GARDINER SCHOOL DISTRICT NO. 7 AND 4

Financial Statements

June 30, 2017

Gardiner School District No. 7 and 4
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<u>Required Supplemental Information</u>

<u>Supplemental Information Required by the Montana Office of Public Instruction</u>

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GARDINER SCHOOL DISTRICT NO. 7 AND 4

2016 – 2017
ORGANIZATION

BOARD OF TRUSTEES

Patricia Baltzley	Chair
Holly Long	Vice Chair
Colleen Eldred	Trustee
Tim Townsend	Trustee
George Bumann	Trustee
Mike Tercek	Trustee

OFFICERS

JT Stroder	District Superintendent
Shelby Detro	District Clerk

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Gardiner School District No. 7 and 4

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 Gardiner School District No. 7 and 4 ("the District"), as of and for the year ended June 30, 2017, 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 the District as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the supplemental schedule of employee group benefit plan information and the schedule of pension liabilities and contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States 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 supplemental information listed in the table of contents as required by the Montana Office of Public Instruction are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information as required by the Montana Office of Public Instruction is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, information required by the Montana Office of Public Instruction is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Rudd & Company, PLLC

Bozeman, Montana
April 10, 2018

MANAGEMENT DISCUSSION AND ANALYSIS

The discussion and analysis of Gardiner School District's financial performance provides an overall review of the school district's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2017 include:

- The District's assets and deferred outflows exceed liabilities and deferred inflows at June 30, 2017 by $3,560,566. Due to the pension and other post employment liability, the unrestricted net position is negative $(4,608,951).
- The District's net position decreased by $519,496 as a result of this year's operations.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to present a detailed outline of specific activities.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in a single column. For the District, the General Fund is by far the most significant fund. However, the Elementary and High School Bus Depreciation Funds, Elementary Miscellaneous Programs Fund and the High School Impact Aid Fund are also considered major funds for fiscal year 2017.

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

This report includes two district-wide statements that focus on operations of the district as a whole. These statements measure inputs and outflows using an economic resources measurement focus, and use the accrual basis of accounting. The accrual basis of accounting is similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash was received or paid. Activities that are fiduciary in nature are not included in these statements.

Reporting the School District as a Whole (continued)

Statement of Net Position and Statement of Activities (continued)

While this report contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question "How did we do financially during the 2016-2017 fiscal year?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets (what is owned), deferred outflows of resources (future resources to be consumed) liabilities (what is owed), deferred inflows of resources (revenues currently unavailable) and the net position (the resources that would remain if all obligations were settled) of the District. The statement categorizes assets to show that some assets are very liquid, such as cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in fixed or capital assets, such as buildings, equipment, and other long-lived property; and some assets are available to fund budgets of the following year.

These two statements report the District's net position and changes in those positions. This change in net position is important because it identifies whether the financial position of the District has improved or diminished for the District as a whole. The cause of this change may be the result of many factors, some financial and some not. Non-financial factors include the District's property tax base, current Montana property tax laws, increases or decreases in enrollment, required educational programs, facility growth, and other factors. Financial factors include timeliness of tax collections, unexpected expenditures, changes to state funding, increases or decreases in the rate of return on investments, and other factors.

In the Statement of Net Position and the Statement of Activities, the School District has one distinct kind of activity:

> **Governmental Activities –** Most of the District's programs and services are reported here, including instruction, support services, general administration, operation, and maintenance of plant, pupil transportation, food services and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the funds used by the school district. State law and generally accepted accounting principles (GAAP) establish the fund structure of school districts. State law generally requires school districts to segregate money generated for certain specific purposes, like transportation and debt service, in separate fund accounts. The District uses many funds to account for a multitude of financial transactions.

The fund financial statements report balances and activities of the most significant, or major funds separately and combine activities of less significant funds under a single category.

Reporting the School District's Most Significant Funds (continued)

Fund Financial Statements

Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the school district's operations and the existence of legal budget requirements. The District's major funds are the General Fund, the Elementary and High School Bus Depreciation Funds, the Elementary Miscellaneous Programs Fund and the High School Impact Aid Fund.

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance are shown for governmental funds. These funds use the modified accrual basis of accounting and represent the majority of the district's activities and programs.

Fund statements include a reconciliation of the governmental fund statements to the government-wide statements. Most significant differences result from the use of different presentation bases. The government-wide statements are presented using the accrual basis of accounting and the fund statements for governmental funds use the modified accrual basis. In addition, capital assets and long-term debt are reported in the government-wide statements but not in the fund statements.

Reporting the District's Trust and Fiduciary Responsibilities

The District is the trustee, or fiduciary, for the miscellaneous trust fund and the student extracurricular funds. This report includes the activities in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position because the district cannot use these assets to fund its operations. The District is responsible for ensuring these assets are used for their intended purpose.

Budget-to-Actual Comparisons

The budgetary comparison schedules as listed in the table of contents show how actual expenditures compared to the original and final budgeted expenditures for the general fund and the elementary and high school bus depreciation funds. The District's expenditures were within budget for the fiscal year for all of these funds.

The School District as a Whole

The perspective of the statement of net position is of the District as a whole.

Table 1 provides a summary of the District's net position for fiscal years 2017 and 2016.

Table 1
Summarized Schedule of Net Assets

	Governmental Activities		Total change 2016-2017
Assets	2017	2016	
Current and Other Assets	$ 3,965,257	$ 4,284,087	$ (318,830)
Capital Assets (net)	2,503,802	2,603,216	$ (99,414)
Total Assets	$ 6,469,059	$ 6,887,303	$ (418,244)
Deferred Outflows			
Pension related items	$ 323,698	$ 196,573	$ 127,125
Liabilities			
Current Liabilities	$ 13,123	$ 9,106	$ 4,017
Long-term Liabilities	3,115,151	2,781,757	$ 333,394
Total Liabilities	$ 3,128,274	$ 2,790,863	$ 337,411
Deferred Inflows			
Pension related items	$ 103,918	$ 197,400	$ (93,482)
Net Position			
Net Investment in Capital Assets	$ 2,503,802	$ 2,603,216	$ (99,414)
Restricted	5,665,714	5,982,337	$ (316,623)
Unrestricted	(4,608,951)	(4,489,940)	$ (119,011)
Total Net Position	$ 3,560,565	$ 4,095,613	$ (535,048)

The School District as a Whole (continued)

Table 2 shows the changes in net position for fiscal year 2017, compared to fiscal year 2016 results:

Table 2
Changes in Net Position

	Governmental Activities		Total change 2016-2017
Revenues	2017	2016	
Program Revenues:			
Charges for services	$ 51,021	$ 55,621	$ (4,600)
Operating grants and contributions	719,506	783,043	(63,537)
General Revenues:			
Property taxes	424,350	611,603	(187,253)
State of Montana	1,333,214	1,369,979	(36,765)
Other general revenues	232,763	304,050	(71,287)
TOTAL REVENUES	*2,760,854*	*3,124,296*	*(363,442)*
Expenses			
Instruction	1,693,230	1,649,151	44,079
Support services	247,526	268,172	(20,646)
General administration	533,696	553,475	(19,779)
Operations and maintenance	397,189	384,125	13,064
Student transportation	165,180	156,439	8,741
Community	355	-	355
School food	91,480	83,769	7,711
Extracurricular	151,695	137,761	13,934
TOTAL EXPENSES	*3,280,351*	*3,232,892*	*47,459*
CHANGES IN NET POSITION	***(519,497)***	***(108,596)***	***(410,901)***
Net Position, Beginning of Year	*4,095,613*	*4,204,209*	*(108,596)*
Prior Period Adjustment	(15,551)	-	(15,551)
Restated Net Position	4,080,062	4,204,209	(124,147)
Net Position, End of Year	***$ 3,560,565***	***$ 4,095,613***	***$ (535,048)***

The School District as a Whole (continued)

Governmental Activities

In Montana, school districts must seek voter approval for any additional levy authority needed to operate the school district over what was approved in prior years and what will be received from the state. Property taxes made up 15.4 percent of revenues for governmental activities for the District in fiscal year 2017.

The major categories of expenses are presented on page 12. Of these expenses, the largest function is instruction, which comprises 51.6 percent of district expenses.

Spending Levels Compared to Resource Levels

The School District's revenue for governmental activities was $519,496 less than the total expenses for the District. Please see page 9 for a presentation of this information.

Analysis of Financial Information

The following analysis is provided to help the reader understand the major operations of the District, where the resources come from, what the resources are used for, and trends, decisions and events that are expected to affect the District's financial situation in the future.

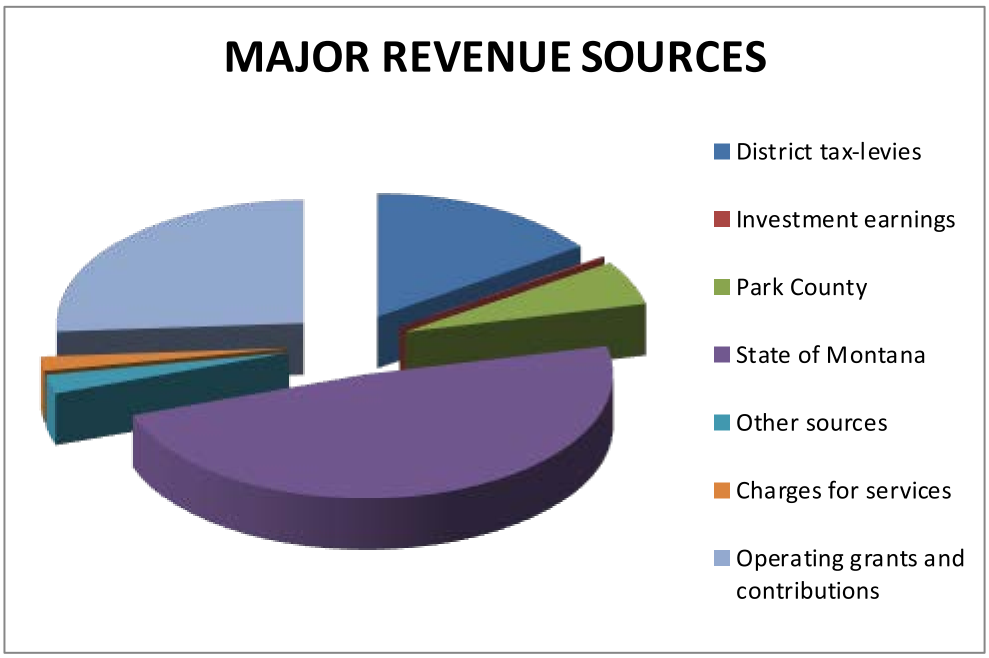
General Information about Gardiner School District: The District provides education for children in grades kindergarten through 12th grade, transportation to and from school, provides hot lunches, provides athletic and extracurricular activities, and participates in various federal programs.

Where do the resources come from? The majority of resources utilized by the District come from local property taxes, state aid, state and federal grants, and interest revenue. Page 11 shows the percent of the resource (revenue) components listed above to the total resources (revenues) of the District.

What does it cost? The major expenditure functions of the District include instructional, support services, operations, administration, capital outlay and transportation. Page 12 illustrates the costs of major functions and their relative size, compared to total expenditures.

Analysis of Financial Information (continued)

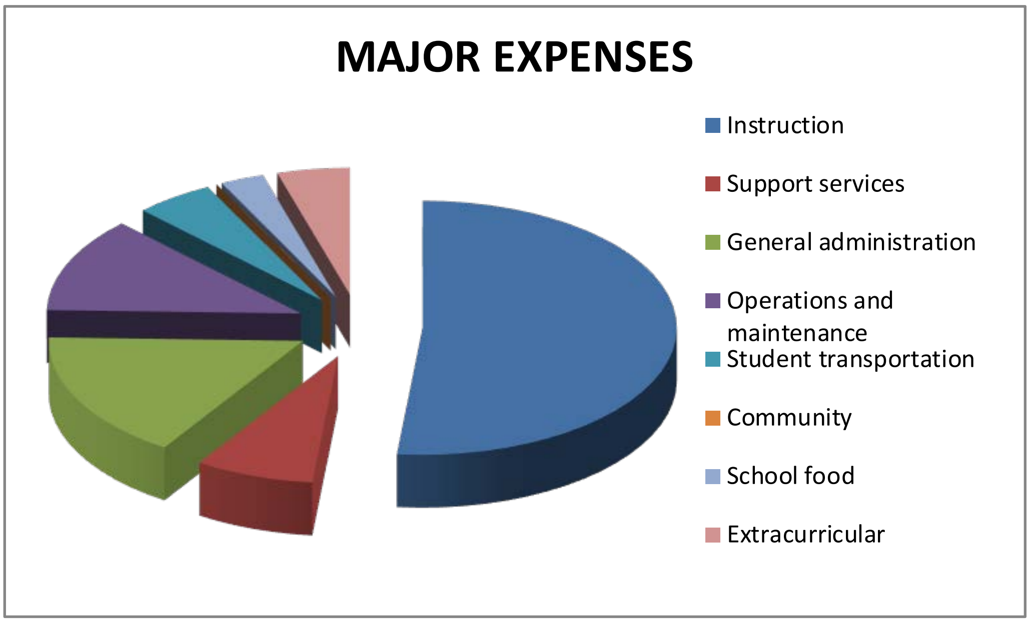
	Governmental Activities	Percent of Total
General revenues:		
District tax-levies	$ 424,350	15.4%
Investment earnings	4,706	0.2%
Park County	160,204	5.8%
State of Montana	1,333,214	48.2%
Other sources	67,853	2.5%
Total general revenues	$ 1,990,327	72.1%
Charges for services	51,021	1.8%
Operating grants and contributions	719,506	26.1%
TOTAL REVENUES	$ 2,760,854	100.0%



Analysis of Financial Information (continued)

Table 4
Major Expenditure Functions

Expenses	Governmental Activities	Percent of Total
Instruction	$ 1,693,230	51.62%
Support services	247,526	7.54%
General administration	533,696	16.27%
Operations and maintenance	397,189	12.11%
Student transportation	165,180	5.04%
Community	355	0.01%
School food	91,480	2.79%
Extracurricular	151,695	4.62%
TOTAL EXPENSES	***$ 3,280,351***	***100.00%***



What are the Capital Assets and Debt of the District? Capital assets of the District are assets purchased for over $5,000 with a useful life of one year or more. The majority of items included in the capital assets are buildings and building improvements and equipment such as copy machines and buses. Technology purchases are mainly funded by the technology fund, however, because of the $5,000 capitalization threshold for the District; these purchases are rarely considered capital assets. The table on page 13 summarizes the capital assets for the District. Please refer to Note 4 for further information on the District's capital assets.

Analysis of Financial Information (continued)

Table 5
Capital Assets

	Governmental Activities
Land	$ 52,876
Land improvements	352,364
Buildings and improvements	5,120,580
Machinery and equipment	1,062,117
Total capital assets	*$ 6,587,937*
Less accumulated depreciation	(4,084,135)
Total capital assets, net of accumulated depreciation	***$ 2,503,802***

The long-term debt of the District is comprised of compensated absences, other post-employment liabilities and net pension liabilities. Please refer to Notes 6, 8 and 10 for further information on the District's long term liabilities.

What changes and trends affect the district's future? In the next few years, the District will undergo many changes and have many challenges. These changes and challenges will include, but are not limited to: 1) decreases in regular education student enrollment and needs 2) increased costs associated with curriculum upgrades and needs 3) increased costs in building maintenance 4) increased technology needs, increased costs associated with technology maintenance 5) increased costs associated with staffing needs and 6) reductions in federal programs, such as Title Funds and Impact Aid. The District has developed a strategic plan to address the above issues.

Additionally, the funds that the District receives from Park County School District No. 1 for the Wyoming students are now included as part of the District's general fund monies for the State of Montana. This represents about a $250,000 loss in revenues that the District will need to absorb over the next several years in order to maintain a balanced budget.

Contact for Further Information

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the Districts' finances and to demonstrate the Districts' accountability for the resources it receives. If you have questions about this report or need additional information, contact the District Clerk, at Gardiner School District, 510 Stone Street, Gardiner, MT 59030.

FINANCIAL STATEMENTS

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GOVERNMENT – WIDE FINANCIAL STATEMENTS

GARDINER SCHOOL DISTRICT NO. 7 AND 4
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Current Assets	
Cash and cash equivalents	$ 2,814,461
Investments	1,092,744
Property taxes receivable	38,227
Due from other governments	19,825
Total Current Assets	3,965,257
Capital Assets	
Land	52,876
Land improvements	352,364
Buildings and improvements	5,120,580
Machinery and equipment	1,062,117
Less: accumulated depreciation	(4,084,135)
Total Capital Assets	2,503,802
Total Assets	6,469,059
Deferred Outflows of Resources	
Deferred outflows - pension related items	323,698
Total Deferred Outflows of Resources	$ 323,698

The accompanying notes are an integral part of the financial statements.

GARDINER SCHOOL DISTRICT NO. 7 AND 4
Statement of Net Position
June 30, 2017

	Governmental Activities
Liabilities	
Current liabilities	
Accounts payable	$ 6,932
Compensated absences	6,191
Total Current Liabilities	13,123
Noncurrent Liabilities	
Compensated absences	55,720
Other post employment liability	876,973
Net pension liability	2,182,458
Total Noncurrent Liabilities	3,115,151
Total Liabilities	3,128,274
Deferred Inflows of Resources	
Deferred inflows - pension related items	103,918
Total Deferred Inflows of Resources	103,918
Net Position	
Net investment in capital assets	2,503,802
Restricted	
For debt service	2,901,562
For general government	2,764,152
Unrestricted	(4,608,951)
Total Net Position	$ 3,560,565

The accompanying notes are an integral part of the financial statements.

GARDINER SCHOOL DISTRICT NO. 7 AND 4
Statement of Activities
For the Year Ended June 30, 2017

		Program Revenues		Net (Expense) Revenue and Changes In Net Assets
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental activities:				
Instruction	$ 1,693,230	$ 3,200	$ 691,337	$ (998,693)
Support services	247,526	-	-	(247,526)
General administration	533,696	-	-	(533,696)
Operations and maintenance	397,189	-	-	(397,189)
Student transportation	165,180	-	-	(165,180)
Community	355	-	-	(355)
Food services	91,480	47,821	28,169	(15,490)
Extracurricular activities	151,695	-	-	(151,695)
Total governmental activities	$ 3,280,351	$ 51,021	$ 719,506	(2,509,824)
	General revenues:			
	District tax-levies			424,350
	State of Montana			1,333,214
	Investment earnings			4,706
	County sources			160,204
	Other sources			67,853
	Total general revenues			1,990,327
	Changes in net position			(519,497)
	Net position, beginning of year			4,095,613
	Prior period adjustment (Note 14)			(15,551)
	Net assets, beginning of year, restated			4,080,062
	Net position, end of year			$ 3,560,565

The accompanying notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

GARDINER SCHOOL DISTRICT NO. 7 AND 4
Balance Sheet – Governmental Funds
June 30, 2017

	General Fund	Elementary Bus Depreciation Fund	Elementary Miscellaneous Programs Fund
Assets			
Cash and cash equivalents	$ 78,721	$ 295,402	$ 1,272,085
Investments	178,465	216,912	230,000
Property taxes receivable	26,595	5,087	-
Due from other governments	4,652	926	-
Total assets	$ 288,433	$ 518,327	$ 1,502,085
Liabilities, Deferred Inflows of Resources and Fund Balance			
Accounts payable	$ 3,143	$ -	$ -
Total liabilities	3,143	-	-
Deferred inflows of resources:			
Unavailable revenue - property taxes	26,595	5,087	-
Total deferred inflows of resources	26,595	5,087	-
Fund balances:			
Restricted	-	513,240	1,431,335
Committed	-	-	70,750
Assigned	-	-	-
Unassigned	258,695	-	-
Total fund balances	258,695	513,240	1,502,085
Total liabilities, deferred inflows of resources and fund balances	$ 288,433	$ 518,327	$ 1,502,085

The accompanying notes are an integral part of the financial statements.

High School Bus Depreciation Fund	High School Impact Aid Fund	Nonmajor Governmental Funds	Governmental Funds
$ 239,870	$ 522,642	$ 405,741	$ 2,814,461
216,872	-	250,495	1,092,744
4,436	-	2,109	38,227
967	-	13,280	19,825
$ 462,145	$ 522,642	$ 671,625	$ 3,965,257
$ -	$ -	$ 3,789	$ 6,932
-	-	3,789	6,932
4,436	-	2,109	38,227
4,436	-	2,109	38,227
457,709	-	323,641	2,725,925
-	522,642	331,848	925,240
-	-	10,238	10,238
-	-	-	258,695
457,709	522,642	665,727	3,920,098
$ 462,145	$ 522,642	$ 671,625	$ 3,965,257

The accompanying notes are an integral part of the financial statements.

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GARDINER SCHOOL DISTRICT NO. 7 AND 4
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2017

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

Total fund balances - governmental funds	$	3,920,098
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is $6,587,937 and the accumulated depreciation is $4,084,135.		2,503,802
Property tax revenue is recognized when earned (and the claim to resources is established) rather than when "available." All of the deferred inflows of resources from property tax revenue reported in the governmental funds is not available.		38,227
The deferred outflows of resources related to the pension activity are not reported in the fund statements.		317,182
Contributions to the pension plan in the current fiscal year are reported as expenditures in the fund statements but are deferred outflows of resources on the government wide statements. This is the amount by which the prior year contributions exceed the current year contributions.		6,516
The deferred inflows of resources related to the pension activity are not reported in the fund statements.		(103,918)
Long-term liabilities and compensated absences are not due and payable in the current period and therefore are not reported in the funds.		(3,121,342)
Total net position - governmental activities	$	3,560,565

The accompanying notes are an integral part of the financial statements.

GARDINER SCHOOL DISTRICT NO. 7 AND 4
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2017

	General Fund	Elementary Bus Depreciation Fund	Elementary Miscellaneous Programs Fund
Revenues:			
District tax-levies	$ 294,661	$ 56,778	$ -
Investment interest	349	182	2,068
County	-	-	-
State of Montana	1,299,483	-	500
Federal	-	-	-
Other revenue sources	416,495	-	29,476
Total revenues	2,010,988	56,960	32,044
Expenditures:			
Current:			
Instruction	1,205,151	-	35,266
Support services	155,580	-	27,977
General administration	410,265	-	22,609
Operations and maintenance	190,384	-	17,862
Student transportation	17,208	-	18,460
Food services	9,859	-	5,485
Community	-	-	-
Extracurricular activities	17,140	-	24,440
Capital outlay	-	-	44,011
Total expenditures	2,005,587	-	196,110
Revenues over (under) expenditures	5,401	56,960	(164,066)
Other financing sources (uses):			
Operating Transfers	-	-	(865)
Net change in fund balances	5,401	56,960	(164,931)
Fund balances, July 1, 2016	253,294	456,280	1,667,016
Prior period adjustment (Note 14)	-	-	-
Fund balances, July 1, 2016, restated	253,294	456,280	1,667,016
Fund balances June 30, 2017	$ 258,695	$ 513,240	$ 1,502,085

The accompanying notes are an integral part of the financial statements.

High School Bus Depreciation Fund	High School Impact Aid Fund	Nonmajor Governmental Funds	Governmental Funds
$ 55,593	$ -	$ 18,008	$ 425,040
148	841	1,118	4,706
-	-	160,204	160,204
-	-	33,231	1,333,214
-	88,153	143,613	231,766
-	-	89,398	535,369
55,741	88,994	445,572	2,690,299
-	125	271,056	1,511,598
-	450	61,211	245,218
-	3,379	97,443	533,696
-	6,026	49,852	264,124
-	22,133	100,502	158,303
-	-	69,179	84,523
-	-	355	355
-	100	83,015	124,695
-	9,437	23,360	76,808
-	41,650	755,973	2,999,320
55,741	47,344	(310,401)	(309,021)
-	-	865	-
55,741	47,344	(309,536)	(309,021)
401,968	475,298	990,814	4,244,670
-	-	(15,551)	(15,551)
401,968	475,298	975,263	4,229,119
$ 457,709	$ 522,642	$ 665,727	$ 3,920,098

The accompanying notes are an integral part of the financial statements.

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GARDINER SCHOOL DISTRICT NO. 7 AND 4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

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

Net change in fund balances - total governmental funds	$ (309,021)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlay.	(99,414)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(690)
The current period net increase in compensated absences and other postemployment benefits payable did not require the use of current financial resources and, therefore, generated no expenditure to be reported in the governmental funds.	(119,061)
Pension expense as reported in the funds is based on contributions made by the employer, however in the statement of activities it is based on the actuarial study performed for the pension plans. This is the amount by which the contributions to the plan exceed the actual pension expense.	8,689
Change in net position of governmental activities	$ (519,497)

The accompanying notes are an integral part of the financial statements.

GARDINER SCHOOL DISTRICT NO. 7 AND 4
Statement of Fiduciary Net Position
June 30, 2017

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	$ 81,951	$ 83,354
Total assets	$ 81,951	$ 83,354
Liabilities		
Warrants payable	$ -	$ 43,841
Other current liabilities	-	39,513
Total liabilities	-	83,354
Net Position		
Net position held in trust	81,951	-
Total net position	$ 81,951	$ -

The accompanying notes are an integral part of the financial statements.

GARDINER SCHOOL DISTRICT NO. 7 AND 4
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2017

		Private- Purpose Trust Funds
Additions:		
Investment interest	$	130
Other		67,275
Total additions		67,405
Deductions:		
Support services		5,000
Extracurricular		61,979
Total deductions		66,979
Change in net position held in trust		426
Net Position, July 1, 2016		81,525
Net Position, June 30, 2017	$	81,951

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The financial statements of Gardiner School District No. 7 and 4 have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

Gardiner School District No. 7 and 4, delivers public education services to students below the College and University level to residents of the District. Generally accepted accounting principles in the United States require that these financial statements present Gardiner School District No. 7 and 4 (the primary government) and all component units, if any. Component units are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations for which the District is financially accountable have been considered for inclusion in the general purpose financial statements. Gardiner School District No. 7 and 4 has no component units.

The District actually consists of two separate legal entities - High School and Elementary districts. Accounting records of both districts must be maintained separately per state law because of differences in funding and tax base. Yet, both are managed by one central Board of Trustees, elected in a district-wide election, and by a central administration appointed by and responsible to the Board. Although the District legally consists of two separate statutory entities, it is managed and operated as a single system. These financial statements present, as a single reporting entity, all activities over which the Board of Trustees exercises responsibility.

Government Wide and Fund Financial Statements

The District's financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements - The statement of net position and statement of activities report information on all of the non-fiduciary activities of the primary government. All internal activity has been eliminated.

1. Summary of Significant Accounting Policies (continued)

Government Wide and Fund Financial Statements (continued)

The statement of net position presents the financial condition of the governmental activities of 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 service, program or department and therefore clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipient of the goods or services provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not properly included among program revenues are reported instead as general revenues. Special items such as the loss on disposal of equipment are also reported below general revenues.

The District's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Financial Statements - Separate financial statements are provided for governmental funds and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. The focus of governmental fund financial statements is on major funds. For the District, the general fund, elementary and high school bus depreciation funds, elementary miscellaneous programs fund, and the high school impact aid fund are considered major and are presented in separate columns. Non-major funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
The government-wide financial statements are reported using the *economic resources measurement focus* and *the accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected by the last day of the year. Therefore, all revenue items are considered to be measurable and available only when cash is received by the government.

1. Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

The *General Fund* accounts for all financial resources of the general government, except those required to be accounted for in another fund. The revenue sources of the general fund include district tax levies, the state of Montana, and the federal government.

The *Elementary and High School Bus Depreciation Funds* account for the financing of the maintenance and operation of district owned buses. The Bus Depreciation funds revenue sources consist primarily of district tax levies.

The *Elementary Miscellaneous Programs Fund* accounts for miscellaneous grant funds. The Miscellaneous fund revenue source consist primarily of federal and state grants.

The *High School Impact Aid Fund* accounts for the federal impact aid grant funds.

Additionally, the government reports the following fund type:

The *Private-Purpose Trust Fund* is used to account for resources legally held in trust for student extracurricular activities and student scholarships. All resources of the funds, including any earnings on invested resources, may be used to support the purpose of the fund. *Agency funds* are custodial in nature and do not involve measurement of results of operations. These include a claims warrant clearing fund and a payroll warrant clearing fund.

1. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

During the year, the District implemented GASB Statement No. 77. This Statement addresses tax abatement disclosures. This Statement requires governments that enter into tax abatement agreements to disclose pertinent information about the agreements in the notes to the financial statements. Per the County Treasurer, the District had no tax abatements for fiscal year 2017.

Encumbrances

Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately to result if unperformed purchase orders or contracts in process at year-end were completed. They do not constitute expenditures or liabilities in the fund financial statements, but are included as expenditures in the budget basis financials.

Encumbrances are included as an assignment of fund balance in the fund balance sheet and have no effect on the statement of revenues, expenditures and changes in fund balance. See Note 11 for additional disclosure on the District's encumbrance commitments.

Budgets

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

Fund	Budgeted	Non-Budgeted
General	X	
Special Revenue:		
Transportation	X	
Bus Depreciation Fund	X	
School Food		X
Tuition		X
Retirement	X	
Miscellaneous Programs		X
Compensated Absences		X
Technology	X	
Adult Education	X	
Traffic Education		X
Impact Aid Fund		X
Flexibility		X
Capital Projects:		
Building		X
Debt Service Fund:		
Debt Service Fund		X
Trust and Agency:		
Extracurricular Activities		X
Payroll Clearing		X
Claims Clearing		X

1. Summary of Significant Accounting Policies (continued)

Budgets (continued)

The General Fund budget is formulated on basic and per student entitlement amounts and enrollment. Budgets for other funds are based primarily on expected revenues and expenditures. Budgeted fund expenditures are limited by State law to budgeted amounts however budgets may be amended for emergencies as defined by State law.

The budget policy is as follows:

- On the second Monday in August, the Board of Trustees must meet to legally adopt the final budget. This budget is adopted consistent with the basis of accounting described in Note 1.

- Upon adoption of the final budget, expenditures are limited to the total fund budget. The District has the right to transfer budgetary authority among the various line items of a fund, but not between funds. Unexpected and unencumbered appropriations lapse at year end.

Property Taxes

Property taxes are levied in August of each fiscal year, based on assessments as of the prior January 1. Taxes are normally billed in October and payable 50% by November 30 and 50% by May 31. Property taxes are maintained and collected by the County Treasurer; the District records such receipts when reported by the Treasurer.

The total mill levy for the year was 42.89 mills in the elementary district and 38.75 mills in the high school district. Taxable value for the elementary district was $4,231,809 and $5,798,395 for the high school district.

Cash and Investments

Cash, including the Student Extracurricular Fund (an expendable trust), is held by a local financial institution.

Authorized investments allowed by Section 20-0-213, MCA, include savings or time deposits in a state or national bank, savings and loan association, or credit union insured by the FDIC or NCUA located in the State, and the State Unified Investment Program. Further, Section 7-6-202, MCA authorizes investments in U.S. government treasury bills, notes, bonds, U.S. Treasury obligations, treasury receipts, general obligations of certain agencies of the United States, and U.S. government security money market funds if the fund meets certain conditions.

1. Summary of Significant Accounting Policies (continued)

Due from Other Governments

These accounts are composed primarily of: (1) revenue accruals for property taxes received from the county and (2) revenue accruals for the various reimbursable type grants for which revenue is recognized as expenditures are made. If receipts exceed expenditures, the excess is generally deferred until expenditure of funds, but may be recognized as revenue depending on the terms of the particular grant agreement.

Inventories

Supplies obtained through the governmental funds are recorded as expenditures at the time of purchase. Inventory is valued at cost. Inventories of materials and supplies on hand are not maintained; however, they are not considered material.

Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, and machinery and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than $5,000. Land, buildings and equipment are stated on the basis of historical cost, except estimated historical costs were utilized where no historical records exist. Assets acquired through gifts or donations are recorded at their estimated fair market value at time of acquisition. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life is not capitalized.

Depreciation is recorded using the straight-line method with the following lives:

Land improvements	20 Years
Buildings and improvements	25-50 Years
Machinery and equipment	5-25 Years

Liability for Compensated Absences

Non-certified District employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Vacation leave may be accumulated to a total not to exceed two times the maximum number of days earned annually.

Certified District employees earn between 10 to 12 sick days per year depending on their contract. No accumulated sick leave is paid on termination or retirement for certified employees. Sick leave is earned at a rate of one day per month, for non-certified District employees. Upon retirement or termination non-certified employees are paid 25% of unused sick leave. All District employees are paid 100% of unused vacation leave. Non-vesting sick leave is not accrued.

In governmental funds, sick leave and vacation leave are recorded as expenditures in the year paid, as it is the District's policy to satisfy any unpaid amounts at year end from future resources, not expendable available resources.

1. Summary of Significant Accounting Policies (continued)

Liability for Compensated Absences (continued)

The District, in accordance with State Law, may appropriate year end General Fund cash and establish a reserve fund for the purpose of paying any accumulated amount of sick leave due to a non-teaching employee upon termination of employment. Such reserve (Special Revenue Fund Compensated Absence) may be used only for the purpose stated above and may not exceed 30% of the District liability for accumulated sick leave and vacation pay as of June 30, 2017.

Other Post-Employment Benefits

The District recognizes and reports its postemployment health care benefits in accordance with GASB Statement 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB).*

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

The District has several types of deferred outflows of resources and all relate to the net pension liability. They relate to the District's allocable share of the difference between actual and expected contributions, the difference between actual and expected experience and the effect of changes of assumptions during the year on the valuation of the net pension liability. It also includes the contributions paid to the pension plans subsequent to the measurement date. This amount is reported only in the government-wide financial statements. See Note 10 for detailed information.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

1. Summary of Significant Accounting Policies (continued)

Deferred Outflows and Inflows of Resources (continued)

The District has two types of items in this area. One item, unavailable revenue, only arises under a modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet and represents. Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	General Fund	Elementary Bus Depreciation Fund	High School Bus Depreciation Fund	Nonmajor Governmental Funds	Total
Unavailable Revenue - Property taxes	$ 26,595	$ 5,087	$ 4,436	$ 2,109	$ 38,227

The District also has deferred inflows of resources related to the net pension liability. They relate to the difference between projected and actual earnings on the pension plans and changes in proportion and differences between employer contributions and proportionate share of contributions. See Note 10 for detailed information.

Pensions

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

Fund Equity

In the fund financial statements, governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor how those amounts may be spent. Designations of fund balances as non-spendable, restricted, committed, assigned or unassigned are based upon the types of constraints placed upon the outstanding balances.

Use of Estimates

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

1. Summary of Significant Accounting Policies (continued)

Subsequent Events

Subsequent events have been evaluated through April 10, 2018, the date the report was available to be issued.

2. Cash and Investments

At June 30, 2017, the carrying amount of the District's cash and cash equivalents in bank accounts, excluding extracurricular funds, was $2,844,042, and the bank balance was $2,739,235. The bank balance was insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC), the remainder is collateralized.

The Student Extracurricular Fund cash in checking has a carrying balance of $52,370 and a bank balance of $52,523 and is fully insured by the FDIC. The agency funds' cash in checking has a carrying balance of $83,354 which are used for claims and payroll clearing.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

U.S. treasuries and money markets classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for identical securities.

Governmental debt securities classified in Level 2 of the fair value hierarchy are valued based on significant other observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates), or other market corroborated inputs.

2. Cash and Investments (continued)

The following table provides the District's fair value categorizations at June 30, 2017. Certificates of deposit are excluded as they are not measured at fair value.

Investment	Fair Value Level 1	Fair Value Level 2	Total
Money Market - U.S. Govt.	$ 28,463	$ -	$ 28,463
Debt Securities - U.S. Govt. treasuries	51,772	-	51,772
Debt Securities - U.S. Govt. agency funds	-	489,411	489,411
Debt Securities - U.S. Govt. mortgage backed securities	-	351,272	351,272
	$ 80,235	$ 840,683	$ 920,918

On June 30, 2017, the book value approximated the fair value of the investments, therefore no unrealized gain or loss was recorded for the year.

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the District's deposits may not be returned or the District will not be able to recover the collateral securities in the possession of the outside party. The District minimizes custodial credit risk by restrictions set forth in state law. Types of securities that may be pledged as collateral are detailed in Section 17-6-103 of the Montana Code Annotated (MCA). The credit risk rating in the table below indicates the probability that the issuer may default in making timely principal and interest payments. The credit ratings presented in the following table is provided by Standard and Poor's Corporation (S&P). The District's investment practice is to hold investments to maturity with the contractual understanding that these investments are low risk, locked in to a guaranteed rate of return, and are therefore not impacted significantly by changes in short term interest rates.

The following table provides information about custodial credit risk and interest rate risks associated with the District's deposits and investments.

Investment	Credit Risk Rating	Maturity Dates Less Than One Year	Maturity Dates One to Five Years	Total
Certificate of deposits	N/A	$ 25,066	$ 146,760	$ 171,826
Money Market - U.S. Govt.	AA+	28,463	-	28,463
Debt Securities - U.S. Govt. treasuries	AA+	51,772	-	51,772
Debt Securities - U.S. Govt. agency funds	AA+	18,812	470,599	489,411
Debt Securities - U.S. Govt. mortgage backed securities	AA+	135,158	216,114	351,272
		$ 259,271	$ 833,473	$ 1,092,744

3. Property Taxes Receivable

Property is assessed by the County Assessor, an agent of the State of Montana. Valuations are determined under State law and submitted to the County Treasurer for the preparation of tax notices. Property taxes are assessed against the owner of record as of January 1st with the taxes generally being levied in August and billed as of November 1st. Property taxes receivable are recorded as of the date levied. Uncollected taxes receivable at year-end are considered unavailable tax revenue.

Taxes are due in two payments, generally, November 30th and May 31st. Unpaid taxes become delinquent on December 1st and June 1st. After three years of delinquency, the County may proceed to take title to the property. Delinquent taxes may be collected for up to ten years. The County Treasurer may issue a writ of execution to the County Sheriff to seize the property and sell it to pay the taxes. Unpaid taxes at the end of ten years may be written off by the County Commissioners. Because of the collection procedures described above, estimated uncollectible amounts are minimal and therefore not recorded.

Taxes paid under protest are placed in an escrow fund by the County pending settlement of the protest. Under State law (MCA 15-1-402), the School District may demand payment from the protested tax escrow fund of all or part of the protested taxes from the second and subsequent years of the protest. No demand for payment has been made by the District. The District policy is to not recognize this revenue until the protest is settled and taxes are distributed.

4. Capital Assets

A summary of capital assets follows:

	Beginning June 30, 2016	Additions	Retirements	Ending June 30, 2017
Capital assets not subject to depreciation:				
Land	$ 52,876	$ -	$ -	$ 52,876
Capital assets subject to depreciation:				
Land improvements	281,145	71,219	-	352,364
Buildings and improvements	5,120,580	-	-	5,120,580
Equipment and other	1,056,528	5,589	-	1,062,117
Total capital assets	6,511,129	76,808	-	6,587,937
Less accumulated depreciation for:				
Land improvements	273,152	10,314	-	283,466
Buildings and improvements	2,789,475	111,296	-	2,900,771
Equipment and other	845,286	54,612	-	899,898
Total accumulated depreciation	3,907,913	176,222	-	4,084,135
Total capital assets, net of accumulated deprecation	$ 2,603,216	$ (99,414)	$ -	$ 2,503,802

Depreciation expense has been charged to functions of the primary government as follows:

Instruction	$ 6,972
Support services	2,308
Operations and maintenance	133,065
Transportation	6,877
Extracurricular	27,000
	$ 176,222

5. Non-Monetary Transactions

The District received commodities from the U.S. Government valued at $6,957. The value was provided by the State of Montana Office of Public Instruction.

6. Compensated Absences

The following is a summary of obligations of the District for the fiscal year ended June 30, 2017:

		Compensated Absences
Balance July 1, 2016	$	89,060
Additions		-
Reductions		(27,149)
Balance June 30, 2017	$	61,911
Current Portion Due Within One Year	$	6,191
LT Portion	$	55,720

7. Fund Balances

Fund balance is classified on the relative strength of the spending constraints placed on the purpose for which resources can be used as follows:

Nonspendable fund balance – amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes externally imposed by creditors (such as through debt covenants), grantor and contributors or laws, or regulations or other governments, or through constitutional provisions, or by enabling legislation.

Committed fund balance - amounts that can only be used for specific purposes, pursuant to constraints imposed by formal action of the government's highest level of decision making authority. The Board of Trustees is the highest level of decision making authority which has the authority to commit fund balance; however, the District Clerk has been delegated the authority to determine the specific amount to be committed.

7. Fund Balances (continued)

Assigned fund balance – amounts that are constrained by the governments' intent to be used for specific purposes, but are neither restricted nor committed. Funds can be assigned by the District Clerk, Superintendent of Schools or the Board of Trustees.

Unassigned fund balance – amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other governmental funds, it may be necessary to report a negative residual balance as unassigned.

The District has a policy to expend restricted amounts first when an expenditure has been incurred for purposes for which both restricted and unrestricted fund balances are available. The policy states the order of releasing fund balance for current expenditures is: restricted, committed, assigned and then unassigned.

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
Fund balance:					
Restricted for:					
Retirement Services Fund	$ -	$ 64,831	$ -	$ -	$ 64,831
Miscellaneous Funds	-	1,612,914	-	-	1,612,914
Technology Fund	-	49,760	-	-	49,760
Transportation Fund	-	10,783	-	-	10,783
Bus Depreciation Fund	-	970,949	-	-	970,949
Debt Service Fund	-	-	65	-	65
Flexibility Fund	-	9	-	-	9
Compensated Absences Fund	-	16,614	-	-	16,614
Subtotal Restricted Fund Balance	-	2,725,860	65	-	2,725,925
Committed to:					
Miscellaneous Funds	-	74,199	-	-	74,199
School Food Services Fund	-	5,679	-	-	5,679
Impact Aid Funds	-	811,213	-	-	811,213
Adult Education Fund	-	21,407	-	-	21,407
Building Fund	-	-	-	12,742	12,742
Subtotal Committed Fund Balance	-	912,498	-	12,742	925,240
Assigned to:					
Traffic Education Fund	-	10,238	-	-	10,238
Subtotal Assigned Fund Balance	-	10,238	-	-	10,238
Unassigned:	258,695	-	-	-	258,695
Total Fund Balances	$ 258,695	$ 3,648,596	$ 65	$ 12,742	$ 3,920,098

8. Other Post-Employment Benefits

As required by Governmental Accounting Standards Board (GASB) Statement No. 45 Other Postemployment Benefits, the District has calculated a postemployment benefit liability for the fiscal year ended June 30, 2017.

Plan Description

Gardiner School District No. 7 and 4 has a single-employer defined benefit medical plan. The plan currently provides defined healthcare insurance benefits for eligible employees, retirees, spouses and dependents. Participation is elected by the retiree at the time of retirement. Benefit provisions are approved annually by the Board of Trustees and may be revoked or altered at any time. The plan does not issue a publicly available financial report.

Funding Policy

The District provides no direct subsidy to the health insurance premiums for retirees. Retirees pay for the entire cost of the health insurance premium. Eligible retired employees include former full-time and certain other employees. As of June 2017, there was one retiree and/or survivor enrolled in the employer's sponsored health insurance plan.

Annual OPEB Cost Obligation and Net OPEB Obligation

The District's other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not the exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes on the District's net OPEB obligation:

Annual required contribution (ARC)	$ 178,752
Interest on net OPEB obligation	25,577
Adjustment to annual required contribution	(25,737)
Annual OPEB Cost	178,592
Contributions made	(32,382)
Change in net OPEB obligation	146,210
Net OPEB obligation - beginning of year	730,763
Net OPEB obligation - end of year	$ 876,973

8. Other Post-Employment Benefits (continued)

Trend Information

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ended June 30, 2017 and the two preceding fiscal years are presented below.

Fiscal Year Ended	Annual OPEB Cost	Age Adjusted Contribution	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	170,465	4,156	2.44%	569,561
June 30, 2016	178,627	17,425	9.75%	730,763
June 30, 2017	178,592	32,382	18.13%	876,973

Funded Status and Funding Progress

As of June 30, 2015 (the most recent measurement date), the actuarial accrued liability (AAL) for benefits was $1,103,879, all of which was unfunded. There are no assets set aside to fund these benefits as the District funds post-retirement health insurance benefits on a pay-as-you-go basis funded 100% by the retiring employees. The covered payroll (annual payroll of active employees covered by the plan) and ratio of UAAL to covered payroll are presented below.

Actuarial Valuation	
Actuarial Accrued Liability (AAL)	$ 1,103,879
Actuarial Value of Assets (AVA)	-
Unfunded Actuarial Accrued Liability (UAAL)	$ 1,103,879
Funded Ratio (AVA/UAAL)	0%
Covered Payroll	1,801,100
UAAL as a Percentages of Covered Payroll	61.29%

8. Other Post-Employment Benefits (continued)

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions
Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

(1) Mortality rates are assumed to follow the RP2000 Mortality Table for Males and Females projected 10 years;
(2) Amortization factor for a 30-year period as a level percent of payroll on an open basis, using a 3.50 percent discount rate and a 3.13 percent payroll growth assumption and inflation rate;
(3) Average retirement age is 60 years;
(4) Age adjustment factor of 1.936
(5) Healthcare Cost Trend Rate of 8% initial and 4.7% ultimate
(6) Health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid

9. Interfund Activity

Interfund activity consisted of a transfer from the Elementary Miscellaneous Fund, a major fund, to the High School Miscellaneous Fund, a nonmajor fund, in the amount of $865, which was to properly state the program balances. There were no other interfund activities, such as interfund receivables or payables, as of June 30, 2017.

10. Net Pension Liability

Plan Description

PERS

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

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

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.

TRS

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

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.

Summary of Benefits

PERS

Eligibility for benefit

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.

10. Net Pension Liability (continued)

Early Retirement

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.

Vesting

5 years of membership service.

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 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.

10. Net Pension Liability (continued)

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

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

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

10. Net Pension Liability (continued)

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

Overview of Contributions

PERS

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

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

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

3. Non Employer Contributions
   a. Special Funding
      i. The State 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.

10. Net Pension Liability (continued)

b. Not Special Funding
   i. The State contributes a portion of the Coal Severance Tax income and earnings from the Coal Severance Tax fund.

The tables below show the history of legislated contributions for PERS members, employers and the State.

School District

Fiscal Year	Hired <07/01/11	Hired >07/01/11	Employer	State
2017	7.90%	7.90%	8.10%	0.370%
2016	7.90%	7.90%	8.00%	0.370%
2015	7.90%	7.90%	7.90%	0.370%
2014	7.90%	7.90%	7.80%	0.370%
2012-2013	6.90%	7.90%	6.80%	0.370%
2010-2011	6.90%		6.80%	0.370%
2008-2009	6.90%		6.80%	0.235%
2000-2007	6.90%		6.80%	0.100%

TRS

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

10. Net Pension Liability (continued)

The tables below show the history of legislated contributions for TRS members, employers and the State.

School District and Other Employers

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

Stand-Alone Statements

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

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

10. Net Pension Liability (continued)

Actuarial Assumptions

PERS

The Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by taking the results of the June 30, 2015, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2016. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the last actuarial experience study, dated June 2010, for the six year period July 1, 2003 to June 30, 2009.

Among those assumptions were the following:

- Investment Return (net of admin expense) 7.75%
- Admin Expense as a percent of payroll 0.27%
- General Wage Growth* 4.00%
  *includes Inflation at 3.00%
- Merit Increases 0% to 6%
- Postretirement Benefit Increases
  Guaranteed Annual Benefit Adjustment (GABA)
  After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage January, inclusive of other adjustments to the member's benefit.
    - 3.0% for members hired prior to July 1, 2007
    - 1.5% for members between July 1, 2007 and June 30, 2013
    - Members hired on or after July 1, 2013:
      a) 1.5% for each year PERS is funded at or above 90%;
      b) 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
      c) 0% whenever the amortization period for PERS is 40 years or more

- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement were assumed.

10. Net Pension Liability (continued)

TRS

The Total Pension Liability as of June 30, 2016, is based on the results of an actuarial valuation date of July 1, 2016. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2016 valuation were based on the results of the last actuarial experience study, dated May 1, 2014. Among those assumptions were the following:

- Total Wage Increases* 4% - 8.51% for Non-University Members and 5.00% for University Members
- Investment Return 7.75%
- Price Inflation 3.25%
- Postretirement Benefit Increases
  - Tier One Members: If the retiree has received benefits for at least 3 years, the retirement allowance will be increased by 1.5% on January 1st.
  - Tier Two Members, the retirement allowance will be increased by an amount equal to or greater than 0.5% but no more than 1.5% if the most recent actuarial valuation shows the System to be at least 90% funded and the provisions of the increase is not projected to cause the funded ratio to be less than 85%.
- Mortality among contributing members, service retired members, and beneficiaries
  - For Males: 1992 Base Rates from the RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and 1992 Base Rates from 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: 1992 Base Rates from the RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the 1992 Base Rates from 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
  - For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.
  - For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

*Total Wage Increases include 4.00% general wage increase assumption

10. Net Pension Liability (continued)

Discount Rate

PERS

The discount rate used to measure the Total Pension Liability was 7.75%. 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 establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries paid for local governments and 0.37% paid for 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 2117. 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. A municipal bond rate was not incorporated in the discount rate.

TRS

The discount rate used to measure the total pension liability was 7.75%. 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 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability**.** No municipal bond rate was incorporated in the discount rate.

Target Allocations

	PERS		
Asset Class	**Target Asset Allocation**	**Real Rate of Return Arithmetic Basis**	**Long-Term Expected Real Rate of Return**
Cash Equivalents	2.60%	4.00%	0.10%
Domestic Equity	36.00%	4.55%	1.64%
Foreign Equity	18.00%	6.35%	1.14%
Fixed Income	23.40%	1.00%	0.23%
Private Equity	12.00%	7.75%	0.93%
Real Estate	8.00%	4.00%	0.32%
	100.00%		4.37%
		Inflation	3.00%
		Portfolio return expectation	7.37%

10. Net Pension Liability (continued)

The long-term expected return on pension plan assets was reviewed as part of the regular experience study prepared for the Plan. The experience study, performed for the period of fiscal years 2003 through 2009, was outlined in a report dated June 2010 and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, 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 returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2016, are summarized in the table on the previous page.

	TRS		
	Target Asset Allocation	**Real Rate of Return Arithmetic Basis**	**Real Rate of Return Arithmetic Basis***
Broad US Equity	36.00%	4.80%	1.73%
Broad International Equity	18.00%	6.05%	1.09%
Private Equity	12.00%	8.50%	1.02%
Intermediate Bonds	23.40%	1.50%	0.35%
Core Real Estate	4.00%	4.50%	0.18%
High Yield Bonds	2.60%	3.25%	0.08%
Non-Core Real Estate	4.00%	7.50%	0.30%
	100.00%		4.75%
		Inflation	3.25%
		Expected arithmetic nominal return	8.00%

* The long-term expected nominal rate of return above of 8.00% differs from the total TRS long-term rate of return assumption of 7.75%. The assumed rate is comprised of a 3.25% inflation rate and a real long-term expected rate of return of 4.50%.

10. Net Pension Liability (continued)

The assumed long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2009 through 2013, is outlined in a report dated May 1, 2014. 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) were developed by the investment consultant 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 then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption 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. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2016, is summarized in the table on the previous page.

Sensitivity Analysis

	1.0% Decrease (6.75%)	Current Discount Rate	1.0% Increase (8.75%)
PERS' Net Pension Liability	$ 2,471,680,508	$ 1,703,345,889	$ 1,041,500,889
District's Proportionate Share of the PERS Net Pension Liability at June 30, 2017	$ 350,796	$ 241,749	$ 147,816
TRS' Net Pension Liability	$ 2,451,115,994	$ 1,826,842,979	$ 1,301,274,169
District's Proportionate Share of the TRS Net Pension Liability at June 30, 2017	$ 2,603,893	$ 1,940,709	$ 1,382,382

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 7.75%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

10. Net Pension Liability (continued)

Summary of Significant Accounting Policies

PERS

The Montana Public Employee Retirement Administration (MPERA) prepared its financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the Net Pension Liability; Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and the 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 when 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).

TRS

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

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

Pension Amount Totals

Employers provided guidance GASB 68, paragraph 74, that pension amounts must be combined as a total or aggregate for reporting. This is true when employees are provided benefits through more than one pension, whether cost-sharing, single-employer, or agent plans.

10. Net Pension Liability (continued)

Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers and the non-employer contributing entity are required to recognize and report certain amounts associated with their participation in the Public Employees' System Defined Benefit Retirement Plan (PERS) and 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; Pension Expense; and Deferred Outflows and Deferred Inflows of Resources associated with pensions.

The Total Pension Liability minus the Fiduciary Net Position equals the Net Pension Liability. As GASB Statement 68 allows, a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's Total Pension Liability.

In accordance with Statement 68, both PERS and TRS has a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS and TRS that are used to provide pension benefits to the retired members of PERS and TRS. Due to the existence of this 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.

For PERS only, per Montana law, state agencies and universities paid their own additional contributions. These employer paid contributions are not accounted for as special funding for state agencies and universities but are reported as employer contributions. The State of Montana, as the non-employer contributing entity, also paid to the Plan coal tax contributions that are not accounted for as special funding for all participating employers.

PERS
The basis for the Total Pension Liability as of June 30, 2016, was determined by taking the results of the June 30, 2015, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called 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 update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

TRS
The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The employer's proportion of the net pension liability was based on the employer's contributions received by TRS during the measurement period July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of TRS' participating employers.

10. Net Pension Liability (continued)

	Net Pension Liability as of 6/30/17	Net Pension Liability as of 6/30/16	Percent of Collective NPL as of 6/30/17	Percent of Collective NPL as of 6/30/16	Change in Percent of Collective NPL
District's PERS Proportionate Share	$241,749	$211,390	0.0142%	0.0151%	-0.0009%
State of Montana PERS Proportionate Share associated with employer	$11,298	$9,933	0.0007%	0.0007%	0.0000%
Total	$253,047	$221,323	0.0149%	0.0158%	-0.0009%
District's TRS Proportionate Share	$1,940,709	$1,759,150	0.1062%	0.1071%	-0.0009%
State of Montana TRS Proportionate Share associated with employer	$1,267,628	$1,184,984	0.0694%	0.0721%	-0.0027%
Total	$3,208,337	$2,944,134	0.1756%	0.1792%	-0.0036%

The table above displays the District's proportionate share of the Net Pension Liability and the State's proportion of the Net Pension Liability at June 30, 2016 and 2017. The District's proportion of the Net Pension Liability was based on the District's contributions received by PERS and TRS during the measurement period of July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERS' and TRS' participation employers. At June 30, 2017, the employer's proportion was 0.0142 percent and 0.1062 percent for PERS and TRS, respectively.

10. Net Pension Liability (continued)

Changes in actuarial assumptions and methods: For PERS, there were no changes in assumptions or other inputs that affected the measurement of the Total Pension Liability. For TRS, since the previous measurement date the normal cost method has been updated to align the calculation of the projected compensation and the total present value of plan benefits so that the normal cost rate reflects the most appropriate allocation of plan costs over future compensation.

Changes in benefit terms: For both PERS and TRS, there have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: Between the measurement date of the collective NPL and the employer's reporting date there were no changes in proportion that would have an effect on the employer's proportionate share of the collective NPL since the previous measurement date. However, each employer may have unique circumstances that will impact the employer's proportionate share of the collective NPL. If there were changes that are expected to have an impact on the NPL, the employer should disclose the amount of the expected resultant change in the employer's proportionate share of the collective NPL, if known.

Pension Expense

	Pension Expense as of June 30, 2017	
	PERS	TRS
District's Proportionate Share	$4,091	$135,705
State of Montana Proportionate Share associated with the Employer	$947	$59,105
Total	$5,038	$194,810

At June 30, 2017, the employer recognized a Pension Expense of $4,091 and $135,705 for its proportionate share of the PERS' and TRS' Pension Expense, respectively. The employer also recognized grant revenue of $947 and $59,105 for the support provided by the State of Montana for its proportionate share of the Pension Expense that is associated with the employer for PERS and TRS, respectively. PERS also recognized grant revenue of $4,236 from the Coal Tax Fund.

10. Net Pension Liability (continued)

Deferred Inflows and Outflows

At June 30, 2017, the employer reported its proportionate share of PERS' and TRS' deferred outflows of resources and deferred inflows of resources related to PERS and TRS from the following sources:

	PERS		TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,304	$ 800	$ 10,377	$ 4,125
Changes in actuarial assumptions	-	-	12,350	12,198
Difference between projected and actual investment earnings	22,744	-	124,973	-
Changes in proportion and differences between actual and expected contributions	-	37,403	7,701	49,392
Contributions paid subsequent to the measurement date- FY 2017 contributions	17,742	-	126,507	-
Total	$ 41,790	$ 38,203	$ 281,908	$ 65,715

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in Pension Expense as follows:

Year ended June 30:	Deferred Outflows of Resources		Deferred Inflows of Resources		Amount recognized in Pension Expense as an	
	PERS	TRS	PERS	TRS	PERS	TRS
2018	$ 1,101	$ 33,684	$ -	$ 28,183	$ 1,101	$ 5,501
2019	$ 1,101	$ 7,952	$ -	$ 26,510	$ 1,101	$ (18,558)
2020	$ 12,924	$ 68,904	$ -	$ 11,022	$ 12,924	$ 57,882
2021	$ 8,121	$ 44,861	$ -	$ -	$ 8,121	$ 44,861
2022	$ -	$ -	$ -	$ -	$ -	$ -
Thereafter	$ -	$ -	$ -	$ -	$ -	$ -

11. Encumbrances

Encumbrances are commitments made by the District at year end that have not been fulfilled as of June 30, 2017. They do not constitute expenditures or liabilities in the fund financial statements, but are included in expenditures in the budget basis financials. Encumbrances are reported as part of assigned and restricted fund balance for each fund. There are no encumbrances as of June 30, 2017.

12. Risk Management

The District faces a 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. A variety of methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, employee torts, professional liabilities and medical insurance costs of employees. The District participates in a statewide public risk pool, Montana School Group's Workers' Compensation Risk Retention Program, for workers' compensation coverage. And, given the lack of coverage available, the District has no coverage for potential losses from environmental damages.

Coverage limits and the deductibles on the commercial policies have stayed relatively constant for the last several years, except for property and content coverage where the guaranteed values have been increased to approximate replacement costs of the assets. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

13. Joint Venture

A joint venture is a legal entity or other organization created by a contractual agreement that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control for the purpose of pooling resources and sharing costs, risks and rewards of providing goods or services to the venture participants. The District is a member of the Park County Special Education Cooperative, which develops curriculum for special education. The Cooperative is comprised of eight member districts. The Cooperative is administered by a management board consisting of one member from each district.

14. Prior Period Adjustment

During the current year, it was determined that certain prior year Due from Other Governments amounts were incorrectly recorded as revenue in the High School Miscellaneous Fund in the amount of $15,551. To correct this error, the beginning fund balance of the High School Miscellaneous Fund, in Nonmajor Governmental Funds, of $418,090, as originally reported, has been decreased to $402,539. Due from Other Governments was originally reported with a balance of $80,434 for the prior year and would be decreased to $64,883, with the adjustment. In addition, beginning net position for governmental activities of $4,095,613, as originally reported, has been decreased to $4,080,062.

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REQUIRED SUPPLEMENTAL INFORMATION

GARDINER SCHOOL DISTRICT NO. 7 AND 4
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
General Fund
For the Year Ended June 30, 2017

	General Fund		
	Original & Final Budget	Actual	Variance
Revenues:			
District tax-levies	$ 274,850	$ 294,661	$ (19,811)
Investment interest	5,168	349	4,819
State of Montana	1,302,808	1,299,483	3,325
Other revenue sources	426,567	416,495	10,072
Total revenues	2,009,393	2,010,988	(1,595)
Expenditures:			
Current:			
Instruction	1,207,438	1,205,151	2,287
Support services	155,875	155,580	295
General administration	411,043	410,265	778
Operations and maintenance	190,745	190,384	361
Student transportation	17,241	17,208	33
Food services	9,878	9,859	19
Extracurricular	17,173	17,140	33
Total expenditures	2,009,393	2,005,587	3,806
Revenues over (under) expenditures	$ -	$ 5,401	$ (5,401)

See Independent Auditors' Report
The accompanying notes are an integral part of the required supplemental information.

GARDINER SCHOOL DISTRICT NO. 7 AND 4
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
Elementary and High School Bus Depreciation Funds
For the Year Ended June 30, 2017

	Elementary Bus Depreciation Fund		
	Original & Final Budget	Actual	Variance
Revenues:			
District tax-levies	$ 56,354	$ 56,778	$ (424)
Investment interest	5,300	182	5,118
Total revenues	61,654	56,960	4,694
Expenditures:			
Current:			
Capital outlay	61,654	-	61,654
Total expenditures	61,654	-	61,654
Revenues over (under) expenditures	$ -	$ 56,960	$ (56,960)

	High School Bus Depreciation Fund		
	Original & Final Budget	Actual	Variance
Revenues:			
District tax-levies	$ 56,118	$ 55,593	$ 525
Investment interest	5,500	148	5,352
Total revenues	61,618	55,741	5,877
Expenditures:			
Current:			
Capital outlay	61,618	-	61,618
Total expenditures	61,618	-	61,618
Revenues over (under) expenditures	$ -	$ 55,741	$ (55,741)

See Independent Auditors' Report
The accompanying notes are an integral part of the required supplemental information.

Schedule of Funding Progress

Fiscal Year		2017	2016	2015
Actuarial Valuation Date		June 30, 2015	June 30, 2015	June 30, 2015
Actuarial Value of Assets	(a)	-	-	-
Actuarial Accrued Liability (AAL)	(b)	1,103,879	1,103,879	1,103,879
Unfunded AAL (UAAL)	(b-a)	1,103,879	1,103,879	1,103,879
Funded Ratio (%)	(a/b)	0%	0%	0%
Annual Covered Payroll	(c)	1,801,100	1,722,696	1,713,979
UAAL as a Percentage of Covered Payroll	(b-a/c)	61.29%	64.08%	64.40%

History of Net OPEB Obligation

Fiscal Year Ended	June 30, 2017	June 30, 2016	June 30, 2015
Age Adjusted Contribution	$ 32,382	$ 17,425	$ 4,156
Percentage of Annual OPEB Cost Contributed	18.1%	9.8%	2.4%
Net OPEB Obligation	$ 876,973	$ 730,763	$ 569,561

GARDINER SCHOOL DISTRICT NO. 7 AND 4
Schedule of Proportionate Share of the Net Pension Liability
Montana Public Employees' Retirement System
For the Year Ended June 30, 2017

	2017	2016	2015
District's proportion of the net pension liability	0.014200%	0.015122%	0.018420%
District's proportionate share of the net pension liability	$ 241,749	$ 211,390	$ 229,519
State's proportionate share of the net pension liability associated with the District	11,298	9,933	10,729
Total	$ 253,047	$ 221,323	$ 240,248
District's covered payroll	$ 175,740	$ 182,466	$ 215,735
District's proportionate share of the net pension liability as a percentage of its covered payroll	137.561%	115.852%	106.389%
Plan fiduciary net position as a percentage of the total pension liability	74.71%	78.40%	79.87%

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

GARDINER SCHOOL DISTRICT NO. 7 AND 4
Schedule of Proportionate Share of the Net Pension Liability
Teachers' Retirement System of Montana
For the Year Ended June 30, 2017

	2017	2016	2015
District's proportion of the net pension liability	0.106200%	0.107100%	0.109000%
District's proportionate share of the net pension liability	$ 1,940,709	$ 1,759,150	$ 1,676,600
State's proportionate share of the net pension liability associated with the District	1,267,628	1,184,984	1,150,900
Total	$ 3,208,337	$ 2,944,134	$ 2,827,500
District's covered payroll	$ 1,378,933	$ 1,366,560	$ 1,373,971
District's proportionate share of the net pension liability as a percentage of its covered payroll	140.74%	128.73%	122.03%
Plan fiduciary net position as a percentage of the total pension liability	66.69%	69.30%	70.36%

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

GARDINER SCHOOL DISTRICT NO. 7 AND 4
Schedule of Contributions
Montana Public Employees' Retirement System
For the Year Ended June 30, 2017

	2017	2016	2015
District's contractually required DB contribution	$ 17,725	$ 14,273	$ 14,543
District's Contribution in relation to the contractually required contribution	17,725	14,273	14,543
District's Contribution deficiency (excess)	$ -	$ -	$ -
District's covered payroll	$ 218,829	$ 175,740	$ 182,466
Contributions as percentage of Covered Payroll	8.100%	8.122%	7.970%

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

GARDINER SCHOOL DISTRICT NO. 7 AND 4
Schedule of Contributions
Teachers' Retirement System of Montana
For the Year Ended June 30, 2017

	2017	2016	2015
District's contractually required DB contribution	$ 126,507	$ 123,460	$ 117,115
District's Contribution in relation to the contractually required contribution	126,507	123,460	117,115
District's Contribution deficiency (excess)	$ -	$ -	$ -
District's covered payroll	$ 1,442,493	$ 1,378,933	$ 1,366,560
Contributions as percentage of Covered Payroll	8.77%	8.95%	8.57%

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

1. Budgets

State law permits the inclusion of obligations for construction in progress and obligations for the purchase of personal property as expenditures for budget purposes (MCA 20-9-121). Because inclusion for these obligations is required for budgetary purposes, they have been included in expenditures in the statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual- General Fund, the Elementary and High School Bus Depreciation Funds. There were no differences between this presentation and the GAAP basis.

A budget has not been adopted for the Elementary Miscellaneous Programs fund and the High School Impact Aid fund because the school is not legally required to have a budget for those funds. Accordingly, budgetary comparison information is not presented for those major special revenue funds.

2. Other Post-Employment Benefits (OPEB)

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. This schedule is based on actuarial values as of June 30, 2015.

3. Net Pension Liability Note:

PERS
Change in benefit terms: The following changes to the plan provisions were made as identified:

2013 Legislative Changes:

House Bill 454 - Permanent Injunction Limits Application of the GABA Reduction passed under HB 454

3. Net Pension Liability (continued)

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:

<u>General Revisions</u> - 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 0.25%);
  - 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 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 0.25%);
  - 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.

3. Net Pension Liability (continued)

- 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%, .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

The following addition was adopted in 2014 based upon implementation of GASB Statement 68:

Admin Expense as % of Payroll	0.27%

There were no changes following the 2013 Economic Experience study.

The following actuarial assumptions were adopted from the June 2010 Experience Study:

General Wage Growth*	4.00%
*Includes inflation at	3.00%
Merit increase	0% to 6.0%
Investment rate of return	7.75%, 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

3. Net Pension Liability (continued)

TRS

Changes of benefit terms: The following changes to the plan provisions were made as identified:

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

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

- *Final Average Compensation:* average of earned compensation paid in five consecutive years of full-time service that yields the highest average

- *Service Retirement:* Eligible to receive a service retirement benefit if the member has been credited with at least five full years of creditable service and has attained the age of 60; or has been credited with 30 or more years of full-time or part-time creditable service and has attained age 55

- *Early Retirement:* Eligible to receive an early retirement allowance if a member is not eligible for service retirement but has at least five years of creditable service and attained age 55

- *Professional Retirement Option:* if the member has been credited with 30 or more years of service and has attained the age of 60 they are eligible for an enhanced allowance equal to 1.85% of average final compensation times all service at retirement. Otherwise, the multiplier used to calculate the retirement allowance will be equal to 1.67%

- *Annual Contribution:* 8.15% of member's earned compensation

3. Net Pension Liability (continued)

- *Supplemental Contribution Rate:* On or after July 1, 2023, the TRS Board may require a supplemental contribution up to 0.5% if the following three conditions are met:
  a) The average funded ratio of the System based on the last three annual actuarial valuations is equal to or less than 80%; and
  b) The period necessary to amortize all liabilities of the System based on the latest annual actuarial valuation is greater than 20 years; and
  c) A State or employer contribution rate increase or a flat dollar contribution to the Retirement System Trust fund has been enacted that is equivalent to or greater than the supplemental contribution rate imposed by the TRS Board.

- *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):*
  a) If the most recent actuarial valuation shows that Retirement System liabilities are at least 90% funded and the provision of the increase is not projected to cause the System's liabilities to be less than 85% funded, the GABA may increase from the 0.5% floor up to 1.5%, as set by the Board.

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

- Annual State contribution equal to $25 million paid to the System in monthly installments.

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

- 1% supplemental employer contribution. This will increase the current employer rates:
  - School Districts contributions will increase from 7.47% to 8.47%
  - The Montana University System and State Agencies will increase from 9.85% to 10.85%.
  - The supplemental employer contribution will increase by 0.1% each fiscal year for fiscal year 2014 thru fiscal year 2024. Fiscal years beginning after June 30, 2024 the total supplemental employer contribution will be equal to 2%.

3. Net Pension Liability (continued)

- Members hired prior to July 1, 2013 (Tier 1) under HB 377 are required to contribute a supplemental contribution equal to an additional 1% of the member's earned compensation.

- Each employer is required to contribute 9.85% of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position to the System.

Changes in actuarial assumptions and other inputs: The following changes to the actuarial assumptions were adopted in 2016:

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

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.

3. Net Pension Liability (continued)

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 expensed to net of investment expenses only.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:

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

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

- Mortality among disabled members was updated to the following:

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

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

Method and assumptions used in calculations of actuarially determined contributions:

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

SUPPLEMENTAL INFORMATION REQUIRED BY THE
MONTANA OFFICE OF PUBLIC INSTRUCTION

Montana's Office of Public Instruction mandates that certain information be included in a school district's annual financial statements. These items include: schedule of enrollment and detail of student extracurricular funds by activity.

GARDINER SCHOOL DISTRICT NO. 7 AND 4
Schedule of Enrollment
For the Year Ended June 30, 2017

ENROLLMENT	PER ENROLLMENT RECORDS	AUDIT PER DISTRICT RECORDS	DIFFERENCE
Fall Enrollment			
Elementary School District			
Pre-K-6:			
Pre-Kindergarten	0	0	0
Kindergarten - Half (enrolled 180+ hours per year)	0	0	0
Kindergarten - Half (enrolled <180 hours per year)	0	0	0
Grades K(Full) - 6 (enrolled 360+ hours per year)	87	87	0
Grades K(Full) - 6 (enrolled 180-359 hours per year)	0	0	0
Grades K(Full) - 6 (enrolled <180 hours per year)	0	0	0
7-8:			
Grades 7 - 8 (enrolled 360+ hours per year)	25	25	0
Grades 7 - 8 (enrolled 180-359 hours per year)	0	0	0
Grades 7 - 8 (enrolled <180 hours per year)	0	0	0
Total Elementary	112	112	0
High School District			
9-12:			
Grades 9 - 12 (enrolled 360+ hours per year)	84	84	0
Grades 9 - 12 (enrolled 180-359 hours per year)	0	0	0
Grades 9 - 12 (enrolled <180 hours per year)	0	0	0
Total High School	84	84	0
19 Year-olds included in Grades 9-12 above	10	10	0
Job Corps Students included in Grades 9-12 above	0	0	0
MT Youth Challenge in Grades 9-12 above	1	1	0

See Independent Auditors' Report

GARDINER SCHOOL DISTRICT NO.7 AND 4
Schedule of Enrollment (continued)
For the Year Ended June 30, 2017

ENROLLMENT	PER ENROLLMENT RECORDS	AUDIT PER DISTRICT RECORDS	DIFFERENCE
Spring Enrollment			
Elementary School District			
Pre-K-6:			
Pre-Kindergarten	0	0	0
Kindergarten - Half (enrolled 180+ hours per year)	0	0	0
Kindergarten - Half (enrolled <180 hours per year)	0	0	0
Grades K(Full) - 6 (enrolled 360+ hours per year)	84	84	0
Grades K(Full) - 6 (enrolled 180-359 hours per year)	0	0	0
Grades K(Full) - 6 (enrolled <180 hours per year)	0	0	0
7-8:			
Grades 7 - 8 (enrolled 360+ hours per year)	24	24	0
Grades 7 - 8 (enrolled 180-359 hours per year)	0	0	0
Grades 7 - 8 (enrolled <180 hours per year)	0	0	0
Total Elementary	108	108	0
High School District			
9-12:			
Grades 9 - 12 (enrolled 360+ hours per year)	81	81	0
Grades 9 - 12 (enrolled 180-359 hours per year)	0	0	0
Grades 9 - 12 (enrolled <180 hours per year)	0	0	0
Total High School	81	81	0
19 Year-olds included in Grades 9-12 above	10	10	0
Job Corps Students included in Grades 9-12 above	0	0	0

GARDINER SCHOOL DISTRICT NO. 7 AND 4
Schedule of Cash Collected and Disbursements and Transfers – Extracurricular Funds
For the Year Ended June 30, 2017

	Balance June 30, 2016	Revenue	Expenditures	Transfers In (Out)/ Adjustments	Balance June 30, 2017
Elementary - Volunteer	$ 1,449	$ 2,410	$ (1,906)	$ -	$ 1,953
Art	260	-	(7)	-	253
Elementary Concessions	11,765	5,913	(6,287)	-	11,391
Activities Fund	12,110	26,557	(20,699)	(368)	17,600
Student Council	2,755	4,878	(4,020)	50	3,663
Yearbook	91	3,800	(3,537)	720	1,074
Family - Consumer Science	136	-	(7)	-	129
FFA	7,409	13,546	(19,281)	22	1,696
Music Activity Fund	2,082	789	(819)	-	2,052
Plays	2,818	1,344	(1,528)	-	2,634
Industrial Technology	1,928	32	(328)	(72)	1,560
National Honor Society	-	950	(776)	-	174
TSA	-	3,109	(1,750)	-	1,359
Senior Class	(160)	765	102	244	951
Junior Class	964	1,340	(642)	(440)	1,222
Sophomore Class	156	-	(7)	77	226
Freshman Class	233	826	(17)	2,074	3,116
8th Grade Class	2,307	1	17	(1,536)	789
7th Grade Class	771	1,015	(8)	(771)	1,007
Total cash basis	$ 47,074	67,275	(61,500)	$ -	52,849
Plus current year outstanding items		-	-		-
Less prior year outstanding items		-	(479)		(479)
Total modified accrual basis		$ 67,275	$ (61,979)		$ 52,370

INTERNAL CONTROL AND COMPLIANCE SECTION

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INDEPENDENT AUDITORS' 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
Gardiner School District No. 7 and 4

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 Gardiner School District No. 7 and 4 ("the District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Gardiner School District No. 7 and 4's basic financial statements, and have issued our report thereon dated April 10, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items: 2017-1 through 2017-3.

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected 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 on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rudd & Company, PLLC

Bozeman, Montana
April 10, 2018

State of Montana and Other Compliance Findings

2017-1 Compensated Absences Fund Overage

Criteria

The maximum amount allowed in the Compensated Absences reserve fund(s) may not exceed 30% of the total accumulated sick and vacation leave of nonteaching and administrative school district employees liability recorded on June 30 of the current fiscal year, per 20-9-512, MCA.

Condition

During our audit, we noted the Compensated Absences Funds had more than 30% balance of the total school district liability for accumulated sick leave and vacation leave for nonteaching and administrative school district employees.

Context

The maximum amount allowed in the Compensated Absences Fund cash account was $11,013; however, the current balance was $16,614, causing an overage of $5,601.

Effect

The District is not in compliance with 20-9-512, MCA and has an unallowable balance in their Compensated Absences Fund.

Recommendation

We recommend the District calculate the 30% allowable balance at the end of each school fiscal year and evaluate whether a transfer needs to be made back or to the General Fund, in order to be in compliance with the 20-9-512, MCA.

District Response

The Compensated Absences Fund cash balance exceeded the 30% maximum amount allowed at year end due to the entire payout for the Superintendent being posted to separate funds. Had the District posted a portion of the payout to the Compensated Absences Fund during the transaction, the District would be in compliance. The District anticipates the balance will be below the 30% maximum at the June 30, 2018, when the new Compensated Absences Fund balance is calculated.

State of Montana and Other Compliance Findings (continued)

2017-2 New Hire Reporting

Criteria

The District is required to remit documentation of all new hires to the State of Montana within 20 days of the date the employee is hired or rehired in the District.

Condition

The District did not report a new hire to the State of Montana within 20 days of date of hire.

Context

During testing, both new hires were not reported to the State of Montana within 20 days.

Effect

The effect is the District is not in compliance with state new hire reporting regulations.

Recommendation

We recommend that the District develop a process to track new hires and rehired employees to ensure remittance within 20 days of the date of hire and/or rehire.

District Response

The District will use the following procedure: When a new potential employee has completed all of the required paperwork for hire, the District will immediately report this person to the Montana New Hire Reporting program. This will ensure that the new employee has been reported prior to the twenty-day limit. There is always the possibility of human error, but extra checks and balances will be implemented between district office staff to be certain that the actual hire date reported is within the twenty-day limit.

State of Montana and Other Compliance Findings (continued)

2017-3 Employee Record Retention

Criteria

The District is required to retain a completed Form I-9 for each individual they hire for employment. Employers must retain an employee's complete Form I-9 for as long as the individual works for the employer. Once the individual's employment has terminated, the employer must retain the Form I-9 for either three years after the date of hire or for one year after employment is terminated, whichever is later. The form must be available for inspection by authorized U.S. Government officials.

The District is also required to retain an employee's current W-4 in their employee file.

Condition

The District did not consistently retain Form I-9s or a Form W-4s for all current employees.

Context

During testing, four employees did not have a completed Form I-9 in their employee file and one employee did not have a Form W-4.

Effect

The effect is the District is not in compliance with federal and state employee record retention requirements.

Recommendation

We recommend that the District develop a process to ensure current and future employees' file include a completed Form I-9 and W-4.

District Response

The District has already implemented procedures to ensure that all human resource records are maintained in each employee's personnel file,. The Superintendent and District Clerk are working together subsequent to Board meetings, where the hiring decisions are made, and filing documents accordingly.

Prior Year Audit Findings:

2016-1 Number of Adjusting Entries
Status: Implemented