

**School District No. 40
Missoula County
Frenchtown, Montana**

AUDITED FINANCIAL STATEMENTS

Year ended June 30, 2021



ROSS R. STALCUP

CERTIFIED PUBLIC ACCOUNTANT, P.C.

**School District No. 40
Missoula County
Frenchtown, Montana**

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**School District No. 40
Missoula County
Frenchtown, Montana**

ORGANIZATION

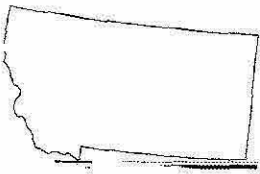
June 30, 2021

BOARD OF TRUSTEES

Jami Romney FitzGerald	Chair
Gordon Schmill	Vice Chair
Shiloh Lucier	Trustee
Noah Peters	Trustee
Bryce Simpson	Trustee
Jami Wright	Trustee
David Weber	Trustee

OFFICIALS

Les Meyer	Superintendent
Shauna Anderson	District Clerk/Business Manager
Anastasia Methner	Deputy Clerk



ROSS R. STALCUP

CERTIFIED PUBLIC ACCOUNTANT, P.C.

INDEPENDENT AUDITORS REPORT

Board of Trustees
School District No. 40
Frenchtown, 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 School District No. 40, Frenchtown, Montana, as of and for the year ended June 30, 2021, and the related notes to the financial statements which collectively comprise School District No. 40'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 of 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 School District No. 40, Frenchtown, Montana, as of June 30, 2021, and the respective changes in financial position and, where applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting Principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule (pages 50-51), the Schedule of Changes in Total OPEB Liability and Related Ratios (page 52) and the Supplementary Schedules of Proportionate Share of the Net Pension Liability (pages 53-60) 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 which 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 response 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise School District No. 40's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.:

Combining Balance Sheet - General Fund, Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - General Fund (pages 61-62)

The accompanying supplementary information is presented to comply with state and federal requirements and is not a required part of the financial statements.

Required by the State of Montana

The Schedule of School District Enrollment (page 63) and the Schedule of Extracurricular Fund Revenues, Expenditures and Changes in Net Position (pages 64-65) are required by the State of Montana.

Required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200 (page 66)

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CRF) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and is also not a required part of the basic financial statements.

The Combining Balance Sheet - General Fund, Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - General Fund, Schedule of School District Enrollment, the Schedule of Extracurricular Fund Revenues, Expenditures and Changes in Net Position, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 Combining Balance Sheet - General Fund, Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - General Fund, the Schedule of School District Enrollment, the Schedule of Extracurricular Fund Revenues, Expenditures and Changes in Net Position, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.

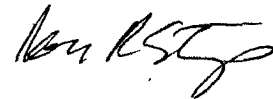
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise School District No. 40's basic financial statements. The Other Information presented on pages 68-73 is included by Management is presented for purposes of additional analysis and is not a required part of the financial statements and has not been subjected to the auditing procedures applied during the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated April 29, 2022 on our consideration of School District No. 40'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 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 School District No. 40's internal control over financial reporting and compliance.

April 29, 2022



Ross R. Stalcup
Certified Public Accountant

FRENCHTOWN SCHOOL DISTRICT No. 40

P.O. BOX 117, FRENCHTOWN, MT 59834

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High School Principal

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RILEY DEVINS
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Intermediate Principal

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Elementary Principal

JENNIFER DEMMONS
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Special Services Coordinator

SHAUNA ANDERSON
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District Clerk

STACIE METHER
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Deputy Clerk

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

This section of the School District No. 40's annual financial report presents the management discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2021. It is intended to provide a clear and concise analysis of the activities, financial results, and financial position during the fiscal years, and is a required element of the reporting model established by the Governmental Accounting Standards Board (GASB) in Statement Number 34. This management and discussion and analysis (MD&A) should be read in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for Frenchtown Public Schools are as follows:

- Total net position is \$7,736,482
- Total net position increased by \$929,109 or 13.65%

USING THESE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes for those statements. These statements are organized so the reader can understand School District No. 40 as a complex financial entity. The Statement of Net Position and the Statement of Activities provide information about the activities of the whole district, presenting both an aggregate view of the District's finances and a longer-term view of those finances (they include capital assets and long-term liabilities).

Fund financial statements present a short-term view of the District's activities (they include only current assets expected to be collected in the very near future and liabilities expected to be paid in the very near future). There is also summarized financial information about the student activity trust fund for which the District acts as a trustee.

FUND FINANCIAL STATEMENTS

The District maintains individual government funds. These funds are considered major funds: General Fund, Miscellaneous Programs Fund, and Debt Service Fund.

The General Fund shown in the financial statements is the combined General Fund, Flexibility Fund and on behalf payment. The fund financial statements provide detailed information about the most significant of the District's funds; the District is required to provide detailed information for its "major" funds.



The governmental funds provide a short-term view of the District's operations. They are reported using an accounting method called modified accrual accounting which measures amounts using only cash and other short-term assets and liabilities (receivables and payables) that will soon be converted to cash or will soon be paid with cash.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include different kinds of statements that present both a view of the District as a whole, and individual fund statements that focus on various parts of the District's operations in more detail. The financial statements also include notes that explain some of the information presented in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

REPORTING THE DISTRICT AS A WHOLE FINANCIAL ENTITY

One important question asked about the District's finances is, "Is the District better or worse off as a result of each year's activities?". The information found in the District-wide financial statements helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting (and reports depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or disbursed.

The change in net position (the difference between total assets and deferred outflow of resources and total liabilities and deferred inflow of resources) is important because it tells the reader whether, for the District as a whole, the financial position of the District has improved or diminished each year. In addition, nonfinancial factors such as changes in enrollment, changes in the State's funding of education costs, changes in the economy, changes in the District's tax base, condition of school buildings and other facilities must be considered in making an assessment of the overall health of the District.

DISTRICT NET POSITION AS FOLLOWS:

	2021	2020	Change	%
Current Assets	\$ 5,116,237	\$ 4,088,305	\$ 1,027,932	25.14%
Non-Current Assets	21,434,802	21,956,344	(521,542)	-2.38%
Deferred Outflow of Resources	2,863,155	1,981,733	881,422	44.48%
Total Assets & Deferred Outflow	29,414,194	28,026,382	1,387,812	4.95%
Total Liabilities & Deferred Inflow	21,677,712	21,219,009	458,703	2.16%
Net Position	\$ 7,736,482	\$ 6,807,373	\$ 929,109	13.65%
Net position consists of:				
Net Investment in Capital Assets	\$ 13,375,818	\$ 12,433,927	\$ 941,891	7.58%
Restricted Net Position	2,408,691	1,815,630	593,061	32.66%
Unrestricted Net Position	(8,048,027)	(7,442,184)	(605,843)	8.14%
Net Position	\$ 7,736,482	\$ 6,807,373	\$ 929,109	13.65%



DISTRICT REVENUES AND EXPENDITURES AS FOLLOWS:

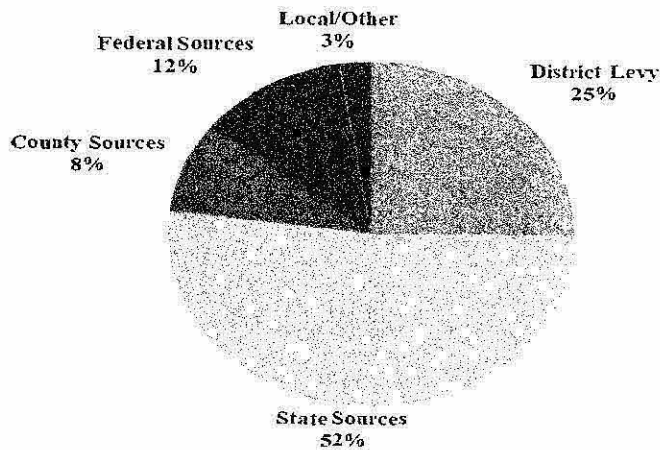
Revenues	2021	2020	Change	%
District Levy	4,677,664	4,672,651	5,013	0.11%
Direct State Aid	7,533,841	7,124,548	409,293	5.74%
Other State Sources	2,163,959	2,098,851	65,108	3.10%
County Sources	1,559,859	1,410,540	149,319	10.59%
Federal Sources	2,256,394	988,307	1,268,087	128.31%
User Fees - Program Revenue	62,796	205,150	(142,354)	-69.39%
Interest	16,048	65,991	(49,943)	-75.68%
Other	194,193	97,428	96,765	99.32%
Student Extracurricular	192,210	283,607	(91,397)	-32.23%
Total Revenues	18,656,964	16,947,073	1,709,891	10.09%
Expenditures				
	2021	2020	Change	%
<i>Instruction</i>				
Regular Programs	6,692,620	5,941,423	751,197	12.64%
Special Programs	1,895,871	2,382,739	(486,868)	-20.43%
Vocational Education	370,405	384,327	(13,922)	-3.62%
Adult Education	2,836	13,181	(10,345)	-78.48%
Educational Media	354,229	276,977	77,252	27.89%
Support Services - Students	475,943	478,589	(2,646)	-0.55%
<i>Administration</i>				
General Administration	197,584	317,784	(120,200)	-37.82%
Building Administration	834,361	784,964	49,397	6.29%
Business Administration	1,335,688	741,617	594,071	80.10%
Operation and Maintenance	1,630,222	1,594,161	36,061	2.26%
Student Transportation	480,970	527,915	(46,945)	-8.89%
Food Services	706,900	619,305	87,595	14.14%
Student Extracurricular	678,361	745,479	(67,118)	-9.00%
Community	-	3,876	(3,876)	-100.00%
Capital Outlay	459,216	542,718	(83,502)	-15.39%
<i>Debt Service</i>				
Principal	1,402,036	1,261,847	140,189	11.11%
Interest	269,249	323,358	(54,109)	-16.73%
Bond Agent Fees	350	350	-	0.00%
Special Assessments	1,256	1,211	45	3.72%
Total Expenditures	17,788,097	16,941,821	846,276	5.00%
Excess (Deficiency) of Revenues over Expenditures	868,867	5,252	863,615	16443.55%



FINANCIAL HIGHLIGHTS

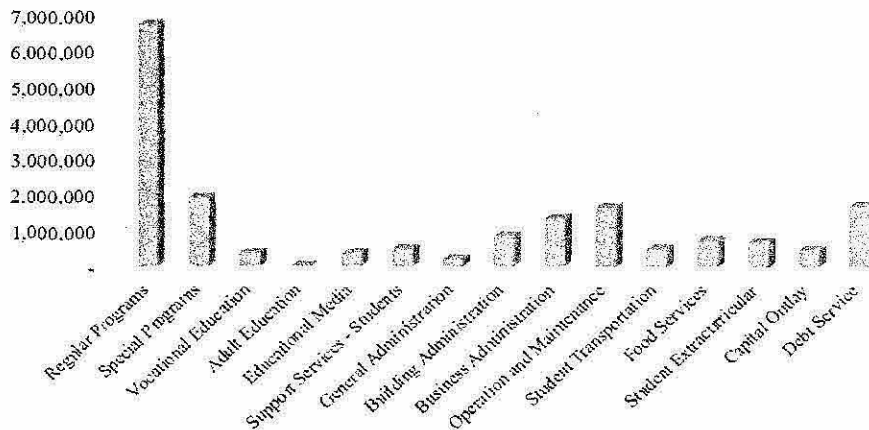
The District levied \$4,706,038 in local property taxes and collected \$4,419,044 (93.9%) for the current tax year. In addition, prior year taxes were also received, bringing the total property tax revenue to 99.1% of levied taxes. This collection has allowed for sufficient operating reserves for the 2021 fiscal year end. State revenue increased by 5.14%, due to the increase in guaranteed tax base aid. Federal revenue increased by 128.3%, primarily due to Coronavirus Relief Funding and the Education Stabilization Fund under the Coronavirus Aid, Relief and Economic Security Act.

REVENUE SOURCES



Expenditures increased in fiscal year 2021 by 5.0%, as expected with the growth in enrollment, staffing and operational increases, as well as additional expenditures necessary to respond to the challenges surrounding the COVID-19 pandemic. Capital outlay decreased from prior year by 15.4%, with the District investing in technology upgrades to assist with remote learning, two replacement busses, a boiler rebuild and security system upgrades to the South campus.

EXPENDITURES

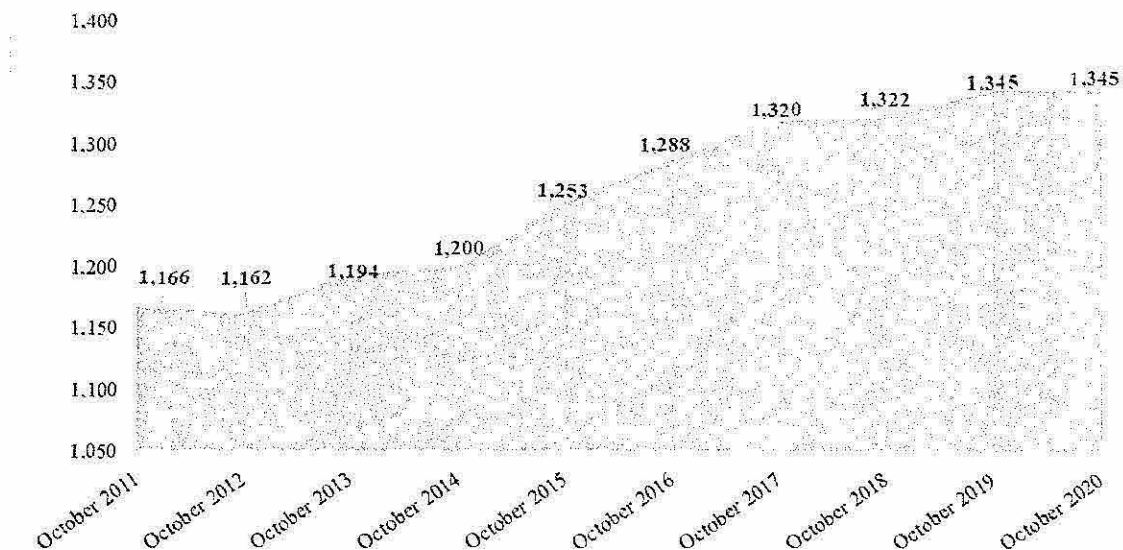


THE FUTURE OF THE SCHOOL

Since 2012-2013 fall enrollment has increased every year and then remained stable from the fall of 2019 to the fall of 2020. Remaining stable in the fall of 2020 is significant during the global pandemic as many districts in the state saw declining enrollment. Steady increases prior to 2020 have provided great relief to the District's General Fund budget, as state funding is based primarily on student count.

The major contributing factor to growth was increased housing starts in Frenchtown, as several new housing developments have completed. The District continued to allow enrollment of discretionary non-resident students who were in good standing at their previous school. Admitting non-resident students has been a financial benefit to both the school district and the district taxpayers. Admission of non-resident students created additional revenue for the district through increased enrollment while not increasing expenses.

FALL ENROLLMENT HISTORY



With growth comes challenges, however, as additional students created more demands on available space for classrooms. During the 2018-2019 school year, the District relocated grade 6 to the North campus, transitioning the 7-8 junior high into a 6-8 middle school. This transition created additional space at the South campus for anticipated future growth. The North campus, however, was able to house the additional students but with bigger classes it became clear that even more space was needed. In response, the District was able to secure two modular buildings and invested in bringing those buildings to code and was able to alleviate the North campus crowding issues in the 2020-2021 school year.

In addition to enrollment increases, the District also received an inflationary increase of 1.83% to the General Fund as a statutory funding formula increase from the 2019 legislative session. The District also received an additional budget increase as a result of an unanticipated enrollment increase in the High School. In total, the General Fund, the main operating fund for the District, saw a budget increase of

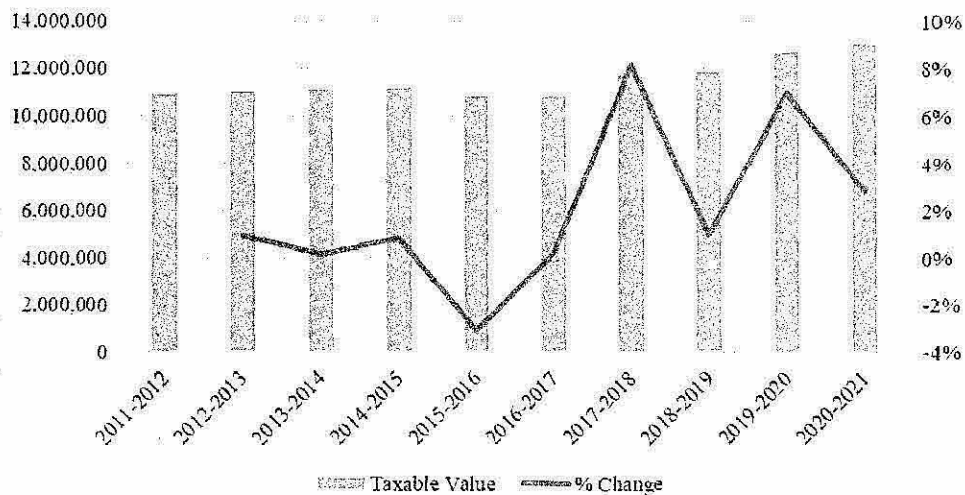


\$337,704.22, and because there is a projected increase in funding for the 2021-2022 school year, the Frenchtown School Board voted at the regular Board meeting in March 2021 not to ask the public to approve a levy for school operations. Unlike many other school districts in the area that ask for additional operational levies each election cycle, Frenchtown School District has not asked for additional school operational levies for fourteen years.

Each year in August, school boards across the state set budgets for the fiscal year, which runs from July 1 to June 30. These budgets establish how much local taxpayers will pay to support the school district they live in. Taxing units are called mills, and unlike many other taxing jurisdictions across the state (county, city, and schools) the Frenchtown School Board has reduced the number of mills they asked the taxpayers for in fiscal years 2021, 2020, 2019 and 2018. Fiscal year 2021 saw a reduction in mills from 363.03 to 354.69, a decrease of 8.34 mills which equates to a 2.3% reduction of school property taxes for this year.

Frenchtown has also seen a recent 2.87% increase in taxable valuation. Increases in taxable valuation does not provide additional funding for the District, but does impact local taxpayers as an increase in taxable value raises the value of a mill and thus decreases the number of mills necessary to fund the District budget. In other words, as our community grows, the tax burden is shared by a larger tax base.

TAXABLE VALUE



Nonetheless, the District continues to be impacted by the former mill site. In February of 2019 Wakefield-Kennedy filed a complaint to foreclose on all 15 taxable parcels in Missoula County currently owned by M2Green. No taxes have been paid on these parcels since the 2017 settlement agreement and 45% of delinquent taxes owed by M2Green are due to Frenchtown School District. Another issue for the site is its possible status as an EPA Superfund and the delays in determining this designation. Once this is resolved and site cleanup is complete, there remains hope for possible redevelopment.

In addition, the pandemic seems to have created a housing shortage within the Frenchtown School District. Houses and subdivisions are being built at a rapid rate and yet they are sold and bought before they are even finished at prices that have outpriced previous market values significantly, thus increasing the tax values on homes in the area. More people allows for the tax burden to be shared, thus fewer mills are needed to



fund the school district; however, there are fewer renters and prices for homes are at an all-time high and we are seeing more and more homeless students. This creates a burden on families and district personnel.

Another impact on the general fund is the continued rise in health insurance premiums. High premiums and rising claim costs jeopardized the financial health of the District's self-insurance program and as a result the District transitioned to a fully insured program beginning with fiscal year 2021.

Since the end of fiscal year 2020, the unprecedented challenge of the global health pandemic COVID-19 continued through fiscal year 2021. Significant investment into technology improvements were necessary to address the needs of remote learners. Operations and maintenance expenses rose as a result of the sanitization requirements needed. State funding remained intact, however, and the District was able to provide both in person and remote learning to students, continue food services for both, and maintain overall business operations for the entire school year.

The impacts and challenges of the pandemic and the growth of the District continue to help and hinder the District. Additional funding due to COVID-19 provided much relief from a technology and infrastructure standpoint; however, the need for support staff continues to increase as quality applicants decrease. The District struggles to attract and retain a transportation department. As wages increase for support personnel in the areas of manual labor and in the food industry, the number of applicants for transportation, custodial/maintenance, food service, and paraprofessional decreases and threatens the viability of each program within the school district. The student population growth has provided general fund relief, and coupled with inflationary increases through the legislature, has allowed the district to hire staff to meet the needs of students and accreditation standards; however, providing support staff and compensating said staff to a point of retaining will remain a challenge for the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact District Administration, Business Manager, School District No. 40, P.O. Box 117, Frenchtown, Montana 59834.



School District No. 40
Frenchtown, Montana
STATEMENT OF NET POSITION
June 30, 2021

	2021
ASSETS	
Current Assets:	
Cash and Investments	\$4,689,790
Property Taxes Receivable	277,297
Due from Other Governments	149,150
Stop Loss Receivable	0
Total Current Assets	5,116,237
Non-current Assets:	
Restricted Assets	483,984
Capital Assets Net of Accumulated Depreciation	20,950,818
Total Non-current Assets	21,434,802
Total Assets	26,551,039
Deferred Outflow of Resources - Pension	2,577,153
Deferred Outflow of Resources - OPEB	286,002
Total Deferred Outflow of Resources	2,863,155
Total Assets and Deferred Outflow of Resources	29,414,194
LIABILITIES:	
Current Liabilities	
Warrants Payable	414,539
Accounts Payable	28,307
Compensated Absences	211,430
CIBNR Estimate	4,666
Bonds and Notes Payable	1,175,000
Total Current Liabilities	1,833,942
Non Current Liabilities	
Compensated Absences	422,859
Bonds and Notes Payable	6,400,000
Net OPEB Liability	212,791
Net Pension Liability	12,575,419
Total Non Current Liabilities	19,611,069
Total Liabilities	21,445,011
Deferred Inflow of Resources - Pension	139,441
Deferred Inflow of Resources - OPEB	93,260
Total Deferred Inflow of Resources	232,701
Total Liabilities and Deferred Inflow of Resources	21,677,712
Total Net Position	7,736,482
NET POSITION	
Net Investment in Capital Assets	13,375,818
Restricted- Expendable	
Capital Outlay	256,149
Technology	28,141
Bus Replacement	202,679
Transportation	307,130
Debt Service	161,147
Retirement	436,516
Other	289,784
Student Extracurricular	247,827
Health Insurance Benefits	479,318
Total Restricted- Expendable	2,408,691
Unrestricted	(8,048,027)
Total Net Position	\$7,736,482

See Notes to Financial Statements

**School District No. 40
Frenchtown, Montana**

**STATEMENT OF ACTIVITIES
June 30, 2021**

	Expenses	Program Charges for Services	Revenue Operating Grants	Net (Expense) Revenue 2021
GOVERNMENT OPERATIONS				
Instruction:				
Regular Instruction	\$5,547,028	\$33,936	\$1,269,945	(\$4,243,147)
Special Education	1,895,871		1,095,528	(800,343)
Vocational Education	370,405		28,504	(341,901)
Adult Education	2,836			(2,836)
Support Services - Students	475,943			(475,943)
Educational Media	354,229			(354,229)
Administration:				
General	197,584			(197,584)
Building	834,361			(834,361)
Business	1,335,688			(1,335,688)
Operation and Maintenance	1,665,197	63,010		(1,602,187)
Transportation	480,970		230,552	(250,418)
Food Services	706,900	28,850	683,001	4,951
Student Extracurricular	678,361		192,210	(486,151)
Community				0
Interest	269,599			(269,599)
Special Assessments	1,256			(1,256)
Pension Expense	1,939,031			(1,939,031)
Unallocated Depreciation	919,361			(919,361)
Totals	\$17,674,620	\$125,796	\$3,499,740	(\$14,049,084)
GENERAL REVENUES				
District Property Taxes				\$4,624,211
Direct State Aid				4,328,748
Guaranteed Tax Base				2,814,955
Other State Revenue				1,537,424
County Sources				1,462,396
Federal Sources				
Interest				16,273
Other Local Sources				194,186
Gain/Loss on Disposal of Assets				
Total General Revenues				14,978,193
CHANGE IN NET POSITION				929,109
NET POSITION				
Beginning of Year				6,807,373
End of the Year				\$7,736,482

See Notes to Financial Statements

**School District No. 40
Frenchtown, Montana**

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021**

MAJOR FUNDS

NON MAJOR FUNDS

	General Fund	Misc Programs Fund	Debt Service Fund	Other Governmental Funds	Total
ASSETS:					
Cash and Investments	\$2,124,177	\$790,316	\$77,566	\$1,697,731	\$4,689,790
Property Taxes Receivable	126,844		83,581	66,872	277,297
Protested Taxes					0
Due from Other Entities		140,250		8,900	149,150
Due from Other Funds					0
Total Assets	2,251,021	930,566	161,147	1,773,503	5,116,237
Deferred Outflow of Resources	0	0	0	0	0
Total Assets and Deferred Outflow of Resources	2,251,021	930,566	161,147	1,773,503	5,116,237
LIABILITIES:					
Warrants Payable	414,539				414,539
Due to Other Funds					0
Accounts Payable	27,624			683	28,307
Total Liabilities	442,163	0	0	683	442,846
Deferred inflow of Resources- Taxes	126,844		83,581	66,872	277,297
Total Liabilities and Deferred Inflow of Resources	569,007	0	83,581	67,555	720,143
FUND BALANCE:					
Non Spendable					0
Restricted			77,566	1,701,354	1,778,920
Assigned	362,902	930,566		4,594	1,298,062
Unassigned	1,319,112				1,319,112
Total Fund Balance	1,682,014	930,566	77,566	1,705,948	4,396,094
Total Liabilities and Fund Balance	\$2,251,021	\$930,566	\$161,147	\$1,773,503	\$5,116,237

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance from above	\$4,396,094
Net capital assets	20,950,818
Deferred inflow of resources - Taxes	277,297
Less liabilities not reported above:	
Long-term debt	(7,575,000)
Compensated absences	(634,289)
OPEB:	
Deferred inflow of resources related to OPEB obligations	(93,260)
Deferred outflow of resources related to OPEB obligations	286,002
OPEB liability	(212,791)
Pension:	
Deferred inflow of resources related to pension obligations	(139,441)
Deferred outflow of resources related to pension obligations	2,577,153
Net pension liability	(12,575,419)
Internal Services Fund Net Position	479,318
Net Position	\$7,736,482

See Notes to Financial Statements

**School District No. 40
Frenchtown, Montana**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

June 30, 2021

	MAJOR FUNDS			NON MAJOR FUNDS	
	General Fund	Misc Programs Fund	Debt Service Fund	Other Governmental Funds	Total
REVENUES:					
District Levy	\$1,964,269		\$1,389,410	\$1,323,985	\$4,677,664
Direct State Aid	7,473,795		60,046		7,533,841
Other State Sources	1,434,178	445,871		283,910	2,163,959
County Sources				1,559,859	1,559,859
Federal Sources		1,582,421		673,973	2,256,394
User Fees	10			62,786	62,796
Interest	10,838		1,577	3,633	16,048
Other	7,847	185,881		465	194,193
Student Extracurricular				192,210	192,210
Total Revenues	10,890,937	2,214,173	1,451,033	4,100,821	18,656,964
EXPENDITURES:					
Current Operations:					
Instruction:					
Regular Programs	5,131,441	916,101		645,078	6,692,620
Special Programs	1,046,755	315,690		533,426	1,895,871
Vocational Education	300,809			69,596	370,405
Adult Education				2,836	2,836
Instructional Support	265,143	40,671		48,415	354,229
Support Services Students	286,740	139,289		49,914	475,943
Administration					
General	149,158	2,050		46,376	197,584
Building	685,188	12,628		136,545	834,361
Business	969,435	295,511		70,742	1,335,688
Operation and Maintenance	1,303,045	166,071		161,106	1,630,222
Transportation	4,722	439		475,809	480,970
Food Services	72,940	8,410		625,550	706,900
Student Extracurricular	463,703	12,118		202,540	678,361
Community					0
Capital Outlay	49,586	93,819		315,811	459,216
Debt Service					
Principal			1,130,000	272,036	1,402,036
Interest	4,136		265,113		269,249
Bond Agent Fees			350		350
Special Assessments			1,256		1,256
Total Expenditures	10,732,801	2,002,797	1,396,719	3,655,780	17,788,097
Excess (Deficiency) Of Revenues Over Expenditures	158,136	211,376	54,314	445,041	868,867
FUND BALANCE					
Beginning of Year	1,523,878	719,190	23,252	1,260,907	3,527,227
End of Year	\$1,682,014	\$930,566	\$77,566	\$1,705,948	\$4,396,094

See Notes to Financial Statements

School District No. 40
Frenchtown, Montana

RECONCILIATION OF THE
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

June 30, 2021

Change in Fund Balances	\$868,867
Change in Property Taxes Receivable not included in the Governmental Fund Statements	(53,456)
Amounts Reported as Expenditures in the Governmental Fund Statements	
Capital Outlay	459,216
Change in Compensated Absences	21,232
Expenses on the Statement of Activities not included in the Governmental Fund Statements	
Pension Expense	(1,939,031)
OPEB Expense	21,701
Depreciation	(919,361)
Bond Principal	1,402,036
On Behalf Pension Contributions	940,589
Internal Service Fund Change in Net Position	<u>127,316</u>
Change in Net Position	<u>\$929,109</u>

See Notes to Financial Statements

School District No. 40
Frenchtown, Montana

STATEMENT OF NET POSITION
PROPRIETARY FUND

June 30, 2021

	Governmental Activities Internal Service Funds
ASSETS	
Cash and cash equivalents	\$483,984
Accounts receivable stop loss	
Total Assets	<u>483,984</u>
LIABILITIES	
Accounts payable	
CIBNR liability	4,666
Total Liabilities	<u>4,666</u>
Net Position	
Total Net Position	<u><u>\$479,318</u></u>

See Notes to Financial Statements

**School District No. 40
Frenchtown, Montana**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

for the Fiscal Year Ended June 30, 2021

Cash Flows from Operating Activities:

Health insurance premiums received	\$44,478
Stop loss received	
Payments to provide health insurance benefits	(4,590)
Payments to third party administrator	(101,506)
Net Cash Provided (Used) by Operating Activities	(61,618)

Cash Flows from Non-Capital and Related Financing Activities:

Net Cash Provided (Used) by Non-Capital and Related Financing	0
---	---

Cash Flows from Investing Activities:

Interest on investments	221
Net Cash Provided (Used) by Investing Activities	221
Net increase (decrease) in cash and cash equivalents	(61,397)

Cash and cash equivalents at July 1, 2020	545,381
--	----------------

Cash and cash equivalents at June 30, 2021	\$483,984
---	------------------

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Operating income (loss)	(34,975)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Change in due from Stop Loss	32,189
Change in accounts payable	(58,832)

Net Cash Provided (Used) by Operating Activities	(\$61,618)
--	------------

See Notes to Financial Statements

STATEMENT OF FIDUCIARY NET POSITION
AND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
June 30, 2021

FIDUCIARY NET POSITION

Custodial Funds

Scholarships

ASSETS	
Cash	\$29,472
<hr/>	
NET POSITION	
Held in Trust	\$29,472
<hr/>	
CHANGES IN FIDUCIARY NET POSITION	
Revenues	
Contributions	13,839
Interest	116
	<hr/>
	13,955
Expenditures	
Scholarships	27,550
	<hr/>
	27,550
	<hr/>
Change in Net Position	(13,595)
NET POSITION	
BEGINNING	43,067
	<hr/>
ENDING	\$29,472
	<hr/>

See Notes to Financial Statements

**School District No. 40
Frenchtown, Montana**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2021**

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Notes to Financial Statements (continued)

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.

A. Reporting Entity

In determining the financial reporting entity, the District complies with the provisions of GASB statement No. 14, *The Financial Reporting District*, 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 units' 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 and with GASB Cod. Sec. 2100.

Primary Government

The District was established under Montana law to provide elementary and secondary educational services to residents of the District. Based on the criteria for determining the reporting District (separate legal District and financial or fiscal dependency on other governments) the District is a primary government as defined in preceding paragraph and has no component units.

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. These financial statements present all activities over which the Board of Trustees exercises responsibility.

B. Basis of Presentation, Measurement Focus, and Basis of Accounting

Government-wide Financial Statements:

Basis of Presentation

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and 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

Government-Wide Financial Statements

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 assets 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 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 two categories: governmental, and fiduciary. An emphasis is placed on major funds within the governmental category. 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.

Notes to Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

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

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 to be 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.

Notes to Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Major Funds:

The District reports the following major governmental funds:

General Fund - This is the District's primary operating fund authorized by Section 20-9-301, MCA, for the purpose of financing general maintenance and operational costs of the District not financed by other funds. The General Fund, Flexibility Fund, and On-behalf Pension have been combined into General Fund pursuant to GASB Statement No. 54. See Supplementary Information)

Miscellaneous Programs Fund - Authorized by Section 20-9-507, MCA, for the purpose of accounting for local, state or federal grants and reimbursements. Donations that allow the expenditure of both principal and interest for support of district programs are deposited in this fund.

Debt Service Fund - Authorized by Section 20-9-438, MCA, for the purpose of paying interest and principal on outstanding bonds and special improvement district (SID) assessments. This fund is also used to account for the proceeds of bonds sold for the purposes provided in Section 20-9-403 (c) and (d), MCA.

Proprietary Funds

Proprietary funds are presented using the economic resources measurement focus and the accrual basis of accounting similar to the basis used for the government-wide financial statements. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. Investment earnings are reported as non-operating revenues. All assets and liabilities are recorded in the Internal Service funds financial statements.

Self-Insurance Health Fund - An internal service fund to account for medical coverage provided to the District's employees. All activity, other than investing, is considered operations.

Fiduciary Funds

Fiduciary funds are 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 post employment 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:

Custodial Funds - To report all other trust arrangements under which the principal and income benefit individuals, private organizations, or other governments. The District has a custodial fund for student scholarships or endowment.

Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use it is the District's general policy is to spend resources in the following order: Restricted, Committed, Assigned, Unassigned assuming that there are different classifications within a particular fund.

Notes to Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Cash

Cash and investments, except amounts in the Student Extracurricular Fund and the Self-insurance Fund, are held by the County Treasurer. The County Treasurer invests the District's cash at the direction of the government as required by state statute. Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). STIP is an investment program managed and administered under direction of the Montana Board of Investments (MBOI) as authorized by the Unified Investment Program. The STIP portfolio is reported at fair market value basis versus amortized cost. This is more fully described in Note 2. Cash, Cash Equivalents, and Investments.

D. Inventories

Inventories, if considered significant, are recorded using the purchases method. Inventories are recorded as expenses when purchased rather than when consumed.

E. Property Taxes

Property taxes receivable at June 30 consist primarily of delinquent and protested property taxes from the current and prior year levies. Property taxes receivable are offset by deferred inflow of resources in the fund financial statements. The District does not record an allowance for uncollectible taxes because it is not considered to be significant.

Property taxes are levied in September of each fiscal year, based on assessments as of the prior January 1. Real property taxes are usually billed in October and are payable 50% on November 30 and 50% on May 31. Property taxes are maintained and collected by the County Treasurer.

Notes to Financial Statements (continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

F. **Capital Assets**

Capital assets are carried at actual or estimated historical cost based on appraisals. Major additions and betterments with a cost in excess of \$5,000 are recorded as additions to capital assets. Gifts or contributions are recorded at fair market value when received. The costs of normal repair and maintenance are charged to operations as incurred. Improvements are capitalized and depreciated. Depreciation is computed using the straight-line method over the estimated useful lives of assets.

G. **Compensated Absences**

Liabilities associated with accumulated vacation and discretionary leave are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example- as a result of employee resignations or retirements.

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

Sick leave is earned at a rate of one day per month for all District employees. Teaching staff are allowed to carry over a maximum of 100 sick days from the previous year. Certified bargaining unit employees with more than 100 days of sick leave have the option to sell back sick leave days in excess of 100 to the District at the end of the school year at a rate of 2 days for 1 day paid at the certified substitute teacher rate of pay. Certified bargaining unit employees may also sell back to the District at the end of the school year up to 3 unused personal days at the certified substitute teacher rate of pay. Classified bargaining unit employees may sell back to the District leave in excess of 800 hours at the end of the school year at the rate of two hours of sick leave for one hour of pay at their current hourly rate of pay.

Upon retirement or termination, employees are paid for 100 percent of unused vacation leave and 25 percent of unused sick leave. Termination payments are made at the employee's current salary rate. Part-time employees are entitled to prorated benefits. Certified bargaining unit employees with more than 20 years experience with the District are paid 30 percent of unused sick leave. Classified bargaining unit employees with more than 18 years experience with the District are paid 30 percent of unused sick leave.

H. **Fund Equity**

For information regarding Fund Balance and Net Position see Note 7.

Notes to Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Use of Estimates

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

J. Deferred Inflow/Outflow of Resources

A *deferred outflow* of resources is defined as a consumption of net position by the government that is applicable to a future reporting period and a *deferred inflow* of resources as an acquisition of net position by the government that is applicable to a future reporting period. A deferred outflow of resources has a positive effect on net position, similar to assets, and a deferred inflow of resources has a negative effect on net position, similar to liabilities.

K. Retirement System

The District participates in two state-wide, cost-sharing multiple employer defined benefit retirement plans which cover all District employees, except certain substitute teachers and part-time, non-teaching employees. The Teachers Retirement System (TRS) covers teaching employees, including administrators and aides. The Public Employees Retirement System (PERS) covers non-teaching employees. The plans are established under State law and are administered by the State of Montana.

Notes to Financial Statements (continued)

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

District cash (except for the Student Extracurricular Fund) is held by the County Treasurer and pooled with other County cash. School District cash which is not necessary for short-term obligations is pooled 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 District 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. Fair value approximates carrying value for investments as of June 30, 2021. The District may also direct the investment of its money (Section 20-9-212 (9)).

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.

Deposit Security

Montana law (Section 7-6-207) allows the local governing body to require security for the portion of deposits not guaranteed or insured. Deposit insurance is administered by the FDIC. The County Treasurer has the fiduciary responsibility to ensure that adequate collateral is pledged for all deposits that are not fully covered by Federal Deposit Insurance. Montana code allows the County Treasurer to take collateral up to 50% of deposits if the institution in which the deposit is made has a net worth to total assets ratio of 6% or more and 100% if the ratio is less than 6%. Fair value, custodial credit risk, interest rate risk, and concentration of credit risk classifications of the government's deposits and pooled investments appear to be the responsibility of the County Treasurer. Risk of loss appears to be the responsibility of the County Treasurer.

Student activity funds are deposited in FDIC insured, interest bearing, checking accounts.

District funds are disbursed by means of warrants, which are redeemed by the County Treasurer. Appropriations are considered expended when warrants are issued, outstanding warrants are held in clearing funds and added to the general fund for reporting purposes.

Notes to Financial Statements (continued)

3. CAPITAL ASSETS

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	30 - 60 years
Improvements	30 - 60 years
Equipment	5 - 60 years
Infrastructure	50 - 65 years

June 1999 the Government Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the District has included the value of capital assets in the 2021 Basic Financial Statements.

Capital asset activity during 2021 was as follows:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
Cost of assets:				
Not depreciated:				
Land	\$590,662			\$590,662
Construction in Progress	32,806		32,806	0
Depreciated:				
Land Improvements	1,275,007	60,025		1,335,032
Buildings	29,015,925	105,893		29,121,818
Equipment	3,787,519	326,104		4,113,623
Total	34,701,919	492,022	32,806	35,161,135
Accumulated depreciation:				
Land Improvements	(731,601)	(619,335)		(1,350,936)
Buildings	(10,127,576)	(49,170)		(10,176,746)
Equipment	(2,431,779)	(250,856)		(2,682,635)
Total	(13,290,956)	(919,361)	0	(14,210,317)
Capital Assets, Net	\$21,410,963	(\$427,339)	\$32,806	\$20,950,818

Depreciation expense was unallocated.

Notes to Financial Statements (continued)

4. LONG TERM DEBT

Long-term liability activity for the year was as follows:

	June 30 2020	Reductions	Additions	June 30 2021	Current
General Obligation Bonds					
Series 2007	\$2,175,000	\$1,065,000		\$1,110,000	\$1,110,000
Series 2013	6,530,000	65,000		6,465,000	65,000
Intercap Loan	272,036	272,036		0	
	<u>8,977,036</u>	<u>1,402,036</u>	<u>0</u>	<u>7,575,000</u>	<u>1,175,000</u>
Compensated Absences	655,521	21,232		634,289	211,430
Net OPEB Liability	209,392		3,399	212,791	
Net Pension Liability					
PERS	1,571,560		504,934	2,076,494	
TRS	8,965,658		1,533,267	10,498,925	
	<u>10,537,218</u>	<u>0</u>	<u>2,038,201</u>	<u>12,575,419</u>	
Total	<u>\$20,379,167</u>	<u>\$1,423,268</u>	<u>\$2,041,600</u>	<u>\$20,997,499</u>	<u>\$1,386,430</u>

Notes to Financial Statements (continued)

5. OTHER POST EMPLOYMENT BENEFITS

Post Employment Benefits Other Than Pensions (OPEB)

Plan Description

The District provides its retiring employees with at least five years of service and who are at least 50 years of age, along with the eligible spouses and dependents, the option to continue participating in the School District group health insurance plan until the retiree becomes eligible for Medicare coverage. This option creates a defined benefit other postemployment benefits (OPEB) plan.

Montana law, MCA 2-18-704 requires that employers allow eligible retiring employees to participate in the group plan, at the employees' expense, until eligible for Medicare.

OPEB liability arises from an implicit rate subsidy due to age; all employees pay the same premium regardless of age. There is not a cash effect as a result of the liability.

Employees covered by benefit terms: As of June 30, 2021, the following employees were covered by the benefit terms:

Retired employees	11
Active employees	104
	<u>115</u>

Total OPEB Liability: The District's total OPEB liability of \$212,791 was determined by an actuarial valuation as of June 30, 2020 and was rolled forward to a measurement date of June 30, 2021, utilizing update procedures incorporating actuarial assumptions.

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

Salary increases	4.00	percent, average, including inflation
Discount rate	2.18	Municipal discount
Healthcare cost trend rates	6.10	decreasing .5 percent per year to an ultimate rate of 4.5 percent
Retirees' share of benefit-related costs	0.00	percent of projected health insurance premiums for retirees

The benefit rate was based on the Current Municipal Bond Discount Rate. Mortality rates were based on the RP 2000 Healthy Annuitant combined Mortality Table. The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period June 30, 2018 and rolled forward using actuarial methodology.

Notes to Financial Statements (continued)

5. OTHER POST EMPLOYMENT BENEFITS (continued)

Changes in the total OPEB liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2020	\$209,392
Changes for the year:	
Service cost	15,806
Interest	4,565
Differences between expected and actual experience	44,405
Changes in assumptions or other inputs	7,144
Benefit payments	<u>(68,521)</u>
Net changes	3,399
Balance at June 30, 2021	<u><u>\$212,791</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate.

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the total OPEB liability reported by the District, as well as how that liability would change if the discount rate used to calculate the OPEB liability were decreased or increased by 1 percent:

	1% Decrease 1.18	Discount Rate 2.18	1% Increase 3.18
Total OPEB liability	\$228,450	\$212,791	\$198,188

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the total OPEB liability reported by the District, as well as how that liability would change if the healthcare trend rate used in projecting benefit payments were to decrease or increase by 1 percent:

	1% Decrease 5.1%	Healthcare Cost Trend 6.1%	1% Increase 7.1%
Total OPEB liability	\$190,899	\$212,791	\$238,941

Notes to Financial Statements (continued)

5. OTHER POST EMPLOYMENT BENEFITS (continued)

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB: For the year ended June 30, 2021, the District recognized OPEB expense of \$(21,701). The District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources	Deferred Inflows of Resources
\$286,002	\$93,260

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense. Amortization of outflows and inflows was combined by the actuary as follows:

Year ended June 30

2022	26,449
2023	26,449
2024	26,449
2025	27,195
2026	27,978
Thereafter	58,222
	\$192,742

6. CLAIMS INCURRED BUT NOT REPORTED LIABILITY ESTIMATES

The District provided health insurance benefits via a self insured plan. That was discontinued as of June 30, 2020 when the District began using a commercially available group insurance plan.

The self insurance fund has material fund balance which is used for old claims and other health related matters.

Claims Incurred But Not Reported estimated as follows:

	Avg \$ per day	Avg lag days	CIBNR estimate (rounded to whole dollars)
Medical	not available	not available	4,666
CIBNR Liability			\$4,666

7. FUND BALANCE/NET POSITION DISCLOSURES

Governmental Accounting Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* was issued to enhance the usefulness of Fund Balance information and clarify existing governmental fund type definitions. To that end GASB 54 established the following fund balance classifications in the fund statements:

Non-spendable

Includes fund balances that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted

Includes fund balances that are constrained for specific purposes which are externally imposed by providers such as creditors, or amounts constrained due to law, constitutional provisions or enabling legislation.

Committed

Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. The Board of Trustees commits funds by resolution.

Assigned

Includes fund balance amounts that are intended to be used for a specific purpose that are neither considered restricted or committed. A designee can be authorized to assign fund balance. The District management is responsible for assigning fund balance.

Unassigned

Unassigned fund balance includes positive fund balance within the General Fund which has not been classified within the above mentioned classifications. Negative fund balances in other governmental will be reported as unassigned.

The District addressed this matter in Policy No. 7515. Generally speaking fund balance is restricted for the statutory purpose of a fund, or other externally imposed restriction.

Additionally the District policy states that resources will be spent in the following order: Restricted, Committed, Assigned, Unassigned assuming that there are different classifications within a particular fund.

Notes to Financial Statements (continued)

7. FUND BALANCE/NET POSITION DISCLOSURES

Fund classification to the extent that the fund type is dependent on proceeds of specific revenue sources which are restricted or committed to expenditure in accordance with a specific purpose is as follows:

Fund Balance Classification	MAJOR FUNDS			NON MAJOR	Total
	General Fund	Misc Programs Fund	Debt Service Fund	Other Government Funds	
Non Spendable					0
Restricted:					
Instruction				46,772	46,772
Tuition				20,343	20,343
Adult Education				24,698	24,698
Bus Replacement				187,438	187,438
Technology Acquisition				25,848	25,848
Operation & Maintenance				5,587	5,587
Transportation				282,097	282,097
School Food				132,601	132,601
Retirement				436,516	436,516
Compensated Absences				41,524	41,524
Capital Outlay				245,910	245,910
Other				4,193	4,193
Student Extracurricular				247,827	247,827
Debt Service			77,566		77,566
	0	0	77,566	1,701,354	1,778,920
Assigned:					
Encumbrances	362,902			4,594	367,496
Instruction		930,566			930,566
	362,902	930,566	0	4,594	1,298,062
Unassigned:	1,319,112				
	1,319,112	0	0	0	1,319,112
Total Fund Balance	\$1,682,014	\$930,566	\$77,566	\$1,705,948	\$4,396,094

<u>Restricted for</u>	<u>Fund Balance</u>	<u>Deferred Inflow</u>	<u>Internal Services</u>	<u>Net Position</u>
Capital Outlay	245,910	10,239		256,149
Technology	25,848	2,293		28,141
Bus Replacement	187,438	15,241		202,679
Transportation	282,097	25,033		307,130
Debt Service	77,566	83,581		161,147
Other	275,718	14,066		289,784
Retirement	436,516			436,516
Student Extracurricular	247,827			247,827
Health Insurance			479,318	479,318
	1,778,920	150,453	479,318	2,408,691

Notes to Financial Statements (continued)

7. FUND BALANCE/NET POSITION DISCLOSURES (continued)

In the government wide statements fund equity is classified as net position and displayed in following components:

Net investment in Capital Assets. Composed of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any debt incurred that is attributable to the acquisition thereof.

Restricted. Further classified as expendable and non-expendable, generally the net position resulting from property taxes levied for a statutory purpose.

Unrestricted. All other assets.

Net Position Classifications:

Invested in Capital Assets	13,375,818
Restricted	
Non expendable	0
Expendable	2,408,691
Unrestricted	(8,048,027)
	<u>\$7,736,482</u>

A reconciliation of fund balance by classification to restricted net position by classification follows:

		Deferred inflow of Resources Taxes	Capital Assets Net	Long term Debt - Payroll Pension & OPEB related debt	Internal Services	Adjustments	Net Position
Fund Balances							
Non Spendable	0						0
Restricted	1,778,920	150,453			479,318		2,408,691
Invest Capital Assets			20,950,818	(7,575,000)			13,375,818
Assigned	1,298,062					(1,298,062)	0
Unrestricted		126,844		(10,792,045)		2,617,174	(8,048,027)
Unassigned	1,319,112					(1,319,112)	0
Total	\$4,396,094	\$277,297	\$20,950,818	(\$18,367,045)	\$479,318	\$0	\$7,736,482

Notes to Financial Statements (continued)

8. EMPLOYEE RETIREMENT SYSTEM

The School District participates in two state-wide, cost-sharing multiple employer defined benefit retirement plans which cover all School District employees, except certain substitute teachers and part-time, non-teaching employees. The Teachers' Retirement System (TRS) covers teaching employees, including administrators and aides. The Public Employee Retirement System (PERS) covers non-teaching employees. The plans are established under State law and are administered by the State of Montana.

Stand-Alone Statements

The financial statements of the Montana Teachers Retirement System and the Public Employees Retirement Board *Comprehensive Annual Financial Report (CAFR)* and the GASB 68 Report disclose the Plans' fiduciary net position. The reports are available from:

Teachers Retirement System
P.O. Box 200139
1500 Sixth Avenue
Helena, MT 59620-0139
Phone: 406-444-3134
www.trs.mt.gov

Public Employees Retirement Board
P.O. Box 200131
100 N. Park Avenue Suite 200
Helena, MT 59620-0131
Phone: 406-444-3154
www.mpera.mt.gov

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF EMPLOYEE RETIREMENT SYSTEMS

The Montana Public Employee Retirement Administration (MPERA) and the Teachers' Retirement System (TRS) 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 MPERA and TRS and additions to/deductions from MPERA's and TRS's fiduciary net position have been determined on the same accrual basis as they are reported by MPERA and 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. MPERS and TRS adheres to all applicable Governmental Accounting Standards Board (GASB) statements. Stand-alone financial statements, actuarial valuations and experience studies can be found on the above listed websites.

Notes to Financial Statements (continued)

8. EMPLOYEE RETIREMENT SYSTEM (continued)

FRENCHTOWN K-12 SCHOOLS
GASB 68 Notes to the Financial Statements
Prepared as of June 30, 2020 (Measurement
Date) For the Year Ended June 30, 2021
(Reporting Date)

The following disclosures should be disclosed for each pension plan TRS and PERS

Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Montana Teachers' Retirement System (TRS or the System). Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective Net Pension Liability. In accordance with Statement 68, the System has a special funding situation in which the State of Montana is legally responsible for making contributions directly to TRS that are used to provide pension benefits to the retired members of TRS. Due to the existence of a special funding situation, employers are also required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer. The following table displays the amounts and the percentages of Net Pension Liability for the fiscal years ended June 30, 2021 and June 30, 2020 (reporting dates).

	Net Pension Liability as of 6/30/2021	Net Pension Liability as of 6/30/2020	Percent of Collective NPL as of 6/30/2021	Percent of Collective NPL as of 6/30/2020	Change in Percent of Collective NPL
FRENCHTOWN PUBLIC SCHOOLS Proportionate Share	\$10,498,925	\$8,965,658	0.4667%	0.4650%	0.0017%
State of Montana Proportionate Share associated with employer	\$6,207,577	\$5,428,866	0.2760%	0.2815%	(0.0055)%
Total	\$16,706,502	\$14,394,524	0.7427%	0.7465%	(0.0038)%

At June 30, 2021, the employer recorded a liability of \$10,498,925 for its proportionate share of the Net Pension Liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The employer's proportion of the net pension liability was based on the employer's contributions received by TRS during the measurement period July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of TRS' participating employers. At June 30, 2021, the employer's proportion was 0.4667 percent.

Notes to Financial Statements (continued)

8. EMPLOYEE RETIREMENT SYSTEM (continued)

Changes in actuarial assumptions and other inputs: Since the previous measurement date, the following changes to actuarial assumptions were made:

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

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

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

Pension Expense

	Pension Expense as of 6/30/2021
FRENCHTOWN K-12 SCHOOLS Proportionate Share	\$1,496,683
State of Montana Proportionate Share associated with the Employer	\$822,479
Total	<u>\$2,319,162</u>

At June 30, 2021, the employer recognized a Pension Expense of \$2,319,162 for its proportionate share of the TRS' pension expense. The employer also recognized grant revenue of \$822,479 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the employer.

Notes to Financial Statements (continued)

8. EMPLOYEE RETIREMENT SYSTEM (continued)

Deferred Inflows and Outflows

At June 30, 2021, the employer reported its proportionate share of TRS' deferred outflows of resources and deferred inflows of resources related to TRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$101,776	\$0
Changes in actuarial assumptions	\$549,876	\$12,074
Differences between projected and actual investment earnings	\$735,496	\$0
Changes in proportion & Differences between actual and expected contributions	\$52,494	\$11,819
*Contributions paid to TRS subsequent to the measurement date - FY 2021 Contributions	\$647,769	
Total	\$2,087,411	\$23,893

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

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

Year ended June 30:	Amount of Deferred Outflows (Inflows) to be recognized as an increase or (decrease) to Pension Expense
2022	\$484,810
2023	\$398,612
2024	\$347,738
2025	\$184,589
2026	\$0
Thereafter	\$0

Notes to Financial Statements (continued)

8. EMPLOYEE RETIREMENT SYSTEM (continued)

Plan Description

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

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

Notes to Financial Statements (continued)

8. EMPLOYEE RETIREMENT SYSTEM (continued)

Overview of Contributions

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

The tables below show the legislated contribution rates for TRS members, employers and the State.

School Districts and Other Employers

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

School Districts 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%	9.47%	0.11%	16.73%
July 1, 2009 to June 30, 2013	7.15%	9.85%	0.11%	17.11%
July 1, 2013 to June 30, 2014	8.15%	10.85%	0.11%	19.11%
July 1, 2014 to June 30, 2015	8.15%	10.95%	0.11%	19.21%
July 1, 2015 to June 30, 2016	8.15%	11.05%	0.11%	19.31%
July 1, 2016 to June 30, 2017	8.15%	11.15%	0.11%	19.41%
July 1, 2017 to June 30, 2018	8.15%	11.25%	0.11%	19.51%
July 1, 2018 to June 30, 2019	8.15%	11.35%	0.11%	19.61%
July 1, 2019 to June 30, 2020	8.15%	11.45%	0.11%	19.71%
July 1, 2020 to June 30, 2021	8.15%	11.55%	0.11%	19.81%
July 1, 2021 to June 30, 2022	8.15%	11.65%	0.11%	19.91%
July 1, 2022 to June 30, 2023	8.15%	11.75%	0.11%	20.01%
July 1, 2023 to June 30, 2024	8.15%	11.85%	0.11%	20.11%

Notes to Financial Statements (continued)

8. EMPLOYEE RETIREMENT SYSTEM (continued)

TRS Stand-Alone Statements

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

Actuarial Assumptions

The Total Pension Liability as of June 30, 2020, is based on the results of an actuarial valuation date of July 1, 2020. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2020 valuation were based on the results of the last actuarial experience study, dated May 3, 2018. Among those assumptions were the following:

-Total Wage Increases*	3.25% -7.76% for Non-University Members and 4.25% for University Members
-Investment Return	7.34%
-Price Inflation	2.40%
-Postretirement Benefit Increases	

- Tier One Members: If the retiree has received benefits for at least 3 years, the retirement allowance will be increased by 1.5% on January 1st.
- Tier Two Members: The retirement allowance will be increased by an amount equal to or greater than 0.5% but no more than 1.5% if the most recent actuarial valuation shows the System to be at least 90% funded and the provisions of the increase is not projected to cause the funded ratio to be less than 85%.

-Mortality among contributing members, service retired members, and beneficiaries

- For Males and Females: RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years

-Mortality among disabled members

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

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

Notes to Financial Statements (continued)

8. EMPLOYEE RETIREMENT SYSTEM (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.34%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. In addition to the contributions the State general fund will contribute \$25 million annually to the System payable July 1st of each year. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2124. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

Target Allocations

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return*
Domestic Equity	30.00%	6.19%
International Equity	16.00%	6.92%
Private Equity	14.00%	10.37%
Natural Resources	4.00%	3.43%
Real-Estate	9.00%	5.74%
Core Fixed Income	20.00%	1.57%
Non-Core Fixed Income	5.00%	3.97%
Cash	2.00%	0.11%
	<u>100.00%</u>	

The long term capital market assumptions published in the Survey of Capital Market Assumptions 2020 Edition by Horizon Actuarial Service, LLC, yield a median real return of 4.94%. Assumed inflation is based on the intermediate inflation assumption of 2.4% in the 2020 OASDI Trustees Report used by the Chief Actuary for Social Security to produce 75 year cost projections. Combining these two results yields a nominal return of 7.34%.

Notes to Financial Statements (continued)

8. EMPLOYEE RETIREMENT SYSTEM (continued)

Sensitivity Analysis

	1.0% Decrease (6.34%)	Current Discount Rate	1.0% Increase (8.34%)
The Employer's proportion of Net Pension Liability	\$13,979,003	\$10,498,925	\$7,587,267

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.34%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.34%) or 1.00% higher (8.34%) than the current rate.

Summary of Significant Accounting Policies

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

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

Notes to Financial Statements (continued)

8. EMPLOYEE RETIREMENT SYSTEM (continued)

**SCHOOL DISTRICT 40 - FRENCHTOWN
PUBLIC EMPLOYEES' RETIREMENT SYSTEM –
DEFINED BENEFIT GASB 68 NOTES TO THE
FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED
JUNE 30, 2020 (measurement date)
JUNE 30, 2021 (reporting date)**

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions*, employers and the non-employer contributing entity are required to recognize and report certain amounts associated with participation in the Public Employees' Retirement System Defined Benefit Retirement Plan (the Plan). This includes the proportionate share of the collective Net Pension Liability; Pension Expense; and Deferred Outflows and Deferred Inflows of Resources associated with pensions. Employers are provided guidance in GASB Statement 68, paragraph 74, where pension amounts must be combined as a total or aggregate for reporting, whether provided through cost-sharing, single-employer, or agent plans. This report provides information for employers who are using a June 30, 2020 measurement date for the 2021 reporting. If an employer's fiscal year end is after June 30th, the employer will not use the measurements shown in this report but will need to wait for the measurement date as of June 30, 2021.

Summary of Significant Accounting Policies

MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the Net Pension Liability (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).

General Information about the Pension Plan

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

All new members are initially members of the PERS-DBRP and have a 12-month window during which they 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. All new members from the universities also have a third option to join the university system's Montana University System Retirement Program (MUS-RP).

Benefits provided: The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation (HAC). Member rights are vested after five years of service.

Notes to Financial Statements (continued)

8. EMPLOYEE RETIREMENT SYSTEM (continued)

Service retirement:

- Hired prior to July 1, 2011:
 - o Age 60, 5 years of membership service
 - o Age 65, regardless of membership service
 - o Any age, 30 years of membership service
- Hired on or after July 1, 2011:
 - o Age 65, 5 years of membership service
 - o Age 70, regardless of membership service

Early Retirement:

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

Second Retirement: (requires returning to PERS-covered employer or PERS service)

- Retired before January 1, 2016 and accumulate less than 2 years additional service credit or retired on or after January 1, 2016 and accumulate less than 5 years additional service credit:
 - o A refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018).
 - o No service credit for second employment;
 - o Start the same benefit amount the month following termination; and
 - o Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
- Retired before January 1, 2016 and accumulate at least 2 years of additional service credit:
 - o A recalculated retirement benefit based on provisions in effect after the initial retirement; and
 - o GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months. Retired on or after January 1, 2016 and accumulate 5 or more years of service credit:
 - o The same retirement as prior to the return to service;
 - o A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
 - o GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Member's highest average compensation (HAC)

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

Compensation Cap

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

Monthly benefit formula

- Members hired prior to July 1, 2011
 - o Less than 25 years of membership service: 1.785% of HAC per year of service credit;
 - o 25 years of membership service or more: 2% of HAC per year of service credit.

Notes to Financial Statements (continued)

8. EMPLOYEE RETIREMENT SYSTEM (continued)

Members hired on or after July 1, 2011

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

Guaranteed Annual Benefit Adjustment (GABA)

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

3.0% 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:

- (a) 1.5% for each year PERS is funded at or above 90%;
- (b) 1.5% reduced by 0.1% for each 2.0% PERS is funded below 90%; and
- (c) 0% whenever the amortization period for PERS is 40 years or more.

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

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

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 for state agencies and universities but are reported as employer contributions.

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

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

Notes to Financial Statements (continued)

8. EMPLOYEE RETIREMENT SYSTEM (continued)

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

2. Employer contributions to the system:

a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following 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.

c. The portion of employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers' reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.

3. Non-Employer Contributions:

a. Special Funding

i. The state contributed 0.1% of members' compensation on behalf of local government entities.

ii. The state contributed 0.37% of members' compensation on behalf of school district entities.

iii. The state contributed a Statutory Appropriation from the General Fund of \$33,951,150.

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

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2020, was determined by taking the results of the June 30, 2019, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards of 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 employer's and the state of Montana's NPL for June 30, 2020, and 2019, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The employer recorded a liability of \$2,076,494 and the employer's proportionate share was 0.078708 percent.

As of measurement date	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
SCHOOL DISTRICT 40 - FRENCHTOWN Proportionate Share	\$ 2,076,494	\$ 1,571,560	0.078708%	0.075183%	0.003525%
State of Montana Proportionate Share associated with Employer	\$ 722,200	\$ 565,148	0.027375%	0.027037%	0.000338%
Total	\$ 2,798,694	\$ 2,136,708	0.106083%	0.102220%	0.003863%

Notes to Financial Statements (continued)

8. EMPLOYEE RETIREMENT SYSTEM (continued)

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the TPL.

1. The discount rate was lowered from 7.65% to 7.34%.
2. The investment rate of return was lowered from 7.65% to 7.34%.
3. The inflation rate was reduced from 2.75% to 2.40%.

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

Changes in proportionate share: There were no changes between the measurement date of the collective NPL and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL. However, each employer may have unique circumstances that will impact the employer's proportionate share of the collective net pension. 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 employer recognized \$271,197 for its proportionate share of the Plan's pension expense and recognized grant revenue of \$118,110 for the state of Montana proportionate share of the pension expense associated with the employer. (Two years of pension expense are documented in the table below but are not necessary for the employer's disclosures.)

As of measurement date	Pension Expense as of 6/30/2020	Pension Expense as of 6/30/2019
SCHOOL DISTRICT 40 - FRENCHTOWN'S Proportionate Share	\$271,197	\$162,423
Employer Grant Revenue – State of Montana Proportionate Share for employer	118,110	38,368
Total	\$389,307	\$200,791

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. Actual Experience	\$33,519	\$59,370
Projected Investment Earnings vs. Actual Investment Earnings	179,806	0
Changes in Assumptions	143,789	0
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	0	56,177
Employer Contributions Subsequent to the Measurement Date	132,628	
Total	\$489,742	\$115,548
<p><i># the employer's contributions subsequent to the measurement date must be entered by the employer. These are the FY2021 contributions paid to the Plan.</i></p>		

Notes to Financial Statements (continued)

8. EMPLOYEE RETIREMENT SYSTEM (continued)

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

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in future years as an increase or (decrease) to Pension Expense
2021	\$(3,302)
2022	\$137,120
2023	\$62,826
2024	\$44,922
Thereafter	\$ 0

Actuarial Assumptions: The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions.

Investment Return (net of admin expense)	7.34%
Admin Expense as % of Payroll	0.30%
General Wage Growth * *includes Inflation at	3.50% 2.40%
Merit Increases	0% to 4.80%
Postretirement Benefit Increases	3.0%
I. Guaranteed Annual Benefit Adjustment (GABA) each January	1.5%
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.	1.5%
Members hired prior to July 1, 2007	
Members hired between July 1, 2007 & June 30, 2013	0%
Members hired on or after July 1, 2013	
For each year PERS is funded at or above 90%	
The 1.5% is reduced by 0.1% for each 2.0%	
PERS is funded below 90%	
0% whenever the amortization period for PERS is 40 years or more	
Mortality:	
Contributing members, , service retired members & beneficiaries	RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, set back one year for males
Disabled Members	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 report dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. The long-term rate of return as of June 30, 2020, was calculated using the average long-term capital market assumptions published in the *Survey of Capital Market Assumptions 2020 Edition* by Horizon Actuarial Service, LLC, yielding a median real rate of return of 4.94%. The assumed inflation is based on the intermediate inflation of 2.4% in the 2020 OASDI Trustees Report by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.34%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020, are summarized in the table below:

Notes to Financial Statements (continued)

8. EMPLOYEE RETIREMENT SYSTEM (continued)

Asset Class	Target Asset Allocation	Long-Term Expected Rate of Return Assumptions Basis
Cash Equivalents	2.0%	0.11%
Domestic Equity	30.0%	6.19%
International Equity	16.0%	6.92%
Private Investments	14.0%	10.37%
Natural Resources	4.0%	3.43%
Real Estate	9.0%	5.74%
Core Fixed Income	20.0%	1.57%
Non-Core Fixed Income	5.0%	3.97%
Total	100.0%	

Discount Rate: The discount rate used to measure the TPL was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed a statutory appropriation from the general fund. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate: The following presents the employer's sensitivity of the NPL to the discount rate in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.65%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

As of measurement date	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
SCHOOL DISTRICT 40 FRENCHTOWN'S Net Pension Liability	\$2,858,171	\$2,076,494	\$1,419,891

Notes to Financial Statements (continued)

8. EMPLOYEE RETIREMENT SYSTEM (continued)

PERS Disclosure for the defined contribution plan

SCHOOL DISTRICT 40 FRENCHTOWN contributed to the state of Montana Public Employee Retirement System Defined Contribution Retirement Plan (PERS-DCRP) for employees that have elected the DCRP. The PERS-DCRP is administered by the PERB and is reported as a multiple-employer plan established July 1, 2002, and governed by Title 19, chapters 2 & 3, MCA.

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

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

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

At the plan level for the measurement period ended June 30, 2020, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the *defined contribution* plan. Plan level non-vested forfeitures for the 329 employers that have participants in the PERS-DCRP totaled \$775,195.

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>

Notes to Financial Statements (continued)

8. EMPLOYEE RETIREMENT SYSTEM (continued)

PENSION AMOUNTS TOTAL FOR EMPLOYER –
EMPLOYER'S PROPORTION OF TRS AND PERS PENSION AMOUNTS

	The employer's proportionate share associated with PERS	The employer's proportionate share associated with TRS	The employer's Total Pension Amounts
Total Pension Liability	\$6,676,830	\$29,951,530	\$36,628,360
Fiduciary Net Position	\$4,600,336	\$19,452,606	\$24,052,942
Net Pension Liability	\$2,076,494	\$10,498,925	\$12,575,419
Deferred Outflows of Resources	\$489,742	\$2,087,411	\$2,577,153
Deferred Inflows of Resources	\$115,548	\$23,893	\$139,441
Pension Expense System Reports	\$389,307	\$2,319,162	\$2,708,469

9. RISK MANAGEMENT

The District faces a number of risks including:

- a) loss or damage to property
- b) general liability
- c) workers compensation
- d) employee medical insurance

Commercial insurance policies are purchased for loss or damage to property, general liability, and health insurance.

The District participates in a statewide public risk pool, the Montana Schools Group Workers Compensation Risk Retention Program (WCRRP), for workers compensation coverage. Approximately 200 schools participate in WCRRP. All school participants in this pool are jointly and severally liable for the liabilities of this public risk pool.

The pool issues audited financial statements. Information about the amount of claim liabilities, changes in claims liabilities, amount of claims paid, operating results and other information is available at:

WCRRP
1 South Montana Avenue
Helena, Montana 59601

Notes to Financial Statements (continued)

10. CORRECTION OF ESTIMATE

The claims incurred but not reported liability estimate reported in the Proprietary Fund changed drastically from year ended June 30, 2020 to year ended June 30, 2021. The correction of estimate of \$162,070 to net position was made by the plan administrator. The District had no input.

11. CONTINGENCY COVID 19

The District faces challenges to its operations and economic results related to the global COVID-19 pandemic.

On June 30, 2021 the Governor lifted the state of emergency order due to COVID-19, which may not bring many changes due to the Governor's February 12, 2021 Executive Order that, among other guidelines, removed the phased reopening approach, lifted the statewide mask mandate, encouraged businesses to follow best industry practices to slow the spread of the virus and for the public to follow individual business guidelines, and stated public gatherings should be managed in a manner that accommodates Center for Disease Control and Prevention ("CDC") social distancing rules; however, certain local, school and/or business specific orders may be in effect that need to be followed. With the availability of the COVID-19 vaccination, all Montana residents 16 and older have been eligible for the vaccine since April 1, 2021; 12-15 year olds have been eligible for the vaccine since May 10, 2021; and 5-11 year olds have been eligible for the vaccine since October 29, 2021.

The District continues to closely monitor the directives and orders from the Governor's Office and recommendations from the federal, State, and local authorities that impact the District and its residents; however, stay-at-home orders could be resumed at any time. The District cannot predict if the Governor, or other federal, State, or local authority will issue additional directives or orders that might adversely impact the financial condition or operations of the District, or the assessed values of property within the District.

REQUIRED SUPPLEMENTARY INFORMATION

Other than Management's Discussion and Analysis

**School District No. 40
Frenchtown, Montana**

**SCHEDULE OF REVENUES, EXPENDITURES AND ENCUMBRANCES
BUDGET AND ACTUAL
GENERAL FUND
June 30, 2021**

	Original Budget	Amended & Final Budget	Actual Amounts Budgetary Basis
RESOURCES/INFLOWS			
District Levy	\$1,938,963	\$1,938,963	\$1,964,269
State Sources	7,886,242	7,962,521	7,967,384
County Sources			
Federal Sources			
User Fees			
Interest	35,771	35,771	9,819
Other	5,918	5,918	7,818
Total Amounts	9,866,894	9,943,173	9,949,290
Other Financing Sources (uses)			
Transfers			
In			
Out			
Total Other Financing Sources			0
Total Revenues and Other Financing Sources			9,949,290
EXPENDITURES CHARGED TO BUDGET	9,866,894	9,943,173	9,942,260
Change in Encumbrances			(150,048)
Modified Accrual Expenditures			\$9,792,212

See notes to budgetary required supplementary information.

**School District No. 40
Frenchtown, Montana**

**NOTES TO REQUIRED SUPPLEMENTARY BUDGETARY INFORMATION
June 30, 2021**

Budgets:

Budgets are adopted by funds defined as budgeted funds as defined in state law (MCA 20-9-201).

The budgets must be adopted on or before August 20th of each year, but may be continued day to day until August 25th. If taxable value information is not available. (MCA 20-9-131). Appropriations (budgetary spending authority) lapse at year end except for construction in progress and obligations for the purchase of personal property ordered but not paid for during the current year (MCA 20-9-209). Because Montana schools have appropriations which lapse at year end encumbrances are allowed as a means of budgetary control. Encumbrances do not represent expenditures for the period for generally accepted accounting principles. The budgetary basis statements total expenditures varies from modified accrual total expenditures in the General Fund by the change in encumbrances of \$ 150,048, the on-behalf payment of \$940,589, and the Flexibility Fund \$0.

State law requires with certain exceptions only that total actual expenditures not exceed total budgeted expenditures. There were amendments to the budgets, the amounts shown are the original, amended, and final budgeted amounts. Budget amendment of \$76,279 in General Fund revenues was made due to unanticipated enrollment.

The General Fund, Flexibility Fund, and on-behalf payment are combined in the modified accrual basis statements.

The Miscellaneous Programs Fund and the Debt Service Fund, major funds, are not presented because:

1. The Miscellaneous Programs Fund is a non-budgeted fund.
2. The Debt Service Fund is not required to be reported in budgetary RSI.

**School District No. 40
Frenchtown, Montana**

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
Year Ended June 30, 2021**

Last 10 Fiscal Years*

Total OPEB liability	2021	2020	2019	2018
Service cost	\$15,806	\$14,417	\$3,834	\$3,718
Interest	4,565	1,482	1,984	2,142
Changes of benefit terms			-	
Differences between expected and actual experience	44,405	311,393	(9,567)	(7,489)
Changes of assumptions or other inputs	7,144	(108,281)	403	(1,405)
Employer contributions	(68,521)	(65,326)	0	0
Net change in Total OPEB Liability	\$3,399	\$153,685	(\$3,346)	(\$3,034)
Total OPEB Liability - beginning	209,392	55,707	59,053	62,087
Total OPEB Liability - ending	\$212,791	\$209,392	\$55,707	\$59,053
Covered-employee payroll	\$7,797,482	\$7,552,041	\$7,095,965	\$6,872,605
Total OPEB Liability as a percentage of covered-employee payroll	2.70%	2.80%	0.80%	0.90%

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

Notes to Schedule

No assets have been accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75.

<u>Major Assumptions</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Discount Rate	2.18%	2.66%	3.36%	3.45%
Medical Trend	6.10%	6.10%	6.10%	6.30%

**School District No. 40
Frenchtown, Montana**

**Supplementary Schedule of Proportionate Share
of the Net Pension Liability and Schedule of Contributions**

For the year ended June 30
Determined as of the Measurement Date

Plan: **TRS**

Schedule of Proportionate Share of the Net Pension Liability:

	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.4667%	0.4650%	0.4616%	0.4525%	0.4307%	0.04283%	0.3989%
Employer's proportionate share of the net pension liability associated with the Employer	\$10,498,925	\$8,965,658	\$8,567,398	\$7,630,214	\$7,868,707	\$7,036,662	\$6,139,230
State of MT proportionate share of the net pension liability associated with the Employer	6,207,577	5,428,866	5,325,490	4,843,523	5,129,323	4,717,615	4,207,166
Total	\$16,706,502	\$14,394,524	\$13,892,888	\$12,473,737	\$12,998,030	\$11,754,277	\$10,346,396
Employer's covered-employee payroll	6,424,258	6,311,651	6,165,330	5,968,887	5,591,727	5,466,333	5,031,069
Employer's proportionate share of the net pension liability as of its covered-employee payroll (as a percentage)	163.43%	142.05%	138.96%	127.83%	140.72%	128.73%	122.03%
Plan fiduciary net position the total pension liability (as a percentage)	64.95%	68.64%	69.09%	70.09%	66.69%	69.30%	70.36%

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

Schedule of Contributions:

	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$647,769	\$701,142	\$577,346	\$598,838	\$587,889	\$491,183	\$506,648
Contributions in relation to the contractually required contributions	647,769	701,142	577,346	598,838	587,889	491,183	506,648
Contribution deficiency (excess)	0	0	0	0	0	0	0
Covered payroll	6,587,513	6,424,258	6,311,651	6,165,330	5,968,887	5,591,727	5,466,333
Contributions of covered-employee payroll (as a percentage)	9.83%	10.91%	9.15%	9.71%	9.85%	8.78%	9.27%

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

See Notes to Required Supplementary Information.

**School District No. 40
Frenchtown, Montana**

**Supplementary Schedule of Proportionate Share
of the Net Pension Liability and Schedule of Contributions
For the Last Ten Fiscal Years***

Plan: **PERS**

Schedule of Proportionate Share of the Net Pension Liability:

As of measurement date	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (percentage)	0.078708%	0.075183%	0.0734%	0.1009%	0.0980%	0.0971%	0.0972%
Employer's net pension liability (amount)	\$2,076,494	\$1,571,560	\$1,531,982	\$1,964,276	\$1,669,252	\$1,357,812	\$1,210,911
State's net pension liability	722,200	565,148	570,345	96,680	78,013	63,803	56,606
Total	2,798,694	2,136,708	2,102,327	2,060,956	1,747,265	1,421,615	1,267,517
Employer's covered payroll	1,363,046	1,280,864	\$1,271,316	\$1,306,865	\$1,213,467	\$1,172,026	\$1,143,865
Employer's proportionate share as a percent of covered payroll	152.34%	122.70%	120.50%	150.30%	137.56%	115.85%	111.22%
Plan fiduciary net position as a percent of total pension liability	68.90%	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.

Schedule of Contributions:

	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	132,628	126,660	106,311	102,243	104,720	98,117	93,411
Plan Choice Rate required contributions	0	0	0	0	0	1,602	1,934
Contributions in relation to the contractually required contributions	132,628	126,660	106,311	102,243	104,720	96,515	91,477
Contribution deficiency (excess)	0	0	0	0	0	0	0
Covered payroll	1,560,326	1,507,859	1,280,864	1,271,316	1,306,865	1,213,467	1,172,026
Contributions as percent of covered payroll	8.50%	8.40%	8.30%	8.04%	8.01%	8.22%	8.14%

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

The amounts presented for each fiscal year were determined as of June 30.

See Notes to Required Supplementary Information.

**Notes to Required Supplementary Information
Supplementary Schedule of Proportionate Share
of the Net Pension Liability and Schedule of Contributions**

PERS

Changes of Benefit Terms

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

2017:

Working Retiree Limitations – for PERS

Effective July 1, 2017, if a PERS retiree returns as an independent contractor to what would otherwise be PERS-covered employment, general contractor overhead costs are excluded from PERS working retiree limitations.

Refunds

- 1) Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
- 2) Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so within 90 days of termination of service.
- 3) Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

Interest credited to member accounts – Effective July 1, 2017, the interest rate credited to member accounts increased from 0.25% to 0.77%.

Lump-sum payouts

Effective July 1, 2017, lump-sum payouts in all systems are limited to the member's accumulated contributions rate than the present value of the member's benefit.

Disabled PERS Defined Contribution (DC) Members

PERS members hired after July 1, 2011 have a normal retirement age of 65. PERS DC members hired after July 1, 2011 who became disabled were previously only eligible for a disability benefit until age 65. Effective July 1, 2017, these individuals will be eligible for a disability benefit until they reach 70, thus ensuring the same 5-year time period available to PERS DC disabled members hired prior to July 1, 2011 who have a normal retirement age of 60 and are eligible for a disability benefit until age 65.

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 2019 actuarial evaluation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increase	0% to 8.47%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Mortality (Healthy members)	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table, with no projections
Admin Expense as % of Payroll	0.30%

Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year's actual administrative expenses.

Changes of Benefit Terms:

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

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

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

- (1) Final Average Compensation: average of earned compensation paid in five consecutive years of full-time service that yields the highest average
- (2) Service Retirement: Eligible to receive a service retirement benefit if the member has been credited with at least five full years of creditable service and has attained the age of 60; or has been credited with 30 or more years of full-time or part-time creditable service and has attained age 55
- (3) Early Retirement: Eligible to receive an early retirement allowance if a member is not eligible for service retirement but has at least five years of creditable service and attained age 55
- (4) Professional Retirement Option: if the member has been credited with 30 or more years of service and has attained the age of 60 they are eligible for an enhanced allowance equal to 1.85% of average final compensation times all service at retirement. Otherwise, the multiplier used to calculate the retirement allowance will be equal to 1.67%
- (5) Annual Contribution: 8.15% of member's earned compensation
- (6) Supplemental Contribution Rate: On or after July 1, 2023, the TRS Board may require a supplemental contribution up to 0.5% if the following three conditions are met:
 - 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.
- (7) Disability Retirement: A member will not be eligible for a disability retirement if the member is or will be eligible for a service retirement on the date of termination
- (8) Guaranteed Annual Benefit Adjustment (GABA):
 - a. If the most recent actuarial valuation shows that Retirement System liabilities are at least 90% funded and the provision of the increase is not projected to cause the System's liabilities to be less than 85% funded, the GABA may increase from the 0.5% floor up to 1.5%, as set by the Board.

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

- Annual State contribution equal to \$25 million paid to the System in monthly installments.
- One-time contribution payable to the Retirement System by the trustees of a school district maintaining a retirement fund. The one-time contribution to the Retirement System shall be the amount earmarked as an operating reserve in excess of 20% of the adopted retirement fund budget for the fiscal year 2013. The amount received was \$22 million in FY 2014.
- 1% supplemental employer contribution. This will increase the current employer rates:
 - School Districts contributions will increase from 7.47% to 8.47%
 - The Montana University System and State Agencies will increase from 9.85% to 10.85%.
 - The supplemental employer contribution will increase by 0.1% each fiscal year for fiscal year 2014 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 2020:

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

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

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

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

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

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

-Mortality among disabled members was updated to the following:

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

- Retirement rates were updated
- Termination rates were updated
- Rates of salary increases were updated

The following changes to the actuarial assumptions were adopted in 2016:

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

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

- Correctly reflect the proportion of members that are assumed to take a refund of contributions upon termination and appropriately reflect the three year COLA deferral period for Tier 2 Members.
- The 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	29 years
Asset valuation method	4-year smoothed market
Inflation	2.50 percent
Salary increase	3.25 to 7.76 percent, including inflation for Non-University Members and 4.25% for University Members
Investment rate of return	7.50 percent, net of pension plan investment expense, and including inflation

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET - GENERAL FUND
June 30, 2021

	Funds				Total
	General	Flexibility	Clearing Payroll	Claims	
Assets					
Cash and cash equivalents	\$1,435,024	\$274,614	\$114,445	\$300,094	\$2,124,177
Taxes receivable	126,844				126,844
Total Assets	1,561,868	274,614	114,445	300,094	2,251,021
Liabilities, deferred inflows of resources and fund balances					
Warrants payable			114,445	300,094	414,539
Accounts payable	27,624				27,624
Total Liabilities	27,624	0	114,445	300,094	442,163
Deferred inflows of resources					
Tax revenue	126,844				126,844
Total Deferred inflows	126,844	0	0	0	126,844
Total Liabilities & Deferred inflows	154,468	0	114,445	300,094	569,007
Fund balances					
Assigned for					
Encumbrances	362,902				362,902
Unassigned	1,044,498	274,614			1,319,112
Total fund balances	1,407,400	274,614	0	0	1,682,014
Total liabilities, deferred inflows of resources and fund balances	\$1,561,868	\$274,614	\$114,445	\$300,094	\$2,251,021

See Independent Auditors Report

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GENERAL FUND
June 30, 2021**

	General Fund	Flexibility	On-behalf Payment	Total
Revenues				
Property taxes	1,964,269			1,964,269
Intergovernmental - state	7,967,384		940,589	8,907,973
Other	7,818	39		7,857
Interest	9,819	1,019		10,838
Total revenues	9,949,290	1,058	940,589	10,890,937
Expenditures				
Current				
Instruction	5,538,416		940,589	6,479,005
Supporting services	2,355,664			2,355,664
Operations & Maintenance	1,303,045			1,303,045
Student transportation	4,722			4,722
Food services	72,940			72,940
Extracurricular	463,703			463,703
Capital outlay	49,586			49,586
Interest	4,136			4,136
Total expenditures	9,792,212	0	940,589	10,732,801
Excess (deficiency) of revenues over expenditures	157,078	1,058	0	158,136
Other financing sources				
Transfers in				0
Transfers out				0
Total other financing sources	0	0	0	0
Net change in fund balances				
Fund balances beginning of year	1,250,322	273,556	0	1,523,878
Fund balances end of year	\$1,407,400	\$274,614	\$0	\$1,682,014

See Independent Auditors Report

**School District No. 40
Frenchtown, Montana**

**EXTRACURRICULAR FUND
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION BY STUDENT ACTIVITY
June 30, 2021**

Student Activity	Balance June 30 2020	Revenues & Misc Earnings	Expenditures & Misc Charges	Transfers In (Out)	Balance June 30 2021
Academic Challenge	\$1,671				\$1,671
Activities	46,904	11,543	5,754	3,727	56,420
Anime Club	333				333
Art Club	66				66
Band Fundraiser	7,433	11,381	10,230	(301)	8,283
BBB Fundraiser	1,033	7,180	3,935		4,278
Boys Basketball	0	5,667	5,197	(470)	0
Broadcast	0	1,225			1,225
Calendar Proceeds	2,085				2,085
Candy Machine	569				569
Cheer	0	350		(350)	0
Cheerleaders	2,384				2,384
Choir Fundraiser	728	7,992	830	(7,162)	728
Class of 2020	2,185				2,185
Class of 2021	3,891	8,126	11,367		650
Class of 2022	2,842	4,111	2,562		4,391
Class of 2023	0	2,248	205		2,043
Class of 2025	0	4,830	2,639		2,191
Concessions	42,359	12,540	11,434	(10,000)	33,465
Cross Country	0	225	280	55	0
Cross Country Fundraiser	869		194		675
Culinary Enterprise	1,532				1,532
Destination Imagination K-6	2,734	3,388	914		5,208
Divisional VB	883				883
Divisional Track	33				33
FCCLA	649	291	509		431
Football Fundraiser	1,558	9,132	4,727		5,963
Football	0	3,357	3,681	324	0
Football play-offs	217				217
GBB Fundraiser	3,654	6,680	3,492		6,842
Girls Basketball	0	3,453	4,727	1,274	0
Golf	0	576	1,740	1,164	0
Golf Fundraiser	1,904				1,904
Grade School Activities	1,316	421	101		1,636
Home Economics	776				776
HOSA	418	495	508		405
In & Out	129				129
Industrial Tech	314				314
Intermediate Activities	1,018				1,018
Jr. High Choir	243				243
Jr. High Cross Country Fundraiser	89				89
Jr. High Festival	800				800
Jr. High Five Valley Honor Band	1,358				1,358
Jr. High GBB Fundraiser	533				533
Jr. High Lounge/Pop	9				9
Jr. High Soccer Fundraiser	171				171
Jr. High Tackle Football	1,309				1,309
Jr. High Track Fundraiser	24				24
Subtotal	137,023	105,211	75,026	(11,739)	155,469

Student Activity	Balance June 30 2020	Revenues & Misc Earnings	Expenditures & Misc Charges	Transfers In (Out)	Balance June 30 2021
Jr. High Volleyball Fundraiser	668				668
Jr. High Wrestling	299				299
JMG (Jobs for MT Grads)	20				20
Jr. High Activities	0	7,564	7,564		0
Jr. High Annual	140				140
Jr. High Graduation	4,800				4,800
Jr. High Student Council	711	2,416	391		2,736
Key Club	849	7,380	3,151		5,078
Little Dribblers	680		165		515
Math Counts	119				119
Meals	5,260		4,842	10,000	10,418
MT 13-C	3,850	6,630	7,879		2,601
MT State Class A	0				0
MT State Class C Tip Off	5,991		2,971		3,020
Music	0	2,109	725	7,463	8,847
Newspaper	297				297
NHS Scholarship	3,274	2,092	2,368		2,998
Pep Club	730				730
Percussion Fundraiser	71				71
5 Valley Honor Band	41				41
SC Improvement Fund	8,322	250	1,699		6,873
Softball Fundraiser	1,470	4,108	509		5,069
Softball	0	8,413	6,065	(2,348)	0
School Play	4,465	1,383	1,751		4,097
Soccer	0	3,150	3,517	367	0
Soccer Fundraiser - Boys	2,590	344	227		2,707
Soccer Fundraiser - Girls	2,152		597		1,555
Soccer Playoff	268				268
Speech & Drama	0	715	1,150	435	0
Speech & Drama Fundraiser	673				673
Student Council	2,468	8,384	8,380	(40)	2,432
Sunshine Fund	572				572
Swim Fundraiser	500				500
The Bronc Store	842	3,813	3,862	245	1,038
Track	0	6,638	2,270	(4,368)	0
Track Fundraiser	337		88	(205)	44
Volleyball	0	3,892	5,175	1,283	0
Volleyball Fundraiser	10,575	8,855	3,247		16,183
WR Fundraiser	907				907
Wrestling	0	3,308	2,215	(1,093)	0
Yearbook	5,530	5,555	5,627		5,458
Youth Action Committee 7-12	965		381		584
Subtotal previous page	137,023	105,211	75,026	(11,739)	155,469
	\$207,459	\$192,210	\$151,842	\$0	\$247,827

**Supplementary Schedule
SCHOOL DISTRICT NO. 40**

**Frenchtown, Montana
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021**

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	Federal Assistance Number	Grantor Number	Passed through Sub- recipients	Total Federal Expenditures
U.S. Department of Agriculture				
Food and Nutrition Service				
<i>Through the State of Montana Office of Public Instruction</i>				
Child Nutrition Cluster				
Breakfast	10.553			378
Lunch	10.555			2,644
Lunch Commodities	10.555			30,650
Summer Food Service for Children	10.559			612,998
Total Child Nutrition Cluster				<u>646,670</u>
Food and Nutrition Service				
Farm to School Grant	10.575			42,115
Fresh Fruit and Vegetable Program	10.582			24,087
				<u>66,202</u>
Total U.S. Dept. of Agriculture				<u>\$712,872</u>
U.S. Department of Education				
Office of Elementary and Secondary Education				
<i>Through the State of Montana Office of Public Instruction</i>				
Title I, Part A Improving Basic Programs	84.010A	32-0599-31-2021		318,549
Title I, Part A Improving Basic Programs	84.010A	32-0599-31-20		20,757
Supporting Effective Instruction	84.367A	32-0599-14-2021		44,173
Supporting Effective Instruction	84.367A	32-0599-14-20		3,960
Rural Education	84.358B	32-0599-99-2021		22,295
Rural Education	84.358B	32-0599-99-20		16,365
				<u>426,099</u>
Office of Special Education and Rehabilitation Services				
Special Education Cluster				
IDEA - Part B Children with Disabilities	84.027A	32-0599-77-21		267,362
IDEA - Preschool	84.173A	32-0599-79-21		10,434
Total Special Education Cluster				<u>277,796</u>
Office of Vocational and Adult Education				
Career and Technical Education Carl Perkins	84.048A	32-0599-81-2021		<u>16,727</u>
Education Stabilization Fund				
State School Emergency Relief Fund	21.019	32-0599-767		564,091
Schools Coronavirus Relief Fund	21.019			33,866
Elementary and Secondary School Emergency Relief Fund	84.425D	32-0599-91-20		213,608
Elementary and Secondary School Emergency Relief Fund	84.425D	32-0599-91-20		25,528
Vocation Rehabilitation to states	84.126A			25,880
				<u>862,973</u>
Total U.S. Dept of Ed through State of MT				<u>1,583,595</u>
Total U.S. Department of Education				<u>\$1,583,595</u>
Total Passed Through State of Montana				<u><u>\$2,230,265</u></u>
TOTAL FEDERAL EXPENDITURES			\$0	<u><u>\$2,296,467</u></u>

The Notes to Schedule of Federal Expenditures are an integral part of this schedule.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity for School District No. 40 under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of School District No. 40, it is not intended to and does not present the financial position, changes in net assets, or cash flows of School District No. 40.

Note 2. Summary of Significant Accounting Policies

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

Note 3. Indirect Cost Rate

School District No. 40 has an approved rate of 5.38%.

Note 4. Subrecipients

There were no subrecipients.

School District No. 40
Frenchtown, Montana
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021
Statistical Information

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**School District No. 40
Frenchtown, Montana**

OTHER INFORMATION

FOR THE YEAR ENDED JUNE 30, 2021

Maximum Bonded Indebtedness

State law permits a maximum bonded indebtedness for the school district of 100% of the District's taxable valuation at June 30, 2021 of \$13,036,134. However, for school districts qualifying for guaranteed tax base aid, the law permits maximum bonded indebtedness equal to 50% of the statewide taxable valuation per student multiplied by the average number belonging (ANB).

The maximum bonded indebtedness under this exception is:

	State Guarantee Per Student	Average Number Belonging FY 21 Budget	Percent Allowed	Maximum Bonded Indebtedness
High School	\$50,852	434	50%	\$11,034,884
Elementary	\$49,570	964	50%	\$23,892,740
Maximum Bonded Indebtedness Allowed				<u>\$34,927,624</u>
Less:				
Outstanding Bonds at June 30, 2021				<u>\$(7,575,000)</u>
Maximum Bonded Indebtedness Available				<u><u>\$27,352,624</u></u>

District Taxable Valuations

	Assessed (Market) Valuation	Taxable Valuation	Taxable Valuation as a Percent of Assessed Valuation
January 1, 2012	\$ 436,600,000	\$ 11,000,000	2.52%
January 1, 2013	\$ 452,000,000	\$ 11,043,405	2.44%
January 1, 2014	\$ 469,300,000	\$ 11,200,000	2.39%
January 1, 2015	\$ 734,600,000	\$ 10,800,000	1.47%
Note: 2015 reassessment and taxable valuation formula change			
January 1, 2016	\$ 734,619,505	\$ 10,816,053	1.47%
January 1, 2017	\$ 735,913,969	\$ 10,868,120	1.48%
January 1, 2018	\$ 791,118,256	\$ 11,731,308	1.48%
January 1, 2019	\$ 800,599,411	\$ 11,846,266	1.48%
January 1, 2020	\$ 863,373,740	\$ 12,672,626	1.47%
January 1, 2021	\$ 885,119,141	\$ 13,036,134	1.47%

**School District No. 40
Frenchtown, Montana**

OTHER INFORMATION

FOR THE YEAR ENDED JUNE 30, 2021

District Tax Levies (in Mills)

Taxing Entity	Fiscal year ended June 30									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
School District No.40										
General Fund	167.60	166.84	167.68	167.62	172.48	173.25	176.18	166.65	155.55	148.76
Transportation Fund	17.32	20.47	20.02	23.81	25.18	29.08	28.90	33.52	36.68	35.62
Debt Service Fund	100.93	104.46	95.81	106.87	114.72	119.33	133.13	102.10	106.70	105.42
Bus Depreciation Fund	0.69	0.71	18.08	17.92	18.51	18.42	8.72	25.26	22.93	21.58
Building Reserve Fund	0.00	0.00	0.00	0.00	0.00	13.80	26.49	26.46	19.28	16.36
Technology Fund	3.20	3.17	3.16	3.14	3.23	3.22	2.98	2.95	2.76	2.68
Adult Education Fund	0.00	0.00	1.00	1.00	1.00	1.30	1.36	1.13	1.00	1.00
Tuition Fund	0.00	0.00	0.00	7.92	9.61	11.94	12.96	15.46	18.13	23.27
Total School District	289.74	295.65	305.75	328.28	344.73	370.34	390.72	373.53	363.03	354.69
State School Levy	142.50	140.17	144.60	145.64	144.35	143.73	141.91	142.04	141.37	143.40
District Levy	289.74	295.65	305.75	328.28	344.73	370.34	390.72	373.53	363.03	354.69
State Levy-University	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
County	177.91	181.42	186.69	196.46	205.66	211.89	212.32	217.23	220.96	227.16
Frenchtown Rural Fire District	46.46	50.14	54.14	58.14	65.74	67.03	64.03	68.34	69.11	75.35
Others: MUTD, Elk Meadows		136.34	175.30	192.36	198.48	200.99	192.35	193.57	187.87	191.09
Total	662.61	809.72	872.48	926.88	964.96	999.98	1,007.33	1,000.71	988.34	997.69

**School District No. 40
Frenchtown, Montana**

OTHER INFORMATION

FOR THE YEAR ENDED JUNE 30, 2021

Student Enrollment

Fall student count of K-12 students, for the years ended June 30, attending the District's schools has been as follows:

	Student Count	Change	%
October			
2011	1,166	(28)	
2012	1,162	(4)	(0.3)%
2013	1,194	32	2.8%
2014	1,200	6	0.5%
2015	1,253	53	4.4%
2016	1,288	35	2.8%
2017	1,320	32	2.5%
2018	1,322	2	0.2%
2019	1,345	23	1.7%
2020	1,345	0	0.0%

**School District No. 40
Frenchtown, Montana**

OTHER INFORMATION

FOR THE YEAR ENDED JUNE 30, 2021

Tax Collections

Fiscal Year	Total Tax Levy	Current Tax Collections	Collections as % of Levy	Total Tax Collections	Collections as % of Levy
2020/21	\$4,706,038	\$4,419,044	93.9%	\$4,664,500	99.1%
2019/20	\$4,573,767	\$4,356,868	95.3%	\$4,615,549	100.9%
2018/19	\$4,585,206	\$4,180,805	91.2%	\$4,380,881	95.5%
2017/18	4,582,663	4,328,925	94.5%	4,828,495	105.4%
2016/17	4,006,250	3,724,694	93.0%	3,821,634	95.4%
2015/16	3,668,417	3,501,387	95.4%	3,698,708	100.8%
2014/15	3,663,614	3,458,600	94.4%	3,602,034	98.3%
2013/14	3,382,125	3,174,512	93.9%	3,283,214	97.1%
2012/13	3,265,102	2,971,706	91.0%	3,278,005	100.4%
2011/12	3,169,351	2,931,090	92.5%	3,132,220	98.8%

Note- Fiscal 2014/15 includes \$69,733 protested taxes received.

**School District No. 40
Frenchtown, Montana**

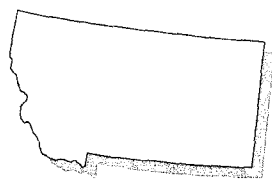
OTHER INFORMATION

FOR THE YEAR ENDED JUNE 30, 2021

Major Taxpayers

The taxable values of the District's ten largest taxpayers are as follows:

Taxpayer	Business	Percent of Ten		Percent of Total
		Taxable Value	Largest Values	Taxable Value
Montana Rail Link	Railroad	\$482,103	27.19%	3.70%
NorthWestern Energy	Gas and Electric Utility	369,281	20.83%	2.83%
Missoula Electric Coop Inc	Electric Utility	261,374	14.74%	2.00%
Montana Stewards LLC	Town Pump Travel Plaza	156,428	8.82%	1.20%
MLH Montana LLC	Investment-Development	109,606	6.18%	0.84%
4M Family Limited Partnership	Truck Stop (Muraltz)	98,499	5.56%	0.76%
Tollefson Properties LLC	Industrial Services	98,218	5.54%	0.75%
AT&T Mobility LLC	Tele-Communications	79,725	4.50%	0.61%
Decker Montana Land Co LLC	Agricultural/Land	59,264	3.34%	0.45%
Verizon Wireless	Tele-Communications	58,519	3.30%	0.45%
Total		\$1,773,017	100.00%	13.60%



ROSS R. STALCUP

CERTIFIED PUBLIC ACCOUNTANT, P.C.

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

Board of Trustees
School District No. 40
Frenchtown, Montana

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District No. 40, Frenchtown, Montana as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise School District No. 40's basic financial statements, and have issued our report thereon dated April 29, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered School District No. 40's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of School District No. 40's internal control. Accordingly, we do not express an opinion on the effectiveness of School District No. 40's internal control.

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

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

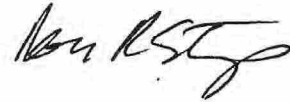
Compliance and Other Matters

As part of obtaining reasonable assurance about whether School District No. 40's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

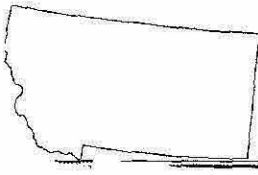
Purpose of this Report

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

April 29, 2022



Ross R. Stalcup
Certified Public Accountant



ROSS R. STALCUP

CERTIFIED PUBLIC ACCOUNTANT, P.C.

**INDEPENDENT AUDITORS REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
School District No. 40
Frenchtown, Montana

Report on Compliance for Each Major Federal Program

We have audited the compliance of School District No. 40, Frenchtown, Montana (the District) with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on one of School District No. 40's major federal programs for the year ended June 30, 2021. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the School District No. 40's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of School District No. 40's compliance.

Opinion on the Major Federal Program

In our opinion, School District No. 40 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

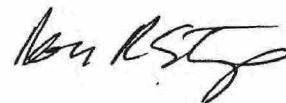
Management of School District No. 40, Frenchtown, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of School District No. 40's internal control over compliance.

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

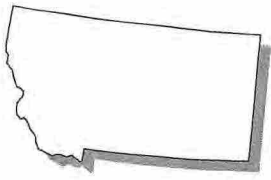
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

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

April 29, 2022



Ross R. Stalcup
Certified Public Accountant



ROSS R. STALCUP

CERTIFIED PUBLIC ACCOUNTANT, P.C.

SCHOOL DISTRICT NO. 40
FRENCHTOWN, MONTANA

Schedule of Findings and Questioned Costs

SECTION I SUMMARY OF AUDITORS RESULTS

1. The Independent auditors report on the financial statements expressed an unmodified opinion.
2. The audit disclosed no material weaknesses in internal control over financial reporting.
3. The audit disclosed no significant deficiencies in internal control over financial reporting.
4. The audit disclosed no material noncompliance matters in relation to the financial statements.
5. There were no deficiencies in internal control over major programs reported during the audit.
6. The report on compliance for major programs expressed an unmodified opinion.
7. The audit disclosed no audit findings that are required to be reported in accordance with 2 CFR Part 200 (Uniform Guidance).
8. The major program of School District No. 40, Frenchtown, Montana:

Federal Assistance No. 21.019 CARES - The Governors Coronavirus Relief Fund
9. The dollar threshold for Type A programs for School District No. 40:

\$750,000.
10. The District did qualify as a low-risk auditee.

SECTION II FINDINGS IN RELATION TO THE AUDIT OF THE FINANCIAL STATEMENTS

None

OTHER MATTERS:

None

SECTION III FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

SECTION IV – STATUS OF PRIOR YEAR FINDINGS

None

April 29, 2022

Ross R. Stalcup
Certified Public Accountant

