisting of a series of statements, provide information about the government's major and non-major funds. Governmental fund financial statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The governmental funds balance sheet for the FY 2020 is comprised of major funds and all other funds. The general fund and building reserve fund were the major funds in FY 2020. The other funds category includes the remainder of the governmental district funds. The governmental balance sheet for FY 2020 demonstrates that the district is in good financial condition. The district has cash and investments in the general fund which makes up 39.1% in FY 2020 (29.9% in FY 2019) of the total fund balances. The district fund balances would seem to be strong enough to resolve any reasonable financial situation that might occur.

**Statement of Revenues, Expenditures, and Changes in Fund Balances**

The statement of revenues, expenditures, and changes in fund balances presents revenue and expenditures in each of the major fund categories. The major fund categories in FY 2020 were the general fund and the building reserve fund. The other funds category includes all the remaining governmental funds that the district is utilizing. State revenue is the major source for the district general fund category at 61.9% (58.5% in FY 2019) of the total revenue in FY 2020 followed by the district levy revenue at 38% (41.4% in FY 2019). The major expenditure in the general fund is instruction. Instruction expenditures make up 62.8% (60.6% in FY 2019) of the general fund total cost for FY 2020. Administration followed by operation and maintenance rank 2 & 3 for general fund expenditures in FY 2020. The total fund balances decreased 7.5% in FY 2020.

**Gallatin Gateway Public School District**  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
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***General Fund Budgetary Highlights***

The general fund budgetary highlights in the district for FY 2020 included slightly less revenue than was expected in the original and final budget. The district received \$3,259 less in total revenue in the general fund than was expected in the original/final budget. All of the decrease in revenue in the general fund was from local revenue which was \$3,259 less than expected. Actual expenditures in the general fund were \$30,189 less than what was expected in the original and final budget. Expenditures were under budget in several areas, with the largest difference in regular instruction which was \$19,234 lower than expected followed by food services at \$14,625 under budget. Operation/maintenance had the largest difference of over budget areas at \$20,702 higher than expected in the final budget. The difference in actual revenue and expenditures in the general fund was a positive \$26,931 which resulted in an increase of \$13,932 in the general fund after transfer out of the fund of \$12,999. The final balance in the general fund at the end of FY 2020 was \$136,630.

***Capital assets***

The net investment by the Gallatin Gateway District in capital assets for governmental activities as of June 30, 2020, was \$1,298,714 after depreciation and debt was subtracted. This investment in capital assets included land, building improvements, buildings, furniture, and equipment. The value of the capital assets net of capital debt for the Gallatin Gateway District showed a 10.9% or \$127,255 increase in FY 2020. The increase in capital assets was due to a long-term capital debt payment of \$110,000 along with added capital assets of \$80,811 and depreciation of \$56,048.

***Long-term debt***

At the end of FY 2020, the Gallatin Gateway School District had bonded debt outstanding of \$120,000 for capital assets. In addition, the district had long-term liabilities of \$52,518 for compensated absences of employees, \$1,319,910 for the TRS and PERS portion of net pension liability, OPEB liabilities of \$36,034, and other long-term liabilities of \$14,748.

***The Districts Future***

The future of the district is dependent on many factors, however one of the most important is student enrollment. The district has experienced a steady increase in student enrollment over the last five years, increasing 24 students from 149 in October of 2015 to 173 in October of 2019. The student enrollment increase is 16.1% over the last five years. A steady increase in enrollment of students provides stability on the portion of revenue from the state based on student enrollment. In addition, other factors that will contribute to the increase in students continuing is an increase in county population. Since 2010 Gallatin County population has increased 27.8% or 24,919 people. While the percentage of people under 18 years of age has decreased slightly, from 20.9% in 2010 to 19.7% in 2019, the large increase in population has increased the number of individuals under 18. The percentage of the population 65 and over is 13.1% in the county in 2019 compared to Montana at 19.3%. Gallatin County is a relatively young county compared to Montana. The overall enrollment trend in the district should continue to increase in the next few years. The county experiences a lower rate of poverty (10.3%) than the state of Montana (12.6%), which also may have an influence on the district. The district does have ongoing contracts with each of the employee groups in the district. However, during FY 2020 the district did not enter into any new agreements or contracts outside of these groups that would have an effect on the financial position of the district. The district does have a small amount of long-term debt for remodeling school buildings to meet student needs.

**Gallatin Gateway Public School District**  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
*For Fiscal Year Ending June 30, 2020*

The District does not have any new litigation or ongoing litigation in FY 2020 that might impact future district finances. There are currently no other known facts, decisions, or conditions that would have a material effect on the financial position or operations of the district, except COVID 19 and those impacts are uncertain at this time. Given that the District revenues are increasing, that the District has only a small amount of long-term capital debt, an increasing student enrollment, increased growth in the county population, and the lack of other negative factors, the near-term future of the district finances would seem to be positive.

**Requests for Information**

The information and data included in this management's discussion and analysis report is designed to provide a general overview of the finances of Gallatin Gateway School District for all those with an interest in the government's finances. Questions concerning any of the information contained in this report should be addressed to the Gallatin Gateway administration and business office located in Gallatin Gateway, Montana.

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

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

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Gallatin Gateway Public School  
Gallatin County  
Belgrade, Montana

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gallatin Gateway Public School, Gallatin County, Montana, as of and for the year ended June 30, 2020, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

## **Opinions**

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

## **Change in Accounting Principle**

As described in Note 1 to the financial statements, in 2020, the District adopted new accounting guidance, GASB statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the total OPEB liability and related ratios, schedules of proportionate share of the net pension liability, and schedules of contributions on pages 2 through 12, and 57 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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



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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2021, on our consideration of the Gallatin Gateway Public School, Gallatin County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gallatin Gateway Public School, Gallatin County, Montana's internal control over financial reporting and compliance.

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

May 13, 2021

**Gallatin Gateway Public School, Gallatin County, Montana**  
**Statement of Net Position**  
**June 30, 2020**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 537,650
Taxes and assessments receivable, net	36,900
Due from other governments	19,052
Total current assets	\$ 593,602
Noncurrent assets	
Capital assets - land	\$ 58,361
Capital assets - depreciable, net	1,360,353
Total noncurrent assets	\$ 1,418,714
Total assets	\$ 2,012,316
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources - pensions	\$ 232,690
Total deferred outflows of resources	\$ 232,690
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 2,245,006</b>
<b>LIABILITIES</b>	
Current liabilities	
Warrants payable	\$ 76,021
Accounts payable	20
Due to other governments	93
Current portion of retiree incentive	7,374
Current portion of long-term capital liabilities	120,000
Current portion of compensated absences payable	41,275
Other Payroll Liabilities	30,774
Total current liabilities	\$ 275,557
Noncurrent liabilities	
Noncurrent portion of retiree incentive	\$ 7,374
Total OPEB liability	36,034
Noncurrent portion of compensated absences	11,243
Net pension liability	1,319,910
Total noncurrent liabilities	\$ 1,374,561
Total liabilities	\$ 1,650,118
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources - pensions	\$ 25,377
Total deferred inflows of resources	\$ 25,377
<b>NET POSITION</b>	
Net investment in capital assets	\$ 1,298,714
Restricted for capital projects	146,801
Restricted for debt service	12,303
Restricted for special projects	124,048
Unrestricted	(1,012,355)
Total net position	\$ 569,511
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 2,245,006</b>

See accompanying Notes to the Financial Statements

**Gallatin Gateway Public School, Gallatin County, Montana**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2020**

	<b>Program Revenues</b>		<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Functions/Programs</b>	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Primary government:</b>				
Governmental activities:				
Instructional - regular	\$ 1,066,027	\$ -	\$ 81,286	\$ (984,741)
Instructional - special education	81,185	-	29,874	(51,311)
Instructional - adult education	2,072	5,953	184	4,065
Supporting services - operations & maintenance	271,734	-	10,700	(261,034)
Supporting services - general	68,735	-	3,173	(65,562)
Supporting services - educational media services	44,785	-	2,465	(42,320)
Administration - general	210,824	-	4,989	(205,835)
Administration - school	403	-	300	(103)
Administration - business	131,859	-	1,058	(130,801)
Student transportation	67,446	1,650	19,026	(46,770)
Extracurricular	23,053	-	4,418	(18,635)
School food	132,645	56,709	55,421	(20,515)
Community services	11,777	-	4,244	(7,533)
Debt service expense - interest	8,060	-	-	(8,060)
Unallocated depreciation*	33,605	-	-	(33,605)
Total governmental activities	\$ 2,154,210	\$ 64,312	\$ 217,138	\$ (1,872,760)
<b>General Revenues:</b>				
Property taxes for general purposes				\$ 846,096
Grants and entitlements not restricted to specific programs				734,491
Investment earnings				7,402
Miscellaneous (other revenue)				4,099
State technology				1,090
State contributions to retirement				88,316
County retirement				172,262
Total general revenues, special items and transfers				\$ 1,853,756
Change in net position				\$ (19,004)
Net position - beginning				\$ 588,515
Net position - end				\$ 569,511

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

**Gallatin Gateway Public School, Gallatin County, Montana**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**

	<u>General</u>	<u>Building Reserve</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 287,834	\$ 104,806	\$ 145,010	\$ 537,650
Taxes and assessments receivable, net	22,523	2,421	11,956	36,900
Due from other governments	-	-	19,052	19,052
<b>TOTAL ASSETS</b>	<u>\$ 310,357</u>	<u>\$ 107,227</u>	<u>\$ 176,018</u>	<u>\$ 593,602</u>
<b>LIABILITIES</b>				
Current liabilities:				
Warrants payable	\$ 76,021	\$ -	\$ -	\$ 76,021
Accounts payable	20	-	-	20
Due to other governments	-	-	93	93
Other Payroll Liabilities	30,774	-	-	30,774
Total liabilities	<u>\$ 106,815</u>	<u>\$ -</u>	<u>\$ 93</u>	<u>\$ 106,908</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources - taxes	\$ 22,523	\$ 2,421	\$ 11,956	\$ 36,900
Total deferred inflows of resources	<u>\$ 22,523</u>	<u>\$ 2,421</u>	<u>\$ 11,956</u>	<u>\$ 36,900</u>
<b>FUND BALANCES</b>				
Restricted	\$ -	\$ 104,806	\$ 164,303	\$ 269,109
Assigned	33,120	-	-	33,120
Unassigned fund balance	147,899	-	(334)	147,565
Total fund balance	<u>\$ 181,019</u>	<u>\$ 104,806</u>	<u>\$ 163,969</u>	<u>\$ 449,794</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 310,357</u>	<u>\$ 107,227</u>	<u>\$ 176,018</u>	<u>\$ 593,602</u>

See accompanying Notes to the Financial Statements

**Gallatin Gateway Public School, Gallatin County, Montana**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**June 30, 2020**

<b>Total fund balances - governmental funds</b>	\$ 449,794
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,418,714
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	36,900
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(223,300)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(1,319,910)
The changes between actuarial assumptions, differences in expected vs actual pension experiences, changes in proportionate share allocation, and current year retirement contributions as they relate to the net pension liability are a deferred outflow of resources and are not payable in current period, therefore are not reported in the funds.	232,690
The changes between actuarial assumptions, differences in projected vs actual investment earnings, and changes in proportionate share allocation as they relate to the net pension liability are a deferred inflows of resources and are not available to pay for current expenditures, therefore are not reported in the funds.	(25,377)
<b>Total net position - governmental activities</b>	<b>\$ <u>569,511</u></b>

See accompanying Notes to the Financial Statements

**Gallatin Gateway Public School, Gallatin County, Montana**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2020**

	<u>General</u>	<u>Building Reserve</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Local revenue	\$ 525,818	\$ 59,650	\$ 372,653	\$ 958,121
County revenue	-	-	181,383	181,383
State revenue	856,325	8,160	27,762	892,247
Federal revenue	-	-	112,553	112,553
Total revenues	<u>\$ 1,382,143</u>	<u>\$ 67,810</u>	<u>\$ 694,351</u>	<u>\$ 2,144,304</u>
<b>EXPENDITURES</b>				
Instructional - regular	\$ 779,512	\$ -	\$ 198,033	\$ 977,545
Instructional - special education	60,710	-	20,475	81,185
Instructional - adult education	-	-	2,072	2,072
Supporting services - operations & maintenance	147,014	98,428	23,990	269,432
Supporting services - general	58,228	-	10,507	68,735
Supporting services - educational media services	38,456	-	6,329	44,785
Administration - general	154,104	-	56,720	210,824
Administration - school	-	-	403	403
Administration - business	71,786	-	60,073	131,859
Student transportation	-	-	42,977	42,977
Extracurricular	16,454	-	6,599	23,053
School food	11,527	-	119,363	130,890
Community services	-	-	11,777	11,777
Debt service expense - principal	-	-	110,000	110,000
Debt service expense - interest	-	-	8,060	8,060
Capital outlay	-	-	80,811	80,811
Total expenditures	<u>\$ 1,337,791</u>	<u>\$ 98,428</u>	<u>\$ 758,189</u>	<u>\$ 2,194,408</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 44,352</u>	<u>\$ (30,618)</u>	<u>\$ (63,838)</u>	<u>\$ (50,104)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ -	\$ 12,999	\$ 12,999
Transfers out	<u>(12,999)</u>	<u>-</u>	<u>-</u>	<u>(12,999)</u>
Total other financing sources (uses)	<u>\$ (12,999)</u>	<u>\$ -</u>	<u>\$ 12,999</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ 31,353</u>	<u>\$ (30,618)</u>	<u>\$ (50,839)</u>	<u>\$ (50,104)</u>
Fund balances - beginning	\$ 149,666	\$ 135,424	\$ 214,808	\$ 499,898
Fund balance - ending	<u>\$ 181,019</u>	<u>\$ 104,806</u>	<u>\$ 163,969</u>	<u>\$ 449,794</u>

See accompanying Notes to the Financial Statements

**Gallatin Gateway Public School, Gallatin County, Montana**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2020**

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

<b>Net change in fund balances - total governmental funds</b>	<b>\$ (50,104)</b>
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
- Capital assets purchased	80,811
- Depreciation expense	(56,048)
In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:	
- Loss on the disposition of capital assets	(7,508)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
- Long-term receivables (deferred inflows)	(9,098)
The change in compensated absences is shown as an expense in the Statement of Activities	
	(1,363)
Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:	
- Long-term debt principal payments	110,000
Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:	
- Retirement liability	(7,374)
- Post-employment benefits other than retirement liability	9,941
Pension expense related to the net pension liability is shown as an expense on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance	
	(88,261)
<b>Change in net position - Statement of Activities</b>	<b>\$ <u>(19,004)</u></b>

See accompanying Notes to the Financial Statements

**Gallatin Gateway Public School, Gallatin County, Montana**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2020**

		<u>Private Purpose Trust Funds</u>
<b>ASSETS</b>		
Cash and short-term investments	\$	15,629
Total assets	\$	<u>15,629</u>
 <b>NET POSITION</b>		
Assets held in trust	\$	<u>15,629</u>

See accompanying Notes to the Financial Statements



**Gallatin Gateway Public School, Gallatin County, Montana**  
**Statement of Changes in Net Position**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2020**

		<u>Private Purpose Trust Funds</u>
<b>ADDITIONS</b>		
Contributions:		
Student activities	\$	8,453
Total contributions	\$	<u>8,453</u>
Investment earnings:		
Interest and change in fair value of investments	\$	26
Net investment earnings	\$	26
Total additions	\$	<u>8,479</u>
 <b>DEDUCTIONS</b>		
Student activities	\$	<u>6,080</u>
Total deductions	\$	<u>6,080</u>
Change in net position	\$	<u>2,399</u>
 Net Position - Beginning of the year	 \$	 13,230
Net Position - End of the year	\$	<u><u>15,629</u></u>

See accompanying Notes to the Financial Statements

GALLATIN GATEWAY PUBLIC SCHOOL  
GALLATIN COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2020

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

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

**New Accounting Pronouncements**

GASB No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*, is effective immediately as of May 2020. The statement was implemented in response to the COVID-19 pandemic providing temporary relief to governments in relation to other GASB statements that were to be effective for the fiscal year ending June 30, 2020. That statement postponed the effective dates of implementation for the following GASB Statements; GASB Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 84, *Fiduciary Activities*, Statement No. 87, *Leases*, Statement No. 88, *Certain Disclosures Related to Debt*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 90, *Majority Equity Interests*, Statement No. 91, *Conduit Debt Obligations*, Statement No. 92, *Omnibus 2020*, and Statement No. 93 *Replacement of Interbank Offered Rates*. In addition, any of the recent implementation guides issued were postponed.

**Financial Reporting Entity**

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

*Primary Government*

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

The District is managed by a Board of Trustees, elected in district-wide elections, and by an administration appointed by and responsible to the Board. The financial statements include all of the operations of the District controlled by the Board of Trustees. Based on the criteria for determining the reporting entity (separate legal entity and financial or fiscal dependency on other governments) the District is a primary government as defined by GASB Cod. Sec. 2100 and has no component units.

GALLATIN GATEWAY PUBLIC SCHOOL  
GALLATIN COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2020

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

**Government-wide Financial Statements:**

*Basis of Presentation*

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

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

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

*Measurement Focus and Basis of Accounting*

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

GALLATIN GATEWAY PUBLIC SCHOOL  
GALLATIN COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2020

**Fund Financial Statements:**

*Basis of Presentation*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are organized into three categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is displayed in a separate column in the governmental funds statements. All of the remaining funds are aggregated and reported in a single column as non-major funds. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

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

*Measurement Focus and Basis of Accounting*

***Governmental Funds:***

Modified Accrual

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District defined the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements as collection within 60 days of the end of the current fiscal period, except for property taxes and other state grants that are recognized upon receipt.

GALLATIN GATEWAY PUBLIC SCHOOL  
GALLATIN COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2020

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

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

Major Funds:

The District reports the following major governmental funds:

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

*Building Reserve Fund* – Authorized by Section 20-9-502, MCA, for the purpose of financing the future construction, equipping, or enlarging of school buildings, for the purpose of purchasing land needed for school purposes in the district, or for the purpose of funding school transition costs.

***Fiduciary Funds:***

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

GALLATIN GATEWAY PUBLIC SCHOOL  
GALLATIN COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2020

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

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

**Cash Composition**

The District’s cash, except for the Student Extracurricular Fund (an expendable trust) is held by the County Treasurer and pooled with other County cash. School district cash which is not necessary for short-term obligations, the District participates in a County-wide investment program whereby all available cash is invested by the County Treasurer in pooled investments. Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. The County’s investment portfolio as of June 30, 2020, consisted of time deposits, U.S. Government Securities, and STIP. Interest earned on pooled investments is distributed to each contributing entity and fund on a pro rata basis.

The School District does not own specific identifiable investment securities in the pool; therefore, is not subject to categorization. Information regarding investment risk, collateral, security, and fair values for Gallatin County deposits and investments is available from Gallatin County Treasurer’s office, 311 West Main Street #103, Bozeman, Montana 59715. Fair value approximates carrying value for investments as of June 30, 2020.

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Cash on deposit with County Treasurer	\$ 553,279
Total	\$ <u>553,279</u>

GALLATIN GATEWAY PUBLIC SCHOOL  
GALLATIN COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2020

**NOTE 3. RECEIVABLES**

**Tax Receivables**

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

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

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

**NOTE 4. INVENTORIES AND PREPAIDS**

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

**NOTE 5. CAPITAL ASSETS**

The District's assets are capitalized at historical cost or estimated historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	20 – 80 years
Improvements	20 – 80 years
Equipment	6 – 20 years

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In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the District has not yet included the value of all infrastructure into the 2020 Basic Financial Statements. The government has elected not to retroactively report general infrastructure assets.

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

Governmental activities:

	Balance <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2020</u>
Capital assets not being depreciated:				
Land	\$ 58,361	\$ -	\$ -	\$ 58,361
Total capital assets not being depreciated	<u>\$ 58,361</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,361</u>
Other capital assets:				
Buildings	\$ 1,792,785	\$ -	\$ -	\$ 1,792,785
Improvements other than buildings	123,537	-	-	123,537
Machinery and equipment	193,144	102,311	(58,013)	237,442
Total other capital assets at historical cost	<u>\$ 2,109,466</u>	<u>\$ 102,311</u>	<u>\$ (58,013)</u>	<u>\$ 2,153,764</u>
Less: accumulated depreciation	<u>\$ (766,368)</u>	<u>\$ (56,048)</u>	<u>\$ 29,005</u>	<u>\$ (793,411)</u>
Total	<u>\$ 1,401,459</u>	<u>\$ 46,263</u>	<u>\$ (29,008)</u>	<u>\$ 1,418,714</u>

Governmental capital assets depreciation expense was charged to functions as follows:

Governmental Activities:	
Instructional – regular	\$ 1,425
Supporting services – operations and maintenance	2,302
Student transportation	16,961
School food	1,755
Unallocated	<u>33,605</u>
Total governmental activities depreciation expense	<u>\$ 56,048</u>

**NOTE 6. LONG TERM DEBT OBLIGATIONS**

In the governmental-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, are expensed at the date of sale.

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



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Changes in Long-Term Debt Liabilities - During the year ended June 30, 2020, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance			Balance		Due Within
	<u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2020</u>		<u>One Year</u>
General obligation bonds	\$ 230,000	\$ -	\$ (110,000)	\$ 120,000	\$	120,000
Compensated absences	51,155	1,363	-	52,518		41,275
Retiree incentive	22,122	-	(7,374)	14,748		7,374
Total	<u>\$ 303,277</u>	<u>\$ 1,363</u>	<u>\$ (117,374)</u>	<u>\$ 187,266</u>	\$	<u>168,649</u>

General Obligation Bonds - The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds outstanding as of June 30, 2020, were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2020</u>
2011 Refunding Bond	4/26/11	1.00-3.40%	10yrs	7/1/21	\$ <u>975,000</u>	Varies	\$ <u>120,000</u>
Reported in the governmental activities.							

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ <u>120,000</u>	\$ <u>4,080</u>
Total	<u>\$ 120,000</u>	<u>\$ 4,080</u>

**Compensated Absences**

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

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**Special Retirement Benefits**

The District offered early retirement incentives which are intended to provide teachers flexibility in developing new career options through capitalization of financial incentives of value to both the teacher and to the District for the 2018-2019 school year only. Certificated classroom teaching personnel contracted by the District for the 2018- 2019 school year with no less than twenty-five (25) years of creditable service under the Montana Teachers' Retirement System and at least twenty-five (25) years of service with School District are eligible and qualified to participate in this Early Retirement Incentive Program (ERIP). The Board of Trustees will accept up to a maximum of one resignation.

The Program benefit for the eligible employee will be continued Major Medical & Flexible Benefits Plan as outlined in Article 21 in the Master Agreement between the Gallatin Gateway Board of Trustees, School District No. 35 and the Gallatin Gateway Education Association MEA-MFT for three (3) years after the date of retirement. Currently, this amount is Five hundred eighty-four dollars (\$584.00) per month toward a major medical plan and twenty-five dollars (\$25.00) per month toward the Flexible Benefits Plan. If in any year of the three (3) years the School District and the Association negotiate an increase in the benefit, the eligible employee will also receive the increase. The eligible employee will be required to pay any additional premium amount per month to the School District on or before the 5th day of each month. If there is excess after the premium is paid, the excess will be applied to the Flexible Benefits Plan for the eligible employee. One employee participated in this benefit.

The District had one employee accept the above offer in fiscal year 2018-2019. The District recorded a liability of \$14,748, for retirement incentives due as of June 30, 2020.

**NOTE 7. POSTEMPLOYMENT HEALTHCARE PLAN**

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

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

*Employees covered by benefit terms.* At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	1
Active employees	16
Total employees	17

Total OPEB Liability

The District's total OPEB liability of \$36,034 at June 30, 2020, was determined by using the alternative measurement method. The measurement date of the determined liability was June 30, 2020.

*Actuarial assumptions and other input.* The total OPEB liability in the June 30, 2020 alternative measurement method was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	2.10%
Average salary increase (Consumer Price Index)	2.54%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	

<u>Year</u>	<u>% Increase</u>
2020	5.2%
2021	5.1%
2022	5.7%
2023	5.6%
2024	5.5%
2025	5.7%
2026	5.8%
2027	5.6%
2028	5.6%
2029	5.6%
2030 and thereafter	5.6%

The discount rate was based on the 20-year General obligation (GO) bond index.

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Life expectancy of employees was based on the United States Life Tables, 2017 for Males: Table 2 and Females: Table 3 as published in the National Vital Statistics Reports, Vol. 68, No. 7, June 24, 2019.

The turnover rates were determined from the periodic experience studies of the Montana public retirement systems for the covered groups as documented in the GASB 68 actuarial valuations.

Changes in the Total OPEB Liability

Balance at 6/30/2019		\$ <u>31,227</u>
Changes for the year:		
Service Cost		\$ 2,825
Change in assumptions		<u>1,982</u>
Net Changes		\$ <u>4,807</u>
Balance at 6/30/2020		\$ <u><u>36,034</u></u>

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

	1% Decrease (1.10%)	Discount Rate (2.10%)	1% Increase (3.10%)
Total OPEB Liability \$	\$ 41,282	\$ 36,034	\$ 31,616

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

	1% Decrease	Healthcare Cost Trends*	1% Increase
Total OPEB Liability \$	\$ 28,942	\$ 36,034	\$ 45,130

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

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

For the year ended June 30, 2020, the District recognized an OPEB expense of \$4,807. The District does not report any deferred outflows of resources and deferred inflows of resources related to OPEB as there were no differences between expected and actual experience or changes in assumptions performed in the alternative measurement method. In addition, since District records costs as they come due, there are no deferred outflows of resources for contributions to the OPEB plan trust.

**NOTE 8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

**Interfund Transfers**

The following is an analysis of operating transfers in and out during fiscal year 2020:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Transportation transfer to eliminate an increase in school district property taxes resulting from SB2, Section 10	Transportation – Non-major Governmental	General – Major Governmental	\$ 5,999
Fund future compensated absence payouts	Compensated Absence Liability – Non-major Governmental	General – Major Governmental	7,000
			<u>\$ 12,999</u>

**NOTE 9. NET PENSION LIABILITY (NPL)**

As of June 30, 2020, the District reported the following balances as its proportionate share of PERS and TRS pension amounts:

District's Proportionate Share Associated With:	<u>PERS</u>	<u>TRS</u>	<u>Pension Totals</u>
Net Pension Liability	\$ 186,920	\$ 1,132,990	\$ 1,319,910
Deferred outflows of resources*	\$ 33,147	\$ 199,543	\$ 232,690
Deferred inflows of resources	\$ 14,773	\$ 10,604	\$ 25,377
Pension expense	\$ 37,642	\$ 226,681	\$ 264,323

\*Deferred outflows for PERS and TRS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$14,052, and \$73,724, respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Total deferred inflows and outflows in the remainder of the note are as of the measurement date of June 30, 2019.

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The following are the detailed disclosures for each retirement plan as required by GASB 68.

**Public Employee's Retirement System – Defined Benefit Retirement Plan**

**Summary of Significant Accounting Policies**

The District participate in the Public Employees Retirement System (PERS) Administered by the Montana Public Employee Retirement Administration (MPERA). MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and Additions to, or Deductions from, Fiduciary Net Position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

**Plan Descriptions**

The PERS-Defined Benefit Retirement Plan (PERS) 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, certain employees of the Montana University System, and school districts.

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 defined contribution retirement plan (PERS-DCRP) by filing an irrevocable election. Members may not be participants of both the defined contribution and defined benefit retirement plans. For members that choose to join the PERS-DCRP, a percentage of the employer contributions will be used to pay down the liability of the PERS-DBRP. All new members from the universities also have third option to join the university system's Montana University System Retirement Program (MUS-RP).

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature.

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**Summary of Benefits**

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 (actuarially reduced):

- 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) Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:
  - a. A refund of member's contributions plus return interest (currently .77% effective July 1, 2017).
  - b. No service credit for second employment;
  - c. Start the same benefit amount the month following termination; and
  - d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
- 2) Retire 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 benefit in the January after receiving the new benefit for 12 months.
- 3) Retire 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.

Vesting

- 5 years of membership service

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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 other adjustments to the member's benefit.

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
  - 1.5% for each year PERS is funded at or above 90%;
  - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
  - 0% whenever the amortization period for PERS is 40 years or more.

**Contributions**

The state Legislature has the authority to establish and amend contributions 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



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

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

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
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. Rates are specified by state law and are a percentage of the member's compensation.
  - a. Contributions are deducted from each member's salary and remitted by participating employers;
  - b. The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
  - a. Plan members are required to contribute 7.90% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.
  - b. The 7.90% member contributions is 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.

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3. Employer contributions to the system:
  - a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
  - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
4. Non-Employer Contributions
  - a. Special Funding
    - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
    - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
    - iii. The State contributed a statutory appropriation from its General Fund of \$33,454,182.

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

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 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 and Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the District's and the state of Montana's NPL for June 30, 2020, and 2019, are displayed below. The District 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 District recorded a liability of \$186,920 and the District's proportionate share was 0.008942 percent.

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	Net Pension Liability as of 6/30/2020	Net Pension Liability as of 6/30/2019	Percent of Collective NPL as of 6/30/2020	Percent of Collective NPL as of 6/30/2019	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 186,920	\$ 182,259	0.008942%	0.008732%	0.000210%
State of Montana Proportionate Share associated with Employer	66,279	66,839	0.003171%	0.003202%	-0.000031%
Total	<u>\$ 253,199</u>	<u>\$ 249,098</u>	<u>0.012113%</u>	<u>0.011934%</u>	<u>0.000179%</u>

*Changes in actuarial assumptions and methods:*

There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

*Changes in benefit terms:*

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

*Changes in proportionate share:*

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

*Pension Expense:*

At June 30, 2020, the District recognized a Pension Expense of \$33,142 for its proportionate share of the pension expense. The District also recognized grant revenue of \$523 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the District. Additionally, the District recognized grant revenue of \$3,977 from the State Statutory Appropriation from the General Fund.

	Pension Expense as of 6/30/20	Pension Expense as of 6/30/19
Employer Proportionate Share	\$ 33,142	\$ 23,160
State of Montana Proportionate Share associated with the Employer	523	4,461
State of Montana Proportionate State Appropriation for the Employer	3,977	-
Total	<u>\$ 37,642</u>	<u>\$ 27,621</u>

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*Recognition of Beginning Deferred Outflow*

At June 30, 2020, the District recognized a beginning deferred outflow of resources for the Districts fiscal year 2019 contributions of \$12,753.

*Recognition of Deferred Inflows and Outflows:*

At June 30, 2020, the District 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 Resources</u>	<u>Deferred Inflows of Resources</u>	
Differences between expected and actual economic experience	\$ 8,863	\$ 8,795	
Actual vs. Expected Investment Earnings	2,266	-	
Changes in Assumptions	7,966	-	
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	5,978	
Employer contributions subsequent to the measurement date - FY20*	14,052	-	
Total	<u>\$ 33,147</u>	<u>\$ 14,773</u>	

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

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

For the Measurement Year ended June 30:		Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2020	\$	12,083
2021	\$	(10,668)
2022	\$	843
2023	\$	2,034
Thereafter	\$	-

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**Actuarial Assumptions**

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions.

- |  |            |
|--|------------|
| • Investment Return (net of admin expense) | 7.65%      |
| • Admin Expense as % of Payroll            | 0.26%      |
| • General Wage Growth*                     | 3.50%      |
| *includes Inflation at                     | 2.75%      |
| • Merit Increases                          | 0% to 6.3% |
| ○ Postretirement Benefit Increase Below:   |            |

**Guaranteed Annual Benefit Adjustment (GABA)**

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, Inclusive of 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, 2014
- Member hired on or after July 1, 2013:
  - 1.5% for each year PERS is funded at or above 90%;
  - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
  - 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among Disabled members are based on RP 2000 Combined Mortality Tables with no projections.

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

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<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash Equivalents	2.60%	4.00%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.35%
Fixed Income	23.40%	1.00%
Private Equity	12.00%	7.75%
Real Estate	<u>8.00%</u>	4.00%
Total	<u>100%</u>	

**Discount Rate**

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

1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
\$ 268,550	\$ 186,920	\$ 118,319

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 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

**PERS Disclosure for the defined contribution plan**

Gallatin County 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.

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

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

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

Pension plan fiduciary net position: The stand-alone financial statements (76d) of the Montana Public Employees Retirement Board (PERB) Comprehensive Annual Financial Report (CAFR) and the GASB 68 Report disclose the Plan's fiduciary net position. The reports are available from the PERB at PO Box 200131, Helena MT 59620-0131, (406) 444-3154 or both are available on the MPERA website at <http://mpera.mt.gov/index.shtml>.

### **Teachers Retirement System**

#### **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.

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

**Plan Descriptions**

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

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

**Summary of Benefits**

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

- 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.



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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.

**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.

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

**School District and Other Employers**

	<u>Members</u>	<u>Employers</u>	<u>General fund</u>	<u>Total employee &amp; employer</u>
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%	19.3 1%
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%	19.5 1%
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%	19.8 1%
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%

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

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

	Net Pension Liability as of 6/30/2020	Net Pension Liability as of 6/30/2019	Percent of Collective NPL as of 6/30/2020	Percent of Collective NPL as of 6/30/2019	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 1,132,990	\$ 1,024,848	0.0588%	0.0552%	0.0036%
State of Montana Proportionate Share associated with Employer	687,142	641,648	0.0356%	0.0346%	0.0010%
Total	<u>\$ 1,820,132</u>	<u>\$ 1,666,496</u>	<u>0.0944%</u>	<u>0.0898%</u>	<u>0.0046%</u>

At June 30, 2020, the District recorded a liability of \$1,132,990 for its proportionate share of the Net Pension Liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The District's proportion of the net pension liability was based on the employer's contributions received by TRS during the measurement period July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of TRS' participating employers. At June 30, 2020, the District's proportion was 0.0588 percent.

*Changes in actuarial assumptions and methods:*

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

- Assumed rate of inflations was reduced from 3.25% to 2.50%
- Payroll growth assumption was reduced from 4.00% to 3.25%
- Investment return assumption was reduced from 7.75% to 7.50%
- Wage growth assumption was reduced from 4.00% to 3.25%

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- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
  - RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years for males and females.
- Mortality among disabled members was updated to the following:
  - RP-2000 Disabled Mortality Table, set back three years for males and set forward two years for females, with mortality improvements projected by Scale BB to 2022.
- Retirement rates were updated
- Termination rates were updated
- Rates of salary increases were updated

*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:*

At June 30, 2020, the District recognized a Pension Expense of \$226,681 for its proportionate share of the TRS’ pension expense. The District also recognized grant revenue of \$83,816 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the District.

	Pension Expense as of 6/30/20
Employer Proportionate Share	\$ 142,865
State of Montana Proportionate Share associated with the Employer	83,816
Total	\$ 226,681

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*Recognition of Beginning Deferred Outflow*

At June 30, 2020, the District recognized a beginning deferred outflow of resources for the District's fiscal year 2019 contributions of \$80,196.

*Recognition of Deferred Inflows and Outflows:*

At June 30, 2020, the District 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 Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 7,500	\$ -
Actual vs. Expected Investment Earnings	56,573	2,540
Changes in Assumptions	10,983	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	50,763	8,064
Employer contributions subsequent to the measurement date - FY20*	73,724	-
Total	<u>\$ 199,543</u>	<u>\$ 10,604</u>

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

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

<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	\$ 60,767
2022	\$ 33,267
2023	\$ 12,088
2024	\$ 9,094
2025	\$ -
Thereafter	\$ -

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**Actuarial Assumptions**

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

- Total Wage Increases\* 3.25% - 7.76% for Non-University Members and 4.25%  
for University Members
- Investment Return 7.50%
- Price Inflation 2.50%
- Postretirement Benefit Increases
  - Tier One Members: If the retiree has received benefits for 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
  - RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years for both males and females
- Mortality among disabled members
  - RP 2000 Disabled Mortality Table for, set back three years for males and set forward two years for females, with mortality improvements projected by Scale BB to 2022.

\*Total Wage Increases include 3.25% general wage increase.

**Discount Rate**

TRS

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

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**Target Allocations**

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

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

The assumed long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering through fiscal year 2126, is outlined in a report dated May 3, 2018. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation). Estimates of variability and correlations for each asset class, were developed by the System's investment consultant. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The long-term rate of return assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The average long-term capital market assumptions published in the Survey of Capital Market Assumptions 2017 Edition by Horizon Actuarial Service, LLC, yield a median real return of 5.07%. Our recommended assumption of 5.00% for the real return reflects granting each source some degree of credibility. Combined with the 2.50% inflation assumption, the resulting nominal return is 7.50%. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2018, is summarized in the above table.

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**Sensitivity Analysis**

1.0% Decrease (6.50%)	Current Discount Rate	1.0% Increase (8.50%)
\$ 1,549,644	\$ 1,132,990	\$ 783,902

**TRS**

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

**NOTE 10. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES**

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

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

Assigned – constraint is internally imposed by the body or official authorized to assign amounts for a specific purpose.

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

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

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

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**Restricted Fund Balance**

<u>Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Building Reserve	\$ 104,806	Future construction costs
All other aggregate	30,201	Pupil Transportation
	2,526	Food services
	2,836	Student instructional services
	55,287	Employer costs of benefits
	19,219	Third party grantor restrictions
	7,222	Vacation and sick leave payouts
	498	Technology upgrades and maintenance
	8,211	Adult Education
	36,154	Bus replacement
	<u>2,149</u>	Future construction costs
Total	<u>\$ 269,109</u>	

**Other Significant Commitments**

<u>Fund</u>	<u>Amount of Encumbrance</u>
General	<u>\$ 33,120</u>

**NOTE 11. JOINT VENTURES**

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

**Special Education Cooperative**

The District is a member of the Gallatin-Madison County Special Education Cooperative. The Cooperative is comprised of fourteen member districts, each of which contributes to the operating costs of providing special educational services to the participating districts. Each year each member District appoints a member to the Joint Advisory Board.

The District's contributions for the payment of the special educational services provided was \$3,578 for the fiscal year ended June 30, 2020. Separate financial statements are available from the Gallatin-Madison County Special Education Cooperative, P.O. Box 162, Belgrade, MT 59714.

**Multidistrict Educational Cooperative**

The District is cooperative agency in a interlocal agreement with Amsterdam District, Cottonwood District, and Malmborg District to collaborate and collectively pay for staff, contracted services, and purchase classroom supplies and materials to meet student needs of the participating districts. Amsterdam is the prime agency in the agreement. During fiscal year 2020, the District contributed \$11,000 to the cooperative.



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**NOTE 12. SERVICES PROVIDED BY OTHER GOVERNMENTS**

**County Provided Services**

The District is provided various financial services by Gallatin County. The County also serves as cashier and treasurer for the District for tax and assessment collections and other revenues received by the County which are subject to distribution to the various taxing jurisdictions located in the County. The collections received by the County on behalf of the District are accounted for in an agency fund in the District's name and are periodically remitted to the District by the County Treasurer. No service charges have been recorded by the District or the County.

**NOTE 13. RISK MANAGEMENT**

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

Insurance Policies:

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

Insurance Pools:

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

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GALLATIN COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2020

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

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

**NOTE 14. SUBSEQUENT EVENTS**

In response to the COVID-19 pandemic, Congress passed the CARE Act, Coronavirus Aid, Relief, and Economic Security Act in March 2020. With the CARES Act there was several funding sources that were created to support state and local governments. These funding sources include the Coronavirus Relief Fund (CRF) and the Elementary and Secondary School Emergency Relief Fund (ESSER). In December 2020, Congress again passed further funding for the COVID-19 pandemic allocated through the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA), that included \$54 billion for ESSER II funding. Lastly, in March 2021 Congress passed the American Rescue Plan (ARP) that authorized another \$122 billion for ESSER III funding.

The State of Montana received \$1.25 billion from the Coronavirus Relief Fund, and allotted \$75 million of this to go to schools. The State of Montana distributed this based on the school districts ANB. The District was awarded \$88,507 from this funding to assist with covering the necessary expenditures incurred due to COVID-19. The District had not incurred any expenditures prior to the end of June 30, 2020, and spent all of the funding in the subsequent fiscal year equal to \$88,507 before the end of December 31, 2020 then returned the remaining \$18,771 to the State. The State of Montana also received roughly \$40 million from the ESSER Funds. The District has been awarded \$17,292 of this funding and had incurred \$10,110 prior to the end of fiscal year 2020. The District has spent remaining \$7,182 as of April 2021.

For ESSER II and III the State of Montana received \$170 million and \$382 million in funding to be distributed to schools across the state. As of April 2021, the State had determined the distributions of these funds for ESSER II based on Title I funding, and have projections for ESSER III. The allocated ESSER II funds expected for the District equal \$68,071 and the projected ESSER III funds for the District equal to \$152,878. The ESSER II funds are to be expended by September 30, 2023, and the ESSER III to be expended by September 30, 2024.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

**Gallatin Gateway Public School, Gallatin County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2020**

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
<b>RESOURCES (INFLOWS):</b>				
Local revenue	\$ 528,908	\$ 528,908	\$ 525,649	\$ (3,259)
State revenue	768,009	768,009	768,009	-
Amounts available for appropriation	<u>\$ 1,296,917</u>	<u>\$ 1,296,917</u>	<u>\$ 1,293,658</u>	<u>\$ (3,259)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Instructional - regular	\$ 721,754	\$ 721,754	\$ 702,030	\$ 19,724
Instructional - special education	63,103	63,103	62,405	698
Instructional - adult education	-	-	490	(490)
Supporting services - operations & maintenance	129,274	129,274	149,976	(20,702)
Supporting services - general	58,100	58,100	58,800	(700)
Supporting services - educational media services	35,751	35,751	39,632	(3,881)
Administration - general	159,741	159,741	154,590	5,151
Administration - business	79,196	79,196	70,823	8,373
Extracurricular	20,645	20,645	16,454	4,191
School food	26,152	26,152	11,527	14,625
Capital outlay	3,200	3,200	-	3,200
Total charges to appropriations	<u>\$ 1,296,916</u>	<u>\$ 1,296,916</u>	<u>\$ 1,266,727</u>	<u>\$ 30,189</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ -	\$ -	\$ (12,999)	\$ (12,999)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,999)</u>	<u>\$ (12,999)</u>
Net change in fund balance			<u>\$ 13,932</u>	
Fund balance - beginning of the year			<u>\$ 122,698</u>	
Fund balance - end of the year			<u>\$ 136,630</u>	

**Gallatin Gateway Public School, Gallatin County, Montana**  
**Budgetary Comparison Schedule**  
**Budget-to-GAAP Reconciliation**

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

	<b>General</b>
<b>Sources/Inflows of resources</b>	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,293,658
Combined funds (GASBS 54 and GASB 85) revenues	88,485
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	\$ 1,382,143
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,266,727
Combined funds (GASBS 54 and GASB 85) expenditures	88,316
- Encumbrances reported at the beginning of the year	15,868
- Encumbrances reported at the end of the year	(33,120)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 1,337,791

**Gallatin Gateway Public School, Gallatin County, Montana**  
**Required Supplementary Information**  
**Schedule of Changes in the Entity's Total OPEB Liability**  
**and Related Ratios**  
**For the Year Ended June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB liability</b>				
Service Cost	\$ 2,825	\$ 2,053	\$ 2,053	\$ -
Change in assumptions	<u>1,982</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in total OPEB liability	4,807	2,053	2,053	-
Total OPEB Liability - beginning	31,227	29,174	24,942	24,942
Restatement	<u>-</u>	<u>-</u>	<u>2,179</u>	<u>-</u>
Total OPEB Liability - ending	<u>\$ 36,034</u>	<u>\$ 31,227</u>	<u>\$ 29,174</u>	<u>\$ 24,942</u>
Covered-employee payroll	\$ 768,723	\$ 718,322	\$ 718,322	\$ 466,451
 Total OPEB liability as a percentage of covered -employee payroll	 5%	 4%	 4%	 5%

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

**Gallatin Gateway Public School, Gallatin County, Montana**  
**Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**For the Year Ended June 30, 2020**

	<u>PERS</u> <u>2020</u>	<u>PERS</u> <u>2019</u>	<u>PERS</u> <u>2018</u>	<u>PERS</u> <u>2017</u>	<u>PERS</u> <u>2016</u>	<u>PERS</u> <u>2015</u>
Employer's proportion of the net pension liability	0.008942%	0.008732%	0.010785%	0.008589%	0.008036%	0.008708%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 186,920	\$ 182,259	\$ 210,046	\$ 146,296	\$ 112,336	\$ 108,509
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 66,279	\$ 66,839	\$ 9,595	\$ 6,837	\$ 5,279	\$ 5,072
Total	<u>\$ 253,199</u>	<u>\$ 249,098</u>	<u>\$ 219,641</u>	<u>\$ 153,133</u>	<u>\$ 117,615</u>	<u>\$ 113,581</u>
Employer's covered payroll	\$ 152,344	\$ 148,338	\$ 138,246	\$ 106,350	\$ 96,965	\$ 101,992
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	122.70%	122.87%	151.94%	137.56%	115.85%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%
	<u>TRS</u> <u>2020</u>	<u>TRS</u> <u>2019</u>	<u>TRS</u> <u>2018</u>	<u>TRS</u> <u>2017</u>	<u>TRS</u> <u>2016</u>	<u>TRS</u> <u>2015</u>
Employer's proportion of the net pension liability	0.0588%	0.0552%	0.0534%	0.0553%	0.0566%	0.0576%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 1,132,990	\$ 1,024,848	\$ 900,459	\$ 1,010,369	\$ 929,872	\$ 885,950
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 687,142	\$ 641,648	\$ 571,780	\$ 661,572	\$ 629,878	\$ 609,412
Total	<u>\$ 1,820,132</u>	<u>\$ 1,666,496</u>	<u>\$ 1,472,239</u>	<u>\$ 1,671,941</u>	<u>\$ 1,559,750</u>	<u>\$ 1,495,362</u>
Employer's covered payroll	\$ 797,608	\$ 737,508	\$ 704,400	\$ 717,904	\$ 722,359	\$ 726,030
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	142.05%	138.96%	127.83%	140.74%	128.73%	122.03%
Plan fiduciary net position as a percentage of the total pension liability	68.64%	69.09%	70.09%	66.69%	69.30%	70.36%

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

**Gallatin Gateway Public School, Gallatin County, Montana**  
**Required Supplementary Information**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2020**

	<u>PERS</u> <u>2020</u>	<u>PERS</u> <u>2019</u>	<u>PERS</u> <u>2018</u>	<u>PERS</u> <u>2017</u>	<u>PERS</u> <u>2016</u>	<u>PERS</u> <u>2015</u>
Contractually required contributions	\$ 14,052	\$ 12,690	\$ 12,164	\$ 11,198	\$ 8,599	\$ 7,728
Contributions in relation to the contractually required contributions	\$ 14,052	\$ 12,690	\$ 12,164	\$ 11,198	\$ 8,599	\$ 7,728
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 167,286	\$ 152,344	\$ 148,338	\$ 138,246	\$ 106,350	\$ 96,965
Contributions as a percentage of covered payroll	8.40%	8.33%	8.20%	8.10%	8.09%	7.97%

	<u>TRS</u> <u>2020</u>	<u>TRS</u> <u>2019</u>	<u>TRS</u> <u>2018</u>	<u>TRS</u> <u>2017</u>	<u>TRS</u> <u>2016</u>	<u>TRS</u> <u>2015</u>
Contractually required contributions	\$ 73,724	\$ 80,196	\$ 67,374	\$ 66,413	\$ 62,242	\$ 91,033
Contributions in relation to the contractually required contributions	\$ 73,724	\$ 80,196	\$ 67,374	\$ 66,413	\$ 62,242	\$ 91,033
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 812,086	\$ 797,608	\$ 737,508	\$ 704,400	\$ 717,904	\$ 722,359
Contributions as a percentage of covered payroll	9.08%	10.05%	9.14%	9.43%	8.67%	12.60%

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



**Gallatin Gateway Public School, Gallatin County, Montana**  
**Notes to Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability and**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2020**

**Public Employees' Retirement System of Montana (PERS)**

**Changes of Benefit Terms**

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

**2013 Legislative Changes**

*Working Retirees - House Bill 95 - PERS, SRS, and FURS, effective July 1, 2013*

- The law requires employer contributions on working retiree compensation.
- Member contributions are not required.
- Working retiree limitations are not impacted. PERS working retirees may still work up to 960 hours a year, without impacting benefits.

*Highest Average Compensation (HAC) Cap - House Bill 97, effective July 1, 2013*

- All PERS members hired on or after July 1, 2013 are subject to a 110% annual cap on compensation considered as part of a member's highest or final average compensation.
- All bonuses paid to PERS members on or after July 1, 2013 will not be treated as compensation for retirement purposes.

*Permanent Injunction Limits Application of the GABA Reduction – Passed under House Bill 454*

**Guaranteed Annual Benefit Adjustment (GABA) - for PERS**

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 on or after July 1, 2007 and before July 1, 2013
- Members hired on or after July 1, 2013:
  - 1.5% each year PERS is funded at or above 90%;
  - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
  - 0% whenever the amortization period for PERS is 40 years or more.

**2015 Legislative Changes**

*General Revisions - House Bill 101, effective January 1, 2016*

**Second Retirement Benefit - for PERS**

- Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again:
  - Refund of member's contributions from second employment, plus regular interest (currently 2.5%);
  - No service credit for second employment;
  - Start same benefit amount the month following termination; and
  - GABA starts again in the January immediately following second retirement.

**Gallatin Gateway Public School, Gallatin County, Montana**  
**Notes to Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability and**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2020**

- For members who retire before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:
  - Member receives a recalculated retirement benefit based on laws in effect at second retirement; and,
  - GABA starts in the January after receiving recalculated benefit for 12 months.
- For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:
  - Refund of member’s contributions from second employment, plus regular interest (currently 2.5%);
  - No service credit for second employment
  - Start same benefit amount the month following termination; and,
  - GABA starts again in the January immediately following second retirement.
- For members who retire on or after January 1, 2016, return to PERS-covered employment, and accumulate five or more years of service credit before retiring again:
  - Member receives same retirement benefit as prior to return to service;
  - Member receives second retirement benefit for second period of service based on laws in effect at second retirement; and
  - GABA starts on both benefits in January after member receives original and new benefit for 12 months.

*Revise DC Funding Laws - House Bill 107, effective July 1, 2015*

**Employer Contributions and the Defined Contribution Plan – for PERS and MUS-RP**

The PCR was paid off effective March 2016, and the contributions of 2.37%, 0.47%, and the 1.0% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member’s account.

**Changes in Actuarial Assumptions and Methods**

Method and assumptions used in calculations of actuarially determined contributions

The following addition to the actuarial assumptions was adopted in 2014, based upon implementation of GASB Statement 68:

Admin Expense as % of Payroll	0.27%
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The following changes were adopted in 2013 based on the 2013 Economic Experience Study:

General Wage Growth	4.00%
Includes inflation at	3.00%
Investment rate of return	7.75%, net of pension plan investment expense and including inflation

**Gallatin Gateway Public School, Gallatin County, Montana**  
**Notes to Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability and**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2020**

The following actuarial assumptions are from the June 2010 Experience Study:

General Wage Growth	4.25%
Includes inflation at	3.00%
Merit increase	0% to 7.3%
Investment rate of return	8.00%, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

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

**Changes of Benefit Terms:**

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

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

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

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

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

- *Final Average Compensation:* Average of earned compensation paid in five consecutive years of full-time service that yields the highest average
- *Service Retirement:* Eligible to receive a service retirement benefit if the member has been credited with at least five full years of creditable service and has attained the age of 60; or has been credited with 30 or more years of full-time or part-time creditable service and has attained age 55
- *Early Retirement:* Eligible to receive an early retirement allowance if a member is not eligible for service retirement but has at least five years of creditable service and attained age 55
- *Professional Retirement Option:* If the member has been credited with 30 or more years of service and has attained the age of 60, they are eligible for an enhanced allowance equal to 1.85% of average final compensation times all service at retirement. Otherwise, the multiplier used to calculate the retirement allowance will be equal to 1.67%.

**Gallatin Gateway Public School, Gallatin County, Montana**  
**Notes to Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability and**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2020**

- Annual Contribution: 8.15% of member's earned compensation
- Supplemental Contribution Rate: On or after July 1, 2023, the TRS Board may require a supplemental contribution up to 0.5%, if the following three conditions are met:
  - The average funded ratio of the System based on the last three annual actuarial valuations is equal to or less than 80%; and
  - The period necessary to amortize all liabilities of the System based on the latest annual actuarial valuation is greater than 20 years; and
  - A State or employer contribution rate increase or a flat dollar contribution to the Retirement System Trust fund has been enacted that is equivalent to or greater than the supplemental contribution rate imposed by the TRS Board.
- Disability Retirement: A member will not be eligible for a disability retirement if the member is or will be eligible for a service retirement on the date of termination
- Guaranteed Annual Benefit Adjustment (GABA):  
If the most recent actuarial valuation shows that Retirement System liabilities are at least 90% funded, and the provision of the increase is not projected to cause the System's liabilities to be less than 85% funded, the GABA may increase from the 0.5% floor up to 1.5%, as set by the Board.

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

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

**Gallatin Gateway Public School, Gallatin County, Montana**  
**Notes to Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability and**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2020**

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

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

- Correctly reflect the proportion of members that are assumed to take a refund of contributions upon termination and appropriately reflect the three-year COLA deferral period for Tier 2 Members.
- The 0.63% load applied to the projected retirement benefits of the university members “to account for larger than average annual compensation increases observed in the years immediately preceding retirement” is not applied to benefits expected to be paid to university members on account of death, disability and termination (prior to retirement eligibility).
- The actuarial valuation was updated to reflect the assumed rate of retirement for university members at age 60 is 8.50% as stated in the actuarial valuation report.
- The actuarial valuation was updated to reflect the fact that vested terminations are only covered by the \$500 death benefit for the one year following their termination and, once again when the terminated member commences their deferred retirement annuity (they are not covered during the deferral period). Additionally, only the portion of the terminated members that are assumed to “retain membership in the System” are covered by the \$500 death benefit after termination.

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

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

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

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

- Mortality among disabled members was updated to the following:

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

**Gallatin Gateway Public School, Gallatin County, Montana**  
**Notes to Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability and**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2020**

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

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

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

## **SUPPLEMENTAL INFORMATION**

Gallatin Gateway Public School  
 Gallatin County, Montana  
 Schedule of Enrollment/ANB Schedule  
 For the Fiscal Year Ended June 30, 2020

**Students Grade K – 8**

Full-Time Students:

<b>Fall Enrollment-EI District</b>	<b>MAEFAIRS Reports</b>	<b>District Reports</b>	<b>Difference</b>
Kindergarten Half Day	0	0	0
Kindergarten Full Day	16	16	0
Grades 1-6	106	106	0
Grades 7-8	50	50	0
<b>Spring Enrollment-EI District</b>	<b>MAEFAIRS Reports</b>	<b>District Reports</b>	<b>Difference</b>
Kindergarten Half Day	0	0	0
Kindergarten Full Day	15	15	0
Grades 1-6	101	101	0
Grades 7-8	48	48	0

Part Time Students:

<b>Fall Enrollment-EI District</b>	<b>Per MAEFAIRS Enrollment Reports</b>				<b>Per District Reports</b>				
<b>Grade</b>	<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	<b>Difference</b>
K-Half	0	0	0	0	0	0	0	0	0
K-Full	0	0	0	0	0	0	0	0	0
1-6	0	0	0	0	0	0	0	0	0
7-8	0	0	0	0	0	0	0	0	0
<b>Spring Enrollment-EI District</b>	<b>Per MAEFAIRS Reports Reports</b>				<b>Per District Reports</b>				
<b>Grade</b>	<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	<b>Difference</b>
K-Half	0	0	0	0	0	0	0	0	0
K-Full	0	0	0	0	0	0	0	0	0
1-6	0	0	0	0	0	0	0	0	0
7-8	0	0	0	0	0	0	0	0	0



Gallatin Gateway Public School  
 Gallatin County, Montana  
 EXTRACURRICULAR FUND  
**SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS**  
 Fiscal Year Ended June 30, 2020

FUND ACCOUNT	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers In(Out)</u>	<u>Ending Balance</u>
Class of 2019	7,749	-	-	(7,749)	-
Class of 2020	2,640	3,673	1,324	3,812	8,801
Class of 2021	1,033	-	-	1,312	2,345
Class of 2022	-	1,225	1,235	1,313	1,303
Class of 2023	-	-	-	1,312	1,312
Student Council	317	-	49	-	268
Athletics	-	3,555	3,472	-	83
Total	\$ <u>11,739</u>	\$ <u>8,453</u>	\$ <u>6,080</u>	\$ <u>-</u>	\$ <u>14,112</u>

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

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

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

To the Board of Trustees  
Gallatin Gateway Public School  
Gallatin County  
Belgrade, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gallatin Gateway Public School, Gallatin County, Montana, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Gallatin Gateway Public School's basic financial statements and have issued our report thereon dated May 13, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Gallatin Gateway Public School, Gallatin County, Montana'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 Gallatin Gateway Public School, Gallatin County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Gallatin Gateway Public School's internal control over financial reporting.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described below that we consider to be material weaknesses listed as item(s) 2020-001.

**2020-001      Due from other governments**

**Condition:**

The due from other governments and intergovernmental revenues of the Other Governmental Funds were overstated at June 30, 2020.

**Context:**

We completed detail testing of the due from other government receivables to determine if they are properly recorded and collectible, and identify a due from other government receivable from the prior year that was not reversed by the District.

**Criteria:**

Under GASB 33, expenditure-driven grants are to recognize revenues when the District has incurred allowable costs and the revenues are measurable and available.

**Effect:**

The Other Governmental Fund due from other governments and intergovernmental revenues were overstated \$12,410. An audit adjustment has been prepared and posted to the financial statements to correct this misstatement.

**Cause:**

The District does not have processes in place to analyze the due from other government receivable balances being reported in the Trustee's Financial Summary (TFS) and processes to ensure that all of the due from other government receivable adjustments are properly reversed in subsequent periods when revenues are received.

**Recommendation:**

We recommend that the District implement additional processes at the end of the year to analyze the due from other government receivable balances prior to submitting the TFS to ensure the receivables being reported are related to the current fiscal year, and implement additional processes to ensure that any due from other government receivables recorded are reversed in the subsequent periods.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Gallatin Gateway Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

**Gallatin Gateway Public School's Response to Findings**

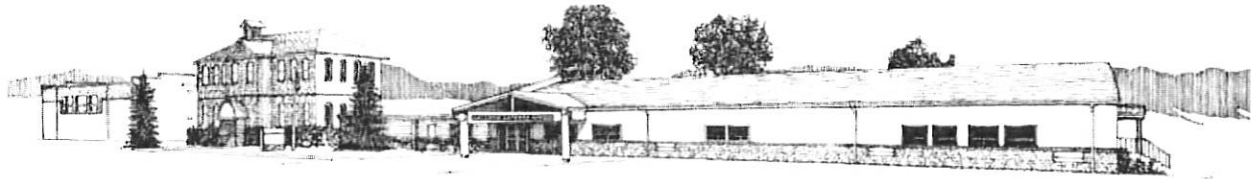
Gallatin Gateway Public School's response to the findings identified in our audit is described in the Auditee's Corrective Action Plan. Gallatin Gateway Public School's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

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

May 13, 2021



# GALLATIN GATEWAY SCHOOL

SCHOOL DISTRICT #35 · P.O. BOX 265 · GALLATIN GATEWAY,  
MONTANA 59730 · 763-4415

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**Expected Completion Date of Corrective Action Plan:**

April 28, 2021 and the correction will be reflected on FY2021 Trustee's Financial Summary.

**CORRECTIVE ACTION PLAN**

FINDING 2020-001: Due from other governments

**Response:**

Correction was completed by inputting a reversing Journal Voucher on April 28, 2021 during the on-site visit from Denning, Downey, & Associates and when the District was alerted to error.

In the future, the District will be running a report through the accounting software system at the end each fiscal year to ensure all reversing entries from the prior fiscal year have been entered and resolved once revenues are received.