HOT SPRINGS PUBLIC SCHOOL

SANDERS COUNTY, MONTANA

Fiscal Year Ended June 30, 2020

AUDIT REPORT

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

HOT SPRINGS PUBLIC SCHOOL

SANDERS COUNTY, MONTANA

Fiscal Year Ended June 30, 2020

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Management Discussion and Analysis

The Business Manager/Clerk of the Hot Springs School District has provided this MD&A to give the reader of these statements an overview of the financial position and activities of the school district for the year ended June 30, 2020. Comparative information year ended June 30, 2019, and the year ended June 30, 2020, are required in the MD&A.

Using This Financial Report

The general format of this report is required by Statement #34 of the Governmental Accounting Standards Board (GASB). Components and purposes of the report are explained below.

Reporting the School District as a Whole

The report includes two district-wide statements that focus on operations of the district. These statements measure inputs and outflows using an economic resources measurement focus and use the accrual basis of accounting. Activities that are fiduciary in nature are not included in these statements.

- The Statement of Net Position demonstrates the resources the District would have remaining if all obligations were settled. The statement categorizes assets to show that some assets are very liquid. Liquid assets are cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Noncurrent assets are invested in "fixed" or "capital" assets. These assets are buildings, equipment, and other long-lived property such as land. Generally, some assets are reserved to fund budgets of the following year until tax revenues are received.

- The Statement of Activities shows the amounts of revenues divided into two categories, program specific revenues and general school revenues. These revenues are used to support the Districts various functions.

- Both the Statement of Net Position and the Statement of Activities divide the Districts activities into three categories:

    1. Governmental Activities – School functions, including instruction, student services, administration, etc. These activities are funded through property taxes, and state and federal revenues.
    2. Proprietary (business-type) activities – The District does not have proprietary activities.
    3. Component Units – The District does not serve as a component unit.

Reporting the District's Most Significant Funds

The fund statements provide detailed information about the funds used by the District. State law and Generally Accepted Accounting Principals (GAAP) established the fund structure of school districts. School districts are required by state law to segregate money generated for a specific purpose, like transportation and debt service, in separate fund accounts.

The fund statements report balances and activities of the most significant, or "major" funds separately. The activities of less significant funds are combined under a single category. Significance of funds is determined using three factors: the proportional size of the fund, the relative importance of the activities of the fund to the district's operations, and the existence of legal budget requirements. Internal Service Funds are never reported as major funds but are combined and presented in a separate set of financial statements.

The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance are shown for governmental funds such as the general funds, special revenue funds for transportation, school food service, debt service and capital outlay funds. These funds represent most of the district's activities and are accounted for by using the modified accrual basis.

Fund statements include a reconciliation of the governmental fund statements to the district-wide statements. The most significant differences are due to the use of different presentation bases. The district-wide statements are presented using the accrual basis of accounting, whereas the statements for the governmental funds use the modified accrual basis. In addition, general capital assets and general long-term debt are reported in the district-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 student extracurricular fund. This report includes the activities of this fund in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position. This fund is excluded from the districts statements because the assets cannot be used to fund the districts operations.

The district is responsible for ensuring the assets of the extracurricular fund are used for their intended purpose.

The District as a Whole

The Hot Springs School Districts' net position decreased by $104,298 in fiscal year 2020. The District extended its budget authority by approximately $60,000, resulting in a decrease in reserves. It is the intention of the District to rectify this deficit during fiscal year 2021. Declining enrollment continues to effect budget authority and the District needs to look for ways to support its financial needs through other funding sources. One of these solutions was to add an early kindergarten program. This program allows the district to accept 4-year-old students to be counted as part-time students as long they are approved by the school board. The District will not see an increase in funding for these students until fiscal year 2021, however the start up costs were incurred during fiscal year 2020. The program was mainly funded through the Title I program to help students of low-income families get a jump start on their education.

In March 2020, the Nation was affected by the COVID-19 virus. As a result, the District was tasked with quickly moving to a remote learning atmosphere. This transition does not come without costs. While the state and federal government did allocate additional funding to schools to help with unexpected costs, the funds were not distributed until August 2020.

Hot Springs School District
Management Discussion and Analysis
As of June 30, 2020

Table 1 - Net Position

	Governmental Activities					
		FY20		**FY19**		**Change Inc (Dec)**
Current and other assets	$	946,264	$	1,117,386	$	(171,122)
Capital assets		2,018,935		2,133,916		(114,981)
Total assets		2,965,199		3,251,302		(286,103)
Long-term debt outstanding	$	2,293,827	$	2,405,660	$	(111,833)
Other liabilities		183,002		252,974		(69,972)
Total liabilities	$	2,476,829	$	2,658,634	$	(181,805)
Net investment in capital assets	$	1,756,321	$	1,792,625	$	(36,304)
Restricted		465,677		419,298		46,379
Unrestricted (deficit)		(1,733,628)		(1,619,255)		(114,373)
Total net position	$	488,370	$	592,668	$	(104,298)

Revenues

Total revenues for the fiscal year ended June 30, 2020, were approximately 3.095 million. Total revenue consists primarily of general revenues approximately 83%. The remaining 17% of revenues are program revenues. General revenues can be used by the District at its discretion. The Districts tax revenue increased during the fiscal year, however due to declining enrollment the funds received from the state to help support the general fund balance decreased.

The District's program revenues are 99% funded by federal and state grants. The two largest grants are the federal Title I Grant and the federal 21st Century Learning Grant. These two grants help the District provide supplemental educational services to students and families in need. The remaining balance consists of Special Education, School Food Services, Student Transportation, Local Donations, Drivers Ed Fees, and Adult Ed Fees.

Expenses

The districts spending increased by **$99,175** from fiscal year 2019 to 2020. Much of the District's spending can be attributed to salaries and benefits. Due to the COVID-19 pandemic the District did experience some unexpected expenditures to help staff and students switch to a remote learning environment including technology for student.

Hot Springs School District
Management Discussion and Analysis
As of June 30, 2020

Table 2 - Changes in Net Position

	Governmental Activities		Change
	FY20	FY19	Inc (Dec)
Revenues			
Program revenues (by major source):			
Charges for services	$ 4,948	$ 10,112	$ (5,164)
Operating grants and contributions	521,930	531,630	(9,700)
General revenues (by major source):			
Property taxes for general purposes	718,078	683,172	34,906
Grants and entitlements not restricted to specific programs	1,441,901	1,457,645	(15,744)
Investment earnings	5,770	4,764	1,006
Miscellaneous (other revenue)	19,732	30,413	(10,681)
Multidistrict cooperative funding	-	-	-
State technology	1,685	-	1,685
State contributions to retirement	122,869	70,243	52,626
County retirement	227,409	253,689	(26,280)
Federal Impact Aid	31,405	30,710	695
Total revenues	$ 3,095,727	$ 3,072,378	$ 23,349
Program expenses			
Instructional - regular	$ 1,517,401	$ 1,428,732	$ 88,669
Instructional - special education	132,260	148,729	(16,469)
Instructional - vocational education	143,231	138,428	4,803
Instructional - adult education	1,362	1,601	(239)
Supporting services - operations & maintenance	280,950	281,020	(70)
Supporting services - general	15,713	9,925	5,788
Supporting services - educational media services	39,844	39,549	295
Administration - general	261,390	227,089	34,301
Administration - school	176,004	174,186	1,818
Administration - business	89,804	102,460	(12,656)
Student transportation	235,421	222,907	12,514
Extracurricular	105,330	93,431	11,899
School food	120,460	153,254	(32,794)
Debt service expense - interest	15,142	13,060	2,082
Unallocated depreciation*	65,713	66,479	(766)
Total expenses	$ 3,200,025	$ 3,100,850	$ 99,175
Increase (decrease) in net position	$ (104,298)	$ (28,472)	$ (75,826)

Significant Events and Trends

The District receives funds through the Federal Government's Impact Aid Program. This program provides money for schools that are impacted by federal non-taxable land in their district. Currently Hot Springs School District does not supplant the general fund with Impact Aid dollars. The money is used for emergency situations and capital outlay.

The federal and state government has awarded the District with approximately $1,132,475 in Federal Elementary and Secondary School Emergency Relief (ESSER) funds. These funds were provided to enable schools prevent, prepare, and respond to the coronavirus epidemic. ESSER funds must be spent by September 2024. The District is in the beginning stages of planning for the use of the ESSER funds.

Capital Assets

The District did not incur expenses related to capital assets during fiscal year 2020.

Hot Springs School District
Capital Assets

	FY19	FY 20
Land & Land Improvements	$ 100,040.00	$ 100,040.00
Buildings & Improvements - net depreciation	$1,803,431.00	$ 1,737,718.00
Machinery & Equipment - net depreciation	$ 230,445.00	$ 181,177.00
Total Expenditures Related To Gov't Activities	**$2,133,916.00**	**$ 2,018,935.00**

Debt Administration

In 2003 the District passed a 30-year general obligation bond to construct a new gymnasium. In 2018 the District entered into a loan agreement with Valley Bank for $150,000 to help fund the elementary heating system upgrade/replacement project.

District paid Total District long term debt obligations are described below:

Hot Springs School District
Debt Administration

	FY19	FY20
General Obligation Bonds/HVAC Loan	$ 341,291.00	$ 262,614
OPEB Liability	$ 60,494.00	$ 65,015.00
Net Pension Liability	$1,934,023.00	$ 1,888,531.00
Compensated Absences	$ 69,852.00	$ 77,667.00
Total Expenditures Related To Gov't Activities	**$2,405,660.00**	**$ 2,293,827.00**

The District's Future

The District implemented a Kindergarten 1 & 2 Program during fiscal year 2020. It is the hope of Administration that adding this program with the enrollment of 4 and 5-year-old students will improve student success, as well as increase general fund revenues associated with student enrollment.

It is the intent of the District to use the ESSER funds awarded to help fund much needed infrastructure improvements as it can be related to the prevention of coronaviruses. In addition, updated curriculum will be purchased that has a strong online learning components to enable staff to easily transition to remote learning and improve the classroom learning environment.

The District will continue to operate with frugal spending policies and will being planning on ways to reduce costs in areas including food service, maintenance, and general education.

Contact Information

If you have any questions about this report or need additional information, please contact the Business Manager at the Hot Springs School District, PO Box 1005, Hot Springs, MT 59845, and (406) 741-2964.

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

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Hot Springs Public School
Sanders County
Hot Springs, Montana

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

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

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

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

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

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

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

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the total OPEB liability and related ratios, schedules of proportionate share of the net pension liability, and schedules of contributions on pages 2 through 7, and 53 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated June 25, 2021, on our consideration of the Hot Springs Public School, Sanders County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hot Springs Public School, Sanders County, Montana's internal control over financial reporting and compliance.

Denning, Downey and Associates, CPA's, P.C.

June 25, 2021

Hot Springs Public School, Sanders County, Montana
Statement of Net Position
June 30, 2020

		Governmental Activities
ASSETS		
Current assets:		
Cash and investments	$	550,199
Taxes and assessments receivable, net		40,664
Accounts receivable - net		2,500
Due from other governments		75,149
Total current assets	$	668,512
Noncurrent assets		
Capital assets - land	$	100,040
Capital assets - depreciable, net		1,918,895
Total noncurrent assets	$	2,018,935
Total assets	$	2,687,447
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pensions	$	277,752
Total deferred outflows of resources	$	277,752
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$	2,965,199
LIABILITIES		
Current liabilities		
Warrants payable	$	38,694
Accounts payable		23,265
Other payroll liabilities		4,618
Current portion of long-term capital liabilities		79,813
Current portion of compensated absences payable		29,557
Total current liabilities	$	175,947
Noncurrent liabilities		
Total OPEB liability	$	65,015
Noncurrent portion of long-term capital liabilities		182,801
Noncurrent portion of compensated absences		48,110
Net pension liability		1,888,531
Total noncurrent liabilities	$	2,184,457
Total liabilities	$	2,360,404
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pensions	$	116,425
Total deferred inflows of resources	$	116,425
NET POSITION		
Net investment in capital assets	$	1,756,321
Restricted for capital projects		213,814
Restricted for debt service		85,128
Restricted for special projects		230,760
Unrestricted		(1,797,653)
Total net position	$	488,370
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$	2,965,199

See accompanying Notes to the Financial Statements

Hot Springs Public School, Sanders County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position Primary Government: Governmental Activities
Primary government:				
Governmental activities:				
Instructional - regular	$ 1,517,401	$ -	$ 276,665	$ (1,240,736)
Instructional - special education	132,260	-	29,772	(102,488)
Instructional - vocational education	143,231	-	10,127	(133,104)
Instructional - adult education	1,362	160	-	(1,202)
Supporting services - operations & maintenance	280,950	-	30,432	(250,518)
Supporting services - general	15,713	-	-	(15,713)
Supporting services - educational media services	39,844	-	-	(39,844)
Administration - general	261,390	-	-	(261,390)
Administration - school	176,004	-	-	(176,004)
Administration - business	89,804	-	-	(89,804)
Student transportation	235,421	-	80,057	(155,364)
Extracurricular	105,330	-	-	(105,330)
School food	120,460	4,788	94,877	(20,795)
Debt service expense - interest	15,142	-	-	(15,142)
Unallocated depreciation*	65,713	-	-	(65,713)
Total governmental activities	$ 3,200,025	$ 4,948	$ 521,930	$ (2,673,147)
Total primary government	$ 3,200,025	$ 4,948	$ 521,930	$ (2,673,147)

General Revenues:	
Property taxes for general purposes	$ 718,078
Grants and entitlements not restricted to specific programs	1,441,901
Investment earnings	5,770
Miscellaneous (other revenue)	19,732
State technology	1,685
State contributions to retirement	122,869
County retirement	227,409
Federal Impact Aid	31,405
Total general revenues, special items and transfers	$ 2,568,849
Change in net position	$ (104,298)
Net position - beginning	$ 592,668
Net position - end	$ 488,370

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

Hot Springs Public School, Sanders County, Montana
Balance Sheet
Governmental Funds
June 30, 2020

	General	Transportation	Bus Depreciation	School Food	Retirement	Miscellaneous Programs	Other Governmental Funds	Total Governmental Funds
ASSETS								
Current assets:								
Cash and investments	$ 169,270	$ 89,704	$ 124,196	$ -	$ 96,895	$ -	$ 112,822	$ 592,887
Taxes and assessments receivable, net	18,635	10,953	3,570	-	-	-	7,506	40,664
Accounts receivable - net	2,500	-	-	-	-	-	-	2,500
Due from other funds	-	-	64,025	-	-	-	-	64,025
Due from other governments	-	-	-	-	-	75,149	-	75,149
TOTAL ASSETS	$ 190,405	$ 100,657	$ 191,791	$ -	$ 96,895	$ 75,149	$ 120,328	$ 775,225
LIABILITIES								
Current liabilities:								
Warrants payable	$ 38,694	$ -	$ -	$ -	$ -	$ -	$ -	$ 38,694
Accounts payable	10,835	2,469	-	-	-	9,961	-	23,265
Cash overdraft	-	-	-	-	-	42,688	-	42,688
Due to other funds	-	-	-	64,025	-	-	-	64,025
Other payroll liabilities	4,618	-	-	-	-	-	-	4,618
Total current liabilities	$ 54,147	$ 2,469	$ -	$ 64,025	$ -	$ 52,649	$ -	$ 173,290
Total liabilities	$ 54,147	$ 2,469	$ -	$ 64,025	$ -	$ 52,649	$ -	$ 173,290
DEFERRED INFLOWS OF RESOURCES								
Deferred inflows of resources - taxes	$ 18,635	$ 10,953	$ 3,570	$ -	$ -	$ -	$ 7,506	$ 40,664
Total deferred inflows of resources	$ 18,635	$ 10,953	$ 3,570	$ -	$ -	$ -	$ 7,506	$ 40,664
FUND BALANCES								
Restricted	$ -	$ 87,235	$ 188,221	-	96,895	22,500	$ 112,822	$ 507,673
Assigned	76	-	-	-	-	-	-	76
Unassigned fund balance	117,547	-	-	(64,025)	-	-	-	53,522
Total fund balance	$ 117,623	$ 87,235	$ 188,221	$ (64,025)	$ 96,895	$ 22,500	$ 112,822	$ 561,271
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 190,405	$ 100,657	$ 191,791	$ -	$ 96,895	$ 75,149	$ 120,328	$ 775,225

See accompanying Notes to the Financial Statements

Hot Springs Public School, Sanders County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2020

Total fund balances - governmental funds	$	561,271
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,018,935
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		40,664
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(405,296)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(1,888,531)
The changes between actuarial assumptions, differences in expected vs actual pension experiences, changes in proportionate share allocation, and current year retirement contributions as they relate to the net pension liability are a deferred outflow of resources and are not payable in current period, therefore are not reported in the funds.		277,752
The changes between actuarial assumptions, differences in projected vs actual investment earnings, and changes in proportionate share allocation as they relate to the net pension liability are a deferred inflows of resources and are not available to pay for current expenditures, therefore are not reported in the funds.		(116,425)
Total net position - governmental activities	$	488,370

See accompanying Notes to the Financial Statements

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

	General	Transportation	Bus Depreciation	School Food	Retirement	Miscellaneous Programs	Other Governmental Funds	Total Governmental Funds
REVENUES								
Local revenue	$ 355,613	$ 203,863	$ 68,185	$ 4,788	$ 887	$ 1,859	$ 141,098	$ 776,293
County revenue	-	41,179	-	-	227,409	-	-	268,588
State revenue	1,599,110	38,878	-	-	-	63,710	35,168	1,736,866
Federal revenue	31,405	-	-	71,805	-	236,676	-	339,886
Total revenues	$ 1,986,128	$ 283,920	$ 68,185	$ 76,593	$ 228,296	$ 302,245	$ 176,266	$ 3,121,633
EXPENDITURES								
Instructional - regular	$ 1,008,678	$ -	$ -	$ -	$ 110,427	$ 272,159	$ 4,336	$ 1,395,600
Instructional - special education	89,120	-	-	-	14,682	-	28,458	132,260
Instructional - vocational education	108,862	-	-	-	17,266	17,103	-	143,231
Instructional - adult education	-	-	-	-	59	-	1,303	1,362
Supporting services - operations & maintenance	236,130	-	-	-	14,600	549	29,671	280,950
Supporting services - general	14,557	-	-	-	1,156	-	-	15,713
Supporting services - educational media services	35,622	-	-	-	4,222	-	-	39,844
Administration - general	168,419	51,616	-	-	23,226	-	18,129	261,390
Administration - school	163,517	-	-	-	12,487	-	-	176,004
Administration - business	57,588	24,870	-	-	7,346	-	-	89,804
Student transportation	12,808	177,888	-	-	3,546	-	-	194,242
Extracurricular	97,485	-	-	-	7,845	-	-	105,330
School food	6,364	-	-	84,072	6,952	23,072	-	120,460
Debt service expense - principal	28,677	-	-	-	-	-	50,000	78,677
Debt service expense - interest	4,282	-	-	-	-	-	10,860	15,142
Total expenditures	$ 2,032,109	$ 254,374	$ -	$ 84,072	$ 223,814	$ 312,883	$ 142,757	$ 3,050,009
Excess (deficiency) of revenues over expenditures	$ (45,981)	$ 29,546	$ 68,185	$ (7,479)	$ 4,482	$ (10,638)	$ 33,509	$ 71,624
OTHER FINANCING SOURCES (USES)								
Transfers in	$ -	$ -	-	-	-	$ -	$ 1,222	$ 1,222
Transfers out	(1,222)	-	-	-	-	-	-	(1,222)
Total other financing sources (uses)	$ (1,222)	$ -	$ -	$ -	$ -	$ -	$ 1,222	$ -
Net Change in Fund Balance	$ (47,203)	$ 29,546	$ 68,185	$ (7,479)	$ 4,482	$ (10,638)	$ 34,731	$ 71,624
Fund balances - beginning	$ 164,826	$ 57,689	$ 120,036	$ (56,546)	$ 92,413	$ 33,138	$ 78,091	$ 489,647
Fund balance - ending	$ 117,623	$ 87,235	$ 188,221	$ (64,025)	$ 96,895	$ 22,500	$ 112,822	$ 561,271

See accompanying Notes to the Financial Statements

Hot Springs Public School, Sanders County, Montana
Reconciliation of the Statement of Revenues, Expenditures.
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2020

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

Net change in fund balances - total governmental funds	$	71,624
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
- Depreciation expense		(114,981)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
- Long-term receivables (deferred inflows)		(25,906)
The change in compensated absences is shown as an expense in the Statement of Activities		(7,815)
Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:		
- Long-term debt principal payments		78,677
Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:		
- Post-employment benefits other than retirement liability		(4,521)
Pension expense related to the net pension liability is shown as an expense on the Statement of Activites and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance		(101,376)
Change in net position - Statement of Activities	$	(104,298)

See accompanying Notes to the Financial Statements

Hot Springs Public School, Sanders County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2020

		Private Purpose Trust Funds
ASSETS		
Cash and short-term investments	$	67,710
Total assets	$	67,710
NET POSITION		
Assets held in trust	$	67,710

See accompanying Notes to the Financial Statements

Hot Springs Public School, Sanders County, Montana
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2020

		Private Purpose Trust Funds
ADDITIONS		
Contributions:		
Student activities	$	67,780
Total additions	$	67,780
DEDUCTIONS		
Student activities	$	69,519
Student scholarships		1,000
Total deductions	$	70,519
Change in net position	$	(2,739)
Net Position - Beginning of the year	$	70,449
Net Position - End of the year	$	67,710

See accompanying Notes to the Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

New Accounting Pronouncements

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

Financial Reporting Entity

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

Primary Government

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

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

Basis of Presentation, Measurement Focus and Basis of Accounting

<u>Government-wide Financial Statements:</u>

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

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

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

Measurement Focus and Basis of Accounting

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

Fund Financial Statements:

Basis of Presentation

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

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

Measurement Focus and Basis of Accounting

Governmental Funds:

Modified Accrual

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

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

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

Major Funds:
The District reports the following major governmental funds:

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

Transportation Fund – Authorized by Section 20-10-143, MCA, for the purpose of financing the maintenance and operation of district owned school buses, contracts with private carriers for school bus service, individual transportation contracts, and any amount necessary for the purchase, rental, or insurance of yellow school buses or operation of the transportation program. The fund may be used only to support costs of home-to-school transportation.

Bus Depreciation Fund – Authorized by Section 20-10-147, MCA, for the purpose of financing the replacement of buses and two-way radio equipment owned by the district.

School Food Services Fund – Authorized by Section 20-10-201, MCA, for the purpose of accounting for school food service operations, including state and federal reimbursements.

Retirement Fund –Authorized by Section 20-9-501, MCA, for the purpose of financing the employer's contribution to the Teachers' Retirement System, the Public Employees' Retirement System, Unemployment Compensation, Social Security and Medicare.

Miscellaneous Programs Fund – Authorized by Section 20-9-507, MCA, for the purpose of accounting for local, state or federal grants and reimbursements. Donations and expendable trusts for scholarships or other purposes that support district programs are deposited in this fund.

Fiduciary Funds:
Fiduciary funds presented using the economic resources measurement focus and the accrual basis of accounting (except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment healthcare plans). The required financial statements are a statement of fiduciary net position and a statement of changes in fiduciary net assets. The fiduciary funds are:

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

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

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

The School District does not own specific identifiable investment securities in the pool; therefore, is not subject to categorization. Information regarding investment risk, collateral, security, and fair values for Sanders County deposits and investments is available from Sanders County Treasurer's office, 11 Main Street, Thompson Falls, Montana, 59873. Fair value approximates carrying value for investments as of June 30, 2020.

Authorized investments allowed by Section 20-9-213, MCA, include savings or time deposits in a state or national bank, building or loan association, or credit union insured by the FDIC or NCUA located in the state; repurchase agreements; 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 fund if the fund meets certain conditions.

		Primary Government
Cash on hand and deposits:		
Cash held at Sanders County	$	550,199
Cash in banks:		
Demand deposits		51,936
Savings deposits		15,774
Total	$	617,909

Deposits
The District's deposit balance at year end was $67,710 and the bank balance was $69,175.

Custodial Credit Risk
Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. All deposits are carried at cost plus accrued interest. As of June 30, 2020, the government's bank balance was fully insured by FDIC.

		June 30, 2020 Balance
Depository Account		
Insured	$	69,175
Total deposits and investments	$	69,175

NOTE 3. RECEIVABLES

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

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

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

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts.

NOTE 4. INVENTORIES AND PREPAIDS

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

NOTE 5. CAPITAL ASSETS

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

Buildings	20 – 50 years
Improvements	20 years
Equipment	15 – 20 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the District has included the value of all infrastructure into the 2020 Basic Financial Statements.

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

Governmental activities:

	Balance July 1, 2019	Additions	Balance June 30, 2020
Capital assets not being depreciated:			
Land	$ 100,040	$ -	$ 100,040
Total capital assets not being depreciated	$ 100,040	$ -	$ 100,040
Other capital assets:			
Buildings	$ 3,281,345	$ -	$ 3,281,345
Machinery and equipment	833,733	-	833,733
Total other capital assets at historical cost	$ 4,115,078	$ -	$ 4,115,078
Less: accumulated depreciation	$ (2,081,202)	$ (114,981)	$ (2,196,183)
Total	$ 2,133,916	$ (114,981)	$ 2,018,935

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

Governmental Activities:	
Instructional – regular	$ 8,089
Student transportation	41,179
Unallocated	65,713
Total governmental activities depreciation expense	$ 114,981

NOTE 6. LONG TERM DEBT OBLIGATIONS

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

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

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

Governmental Activities:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
General obligation bonds	$ 220,000	$ -	$ (50,000)	$ 170,000	$ 50,000
Loans/Contracted debt	121,291	-	(28,677)	92,614	29,813
Compensated absences	69,852	7,815	-	77,667	29,557
Total	$ 411,143	$ 7,815	$ (78,677)	$ 340,281	$ 109,370

In prior years the General Fund and the compensated absences fund was used to liquidate compensated absences and claims and judgments.

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

Purpose	Origination Date	Interest Rate	Term	Maturity Date	Principal Amount	Annual Payment	Balance June 30, 2020
Elementary Gym Bond	1/23/03	3.00%	20yrs	7/1/23	$400,000	Varies	$ 85,000
High School Gym Bond	1/23/03	3.00%	20yrs	7/1/23	400,000	Varies	85,000
					$800,000		$ 170,000

Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
2021	$ 50,000	$ 7,912
2022	60,000	5,608
2023	60,000	2,172
Total	$ 170,000	$ 15,692

Loans/Contracted Debt

Loans/contracted debts outstanding as of June 30, 2020, were as follows:

Purpose	Origination Date	Interest Rate	Term	Maturity Date	Principal Amount	Annual Payment	Balance June 30, 2020
Heating System Loan	8/27/17	3.00%	5yrs	7/1/22	$150,000	$ 32,939	$ 92,614

Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
2021	$ 29,813	$ 3,126
2022	30,820	2,120
2023	31,981	1,079
Total	$ 92,614	$ 6,325

Compensated Absences

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

At the beginning of each school year each teacher shall be credited with ten days of leave at full salary for personal illness or disability, personal medical appointments, quarantine or communicable disease, or illness in the immediate family.

With Board approval, an additional 30 days of sick leave will be allowed for catastrophic illness. The Board has the authority to verify the illness as catastrophic. If this does not allow sufficient time to return to work, any teacher may donate any of their own accumulated unused sick leave to such a person.

Unused days of sick leave each year will be allowed to accumulate to sixty (60) days. The school board will pay a rate of ½ substitute rate for every unused sick leave day beyond sixty (60) days at the end of each school year. Upon termination, compensation will be determined by:

a. For sixty (60) or fewer unused sick leave days:
    - Termination Pay = .125 (ns) (TS)/Nd where
    - Ns = Number of unused sick days sixty (60) or less
    - TS = Termination Salary
    - Nd = Total of PI and PIR days in current school year
b. And, if applicable, the number of unused sick days over sixty (60) ties ½ substitute rate.

The liability associated with governmental fund-type employees is reported in the governmental activities.

NOTE 7. POSTEMPLOYMENT HEALTHCARE PLAN

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

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

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

Inactive employees or beneficiaries receiving benefit payments	1
Active employees	27
Total employees	28

Total OPEB Liability

The District's total OPEB liability of $65,015 at June 30, 2020, was determined by using the alternative measurement method. The measurement date of the determined liability was June 30, 2020.

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

Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	2.10%
Average salary increase (Consumer Price Index)	2.54%

Health care cost rate trend (Federal Office of the Actuary)

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

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

Life expectancy of employees was based on the United States Life Tables, 2011 for Males: Table 2 and Females: Table 3 as published in the National Vital Statistics Reports, Vol. 68, No. 7, June 24, 2019.

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

Changes in the Total OPEB Liability

Balance at 6/30/2019	$ 60,494
Changes for the year:	
Service Cost	$ 5,891
Restatement	(1,370)
Net Changes	$ 4,521
Balance at 6/30/2020	$ 65,015

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

	1% Decrease (1.10%)	Discount Rate (2.10%)	1% Increase (3.10%)
Total OPEB Liability	$ 74,919	$ 65,015	$ 56,973

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

	1% Decrease	Healthcare Cost Trends*	1% Increase
Total OPEB Liability	$ 55,035	$ 65,015	$ 77,494

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

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

For the year ended June 30, 2020, the District recognized an OPEB expense of $4,521. The District does not report any deferred outflows of resources and deferred inflows of resources related to OPEB as there were no differences between expected and actual experience or changes in assumptions performed in the alternative measurement method. In addition, since District records costs as they come due, there are no deferred outflows of resources for contributions to the OPEB plan trust.

NOTE 8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2020, was as follows:

Due to/from other funds

Purpose	Receivable Fund	Payable Fund	Amount
Cover negative cash balance	Bus Depreciation – Major Governmental	School Food – Major Governmental	$ 64,025

Interfund Transfers

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

Purpose	Receivable Fund	Payable Fund	Amount
Fund future compensated absence payouts	Compensated Absences – Nonmajor Governmental	General – Major Governmental	$ 1,222

NOTE 9. NET PENSION LIABILITY (NPL)

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

District's Proportionate Share Associated With:	PERS	TRS	Pension Totals
Net Pension Liability	$ 336,313	$ 1,552,218	$ 1,888,531
Deferred outflows of resources*	$ 54,380	$ 223,372	$ 277,752
Deferred inflows of resources	$ 36,660	$ 79,765	$ 116,425
Pension expense	$ 54,046	$ 290,596	$ 344,642

*Deferred outflows for PERS and TRS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of $20,078, and $99,749, respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Total deferred inflows and outflows in the remainder of the note are as of the measurement date of June 30, 2019.

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

Public Employee's Retirement System – Defined Benefit Retirement Plan

Summary of Significant Accounting Policies

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

Plan Descriptions

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

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

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

Summary of Benefits

Service retirement:

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

    - Any age, 30 years of membership service.
- Hired on or after July 1, 2011:
    - Age 65, 5 years of membership service;
    - Age 70, regardless of membership service.

Early Retirement (actuarially reduced):

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

Second Retirement (requires returning to PERS-covered employer or PERS service):
1) Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:

a. A refund of member's contributions plus return interest (currently .77% effective July 1, 2017).
b. No service credit for second employment;
c. Start the same benefit amount the month following termination; and
d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

2) Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:

a. A recalculated retirement benefit based on provisions in effect after the initial retirement; and
b. GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.

3) Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:

a. The same retirement as prior to the return to service;
b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
c. GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Vesting

- 5 years of membership service

Member's highest average compensation (HAC)

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

Compensation Cap

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

Monthly benefit formula
Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

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

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

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

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

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

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

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

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

1. Rates are specified by state law and are a percentage of the member's compensation.
   a. Contributions are deducted from each member's salary and remitted by participating employers;
   b. The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
   a. Plan members are required to contribute 7.90% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.
   b. The 7.90% member contributions is temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
3. Employer contributions to the system:
   a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
   b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

4. Non-Employer Contributions
   a. Special Funding
      i. The State contributes 0.1% of members' compensation on behalf of local government entities.
      ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
      iii. The State contributed a statutory appropriation from its General Fund of $33,454,182.

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

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

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the District's and the state of Montana's NPL for June 30, 2020, and 2019, are displayed below. The District proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The District recorded a liability of $336,313 and the District's proportionate share was 0.016089 percent.

		Net Pension Liability as of 6/30/2020		Net Pension Liability as of 6/30/2019	Percent of Collective NPL as of 6/30/2020	Percent of Collective NPL as of 6/30/2019	Change in Percent of Collective NPL
Employer Proportionate Share	$	336,313	$	342,146	0.016089%	0.016393%	-0.000304%
State of Montana Proportionate Share associated with Employer		119,251		125,474	0.005705%	0.006012%	-0.000307%
Total	$	455,564	$	467,620	0.021794%	0.022405%	-0.000611%

Changes in actuarial assumptions and methods:

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

Changes in benefit terms:

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

Changes in proportionate share:

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

Pension Expense:

At June 30, 2020, the District recognized a Pension Expense of $54,046 for its proportionate share of the pension expense. The District also recognized grant revenue of $940 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the District. Additionally, the District recognized grant revenue of $7,156 from the State Statutory Appropriation from the General Fund.

		Pension Expense as of 6/30/20		Pension Expense as of 6/30/19
Employer Proportionate Share	$	45,950	$	39,352
State of Montana Proportionate Share associated with the Employer		940		8,374
State of Montana State Appropriation for the Employer		7,156		-
Total	$	54,046	$	47,726

Recognition of Beginning Deferred Outflow

At June 30, 2020, the District recognized a beginning deferred outflow of resources for the Districts fiscal year 2019 contributions of $22,262.

Recognition of Deferred Inflows and Outflows:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 15,947	$ 15,825
Actual vs. Expected Investment Earnings	4,078	-
Changes in Assumptions	14,277	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	20,835
Employer contributions sunsequent to the measurement date - FY20*	20,078	-
Total	$ 54,380	$ 36,660

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

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

For the Measurement Year ended June 30:		Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2020	$	12,016
2021	$	(19,550)
2022	$	1,517
2023	$	3,660
Thereafter	$	-

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

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

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

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2014
- Member hired on or after July 1, 2013:
  - 1.5% for each year PERS is funded at or above 90%;
  - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
  - 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among Disabled members are based on RP 2000 Combined Mortality Tables with no projections.

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

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

Discount Rate

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

1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
$ 483,186	$ 336,313	$ 212,885

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

PERS Disclosure for the defined contribution plan

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

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

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

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

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

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

Teachers Retirement System

Summary of Significant Accounting Policies

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

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

Plan Descriptions

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

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

Summary of Benefits

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

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

A guaranteed annual benefit adjustment (GABA) is payable on January 1st of each calendar year for each retiree who has received at least 36 monthly retirement benefit payments prior to that date.

The GABA is applicable to both Tier One and Tier Two members. The GABA for Tier One members is 1.5% of the benefit payable as of January 1st. For Tier Two members the GABA each year may vary from 0.5% to 1.5% based on the retirement system's funding status and the period required to amortize any unfunded accrued actuarial liability as determined in the prior actuarial valuation.

Contributions

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

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

School District and Other Employers

	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%	19.3 1%
July 1, 2016 to June 30, 2017	8.15%	8.77%	2.49%	19.41%
July 1, 2017 to June 30, 2018	8.15%	8.87%	2.49%	19.5 1%
July 1, 2018 to June 30, 2019	8.15%	8.97%	2.49%	19.61%
July 1, 2019 to June 30, 2020	8.15%	9.07%	2.49%	19.71%
July 1, 2020 to June 30, 2021	8.15%	9.17%	2.49%	19.8 1%
July 1, 2021 to June 30, 2022	8.15%	9.27%	2.49%	19.91%
July 1, 2022 to June 30, 2023	8.15%	9.37%	2.49%	20.01%
July 1, 2023 to June 30, 2024	8.15%	9.47%	2.49%	20.11%

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

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

	Net Pension Liability as of 6/30/2020	Net Pension Liability as of 6/30/2019	Percent of Collective NPL as of 6/30/2020	Percent of Collective NPL as of 6/30/2019	Change in Percent of Collective NPL
Employer Proportionate Share	$ 1,552,218	$ 1,591,877	0.0805%	0.0858%	-0.0053%
State of Montana Proportionate Share associated with Employer	940,930	993,766	0.4880%	0.0535%	-0.0047%
Total	$ 2,493,148	$ 2,585,643	0.5685%	0.1393%	-0.0100%

At June 30, 2020, the District recorded a liability of $1,552,218 for its proportionate share of the Net Pension Liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The District's proportion of the net pension liability was based on the employer's contributions received by TRS during the measurement period July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of TRS' participating employers. At June 30, 2020, the District's proportion was 0.0805 percent.

Changes in actuarial assumptions and methods:

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

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

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

Changes in benefit terms:

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

Changes in proportionate share:

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

Pension Expense:

At June 30, 2020, the District recognized a Pension Expense of $290,596 for its proportionate share of the TRS' pension expense. The District also recognized grant revenue of $114,773 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the District.

		Pension Expense as of 6/30/20
Employer Proportionate Share	$	175,823
State of Montana Proportionate Share associated with the Employer		114,773
Total	$	290,596

Recognition of Beginning Deferred Outflow

At June 30, 2020, the District recognized a beginning deferred outflow of resources for the District's fiscal year 2019 contributions of $98,018.

Recognition of Deferred Inflows and Outflows:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 10,275	$ -
Actual vs. Expected Investment Earnings	77,506	3,480
Changes in Assumptions	15,047	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	20,795	76,285
Employer contributions sunsequent to the measurement date - FY20*	99,749	-
Total	$ 223,372	$ 79,765

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

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

For the Measurement Year ended June 30:		Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2021	$	46,595
2022	$	(5,767)
2023	$	(9,429)
2024	$	12,458
2025	$	-
Thereafter	$	-

Actuarial Assumptions

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

- Total Wage Increases* 3.25% - 7.76% for Non-University Members and 4.25% for University Members
- Investment Return 7.50%
- Price Inflation 2.50%
- Postretirement Benefit Increases
  - Tier One Members: If the retiree has received benefits for at least 3 years, the retirement allowance will be increased by 1.5% on January 1st.
  - Tier Two Members, the retirement allowance will be increased by an amount equal to or greater than 0.5% but no more than 1.5% if the most recent actuarial valuation shows the System to be at least 90% funded and the provisions of the increase is not projected to cause the funded ratio to be less than 85%.
- Mortality among contributing members, service retired members, and beneficiaries
  - RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years for both males and females
- Mortality among disabled members
  - RP 2000 Disabled Mortality Table for, set back three years for males and set forward two years for females, with mortality improvements projected by Scale BB to 2022.

*Total Wage Increases include 3.25% general wage increase.

Discount Rate

TRS

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

Target Allocations

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

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

The assumed long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years through 2126, is outlined in a report dated May 3, 2018. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation). Estimates of variability and correlations for each asset class, were developed by the System's investment consultant.

These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The long-term rate of return assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The average long-term capital market assumptions published in the Survey of Capital Market Assumptions 2017 Edition by Horizon Actuarial Service, LLC, yield a median real return of 5.07%. Our recommended assumption of 5.00% for the real return reflects granting each source some degree of credibility. Combined with the 2.50% inflation assumption, the resulting nominal return is 7.50%. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2018, is summarized in the above table.

Sensitivity Analysis

1.0% Decrease (6.50%)	Current Discount Rate	1.0% Increase (8.50%)
$ 2,123,042	$ 1,552,218	$ 1,073,960

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

NOTE 10. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

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

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

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

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

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

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

Restricted Fund Balance

Fund	Amount	Purpose of Restriction
Transportation	$ 87,235	Pupil Transportation
Bus Depreciation	188,221	Bus replacement
Retirement	96,895	Employer costs of benefits
Miscellaneous Programs	22,500	Third party grantor restrictions
All other aggregate	66,436	Debt Service
	5,330	Student instructional services
	15,162	Vacation and sick leave payouts
	1	Technology upgrades and maintenance
	4,581	Adult Education
	20,938	Future construction costs
	374	Miscellaneous
Total	$ 507,673	

Other Significant Commitments

Encumbrances

Fund	Amount of Encumbrance
General	$ 76

NOTE 11. DEFICIT FUND BALANCES/NET POSITION

Fund Name	Amount	Reason for Deficit	How Deficit will be eliminated
School Food	$ 64,025	Insufficient resources to cover due to other fund	Reduction of expenditures and support of General Fund

NOTE 12. SERVICES PROVIDED BY OTHER GOVERNMENTS

County Provided Services

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

NOTE 13. RISK MANAGEMENT

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

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

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

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

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

NOTE 14. SUBSEQUENT EVENTS

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

The State of Montana received $1.25 billion from the Coronavirus Relief Fund, and allotted $75 million of this to go to schools. The State of Montana distributed this based on the school districts ANB. The District was awarded $91,224 from this funding to assist with covering the necessary expenditures incurred due to COVID-19. The District had not incurred any expenditures prior to the end of June 30, 2020, and spent the funding equal to $91,224 before the end of December 31, 2020. The remaining $44,317 was returned to the state in January 2021. The State of Montana also received roughly $40 million from the ESSER Funds. The District has been awarded $82,070 of this funding, and spent $56,488 prior to the end of June 30, 2020. In the subsequent period through June 2021, the District spent $20,568 in these funds.

For ESSER II and III the State of Montana received $170 million and $382 million in funding to be distributed to schools across the state. As of April 2021, the State had determined the distributions of these funds for ESSER II based on Title I funding, and have projections for ESSER III. The allocated ESSER II funds expected for the District equal $324,851 and the projected ESSER III funds for the District equal to $725,554. The ESSER II funds are to be expended by September 30, 2023, and the ESSER III to be expended by September 30, 2024.

REQUIRED SUPPLEMENTARY INFORMATION

Hot Springs Public School, Sanders County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2020

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Local revenue	$ 325,245	$ 325,245	$ 335,848	$ 10,603
State revenue	1,476,241	1,476,241	1,476,241	-
Amounts available for appropriation	$ 1,801,486	$ 1,801,486	$ 1,812,089	$ 10,603
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	$ 856,463	$ 856,463	$ 885,086	$ (28,623)
Instructional - special education	95,900	95,900	89,120	6,780
Instructional - vocational education	124,976	124,976	108,862	16,114
Supporting services - operations & maintenance	233,883	233,883	236,130	(2,247)
Supporting services - general	-	-	14,557	(14,557)
Supporting services - educational media services	32,827	32,827	35,622	(2,795)
Administration - general	127,849	127,849	153,416	(25,567)
Administration - school	155,706	155,706	163,517	(7,811)
Administration - business	55,261	55,261	57,588	(2,327)
Student transportation	21,321	20,121	12,808	7,313
Extracurricular	98,500	98,500	97,485	1,015
School food	-	-	6,364	(6,364)
Total charges to appropriations	$ 1,802,686	$ 1,801,486	$ 1,860,555	$ (59,069)
OTHER FINANCING SOURCES (USES)				
Transfers out	$ -	$ -	$ (1,222)	$ (1,222)
Total other financing sources (uses)	$ -	$ -	$ (1,222)	$ (1,222)
Net change in fund balance			$ (49,688)	
Fund balance - beginning of the year			$ 160,712	
Fund balance - end of the year			$ 111,024	

Hot Springs Public School, Sanders County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2020

	Transportation			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Local revenue	$ 198,854	$ 198,854	$ 203,863	$ 5,009
County revenue	42,766	42,766	41,179	(1,587)
State revenue	42,765	42,765	38,878	(3,887)
Amounts available for appropriation	$ 284,385	$ 284,385	$ 283,920	$ (465)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Administration - general	$ 54,467	$ 54,467	$ 51,616	$ 2,851
Administration - business	25,709	25,709	24,870	839
Student transportation	204,886	204,886	177,888	26,998
Total charges to appropriations	$ 285,062	$ 285,062	$ 254,374	$ 30,688
Net change in fund balance			$ 29,546	
Fund balance - beginning of the year			$ 57,689	
Fund balance - end of the year			$ 87,235	

Hot Springs Public School, Sanders County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2020

	Bus Depreciation			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Local revenue	$ 64,693	$ 64,693	$ 68,185	$ 3,492
Amounts available for appropriation	$ 64,693	$ 64,693	$ 68,185	$ 3,492
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Capital outlay	$ 184,729	$ 184,729	$ -	$ 184,729
Total charges to appropriations	$ 184,729	$ 184,729	$ -	$ 184,729
Net change in fund balance			$ 68,185	
Fund balance - beginning of the year			$ 120,036	
Fund balance - end of the year			$ 188,221	

Hot Springs Public School, Sanders County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2020

	Retirement			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Local revenue	$ -	$ -	$ 887	$ 887
County revenue	214,032	214,032	227,409	13,377
Amounts available for appropriation	$ 214,032	$ 214,032	$ 228,296	$ 14,264
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	$ 117,770	$ 117,770	$ 110,427	$ 7,343
Instructional - special education	18,520	18,520	14,682	3,838
Instructional - vocational education	17,990	17,990	17,266	724
Instructional - adult education	620	620	59	561
Supporting services - operations & maintenance	18,470	18,470	14,600	3,870
Supporting services - general	890	890	1,156	(266)
Supporting services - educational media services	4,165	4,165	4,222	(57)
Administration - general	15,710	15,710	23,226	(7,516)
Administration - school	23,826	23,826	12,487	11,339
Administration - business	8,825	8,825	7,346	1,479
Student transportation	7,910	7,910	3,546	4,364
Extracurricular	10,820	10,820	7,845	2,975
School food	9,855	9,855	6,952	2,903
Total charges to appropriations	$ 255,371	$ 255,371	$ 223,814	$ 31,557
Net change in fund balance			$ 4,482	
Fund balance - beginning of the year			$ 92,413	
Fund balance - end of the year			$ 96,895	

Hot Springs Public School, Sanders County, Montana
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation

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

	General	Transportation	Bus Depreciation	Retirement
Sources/Inflows of resources				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	$ 1,812,089	$ 283,920	$ 68,185	$ 228,296
Combined funds (GASBS 54 and GASB 85) revenues	174,039	-	-	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	$ 1,986,128	$ 283,920	$ 68,185	$ 228,296
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 1,860,555	$ 254,374	$ -	$ 223,814
Combined funds (GASBS 54 and GASB 85) expenditures	171,186			
- Encumbrances reported at the beginning of the year	444	-	-	-
- Encumbrances reported at the end of the year	(76)	-	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 2,032,109	$ 254,374	$ -	$ 223,814

Note B - The School Food and Miscellaneous Programs Funds are major special revenue funds in which a legally adopted budget is not required.

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

	2020	2019	2018	2017
Total OPEB liability				
Service Cost	$ 5,891	$ 4,037	$ 4,037	$ -
Changes in assumptions	(1,370)	-		-
Net change in total OPEB liability	4,521	4,037	4,037	-
Total OPEB Liability - beginning	60,494	56,457	43,004	43,004
Restatement	-	-	9,416	-
Total OPEB Liability - ending	$ 65,015	$ 60,494	$ 56,457	$ 43,004
Covered-employee payroll	$ 796,680	$ 1,027,841	$ 1,027,841	$ 659,889
Total OPEB liability as a percentage of covered -employee payroll	8%	6%	5%	7%

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

Hot Springs Public School, Sanders County, Montana
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2020

	TRS 2020	TRS 2019	TRS 2018	TRS 2017	TRS 2016	TRS 2015
Employer's proportion of the net pension liability	0.0805%	0.0858%	0.0840%	0.0821%	0.0803%	0.0815%
Employer's proportionate share of the net pension liability associated with the Employer	$ 1,552,218	$ 1,591,877	$ 1,415,611	$ 1,499,531	$ 1,319,344	$ 1,254,032
State of Montana's proportionate share of the net pension liability associated with the Employer	$ 940,930	$ 993,766	$ 898,783	$ 980,240	$ 890,593	$ 861,497
Total	$ 2,493,148	$ 2,585,643	$ 2,314,394	$ 2,479,771	$ 2,209,937	$ 2,115,529
Employer's covered payroll	$ 1,092,728	$ 1,145,558	$ 1,107,392	$ 1,065,471	$ 1,024,909	$ 1,027,675
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	142.05%	138.96%	127.83%	140.74%	128.73%	122.03%
liability	68.64%	69.09%	70.09%	66.69%	69.30%	70.36%

	PERS 2020	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Employer's proportion of the net pension liability	0.016089%	0.016393%	0.019189%	0.176730%	0.017712%	0.017521%
Employer's proportionate share of the net pension liability associated with the Employer	$ 336,313	$ 342,146	$ 373,737	$ 301,028	$ 247,591	$ 218,316
State of Montana's proportionate share of the net pension liability associated with the Employer	$ 119,251	$ 125,474	$ 17,072	$ 14,069	$ 11,634	$ 10,206
Total	$ 455,564	$ 467,620	$ 390,809	$ 315,097	$ 259,225	$ 228,522
Employer's covered payroll	$ 274,104	$ 278,470	$ 245,982	$ 218,833	$ 213,714	$ 205,205
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	122.70%	122.87%	151.94%	137.56%	115.85%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

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

Hot Springs Public School, Sanders County, Montana
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2020

		TRS 2020		TRS 2019		TRS 2018		TRS 2017		TRS 2016		TRS 2015
Contractually required contributions	$	99,749	$	98,019	$	126,238	$	97,118	$	92,376	$	87,835
contributions	$	99,749	$	98,018	$	126,238	$	97,118	$	92,376	$	87,835
Contribution deficiency (excess)	$	-	$	-	$	-	$	-	$	-	$	-
District's covered payroll	$	1,107,821	$	1,092,728	$	1,145,558	$	1,107,392	$	1,065,471	$	1,024,909
Contributions as a percentage of covered payroll		9.00%		8.97%		11.02%		8.77%		8.67%		8.57%

		PERS 2020		PERS 2019		PERS 2018		PERS 2017		PERS 2016		PERS 2015
Contractually required contributions	$	20,078	$	22,832	$	22,834	$	19,925	$	17,694	$	17,033
Contributions in relation to the contractually required contributions	$	20,078	$	22,832	$	22,834	$	19,925	$	17,694	$	17,033
Contribution deficiency (excess)	$	-	$	-	$	-	$	-	$	-	$	-
District's covered payroll	$	239,024	$	274,104	$	278,470	$	245,982	$	218,833	$	213,714
Contributions as a percentage of covered payroll		8.40%		8.33%		8.20%		8.10%		8.09%		7.97%

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

Teachers' Retirement System of Montana (TRS)

Changes of Benefit Terms:

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

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

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

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

- *Final Average Compensation:* Average of earned compensation paid in five consecutive years of full-time service that yields the highest average
- *Service Retirement:* Eligible to receive a service retirement benefit if the member has been credited with at least five full years of creditable service and has attained the age of 60; or has been credited with 30 or more years of full-time or part-time creditable service and has attained age 55
- *Early Retirement:* Eligible to receive an early retirement allowance if a member is not eligible for service retirement but has at least five years of creditable service and attained age 55
- *Professional Retirement Option:* If the member has been credited with 30 or more years of service and has attained the age of 60, they are eligible for an enhanced allowance equal to 1.85% of average final compensation times all service at retirement. Otherwise, the multiplier used to calculate the retirement allowance will be equal to 1.67%.
- Annual Contribution: 8.15% of member's earned compensation
- Supplemental Contribution Rate: On or after July 1, 2023, the TRS Board may require a supplemental contribution up to 0.5%, if the following three conditions are met:
    - The average funded ratio of the System based on the last three annual actuarial valuations is equal to or less than 80%; and
    - The period necessary to amortize all liabilities of the System based on the latest annual actuarial valuation is greater than 20 years; and
    - A State or employer contribution rate increase or a flat dollar contribution to the Retirement System Trust fund has been enacted that is equivalent to or greater than the supplemental contribution rate imposed by the TRS Board.

- Disability Retirement: A member will not be eligible for a disability retirement if the member is or will be eligible for a service retirement on the date of termination
- Guaranteed Annual Benefit Adjustment (GABA):
  If the most recent actuarial valuation shows that Retirement System liabilities are at least 90% funded, and the provision of the increase is not projected to cause the System's liabilities to be less than 85% funded, the GABA may increase from the 0.5% floor up to 1.5%, as set by the Board.

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

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

Changes in actuarial assumptions and other inputs:
The following changes to the actuarial assumptions were adopted in 2015:

- Correctly reflect the proportion of members that are assumed to take a refund of contributions upon termination and appropriately reflect the three-year COLA deferral period for Tier 2 Members.
- The 0.63% load applied to the projected retirement benefits of the university members "to account for larger than average annual compensation increases observed in the years immediately preceding retirement" is not applied to benefits expected to be paid to university members on account of death, disability and termination (prior to retirement eligibility.
- The actuarial valuation was updated to reflect the assumed rate of retirement for university members at age 60 is 8.50% as stated in the actuarial valuation report.

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

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

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

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

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

- Mortality among disabled members was updated to the following:

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

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

Method and assumptions used in calculations of actuarially determined contributions:

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

Public Employees' Retirement System of Montana (PERS)

Changes of Benefit Terms
The following changes to the plan provision were made as identified:

2013 Legislative Changes

Working Retirees - House Bill 95 - PERS, SRS, and FURS, effective July 1, 2013
- The law requires employer contributions on working retiree compensation.
- Member contributions are not required.
- Working retiree limitations are not impacted. PERS working retirees may still work up to 960 hours a year, without impacting benefits.

Highest Average Compensation (HAC) Cap - House Bill 97, effective July 1, 2013
- All PERS members hired on or after July 1, 2013 are subject to a 110% annual cap on compensation considered as part of a member's highest or final average compensation.
- All bonuses paid to PERS members on or after July 1, 2013 will not be treated as compensation for retirement purposes.

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

Guaranteed Annual Benefit Adjustment (GABA) - for PERS
After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit.
- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007 and before July 1, 2013
- Members hired on or after July 1, 2013:
  - 1.5% each tear PERS is funded at or above 90%;

- 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
- 0% whenever the amortization period for PERS is 40 years or more.

2015 Legislative Changes

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

Second Retirement Benefit - for PERS

- Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again:
  - Refund of member's contributions from second employment, plus regular interest (currently 2.5%);
  - No service credit for second employment;
  - Start same benefit amount the month following termination; and
  - GABA starts again in the January immediately following second retirement.
- For members who retire before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:
  - Member receives a recalculated retirement benefit based on laws in effect at second retirement; and,
  - GABA starts in the January after receiving recalculated benefit for 12 months.
- For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:
  - Refund of member's contributions from second employment, plus regular interest (currently 2.5%);
  - No service credit for second employment
  - Start same benefit amount the month following termination; and,
  - GABA starts again in the January immediately following second retirement.
- For members who retire on or after January 1, 2016, return to PERS-covered employment, and accumulate five or more years of service credit before retiring again:
  - Member receives same retirement benefit as prior to return to service;
  - Member receives second retirement benefit for second period of service based on laws in effect at second retirement; and
  - GABA starts on both benefits in January after member receives original and new benefit for 12 months.

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

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

Changes in Actuarial Assumptions and Methods
Method and assumptions used in calculations of actuarially determined contributions.

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

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

Admin Expense as % of Payroll	0.27%

The following changes were adopted in 2013 based on the 2013 Economic Experience Study:

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

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

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

SUPPLEMENTAL INFORMATION

Hot Springs Public School
Sanders County, Montana
Schedule of Enrollment/ANB Schedule
For the Fiscal Year Ended June 30, 2020

Students Grade K – 8

Full-Time Students:

Fall Enrollment-El District	MAEFAIRS Reports	District Reports	Difference
Kindergarten Half Day	0	0	0
Kindergarten Full Day	32	32	0
Grades 1-6	68	68	0
Grades 7-8	32	32	0
Spring Enrollment-El District	**MAEFAIRS Reports**	**District Reports**	**Difference**
Kindergarten Half Day	0	0	0
Kindergarten Full Day	32	32	0
Grades 1-6	65	65	0
Grades 7-8	34	34	0

Part Time Students:

Fall Enrollment-El District	Per MAEFAIRS Enrollment Reports				Per District Reports				
Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	**Difference**
K-Half	0	0	0	0	0	0	0	0	0
K-Full	0	0	0	5	0	0	0	11	(6)
1-6	0	0	0	0	0	0	0	0	0
7-8	0	0	0	0	0	0	0	0	0
Spring Enrollment-El District	**Per MAEFAIRS Reports Reports**				**Per District Reports**				
Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	**Difference**
K-Half	0	0	0	0	0	0	0	0	0
K-Full	0	0	0	10	0	0	0	11	(1)
1-6	0	0	0	0	0	0	0	0	0
7-8	0	0	0	0	0	0	0	0	0

Students Grades 9 – 12:

Full-Time Students:

Fall Enrollment-HS District	MAEFAIRS Reports	District Reports	Difference
Grades 9 - 12	60	60	0
19-year olds included	0	0	0
Job Corps	0	0	0
Youth challenge	0	0	0
Spring Enrollment-HS District	**MAEFAIRS Reports**	**District Reports**	**Difference**
Grades 9 - 12	63	63	0
19-year olds included	0	0	0
Job Corps	0	0	0
Youth challenge	0	0	0
Early Graduates	0	0	0

Part Time Students:

Fall Enrollment - HS District	Per MAEFAIRS Enrollment Reports				Per District Reports				
Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	**Difference**
Grades 9 - 12	0	0	0	0	0	0	0	0	0
Spring Enrollment-HS District	**Per MAEFAIRS Enrollment Reports**				**Per District Reports**				
Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	**Difference**
Grades 9 - 12	0	0	0	1	0	0	0	1	0

Hot Springs Public School
Sanders County, Montana
EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS
Fiscal Year Ended June 30, 2020

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Ending Balance
6th Grade Adopt a Family	$ 125	$ 338	$ 338	$ 125
AAA	1,072	3,201	974	3,299
Annual	4,865	54	2,403	2,516
Art	-	200	-	200
Athletics	(2,034)	24,423	21,748	641
Baldy Press	3,446	154	-	3,600
Boys Basketball - HS	169	197	187	179
Cheerleading	206	-	-	206
Chromebook Fines	355	-	-	355
Class of 2018	568	-	568	-
Class of 2019	705	126	831	-
Class of 2020	2,815	1,933	1,752	2,996
Class of 2021	186	3,748	1,136	2,798
Class of 2022	1,058	518	100	1,476
Class of 2023	149	-	-	149
Class of 2024	303	-	16	287
Class of 2025	101	287	16	372
Class of 2026	530	-	466	64
Class of 2029	-	125	-	125
Community Fundraiser	-	1,136	1,136	-
Concessions	7,880	10,559	13,877	4,562
Counselor Fund	2,093	-	302	1,791
Cross Country	892	-	43	849
Crows Nest Fund	488	-	-	488
Drama	652	-	-	652
Elementary	2,490	-	294	2,196
Family Consumer Service	128	-	42	86
FCCLA	2,114	3,483	4,493	1,104
FFA	5,610	2,329	4,585	3,354
Football HS	387	-	169	218
Girls Basketball - HS	287	117	50	354
Interest Income	2	-	-	2
JMG	1,222	2,258	1,814	1,666
Junior High	469	-	-	469
Just Do It Scholarship	501	-	-	501
Library Fund	503	57	-	560
Library Fund RIF	939	200	-	1,139
Music	1,033	-	-	1,033
Native American Club	238	-	74	164
PEP Club	847	697	1,309	235
Petty Cash	1,600	-	-	1,600
ProStart	1,793	117	319	1,591

Hot Springs Public School
Sanders County, Montana
EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS
Fiscal Year Ended June 30, 2020 - Continued

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Ending Balance
Registration & Misc.	1,494	1,040	2,342	192
Scholarship Fund	(1,983)	1,983	-	-
Shop & Mechanics	996	238	31	1,203
Softball	745	748	1,493	-
State Football Apparel	160	-	160	-
Student Council	565	243	300	508
Track	321	-	48	273
Tripp Memorial	1,132	-	232	900
Volleyball - HS	941	38	831	148
Welding Dual Credit	545	9,207	5,199	4,553
Total	$ 51,703	$ 69,754	$ 69,678	$ 51,779

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

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

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

To the Board of Trustees
Hot Springs Public School
Sanders County
Hot Springs, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing* Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hot Springs Public School, Sanders County, Montana, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Hot Springs Public School's basic financial statements and have issued our report thereon dated June 25, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hot Springs Public School, Sanders County, Montana's internal control over financial reporting (internal control) as basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hot Springs Public School, Sanders County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Hot Springs Public School's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below to be material weaknesses as identified as item(s) 2020-001 and 2020-002.

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. We consider the deficiencies described below to be significant deficiencies as identified as item(s) 2020-003.

2020-001 **Health Insurance Interlocal Agreement**

Condition:
The District entered into an unallowable interlocal agreement with its insurance provider, Montana Unified School Trust (MUST). The creation of the interlocal agreement created several financial reporting misstatements.

Context:
During our risk analysis, we identified that the District had a significant increase in activity reported in its interlocal fund that included significant health insurance payroll expenditures and a due from other government receivable. Upon inquiry and inspection of documentation, we identified that the activity was in relation to the creation of interlocal agreement with MUST. We analyzed the agreement and the activity involved and concluded that the agreement was unallowable causing the financial transactions errors in the financial statements.

Criteria:
MCA 20-3-363 establishes the requirements of a multidistrict agreement that states "(1) The boards of trustees of any two or more school districts may enter into a multidistrict agreement to create a multidistrict cooperative to perform any services, activities, and undertakings of the participating districts and to provide for the joint funding and operation and maintenance of all participating districts upon the terms and conditions as may be mutually agreed to by the districts subject to the conditions of this section. An agreement must include provisions for dissolution of the cooperative, including the conditions under which dissolution may occur and the disposition of any remaining funds that had been transferred to an interlocal cooperative fund in support of the cooperative. An agreement must be approved by the boards of trustees of all participating districts and must include a provision specifying terms upon which a district may exit the multidistrict cooperative. The agreement may be for a period of up to 3 years."

Effect:
The District reported the following material misstatements as a result of the above interlocal agreement with MUST:

1. The General Fund cash was overstated $186,884, expenditures understated $60,590, and warrants payables overstated $126,294
2. The Transportation Fund cash was understated $27,228 and expenditures overstated $27,228.
3. The Bus Depreciation Fund cash was understated $97,387 and expenditures overstated $97,387.
4. The Miscellaneous Program Fund cash was understated $1,679 and expenditures overstated $1,679.
5. The School Food Fund cash was overstated $64,025 and expenditures understated $64,025

6. The Other Governmental Fund cash was understated $124,615 and related expenditures overstated $124,615, and the due from other government and related revenues were overstated $124,615.

These misstatements have been corrected for the audit report.

Cause:
The District was not aware that the multi-district agreement with MUST was not allowable and had understanding that the contribution to the interlocal agreement could be used for fiscal year 2020 health premiums. The District did not spend any of the initial funds sent to MUST for the multi-district agreement that equaled $126,294, and has received a refund of the money in fiscal year 2021 to terminate the agreement.

Recommendation:
We recommend the District implement internal control processes to properly analyze the regulations and compliance requirements of agreements and restrictions of its funds to ensure the District will be in compliance.

2020-002 **Enrollment**

Condition:
The underlying attendance records did not agree to the enrollment counts (Maefairs) reported to the Office of Public Instruction for part-time kindergarten students in both the Fall and the Spring Count during fiscal year 2020.

Context:
We compared the kindergarten attendance roster from the District's Infinite Campus system to the OPI part-time enrollment reports.

Criteria:
Adequate internal controls should be in place to accurately report enrollment counts and ensure the underlying attendance records agree to the reported counts and that students who have been consecutively absent for 10 or more days should not be counted.

Effect:
For the Fall Count, part-time Kindergarten was understated 6 and for the Spring Count, part-time Kindergarten was understated by 1.

Cause:
The District does not have adequate controls in place to ensure the proper counts are reported accurately based on the underlying attendance records.

Recommendation:
We recommend the District implement controls to ensure the enrollment counts are accurate and the underlying attendance records agree to the amount reported.

2020-003 Student Activities Internal Controls

Condition:
We noted the following weaknesses related to the internal controls of the District Student Activities receipting systems:

1. Adequate supporting documentation for concession sales, gate ticket sales, and fundraising is not being provided from the activity advisories for cash and checks collections deposited with the fund custodian.
2. Receipts are not being issued by the fund custodian when collections are being received from activity advisors.
3. Collections are not being deposited at the bank timely.
4. Monthly activity detail reports are not being provided to activity advisors for review.

Context:
The auditor completed a test of the internal controls related to the District Activities receipting processes using inquiry, inspection, observation and documentation.

Criteria:

1. Adequate internal control procedures would require adequate supporting documentation for concession, gate ticket sales, and fundraising in order to ensure all money being collected by the fund custodian is accounted for.
2. Internal control procedures should require that all collections are receipted at the time of the transaction, and copy of receipt given to the payer/advisor.
3. Adequate internal control procedures should require that the collections be deposited on a weekly basis.
4. Internal control procedures should include timely monitoring of activities funds.

Effect:
The internal control procedures are weakened increasing the risk of error or misappropriation of assets.

Cause:

1. Supporting documentation is not being provided to the fund custodian by the advisors to support the collection of concessions, gate ticket sales, and fundraising being deposited the activity fund custodian.
2. The fund custodian writes receipts when preparing the deposits, and no receipt is provided to the activity advisors.
3. The District office is not making deposits on a weekly basis for the collections received during the week.
4. There is control procedure to send the activity detail reports to advisors on a monthly basis, and currently are provided upon request.

Recommendation:

1. We recommend that the District require supporting concession sales reports, the gate ticket sales form, and any fundraising support be remitted with all cash deposits to determine whether all money received is properly deposited.
2. We recommend that the District require receipts be issued for all collections upon receipt of activity collection envelops, and copy given to payer.
3. We recommend that the District deposit collections on a weekly basis.

4. We recommend once the activity funds are reconciled, detail fund reports be emailed to the activity advisors for monitoring of the funds activity.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hot Springs Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described below as item(s) 2020-004.

2020-004 Budget overdraft

Condition:
The District exceeded its legally adopted budget in the General Fund by $60,291

Context:
The actual expenditures were compared to the adopted budget revealing a budget overdraft in the General Fund.

Criteria:
20-3-133, MCA limits the district in making expenditures or incurring liabilities to the total amount of each fund's budget.

Effect:
The District's General Fund expenditures exceeded its legally adopted budget by $60,291 and is not in compliance with MCA 20-3-133

Cause:
The District was expecting some of the over spent budget to be covered by the interlocal agreement with its insurance provider MUST.

Recommendation:
The District should monitor its expenditures on an ongoing basis and use the budget amendment process when necessary.

Hot Springs Public School's Response to Findings

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

Purpose of this Report

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

Denning, Downey and Associates, CPA's, P.C.

June 25, 2021

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

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

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

To the Board of Trustees
Hot Springs Public School
Sanders County
Hot Springs, Montana

The prior audit report contained one recommendation. The action taken on each recommendation is as follows:

Recommendation	Action Taken
2019-001 School Food Services Fund Negative Cash	Implemented

Denning, Downey and Associates, CPA's, P.C.

June 25, 2021

Hot Springs Public Schools #14-J

Proudly Serving Students in Grades K-12
301 Broadway Street • P.O. Box 1005 • Hot Springs, MT 59845

Superintendent
(406) 741-3285
Clerk/Business Manager
(406) 741-2964
High School Office
(406) 741-2962 • Fax (406) 741-3287
Elementary School Office
(406) 741-2014 • Fax (406) 741-2015

Contact Person:
Carmen Jackson
Business Manager/Clerk
406-741-2964
cjakson@hotspringspride.com

Expected Completion Date of Corrective Action Plan:
6/30/2021

CORRECTIVE ACTION PLAN

FINDING 2020-001: Health Insurance Interlocal Agreement

Response:
The District has discontinued their agreement with MUST and has received a full refund. The District will conduct further research into the appropriate use of Multi-District Agreements to determine if the District would like to take advantage of the benefits of such an agreement.

FINDING 2020-002: Enrollment

Response:
The District has consulted with OPI to ensure that enrollment counts are accurate for fiscal year 2021, and how to correctly enroll part-time Kindergarten students to avoid further discrepancies.

FINDING 2020-003: Student Activities Internal Control

Response:
The District will implement stronger internal controls within the student activities accounting. Revenues will be confirmed and receipted when they are received by the activities custodian and deposits will be made weekly.

FINDING 2020-004: Budget Overdraft

Response:
The District will improve the monitoring of the General Fund budget. We will continue to look for ways to alleviate expenditures to ensure spending is within the District budget authority.

STATUS OF PRIOR AUDIT FINDINGS

FINDING 2019-001: School Food Services Fund Negative Cash

Response:
Implemented