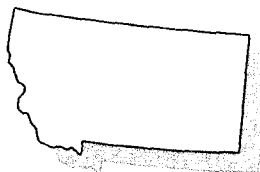


**School District No. 40
Missoula County
Frenchtown, Montana**

AUDITED FINANCIAL STATEMENTS

Year ended June 30, 2022



ROSS R. STALCUP

CERTIFIED PUBLIC ACCOUNTANT, PC

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

AUDITED FINANCIAL STATEMENTS

Year ended June 30, 2022

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

**AUDITED FINANCIAL STATEMENTS
Year ended June 30, 2022**

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

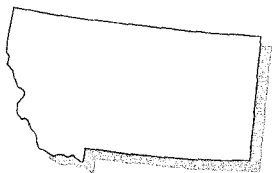
ORGANIZATION
June 30, 2022

BOARD OF TRUSTEES

Jami Romney FitzGerald	Chair
Shiloh Lucier	Vice Chair
Rainier Batt	Trustee
Amanda Hansen	Trustee
Noah Peters	Trustee
Bryce Simpson	Trustee
Jami Wright	Trustee

OFFICIALS

Les Meyer	Superintendent
Shauna Anderson	District Clerk/Business Manager
Anastasia Mether	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 Audit of the Financial Statements

Opinions

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, 2022, 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.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School District No. 40, Frenchtown, Montana and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about School District No. 40, Frenchtown, Montana's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School District No. 40, Frenchtown, Montana's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about School District No. 40, Frenchtown, Montana's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Change in Accounting Principle

As described in Note 1 to the financial statements, during the year ended June 30, 2022, School District No. 40 adopted GASB Statement No. Governmental Accounting Standards Board (GASB) Statement No. 87 - Leases. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Generally Accepted Accounting Principles 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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.

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

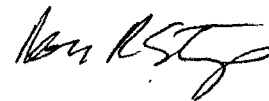
Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report therein. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 20, 2023 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of School District No. 40's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District No. 40's internal control over financial reporting and compliance.

March 20, 2023



Ross R. Stalcup
Certified Public Accountant

FRENCHTOWN SCHOOL DISTRICT No. 40
P.O. Box 117
FRENCHTOWN, MONTANA 59834

LES MEYER
406-626-2600
FAX 406-626-2605
Superintendent

JAKE HAYNES
406-626-2670
FAX 406-626-2676
High School Principal

AARON GRIFFIN
406-626-2650
FAX 406-626-2654
Middle School Principal

RILEY DEVINS
406-626-2622
FAX 406-626-2623
Intermediate Principal

JODI HALL
406-626-2620
FAX 406-626-2625
Elementary Principal

JENNIFER DEMMONS
406-626-2634
FAX 406-626-2605
Special Services Coordinator

SHAUNA ANDERSON
406-626-2706
Fax 406-626-2605
District Clerk

STACIE METHER
406-626-2703
Fax 406-626-2605
Deputy Clerk

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

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, 2022. 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 \$9,373,211
- Total net position increased by \$1,636,729 or 21.16%

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:

	2022	2021	Change	%
Current Assets	\$ 6,106,490	\$ 5,116,237	\$ 990,253	19.36%
Non-Current Assets	20,989,535	21,434,802	(445,267)	-2.08%
Deferred Outflow of Resources	2,365,335	2,863,155	(497,820)	-17.39%
Total Assets & Deferred Outflow	29,461,360	29,414,194	47,166	0.16%
Total Liabilities & Deferred Inflow	20,088,149	21,677,712	(1,589,563)	-7.33%
Net Position	\$ 9,373,211	\$ 7,736,482	\$ 1,636,729	21.16%



DISTRICT REVENUES AND EXPENDITURES AS FOLLOWS:

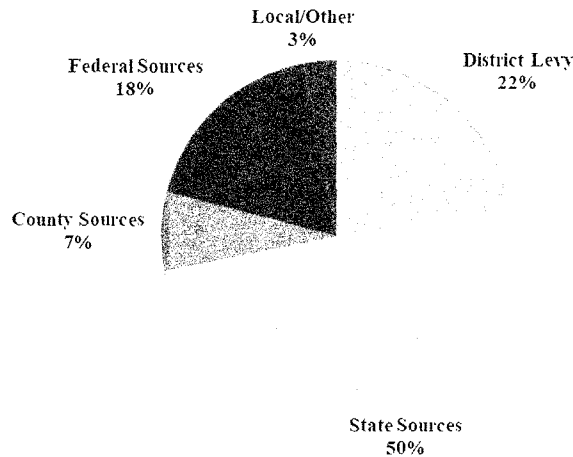
Revenues	2022	2021	Change	%
District Levy	4,502,153	4,677,664	(175,511)	-3.75%
Direct State Aid	7,726,515	7,533,841	192,674	2.56%
Other State Sources	2,199,613	2,163,959	35,654	1.65%
County Sources	1,444,248	1,559,859	(115,611)	-7.41%
Federal Sources	3,607,843	2,256,394	1,351,449	59.89%
User Fees - Program Revenue	45,626	62,796	(17,170)	-27.34%
Interest	14,351	16,048	(1,697)	-10.57%
Other	114,011	194,193	(80,182)	-41.29%
Student Extracurricular	431,836	192,210	239,626	124.67%
Total Revenues	20,086,196	18,656,964	1,429,232	7.66%
Expenditures	2022	2021	Change	%
<i>Instruction</i>				
Regular Programs	7,644,919	6,692,620	952,299	14.23%
Special Programs	1,873,054	1,895,871	(22,817)	-1.20%
Vocational Education	411,233	370,405	40,828	11.02%
Adult Education	4,462	2,836	1,626	57.33%
Educational Media	257,285	354,229	(96,944)	-27.37%
Support Services - Students	650,233	475,943	174,290	36.62%
<i>Administration</i>				
General Administration	212,315	197,584	14,731	7.46%
Building Administration	861,066	834,361	26,705	3.20%
Business Administration	999,751	1,335,688	(335,937)	-25.15%
Operation and Maintenance	2,064,152	1,630,222	433,930	26.62%
Student Transportation	465,624	480,970	(15,346)	-3.19%
Food Services	811,259	706,900	104,359	14.76%
Student Extracurricular	1,013,873	678,361	335,512	49.46%
Capital Outlay	523,568	459,216	64,352	14.01%
<i>Debt Service</i>				
Principal	1,175,000	1,402,036	(227,036)	-16.19%
Interest	218,713	269,249	(50,536)	-18.77%
Bond Agent Fees	350	350	-	0.00%
Special Assessments	1,325	1,256	69	5.49%
Total Expenditures	19,188,182	17,788,097	1,400,085	7.87%
Other Financing Sources - Sale of Assets	12,186			
Excess of Revenues over Expenditures	910,200	868,867	41,333	4.76%



FINANCIAL HIGHLIGHTS

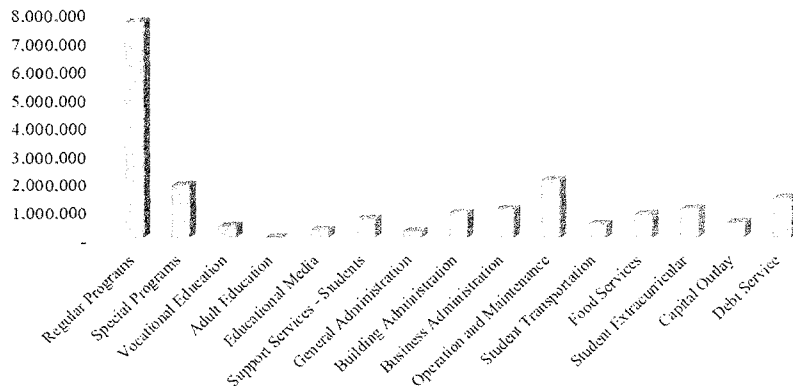
The District levied \$4,453,358 in local property taxes and collected \$4,280,243 (96.1%) for the current tax year. In addition, prior year taxes were also received, bringing the total property tax revenue to 99.6% of levied taxes. This collection has allowed for sufficient operating reserves for the 2022 fiscal year end. State revenue increased by 2.35% primarily due to inflationary increases by the legislature. Federal revenue increased by 59.89%, primarily due to the State School Emergency Relief Funds from the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act and the American Rescue Plan (ARP) Act of 2021.

REVENUE SOURCES



Expenditures increased in fiscal year 2022 by 7.87%, 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 increased from prior year by 14.01%, with the District investing in technology upgrades for student support, two replacement busses, facility entry upgrades and security system improvements to the North campus.

EXPENDITURES

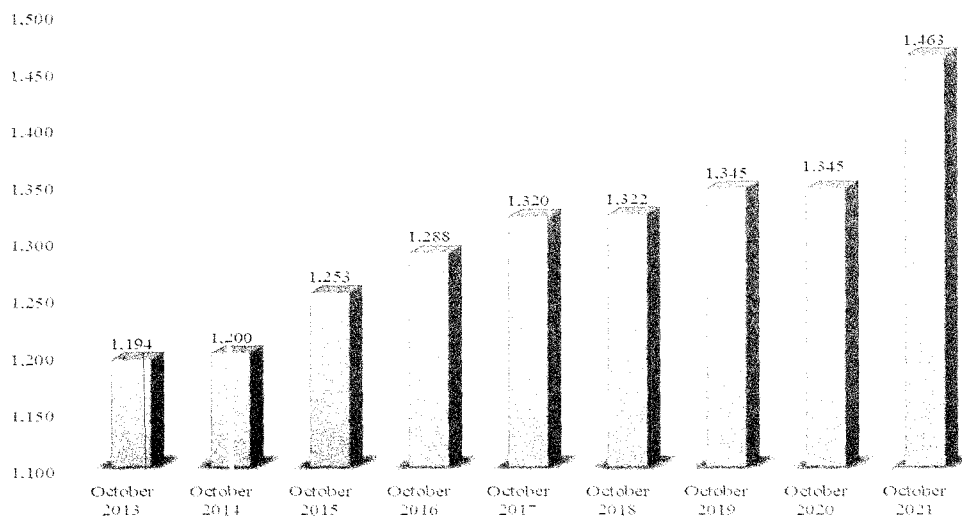


THE FUTURE OF THE SCHOOL

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. A sharp increase in enrollment in the fall of 2021 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 and there continues to be an influx of people moving to the area from out of state. 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; as additional students create demands on available classroom space. 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. The transition created additional space at the South campus for anticipated future growth. The North campus was able to house the additional students, but with bigger classes it became clear that more space was needed. The District secured two modular buildings, invested in bringing those buildings to code, and was able to alleviate the North campus crowding issues in the 2020-2021 school year.

With enrollment increases, the District also received an inflationary increase of 1.5% to the general fund as a statutory funding formula increase from the 2021 legislative session. In total, the general fund, the main operating fund for the District, saw a budget increase of \$333,322.41. However, due to increased costs for maintenance and facility repair, utilities, and costs associated with recruiting and retaining quality staff, the Frenchtown School Board voted at the regular Board meeting in March 2022 to ask the public to approve a levy for school operations. Frenchtown School District has not asked for additional school operational levies for 15 years. The levy was not successful, which will impact budgetary

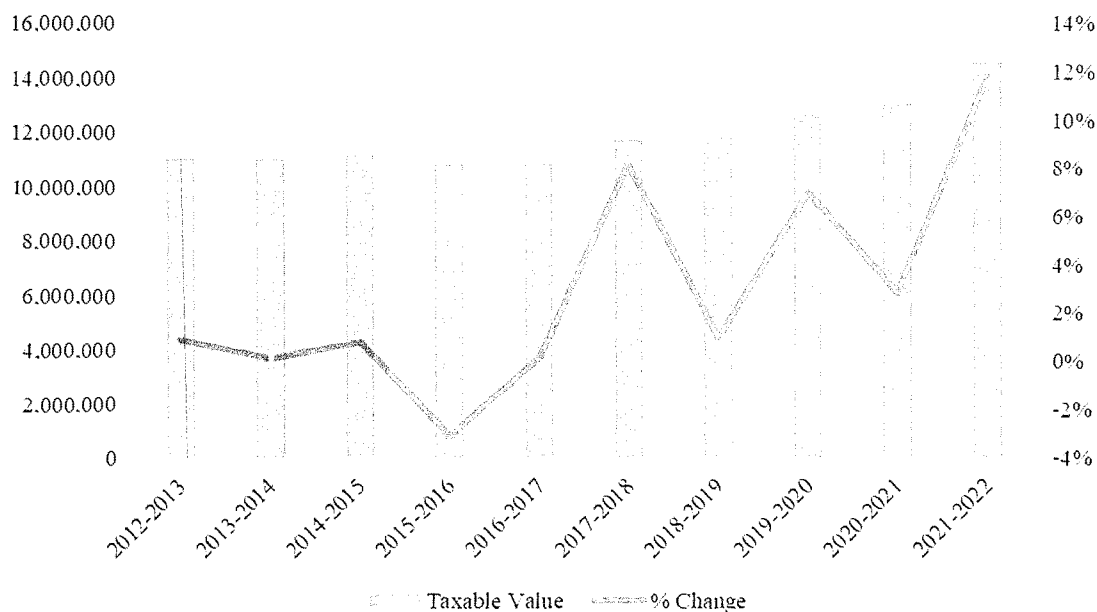


decisions for the 2022-2023 school year. Ten years ago, the general fund was operating at 94.86% of the State’s mandated maximum for the Frenchtown School District. Currently, the District operates at 90.41% of the state’s mandated maximum. The FTSD general fund is growing closer to the State minimum budget allowed, and farther away from the maximum allowed budget set by the State. In addition, there is a growing concern regarding the condition of the buildings on the South campus. The District and community must address these concerns in the near future.

Each year in August, school boards across the state approve 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 state schools), the Frenchtown School Board has reduced the number of mills they asked the taxpayers for in fiscal years 2022, 2021, 2020, 2019 and 2018. Fiscal year 2022 saw a reduction in mills from 354.69 to 306.12, a decrease of 48.57 mills, which equates to a 15.87% reduction of school property taxes for this year.

Frenchtown has also seen a recent 11.79% 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, a larger tax base shares the tax burden.

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. As stated earlier regarding recruitment and retention, the rising costs of health insurance impact staff, both certified and classified.

Since the end of fiscal year 2020, the unprecedented challenge of the global health pandemic COVID-19 continued through fiscal year 2022. Significant investment into technology improvements were necessary to address the needs of remote learners. Operations and maintenance expenses rose because of the sanitization requirements needed and continued with supply challenges. State funding remained intact, however, and the District has been able to provide both in person and remote learning to students, continue food services, and maintain overall business operations.

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 some 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, 2022

	2022
ASSETS	
Current Assets:	
Cash and Investments	\$5,162,165
Property Taxes Receivable	254,815
Due from Other Governments	689,510
Stop Loss Receivable	0
Total Current Assets	6,106,490
Non-current Assets:	
Restricted Assets	455,203
Capital Assets Net of Accumulated Depreciation	20,534,332
Total Non-current Assets	20,989,535
Total Assets	27,096,025
Deferred Outflow of Resources - Pension	2,120,644
Deferred Outflow of Resources - OPEB	244,691
Total Deferred Outflow of Resources	2,365,335
Total Assets and Deferred Outflow of Resources	29,461,360
LIABILITIES:	
Current Liabilities	
Warrants Payable	502,041
Accounts Payable	43,342
Compensated Absences	210,923
CIBNR Estimate	0
Bonds and Notes Payable	1,220,000
Total Current Liabilities	1,976,306
Non Current Liabilities	
Compensated Absences	421,847
Bonds and Notes Payable	5,180,000
Net OPEB Liability	176,565
Net Pension Liability	9,093,608
Total Non Current Liabilities	14,872,020
Total Liabilities	16,848,326
Deferred Inflow of Resources - Pension	3,111,098
Deferred Inflow of Resources - OPEB	128,725
Total Deferred Inflow of Resources	3,239,823
Total Liabilities and Deferred Inflow of Resources	20,088,149
Total Net Position	9,373,211
NET POSITION	
Net Investment in Capital Assets	14,134,332
Restricted- Expendable	
Capital Outlay	455,910
Technology	70,174
Bus Replacement	213,858
Transportation	269,213
Debt Service	92,798
Retirement	435,068
School Food	209,270
Other	175,488
Student Extracurricular	261,732
Health Insurance Benefits	455,203
Total Restricted- Expendable	2,638,714
Unrestricted	(7,399,835)
Total Net Position	\$9,373,211

See Notes to Financial Statements

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

**STATEMENT OF ACTIVITIES
June 30, 2022**

	Expenses	Program Charges for Services	Revenue Operating Grants	Net (Expense) Revenue 2022
GOVERNMENT OPERATIONS				
Instruction:				
Regular Instruction	\$6,608,087	\$2,474,538	\$36,894	(\$4,096,655)
Special Education	1,873,054	892,948		(980,106)
Vocational Education	411,233	30,137		(381,096)
Adult Education	4,462			(4,462)
Support Services - Students	650,233			(650,233)
Educational Media	257,285			(257,285)
Administration:				
General	212,315			(212,315)
Building	861,066			(861,066)
Business	999,751			(999,751)
Operation and Maintenance	2,064,152		675	(2,063,477)
Transportation	465,624	201,560		(264,064)
Food Services	811,259	849,868	8,013	46,622
Student Extracurricular	1,013,873	431,836		(582,037)
Community				0
Interest	219,063			(219,063)
Special Assessments	1,325			(1,325)
Pension Expense	496,344			(496,344)
Unallocated Depreciation	953,545			(953,545)
Totals	\$17,902,671	\$4,880,887	\$45,582	(\$12,976,202)
GENERAL REVENUES				
District Property Taxes				\$4,479,675
Direct State Aid				4,428,333
Guaranteed Tax Base				2,897,413
Other State Revenue				1,321,779
County Sources				1,343,468
Federal Sources				
Interest				14,351
Other Local Sources				115,726
Gain/Loss on Disposal of Assets				12,186
Total General Revenues				14,612,931
CHANGE IN NET POSITION				1,636,729
NET POSITION				
Beginning of Year				7,736,482
End of the Year				\$9,373,211

See Notes to Financial Statements

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022**

MAJOR FUNDS

NON MAJOR FUNDS

	General Fund	Misc Programs Fund	Debt Service Fund	Other Governmental Funds	Total
ASSETS:					
Cash and Investments	\$2,099,927	\$1,012,359	\$14,781	\$2,035,098	\$5,162,165
Property Taxes Receivable	113,942		75,285	56,834	246,061
Protested Taxes	3,876		2,732	2,146	8,754
Due from Other Entities		577,344		112,166	689,510
Due from Other Funds					0
Total Assets	<u>2,217,745</u>	<u>1,589,703</u>	<u>92,798</u>	<u>2,206,244</u>	<u>6,106,490</u>
Deferred Outflow of Resources	0	0	0	0	0
Total Assets and Deferred Outflow of Resources	<u>2,217,745</u>	<u>1,589,703</u>	<u>92,798</u>	<u>2,206,244</u>	<u>6,106,490</u>
LIABILITIES:					
Warrants Payable	502,041				502,041
Due to Other Funds					0
Accounts Payable	25,662			17,680	43,342
Total Liabilities	<u>527,703</u>	<u>0</u>	<u>0</u>	<u>17,680</u>	<u>545,383</u>
Deferred Inflow of Resources- Taxes	117,818		78,017	58,980	254,815
Total Liabilities and Deferred Inflow of Resources	<u>645,521</u>	<u>0</u>	<u>78,017</u>	<u>76,660</u>	<u>800,198</u>
FUND BALANCE:					
Non Spendable					0
Restricted			14,781	2,031,733	2,046,514
Assigned	237,698	1,589,703		97,851	1,925,252
Unassigned	1,334,526				1,334,526
Total Fund Balance	<u>1,572,224</u>	<u>1,589,703</u>	<u>14,781</u>	<u>2,129,584</u>	<u>5,306,292</u>
Total Liabilities and Fund Balance	<u>\$2,217,745</u>	<u>\$1,589,703</u>	<u>\$92,798</u>	<u>\$2,206,244</u>	<u>\$6,106,490</u>

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance from above	\$5,306,292
Net capital assets	20,534,332
Deferred inflow of resources - Taxes	254,815
Less liabilities not reported above:	
Long-term debt	(6,400,000)
Compensated absences	(632,770)
OPEB:	
Deferred inflow of resources related to OPEB obligations	(128,725)
Deferred outflow of resources related to OPEB obligations	244,691
OPEB liability	(176,565)
Pension:	
Deferred inflow of resources related to pension obligations	(3,111,098)
Deferred outflow of resources related to pension obligations	2,120,644
Net pension liability	(9,093,608)
Internal Services Fund Net Position	455,203
Net Position	<u>\$9,373,211</u>

See Notes to Financial Statements

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

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

June 30, 2022

	MAJOR FUNDS		NON MAJOR FUNDS		
	General Fund	Misc Programs Fund	Debt Service Fund	Other Governmental Funds	Total
REVENUES:					
District Levy	\$1,977,637		\$1,330,725	\$1,193,791	\$4,502,153
Direct State Aid	7,726,515				7,726,515
Other State Sources	497,749	373,366		228,519	1,099,634
County Sources				1,444,248	1,444,248
Federal Sources		2,775,610		832,233	3,607,843
User Fees	675			44,951	45,626
Interest	8,192		1,878	4,282	14,352
Other	4,425	109,456		130	114,011
Student Extracurricular				431,836	431,836
Total Revenues	10,215,193	3,258,432	1,332,603	4,179,990	18,986,218
EXPENDITURES:					
Current Operations:					
Instruction:					
Regular Programs	4,454,171	1,377,854		712,916	6,544,941
Special Programs	983,351	428,822		460,881	1,873,054
Vocational Education	359,818			51,415	411,233
Adult Education				4,462	4,462
Instructional Support	220,118	6,005		31,162	257,285
Support Services Students	318,096	285,767		46,370	650,233
Administration					
General	142,316	19,889		50,110	212,315
Building	699,293	11,065		150,708	861,066
Business	809,316	110,635		79,800	999,751
Operation and Maintenance	1,727,907	152,458		183,789	2,064,154
Transportation	2,706			462,918	465,624
Food Services	17,879			793,380	811,259
Student Extracurricular	526,326	10,953		476,594	1,013,873
Community					0
Capital Outlay	63,686	208,033		251,849	523,568
Debt Service					
Principal			1,175,000		1,175,000
Interest			218,713		218,713
Bond Agent Fees			350		350
Special Assessments			1,325		1,325
Total Expenditures	10,324,983	2,611,481	1,395,388	3,756,354	18,088,206
Other Financing Sources (Uses)					
Sale of Assets		12,186			12,186
Transfers					
In				92,960	92,960
Out				(92,960)	(92,960)
Total Transfers	0	0	0	0	0
Total Other Financing Sources (Uses)	0	12,186	0	0	12,186
Excess (Deficiency) Of Revenues Over Expenditures	(109,790)	659,137	(62,785)	423,636	910,198
FUND BALANCE					
Beginning of Year	1,682,014	930,566	77,566	1,705,948	4,396,094
End of Year	\$1,572,224	\$1,589,703	\$14,781	\$2,129,584	\$5,306,292

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, 2022

Change in Fund Balances	\$910,198
Change in Property Taxes Receivable not included in the Governmental Fund Statements.	(22,932)
Amounts Reported as Expenditures in the Governmental Fund Statements	
Capital Outlay.	537,509
Change in Compensated Absences	1,519
Expenses on the Statement of Activities not included in the Governmental Fund Statements	
Pension Expense	(496,344)
OPEB Expense	(40,550)
Depreciation	(953,545)
Bond Principal	1,175,000
On Behalf Pension Contributions	549,989
Internal Service Fund Change in Net Position	<u>(24,115)</u>
Change in Net Position	<u>\$1,636,729</u>

See Notes to Financial Statements

School District No. 40
Frenchtown, Montana

STATEMENT OF NET POSITION
PROPRIETARY FUND

June 30, 2022

	Governmental Activities Internal Service Funds
ASSETS	
Cash and cash equivalents	\$455,203
Accounts receivable stop loss	0
Total Assets	<u>455,203</u>
LIABILITIES	
CIBNR liability	0
Total Liabilities	<u>0</u>
Net Position	
Total Net Position	<u><u>\$455,203</u></u>

See Notes to Financial Statements

School District No. 40
Frenchtown, Montana

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUND

for the Fiscal Year Ended June 30, 2022

	Governmental Activities Internal Service Funds
Operating Revenues:	
Premiums	\$27,335
Total Operating Revenues	<u>27,335</u>
Operating Expenses:	
Health insurance claims	0
Administrative fees	56,309
Total Operating Expenses	<u>56,309</u>
Operating Income (Loss)	<u>(28,974)</u>
Non-operating revenues (expenses):	
Interest and dividends	193
Total Non-operating revenues (expenses)	<u>193</u>
Correction of Estimate CIBNR	<u>4,666</u>
Change in Net Position	<u>(24,115)</u>
Net Position - Beginning of the Year	<u>479,318</u>
Net Position - End of the Year	<u><u>\$455,203</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, 2022

Cash Flows from Operating Activities:

Health insurance premiums received	\$27,335
Stop loss received	
Payments to provide health insurance benefits	0
Payments to third party administrator	(56,309)
Net Cash Provided (Used) by Operating Activities	<u>(28,974)</u>

Cash Flows from Non-Capital and Related Financing Activities:

Net Cash Provided (Used) by Non-Capital and Related Financing	<u>0</u>
---	----------

Cash Flows from Investing Activities:

Interest on investments	<u>193</u>
Net Cash Provided (Used) by Investing Activities	<u>193</u>
Net increase (decrease) in cash and cash equivalents	<u>(28,781)</u>

Cash and cash equivalents at July 1, 2021	<u>483,984</u>
--	----------------

Cash and cash equivalents at June 30, 2022	<u><u>\$455,203</u></u>
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Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Operating income (loss)	(24,308)
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Adjustments to reconcile operating income to net cash provided (used) by operating activities:

Changes in assets and liabilities:

Change in CIBNR	<u>(4,666)</u>
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Net Cash Provided (Used) by Operating Activities	<u><u>(\$28,974)</u></u>
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See Notes to Financial Statements

School District No. 40
Frenchtown, Montana

**STATEMENT OF FIDUCIARY NET POSITION
AND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
June 30, 2022**

FIDUCIARY NET POSITION

	Custodial Funds
	Scholarships
ASSETS	
Cash	\$34,022
NET POSITION	
Held in Trust	\$34,022
CHANGES IN FIDUCIARY NET POSITION	
Revenues	
Contributions	26,326
Interest	99
	26,425
Expenditures	
Scholarships	21,875
	21,875
Change in Net Position	4,550
NET POSITION	
BEGINNING	29,472
ENDING	\$34,022

See Notes to Financial Statements

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2022**

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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.

Notes to Financial Statements (continued)

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 6.

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.

L. **Implementation of New GASB Statements**

In fiscal year 2022 the District implemented the following statements issued by the Governmental Accounting Standards Board (GASB), if applicable:

Statement No. 87 - GASB Statement No. 87 - Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

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, 2022. 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 2022 Basic Financial Statements.

Capital asset activity during 2022 was as follows:

	Balance June 30, 2021	Additions	Adjustments	Balance June 30, 2022
Cost of assets:				
Not depreciated:				
Land	\$590,662			\$590,662
Construction in Progress	0	44,133		44,133
Depreciated:				
Land Improvements	1,335,032	83,980	14,455	1,433,467
Buildings	29,121,818	48,287		29,170,105
Equipment	4,113,623	347,168		4,460,791
Total	35,161,135	523,568	14,455	35,699,158
Accumulated depreciation:				
Land Improvements	(1,350,936)	(52,544)	(964)	(1,404,444)
Buildings	(10,176,746)	(620,754)		(10,797,500)
Equipment	(2,682,635)	(280,247)		(2,962,882)
Total	(14,210,317)	(953,545)	(964)	(15,164,826)
Capital Assets, Net	\$20,950,818	(\$429,977)	\$13,491	\$20,534,332

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 2021	Reductions	Additions	June 30 2022	Current
General Obligation Bonds					
Series 2007	\$1,110,000	\$1,110,000		\$0	
Series 2013	6,465,000	65,000		6,400,000	1,220,000
Intercap Loan	0			0	
	<u>7,575,000</u>	<u>1,175,000</u>	<u>0</u>	<u>6,400,000</u>	<u>1,220,000</u>
Compensated Absences	634,289	1,519		632,770	210,923
Net OPEB Liability	<u>212,791</u>	<u>36,226</u>		<u>176,565</u>	
Net Pension Liability					
PERS	2,076,494	644,497		1,431,997	
TRS	10,498,925	2,837,314		7,661,611	
	<u>12,575,419</u>	<u>3,481,811</u>	<u>0</u>	<u>9,093,608</u>	
Total	<u>\$20,997,499</u>	<u>\$4,694,556</u>	<u>\$0</u>	<u>\$16,302,943</u>	<u>\$1,430,923</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, 2022, the following employees were covered by the benefit terms:

Retired employees	7
Active employees	105
	112
	112

Total OPEB Liability: The District's total OPEB liability of \$176,575 was determined by an actuarial valuation as of June 30, 2022 and was rolled forward to a measurement date of June 30, 2022, utilizing update procedures incorporating actuarial assumptions.

Actuarial assumptions and other inputs: The total OPEB liability in the June 30, 2022 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	3.25	percent, average, including inflation
Discount rate	4.09	Municipal discount
Healthcare cost trend rates	4.00	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, 2022 valuation were based on the results of an actuarial experience study for the period June 30, 2022 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, 2021	\$212,791
Changes for the year:	
Service cost	11,681
Interest	8,703
Differences between expected and actual experience	(22,880)
Changes in assumptions or other inputs	(33,730)
Benefit payments	
Net changes	<u>(36,226)</u>
Balance at June 30, 2021	<u><u>\$176,565</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 3.09	Discount Rate 4.09	1% Increase 5.09
Total OPEB liability	\$188,757	\$176,565	\$165,346

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 3.0%	Healthcare Cost Trend 4.0%	1% Increase 5.0%
Total OPEB liability	\$160,869	\$176,565	\$195,220

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, 2022, the District recognized OPEB expense of \$40,550. 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
	\$244,691	\$128,725

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	
2023	12,605
2024	12,605
2025	12,605
2026	12,605
2027	12,605
Thereafter	52,941
	<u>\$115,966</u>

Notes to Financial Statements (continued)

6. 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)

6. 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				45,952	45,952
Tuition				29,913	29,913
Adult Education				34,934	34,934
Bus Replacement				197,483	197,483
Technology Acquisition				68,045	68,045
Operation & Maintenance				5,602	5,602
Transportation				246,790	246,790
School Food				209,270	209,270
Retirement				435,068	435,068
Compensated Absences				41,636	41,636
Capital Outlay				451,103	451,103
Other				4,205	4,205
Student Extracurricular				261,732	261,732
Debt Service			14,781		14,781
	0	0	14,781	2,031,733	2,046,514
Assigned:					
Encumbrances	237,698			97,851	335,549
Instruction		1,589,703			1,589,703
	237,698	1,589,703	0	97,851	1,925,252
Unassigned:	1,334,526				
	1,334,526	0	0	0	1,334,526
Total Fund Balance	\$1,572,224	\$1,589,703	\$14,781	\$2,129,584	\$5,306,292

<u>Restricted for</u>	<u>Fund Balance</u>	<u>Deferred Inflow</u>	<u>Internal Services</u>	<u>Net Position</u>
Capital Outlay	451,103	4,807		455,910
Technology	68,045	2,129		70,174
Bus Replacement	197,483	16,375		213,858
Transportation	246,790	22,423		269,213
Debt Service	14,781	78,017		92,798
Other	162,242	13,246		175,488
School Food	209,270			209,270
Retirement	435,068			435,068
Student Extracurricular	261,732			261,732
Health Insurance			455,203	455,203
	2,046,514	136,997		2,638,714

Notes to Financial Statements (continued)

6. 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	14,134,332
Restricted	
Non expendable	0
Expendable	2,638,714
Unrestricted	(7,399,835)
	<u>\$9,373,211</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	2,046,514	136,997			455,203		2,638,714
Invest Capital Assets			20,534,332	(6,400,000)			14,134,332
Assigned	1,925,252					(1,925,252)	0
Unrestricted		117,818		(10,777,431)		3,259,778	(7,399,835)
Unassigned	1,334,526					(1,334,526)	0
Total	\$5,306,292	\$254,815	\$20,534,332	(\$17,177,431)	\$455,203	\$0	\$9,373,211

Notes to Financial Statements (continued)

7. 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)

7. EMPLOYEE RETIREMENT SYSTEM (continued)

FRENCHTOWN K-12 SCHOOLS
GASB 68 Notes to the Financial Statements
Prepared as of June 30, 2021 (Measurement Date)
For the Year Ended June 30, 2022 (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, 2022 and June 30, 2021 (reporting dates).

	Net Pension Liability as of 6/30/2022	Net Pension Liability as of 6/30/2021	Percent of Collective NPL as of 6/30/2022	Percent of Collective NPL as of 6/30/2021	Change in Percent of Collective NPL
FRENCHTOWN PUBLIC SCHOOLS Proportionate Share	\$7,661,611	\$10,498,925	0.4625%	0.4667%	(0.0042)%
State of Montana Proportionate Share associated with employer	\$4,371,263	\$6,207,577	0.2639%	0.2760%	(0.0121)%
Total	\$12,032,874	\$16,706,502	0.7264%	0.7427%	(0.0163)%

At June 30, 2022, the employer recorded a liability of \$7,661,611 for its proportionate share of the Net Pension Liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of TRS' participating employers. At June 30, 2022, the employer's proportion was 0.4625 percent.

Notes to Financial Statements (continued)

7. 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 7.34% to 7.06%.
- The investment rate of return assumption was lowered from 7.34% to 7.06%.

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 6/30/2022
FRENCHTOWN K-12 SCHOOLS Proportionate Share	\$736,122
State of Montana Proportionate Share associated with the Employer	\$425,861
Total	<u>\$1,161,983</u>

At June 30, 2022, the employer recognized a Pension Expense of \$1,161,983 for its proportionate share of the TRS' pension expense. The employer also recognized grant revenue of \$425,861 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)

7. **EMPLOYEE RETIREMENT SYSTEM** (continued)

Deferred Inflows and Outflows

At June 30, 2022, 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	\$120,329	\$0
Changes in actuarial assumptions	\$872,393	\$3,935
Differences between projected and actual investment earnings	\$0	\$2,420,960
Changes in proportion & Differences between actual and expected contributions	\$17,974	\$95,720
*Contributions paid to TRS subsequent to the measurement date - FY 2022 Contributions	\$718,094	
Total	\$1,728,790	\$2,520,615

*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, 2023.

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
2023	(\$115,980)
2024	(\$166,415)
2025	(\$459,297)
2026	(\$768,227)
2027	\$0
Thereafter	\$0

Notes to Financial Statements (continued)

7. 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)

7. 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)

7. 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, 2021, is based on the results of an actuarial valuation date of July 1, 2021. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2021 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	7.06%
-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)

7. EMPLOYEE RETIREMENT SYSTEM (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.06%. 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%	5.90%
International Equity	17.00%	7.14%
Private Investments	15.00%	9.13%
Real Assets	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	6.00%	3.02%
Cash	3.00%	(0.33)%
	<u>100.00%</u>	

The long term capital market assumptions published in the *Survey of Capital Market Assumptions 2021 Edition* by Horizon Actuarial Service, LLC, yield a median real return of 4.66%. Assumed inflation is based on the intermediate inflation assumption of 2.4% in the 2021 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 7.06%.

Notes to Financial Statements (continued)

7. EMPLOYEE RETIREMENT SYSTEM (continued)

Sensitivity Analysis

	1.0% Decrease (6.06%)	Current Discount Rate	1.0% Increase (8.06%)
The Employer's proportion of Net Pension Liability	\$11,383,662	\$7,661,611	\$4,555,620

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 7.06%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.06%) or 1.00% higher (8.06%) 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)

7. 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, 2021 (measurement date)

JUNE 30, 2022 (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, 2021 measurement date for the 2022 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, 2022.

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)

7. 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)

7. 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
2022	7.900%	7.900%	8.970%	8.70%	0.100%	8.00%	0.370%
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)

7. 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:

b. 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 \$34,290,660.

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, 2021, was determined by taking the results of the June 30, 2020 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, 2021, and 2020, 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 \$1,431,997 and the employer's proportionate share was 0.078975 percent.

As of measurement date	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
SCHOOL DISTRICT 40 - FRENCHTOWN Proportionate Share	\$ 1,431,997	\$ 2,076,494	0.078975%	0.078708%	0.000267%
State of Montana Proportionate Share associated with Employer	\$ 466,681	\$ 722,200	0.025738%	0.027375%	(0.001637)%
Total	\$ 1,898,678	\$ 2,798,694	0.104713%	0.106083%	(0.001370)%

Notes to Financial Statements (continued)

7. 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 7.34% to 7.06%.
2. The investment rate of return was lowered from 7.34% to 7.06%.

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.

Note to Employers: 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, 2021, the employer recognized \$56,549 for its proportionate share of the Plan's pension expense and recognized grant revenue of \$124,028 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 6/30/2021	Pension Expense as of 6/30/2020
SCHOOL DISTRICT 40 - FRENCHTOWN'S Proportionate Share	\$56,549	\$271,197
Employer Grant Revenue – State of Montana Proportionate Share for employer	124,028	118,110
Total	\$180,577	\$389,307

Recognition of Deferred Inflows and Outflows: At June 30, 2021, 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	\$15,282	\$10,366
Projected Investment Earnings vs. Actual Investment Earnings	0	580,117
Changes in Assumptions	212,105	0
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	27,240	0
Employer Contributions Subsequent to the Measurement Date	137,227	
Total	\$391,854	\$590,483
<i># the employer's contributions subsequent to the measurement date must be entered by the employer. These are the FY2022 contributions paid to the Plan.</i>		

Notes to Financial Statements (continued)

7. 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
2022	\$31,957
2023	\$(42,511)
2024	\$(140,113)
2025	\$(185,188)
Thereafter	\$ 0

Actuarial Assumptions: The total pension liability as of June 30, 2021, was determined on the results of an actuarial valuation date of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement. Among those assumptions were the following:

Investment Return (net of admin expense)	7.06%
Admin Expense as % of Payroll	0.28%
General Wage Growth * *includes Inflation at	3.50% 2.40%
Merit Increases	0% to 4.80%
Postretirement Benefit Increases 1. Guaranteed Annual Benefit Adjustment (GABA) each January After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit. Members hired prior to July 1, 2007 Members hired between July 1, 2007 & June 30, 2013 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	 3.0% 1.5% 1.5% 0%
Mortality: Contributing members, , service retired members & beneficiaries Disabled Members	RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, set back one year for males RP-2000 Combined Mortality Tables, with no projections

Discount Rate: The discount rate used to measure the TPL was 7.06%. 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 2126. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

Notes to Financial Statements (continued)

7. EMPLOYEE RETIREMENT SYSTEM (continued)

Target Allocations: The long-term rate of return as of June 30, 2021, was calculated using the average long-term capital market assumptions published in the *Survey of Capital Market Assumptions 2021 Edition* by Horizon Actuarial Services, LLC, yielding a median real return of 4.66%. The assumed inflation is based on the intermediate inflation assumption of 2.40% in the 2021 *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 7.06%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021, are summarized in the table following:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return (Arithmetic Basis)
Cash Equivalents	3.0%	(0.33)%
Domestic Equity	30.0%	5.90%
International Equity	17.0%	7.14%
Private Investments	15.0%	9.13%
Natural Resources	5.0%	4.03%
Real Estate	9.0%	5.41%
Core Fixed Income	15.0%	1.14%
Non-Core Fixed Income	6.0%	3.02%
Total	100.0%	

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 7.06%, 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 (6.06%)	Current Discount Rate	1.0% Increase (8.06%)
SCHOOL DISTRICT 40 FRENCHTOWN'S			
Net Pension Liability	\$2,273,072	\$1,431,997	\$726,530

Notes to Financial Statements (continued)

7. 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, 2021, 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 340 employers that have participants in the PERS-DCRP totaled \$1,103,889.

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. These reports, as well as the actuarial valuations and experience study, are available from the PERB at PO Box 200131, Helena MT 59620-0131, (406) 444-3154 or are available on the MPERA website at <https://mpera.mt.gov/about/annualreports1/annualreports>.

Notes to Financial Statements (continued)

7. 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	\$7,124,363	\$31,327,457	\$38,451,820
Fiduciary Net Position	\$5,692,366	\$23,665,846	\$29,358,212
Net Pension Liability	\$1,431,997	\$7,661,611	\$9,093,608
Deferred Outflows of Resources	\$391,854	\$1,728,790	\$2,120,644
Deferred Inflows of Resources	\$590,483	\$2,520,615	\$3,111,098
Pension Expense System Reports	\$180,577	\$1,161,983	\$1,342,560

8. 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)

9. 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, 2022**

	Original Budget	Amended & Final Budget	Actual Amounts Budgetary Basis
RESOURCES/INFLOWS			
District Levy	\$1,963,644	\$1,963,644	\$1,977,637
State Sources	8,218,935	8,218,935	8,224,264
County Sources			
Federal Sources			
User Fees			
Interest	9,819	9,819	7,451
Other	7,818	7,818	4,411
Total Amounts	10,200,216	10,200,216	10,213,763
Other Financing Sources (uses)			
Transfers			
In			
Out			
Total Other Financing Sources			0
Total Revenues and Other Financing Sources			10,213,763
EXPENDITURES CHARGED TO BUDGET	10,200	10,200	10,199,779
Change in Encumbrances			125,204
Modified Accrual Expenditures			<u>\$10,324,983</u>

See notes to budgetary required supplementary information.

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

**NOTES TO REQUIRED SUPPLEMENTARY BUDGETARY INFORMATION
June 30, 2022**

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 \$125,204, the on-behalf payment of \$549,989 and the Flexibility Fund \$0.

State law requires with certain exceptions only that total actual expenditures not exceed total budgeted expenditures. There were no amendments to the budgets, the amounts shown are the original, amended, and final budgeted amounts.

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, 2022**

Last 10 Fiscal Years*

Total OPEB liability	2022	2021	2020	2019	2018
Service cost	\$11,681	\$15,806	\$14,417	\$3,834	\$3,718
Interest	8,703	4,565	1,482	1,984	2,142
Changes of benefit terms				-	
Differences between expected and actual experience	(22,880)	44,405	311,393	(9,567)	(7,489)
Changes of assumptions or other inputs	(33,730)	7,144	(108,281)	403	(1,405)
Employer contributions		(68,521)	(65,326)	0	0
Net change in Total OPEB Liability	(\$36,226)	\$3,399	\$153,685	(\$3,346)	(\$3,034)
Total OPEB Liability - beginning	212,791	209,392	55,707	59,053	62,087
Total OPEB Liability - ending	\$176,565	\$212,791	\$209,392	\$55,707	\$59,053
Covered-employee payroll	\$7,606,012	\$7,797,482	\$7,552,041	\$7,095,965	\$6,872,605
Total OPEB Liability as a percentage of covered-employee payroll	2.30%	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Discount Rate	4.09%	2.18%	2.66%	3.36%	3.45%
Medical Trend	4.00%	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 Last Ten Fiscal Years*

Plan: **PERS**

Schedule of Proportionate Share of the Net Pension Liability:

As of measurement date	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (percentage)	0.078975%	0.078708%	0.075183%	0.0734%	0.1009%	0.0980%	0.0971%	0.0972%
Employer's net pension liability (amount)	\$1,431,997	\$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	466,681	722,200	565,148	570,345	96,680	78,013	63,803	56,606
Total	1,898,678	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	1,439,315	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	99.49%	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	79.91%	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:

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	137,227	132,628	126,660	106,311	102,243	104,720	98,117	93,411
Plan Choice Rate required contributions	0	0	0	0	0	0	1,602	1,934
Contributions in relation to the contractually required contributions	137,227	132,628	126,660	106,311	102,243	104,720	96,515	91,477
Contribution deficiency (excess)	0	0	0	0	0	0	0	0
Covered payroll	1,629,198	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	8.42%	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 30, 2020 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	0.28%

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. The actuarial assumptions and methods utilized in the June 30, 2020 valuation, were developed in the six year experience study for the period ending 2016.

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 2021:

- The discount rate was lowered from 7.34% to 7.06%.
- The investment rate of return assumption was lowered from 7.34% to 7.06%.

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, 2022

	General	Funds			Total
		Flexibility	Clearing Payroll	Claims	
Assets					
Cash and cash equivalents	\$1,321,842	\$276,044	\$99,265	\$402,776	\$2,099,927
Taxes receivable	113,942				113,942
Protested taxes receivable	3,876				
Total Assets	1,439,660	276,044	99,265	402,776	2,217,745
Liabilities, deferred inflows of resources and fund balances					
Warrants payable			99,265	402,776	502,041
Accounts payable	25,662				25,662
Total Liabilities	25,662	0	99,265	402,776	527,703
Deferred inflows of resources					
Tax revenue	117,818				117,818
Total Deferred inflows	117,818	0	0	0	117,818
Total Liabilities & Deferred inflows	143,480	0	99,265	402,776	645,521
Fund balances					
Assigned for					
Encumbrances	237,698				237,698
Unassigned	1,058,482	276,044			1,334,526
Total fund balances	1,296,180	276,044	0	0	1,572,224
Total liabilities, deferred inflows of resources and fund balances	\$1,439,660	\$276,044	\$99,265	\$402,776	\$2,217,745

See Independent Auditors Report

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GENERAL FUND
June 30, 2022**

	General Fund	Flexibility	On-behalf Payment	Total
Revenues				
Property taxes	1,977,637			1,977,637
Intergovernmental - state	8,224,264		549,989	8,774,253
Other	4,411	689		5,100
Interest	7,451	741		8,192
Total revenues	10,213,763	1,430	549,989	10,765,182
Expenditures				
Current				
Instruction	5,797,340		549,989	6,347,329
Supporting services	2,189,139			2,189,139
Operations & Maintenance	1,727,907			1,727,907
Student transportation	2,706			2,706
Food services	17,879			17,879
Extracurricular	526,326			526,326
Capital outlay	63,686			63,686
Interest	0			0
Total expenditures	10,324,983	0	549,989	10,874,972
Excess (deficiency) of revenues over expenditures	(111,220)	1,430	0	(109,790)
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	1,407,400	274,614	0	1,682,014
Fund balances end of year	\$1,296,180	\$276,044	\$0	\$1,572,224

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, 2022**

Student Activity	Balance June 30 2021	Revenues & Misc Earnings	Expenditures & Misc Charges	Transfers In (Out)	Balance June 30 2022
Academic Challenge	\$1,671	\$630	\$1,413		\$888
Activities	56,420	26,808	19,086	6,435	70,577
Anime Club	333				333
Art Club	66				66
Band Fundraiser	8,283		2,144		6,139
BBB Fundraiser	4,278	5,135	6,360	(652)	2,401
Boys Basketball	0	6,832	6,627	(205)	0
Broadcast	1,225	1,384			2,609
Calendar Proceeds	2,085	103			2,188
Candy Machine	569				569
Cheer	0	500	85	(415)	0
Cheerleaders	2,384	1,510	643		3,251
Choir Fundraiser	728				728
Class of 2020	2,185				2,185
Class of 2021	650		(200)	(850)	0
Class of 2022	4,391	1,755	5,014		1,132
Class of 2023	2,043	5,605	1,862		5,786
Class of 2024	0	2,220	109		2,111
Class of 2025	2,191				2,191
Class of 2026	0	5,120	1,900		3,220
Concessions	33,465	58,228	46,493	(11,585)	33,615
Cross Country	0	275	222	310	363
Cross Country Fundraiser	675		215		460
Culinary Enterprise	1,532	5,704	5,548	90	1,778
Destination Imagination K-6	5,208	825	3,889		2,144
Divisional VB	883				883
Divisional Track	33				33
FCCLA	431				431
Football Fundraiser	5,963	9,983	14,135	4,957	6,768
Football	0	10,430	5,154	(5,276)	0
Football play-offs	217				217
GBB Fundraiser	6,842	3,650	7,543	(652)	2,297
Girls Basketball	0	5,628	6,488	860	0
Golf	0	525	1,657	1,132	0
Golf Fundraiser	1,904	1,241	1,534		1,611
Grade School Activities	1,636	271	253		1,654
Home Economics	776				776
HOSA	405	815	868		352
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	155,469	155,177	139,042	(5,851)	165,753

Student Activity	Balance June 30 2021	Revenues & Misc Earnings	Expenditures & Misc Charges	Transfers In (Out)	Balance June 30 2022
Jr. High Volleyball Fundraiser	668				668
Jr. High Wrestling	299				299
JMG (Jobs for MT Grads)	20				20
Jr. High Activities	0	11,162	10,982		180
Jr. High Annual	140				140
Jr. High Graduation	4,800				4,800
Jr. High Student Council	2,736	5,276	5,284		2,728
Key Club	5,078	3,232	3,527		4,783
Little Dribblers	515				515
Math Counts	119				119
Meals	10,418	15,129	14,423	10,000	21,124
District Divisionals	2,601	50,013	51,227		1,387
MT State Class A	0				0
MT State Class C Tip Off	3,020	15,781	15,921		2,880
Music	8,847	97,543	105,510		880
Newspaper	297				297
NHS Scholarship	2,998	5,543	5,109		3,432
Pep Club	730				730
Percussion Fundraiser	71				71
5 Valley Honor Band	41				41
SC Improvement Fund	6,873	108	1,778	850	6,053
Science Trip Fundraiser	0	386	856	500	30
Softball Fundraiser	5,069	6,799	4,086	(652)	7,130
Softball	0	11,667	9,335	(2,333)	(1)
School Play	4,097	3,275	6,862		510
Soccer	0	2,818	3,040	222	0
Soccer Fundraiser - Boys	2,707	300	1,250		1,757
Soccer Fundraiser - Girls	1,555		395		1,160
Soccer Playoff	268				268
Speech & Drama	0	1,115	1,367	227	(25)
Speech & Drama Fundraiser	673		210		463
Student Council	2,432	14,756	13,500	(90)	3,598
Sunshine Fund	572				572
Swim Fundraiser	500		447	500	553
The Bronc Store	1,038	5,293	4,854		1,477
Track	0	5,432	1,629	(3,803)	0
Track Fundraiser	44		40		4
Volleyball	0				0
Volleyball Fundraiser	16,183	4,382	7,250	(3,000)	10,315
WR Fundraiser	907	4,072	5,428	1,356	907
Wrestling	0	1,730	2,804	1,074	0
Yearbook	5,458	10,950	4,340		12,068
Youth Action Committee 7-12	584		500	1,000	1,084
Subtotal previous page	155,469	155,177	139,042	(5,851)	165,753
	\$247,827	\$431,939	\$420,996	\$0	\$258,770

**Supplementary Schedule
SCHOOL DISTRICT NO. 40
Frenchtown, Montana
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022**

<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				
Cash Assistance				
Breakfast	10.553			211,053
Lunch	10.555			542,886
SNP Emergency Op Funds - Covid-19	10.555			26,154
				<u>780,093</u>
Non-Cash Assistance (Commodities)				
Lunch	1.555			36,979
Total Child Nutrition Cluster				<u>817,072</u>
Food and Nutrition Service				
National School Lunch Program Equipment Assistance Grant	10.579			5,000
Pandemic EBT Administrative Costs	10.649			297
Fresh Fruit and Vegetable Program	10.582			35,787
				<u>41,084</u>
Total U.S. Dept. of Agriculture				<u>\$858,156</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	32-0599-31-2022		312,986
Title I, Part A Improving Basic Programs	84.010A	32-0599-31-2021		20,013
Supporting Effective Instruction	84.367A	32-0599-14-2022		47,482
Supporting Effective Instruction	84.367A	32-0599-14-2021		5,402
Rural Education	84.358B	32-0599-99-2022		5,457
Rural Education	84.358B	32-0599-99-2021		3,428
				<u>394,768</u>
Office of Special Education and Rehabilitation Services				
Special Education Cluster				
IDEA - Part B Children with Disabilities	84.027A	32-0599-77-2022		276,391
IDEA - Preschool	84.173A	32-0599-79-2022		10,829
IDEA - Part B ARP	84.027X	32-0599-70-2022		29,796
IDEA - B Preschool	84.173X	32-0599-71-2022		5,632
Total Special Education Cluster				<u>322,648</u>
Office of Vocational and Adult Education				
Career and Technical Education Carl Perkins	84.048A	32-0599-81-2022		16,972
Education Stabilization Fund				
Elementary and Secondary School Emergency Relief Fund	84.425D	32-0599-91-2020		43,255
Elementary and Secondary School Emergency Relief Fund	84.425D	32-0599-91-2020		1,581
Elementary and Secondary School Emergency Relief Fund	84.425D	32-0599-91-2021		821,268
Elementary and Secondary School Emergency Relief Fund	84.425D	32-0599-91-2021		29,249
Elementary and Secondary School Emergency Relief Fund	84.425D	32-0599-91-2021		19,697
Elementary and Secondary School Emergency Relief Fund	84.425D	32-0599-91-		7,598
Elementary and Secondary School Emergency Relief Fund	84.425U	32-0599-91-2021		878,145
Elementary and Secondary School Emergency Relief Fund	84.425U	32-0599-91-2021		40,116
Elementary and Secondary School Emergency Relief Fund	84.425U	32-0599-91-2021		161,795
Total Education Stabilization Fund				<u>2,002,705</u>
Total U.S. Department of Education				<u>\$2,737,093</u>
Total Passed Through State of Montana				<u><u>\$3,595,250</u></u>
TOTAL FEDERAL EXPENDITURES			\$0	<u>\$3,595,250</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, 2022**

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, 2022. 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 indirect cost rate of 5.66%.

School District No. 40
Frenchtown, Montana
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022
Statistical Information

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

OTHER INFORMATION

FOR THE YEAR ENDED JUNE 30, 2022

Maximum Bonded Indebtedness

State law permits a maximum bonded indebtedness for the school district of 100% of the District's taxable valuation \$14,573,237 at June 30, 2022. 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 22 Budget	Percent Allowed	Maximum Bonded Indebtedness
High School	\$60,540	474	50%	\$14,347,980
Elementary	\$54,807	957	50%	\$26,225,150
Maximum Bonded Indebtedness Allowed				<u>\$40,573,130</u>
Less:				
Outstanding Bonds at June 30, 2022				<u>\$(6,400,000)</u>
Maximum Bonded Indebtedness Available				<u><u>\$34,173,130</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%
January 1, 2022	\$ 997,192,247	\$ 14,573,237	1.46%

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

OTHER INFORMATION

FOR THE YEAR ENDED JUNE 30, 2022

District Tax Levies (in Mills)

Taxing Entity	Fiscal year ended June 30									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
School District No.40										
General Fund	166.84	167.68	167.62	172.48	173.25	176.18	166.65	155.55	148.76	134.74
Transportation Fund	20.47	20.02	23.81	25.18	29.08	28.90	33.52	36.68	35.62	29.38
Debt Service Fund	104.46	95.81	106.87	114.72	119.33	133.13	102.10	106.70	105.42	90.46
Bus Depreciation Fund	0.71	18.08	17.92	18.51	18.42	8.72	25.26	22.93	21.58	23.55
Building Reserve Fund	0.00	0.00	0.00	0.00	13.80	26.49	26.46	19.28	16.36	4.39
Technology Fund	3.17	3.16	3.14	3.23	3.22	2.98	2.95	2.76	2.68	2.40
Adult Education Fund	0.00	1.00	1.00	1.00	1.30	1.36	1.13	1.00	1.00	1.00
Tuition Fund	0.00	0.00	7.92	9.61	11.94	12.96	15.46	18.13	23.27	20.20
Total School District	295.65	305.75	328.28	344.73	370.34	390.72	373.53	363.03	354.69	306.12
State School Levy	140.17	144.60	145.64	144.35	143.73	141.91	142.04	141.37	143.40	143.13
District Levy	295.65	305.75	328.28	344.73	370.34	390.72	373.53	363.03	354.69	306.12
State Levy-University	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
County	181.42	186.69	196.46	205.66	211.89	212.32	217.23	220.96	227.16	229.75
Frenchtown Rural Fire District	50.14	54.14	58.14	65.74	67.03	64.03	68.34	69.11	75.35	69.94
Others: MUTD, Elk Meadows	136.34	175.30	192.36	198.48	200.99	192.35	193.57	187.87	191.09	199.92
Total	809.72	872.48	926.88	964.96	999.98	1,007.33	1,000.71	988.34	997.69	954.86

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

OTHER INFORMATION

FOR THE YEAR ENDED JUNE 30, 2022

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%
2021	1,463	118	8.8%

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

OTHER INFORMATION

FOR THE YEAR ENDED JUNE 30, 2022

Tax Collections

Fiscal Year	Total Tax Levy	Current Tax Collections	Collections as % of Levy	Total Tax Collections	Collections as % of Levy
2021/2022	\$4,453,358	\$4,280,243	96.1%	\$4,433,393	99.6%
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

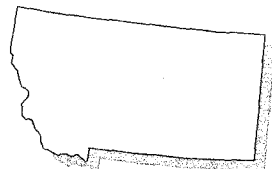
FOR THE YEAR ENDED JUNE 30, 2022

Major Taxpayers

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

Taxpayer	Business	Taxable Valuation \$14,573,237		Percent of Total
		January 1, 2022		
Taxpayer	Business	Taxable Value	Largest Values	Taxable Value
Montana Rail Link	Railroad	\$524,668	28.88%	3.60%
NorthWestern Energy	Gas and Electric Utility	351,829	19.37%	2.41%
Missoula Electric Coop Inc	Electric Utility	267,066	14.70%	1.83%
Missoula 7 RE LLC	Town Pump Travel Plaza	160,391	8.83%	1.10%
AT&T Mobility LLC	Tele-Communications	104,686	5.76%	0.72%
MLH Montana LLC	Investment-Development	99,884	5.50%	0.69%
Tollefson Properties LLC	Industrial Services	96,594	5.32%	0.66%
4M Family Limited Partnership	Truck Stop (Muralts)	75,005	4.13%	0.51%
M2Green Redevelopment LLC	Industrial	69,199	3.81%	0.47%
Decker Montana Land Co LLC	Agricultural/Land	67,498	3.72%	0.46%
Total		\$1,816,820	100%	12.47%

Taxpayer	Business	Taxable Valuation \$13,036,134		Percent of Total
		January 1, 2021		
Taxpayer	Business	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 (Muralts)	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%	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, 2022, 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 March 20, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 or significant deficiencies may exist that were not identified.

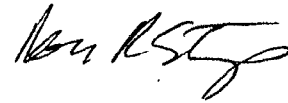
Report on Compliance and Other Matters

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*.

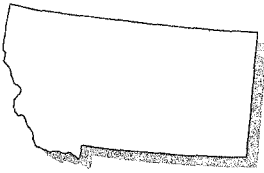
Purpose of this Report

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

March 20, 2023



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

Opinion on Each Major Federal Program

We have audited School District No. 40, Frenchtown, Montana (the District)'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of School District No. 40's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, School District No. 40, Frenchtown, Montana complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of School District No. 40, Frenchtown, Montana and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of School District No. 40, Frenchtown, Montana's compliance with the compliance requirements referred to above.

Responsibilities fo Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to School District No. 40, Frenchtown, Montana's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements to above occurred, whether due to fraud or error, and express an opinion on School District No. 40, Frenchtown, Montana's compliance based on our audit.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about School District No. 40, Frenchtown, Montana's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding School District No. 40, Frenchtown, Montana's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtaining an understanding of School District No. 40, Frenchtown, Montana's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of School District No. 40, Frenchtown, Montana's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

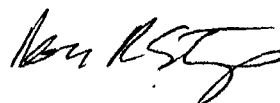
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 describe in the Auditor's Repsonsibilities for the Audit of Compliance section above and was not designed to designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control may exist that were not identified.

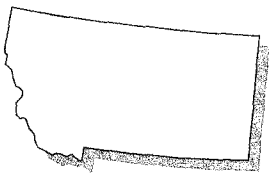
Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

March 20, 2023



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. 84.425 Education Stabilization 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

March 20, 2023

Ross R. Stalcup
Certified Public Accountant

