

TOWNSEND PUBLIC SCHOOL
BROADWATER COUNTY, MONTANA
Fiscal Year Ended June 30, 2023

AUDIT REPORT

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

TOWNSEND PUBLIC SCHOOL
BROADWATER COUNTY, MONTANA

Fiscal Year Ended June 30, 2023

TABLE OF CONTENTS

Organization	1
Management Discussion and Analysis	2-8
Independent Auditor’s Report	9-11
Financial Statements	
<u>Government-wide Financial Statements</u>	
Statement of Net Position	12
Statement of Activities	13
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Net Position - Fiduciary Fund Types	18
Statement of Changes in Net Position - Fiduciary Fund Types	19
Notes to Financial Statements	20-52
Required Supplementary Information	
Budgetary Comparison Schedule	53
Budgetary Comparison Schedule – Budget-to-GAAP Reconciliation	54
Schedule of Changes in the Total OPEB Liability and Related Ratios	55
Schedule of Proportionate Share of the Net Pension Liability	56
Schedule of Contributions	57
Notes to Required Pension Supplementary Information	58-64
Supplemental Information	
Schedule of Enrollment	65
Schedule of Revenues and Expenditures – Extracurricular Fund – All Fund Accounts	66
Single Audit Section	
Schedule of Expenditures of Federal Awards	67-68
Notes to the Schedule of Expenditures of Federal Awards	69

TOWNSEND PUBLIC SCHOOL
BROADWATER COUNTY, MONTANA

TABLE OF CONTENTS - Continued

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	70-71
Independent Auditor's Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with Uniform Guidance	72-74
Schedule of Findings and Questioned Costs	75-76
Report on Prior Audit Recommendations	77
Auditee's Corrective Action Plan	78-79

TOWNSEND PUBLIC SCHOOL
BROADWATER COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2023

BOARD OF TRUSTEES

Jason Noyes
Jason Kool
Vanessa Flynn
Chase Patrick Ragen
Daniel Truesdell

Chairperson
Trustee
Trustee
Trustee
Trustee

DISTRICT OFFICIALS

Melissa Franks
Kayce Williams
Pam Watson
Melissa Franks
Cory Swanson

Superintendent
District Clerk
District Clerk
County Superintendent
County Attorney

**TOWNSEND K-12 SCHOOL DISTRICT #1
BROADWATER COUNTY
TOWNSEND, MONTANA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023**

The Superintendent and District Clerk of Townsend K-12 School District #1 have provided this MD & A to give the reader of these statements an overview of the financial position and activities of the school district for the fiscal year ended June 30, 2023. Comparative information between the current year and the prior is included in the MD & A.

USING THIS FINANCIAL REPORT

The general format of this report is required by Statement No. 34 of the Governmental Accounting Standards Board (GASB). Components and purposes of the report are explained below.

Reporting the School District as a Whole

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

- The **Statement of Net Position** shows the “assets” (what is owned), “liabilities” (what is owed) and the “Net Position” (the resources that would remain if all obligations were settled) of the school district. The statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in “fixed” or “capital” assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year.
- The **Statement of Activities** shows the amounts of program-specific and general school district revenues used to support the school district’s various functions.

The Statement of Net Position and the Statement of Activities divide the activities of the school district into three categories: Governmental, Proprietary and Component units. Townsend School only has Governmental activities:

Governmental activities – The school functions, including instruction, student services, administration, etc. Property taxes, state and federal revenues usually support most of these functions of the district.

Reporting the District’s Most Significant Funds

The fund statements provide detailed information about the funds used by the school district. State law and Generally Accepted Accounting principles (GAAP) establish the fund structure of school districts. State law generally requires school districts to segregate money generated for certain specific purposes, like transportation and debt service, in separate fund accounts.

**TOWNSEND K-12 SCHOOL DISTRICT #1
BROADWATER COUNTY
TOWNSEND, MONTANA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023**

The fund statements report balances and activities of the most significant, or “major” funds separately and combine the activities of less significant funds under a single category. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the school district’s operations, and the existence of legal budget requirements. Internal Service funds are never reported as major funds but are combined and presented in a separate column.

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance are shown for governmental funds, such as the general fund, special revenue funds for transportation and school food service, and debt service and capital outlay funds. These funds use the modified accrual basis of accounting and represent the majority of the district’s activities and programs.

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

Reporting the District’s Trust and Fiduciary Responsibilities

The District is the trustee, or fiduciary, for: the McCarthy Endowment Fund, the Fred and Joye Meyer Memorial Scholarship Fund and the Student Extracurricular Funds. This report includes the activities in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position because the district cannot use these assets to fund its operations. The district is responsible for ensuring these assets are used for their intended purpose.

The McCarthy Endowment Fund uses interest from a gift of \$324,000 from Laurie McCarthy to provide student scholarships. Each year two to twelve scholarships are awarded to graduating high school seniors in the amount of \$275 to \$3,000 for college costs.

The Fred and Joye Meyer Memorial Scholarship fund uses interest from a gift of \$100,000 from Fred and Joye Meyer. The interest is used for a yearly scholarship for a Montana born Broadwater High School graduate attending any post-high school or vocational education. The amount varies depending upon the interest earned.

The Student Extracurricular Funds are used for athletic and student activity costs at Broadwater High School, Cecelia Hazelton Elementary and Townsend Middle School.

**TOWNSEND K-12 SCHOOL DISTRICT #1
BROADWATER COUNTY
TOWNSEND, MONTANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023**

BUDGET-TO-ACTUAL COMPARISONS

The budgetary comparison schedules show how actual local, county and state revenue compared to the original and final budgeted revenue and how the expenditures compared to the original and final budgeted expenditures for the General Fund. There were no significant variances between the final expenditure and revenue budgets and the actual expenditures and revenues. Below is some analysis of differences.

Revenue

County, State and Federal Revenue - There were no significant revenue budget variances noted.

Expenditures

Instructional – Special Education – A negative variance of \$59,026 was recorded due to the maintenance of effort adjustment within Special Education accounting. Maintenance of effort includes reclassification of the staffing and instructional needs of the Special Education program.

Administration - General – A negative variance of \$12,161 was recorded due to an increase in professional legal services, paired with a Trustee election cycle. The increased professional service expenses were not anticipated and therefore not budgeted.

Administration - School – A positive variance of \$25,999 was recorded due to a decrease in health insurance premium based on mid-year employee status changes. In addition, miscellaneous grant funds were made available to assist with the administrative and/or administrative office salaries.

Administration - Business – A negative variance of \$106,342 was recorded due to the Business Office restructure and deferred annual audit expenditures.

Student Transportation - A negative variance of \$28,650 was reported to reflect significant increases in major maintenance, fuel, and driver salary expenditures.

Extra-Curricular – A negative variance of \$24,280 due to significant increases in expenditures relating to travel expenses, materials/supplies, along with the addition of a middle school golf program.

School Food – General – A positive variance of \$32,300 was recorded. Hot Lunch costs are budgeted in the General Fund to pay for expenses that are not covered by the hot lunch revenue. \$41,187 was budgeted in the General Fund but only \$8,879 was needed to pay for those expenses.

**TOWNSEND K-12 SCHOOL DISTRICT #1
BROADWATER COUNTY
TOWNSEND, MONTANA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023**

THE DISTRICT AS A WHOLE

The district wide financial statements include all assets and liabilities using the accrual basis of accounting, with the addition of reporting depreciation on capital assets. This is similar to the basis of accounting used by most private-sector companies.

The change in Net Position over time is an indicator of whether the District’s financial health is improving or deteriorating. There are other non-financial factors that influence the District’s fiscal health, such as changes in enrollment, changes in the funding of educational costs, changes in the economy, changes in the District’s tax base, etc. The District’s Net Position was as follows:

**Townsend School District #1
Condensed Statement of Net Position
Governmental Activities**

Table 1 - Net Position

	Governmental Activities		
	<u>FY23</u>	<u>FY22</u>	<u>Change Inc (Dec)</u>
Current and other assets	\$ 5,822,012	\$ 12,619,518	\$ (6,797,506)
Capital assets	28,031,846	21,076,136	6,955,710
Total assets	33,853,858	33,695,654	158,204
Long-term debt outstanding	\$ 23,435,396	\$ 23,055,464	\$ 379,932
Other liabilities	3,793,258	5,603,840	(1,810,582)
Total liabilities	27,228,654	28,659,304	(1,430,650)
Net investment in capital assets	8,630,394	2,969,878	5,660,516
Restricted	2,704,533	8,980,505	(6,275,972)
Unrestricted (deficit)	(4,709,723)	(6,914,033)	2,204,310
Total net position	\$ 6,625,204	\$ 5,036,350	\$ 1,588,854

Total assets have incurred a slight increase of \$158,204. Included in current assets and other assets are cash and investments of \$4,375,021 and other than cash that is due the district of \$320,119. As of June 30, 2023, the District had invested over \$28 million in capital assets including land, buildings, machinery and equipment.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2023:

Capital Assets - Land	\$ 274,107
Capital Assets – Construction in Progress	\$21,993,623
Capital Assets – Depreciable, Net	\$ <u>5,764,116</u>
Total	\$ <u>28,031,846</u>

**TOWNSEND K-12 SCHOOL DISTRICT #1
BROADWATER COUNTY
TOWNSEND, MONTANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023**

At year end, the majority long term debt outstanding includes the new Cecelia Hazelton Elementary Bond \$17,010,000. The long-term debt outstanding also includes outstanding compensated absences - \$496,475, the post-employment benefits – \$96,353 and the net pension liability - \$5,710,441. The post-employment retirement amount is a required entry due to the fact that retirees are allowed to remain on the District's health insurance plan. The District hired Denning, Downing and Associates to conduct the valuation of this post-employment benefit. The compensated absences liability is that of staff (classified and administrative) if they were to terminate their position. They are paid all of their accrued vacation leave and one quarter of their accrued sick leave. Other liabilities are the net pension liability. The net pension liability is TRS (Teachers Retirement System) and PERS (Public Employee Retirement System) liability the District is required to record.

Analysis of Financial Information

(See following schedule on next page.)

Program Expenses

The overall cost of district programs was higher than the previous year and revenues also came in higher than in Fiscal Year 2022.

Significant increases in spending were noted in regular instruction, administration - general, administration - business, student transportation, extracurricular, and community services.

- The growth in expenditures are a result of inflationary increases in both materials/supplies, salaries, and individual professional student educational needs.

Significant expenditure decreases were noted in supporting services - general, and debt service expense - interest.

- The reduction in outflows are a result of an alteration in staffing salaries and overhead expenditures within our support services program. Debt service interest expenses will continue to decrease as the District reimburses our Cecelia Hazelton Elementary Bond principal.

Revenues

An increase of \$1,431,933 in revenue was received in FY2023 compared to FY2022. The General Fund and Federal & State Grant Funds account for most of the increase in revenue. The FY2023 General Fund Budget amount was \$289,637 higher than FY22. Therefore, all of the State entitlements recorded for FY23 were higher than the previous year.

**TOWNSEND K-12 SCHOOL DISTRICT #1
BROADWATER COUNTY
TOWNSEND, MONTANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023**

**Townsend School District #1
Statement of Activities
Fiscal Year 2023**

Table 2 - Changes in Net Position

	Governmental Activities		
	<u>FY23</u>	<u>FY22</u>	<u>Change Inc (Dec)</u>
Revenues			
<i>Program revenues (by major source):</i>			
Charges for services	\$ 146,413	\$ 53,308	\$ 93,105
Operating grants and contributions	2,360,200	1,605,391	754,809
Capital grants and contributions	21,579	30,389	(8,810)
<i>General revenues (by major source):</i>			
Property taxes for general purposes	3,650,705	3,530,027	120,678
Grants and entitlements not restricted to specific programs	3,692,256	3,404,709	287,547
Investment earnings	236,454	117,317	119,137
Miscellaneous (other revenue)	122,607	29,909	92,698
State technology	4,434	3,295	1,139
State pension aid	251,081	280,289	(29,208)
County retirement	722,067	721,229	838
Total revenues	<u>\$ 11,207,796</u>	<u>\$ 9,775,863</u>	<u>\$ 1,431,933</u>
Program expenses			
Instructional - regular	\$ 4,675,365	\$ 4,117,769	\$ 557,596
Instructional - special education	306,117	300,842	5,275
Instructional - vocational education	296,416	289,694	6,722
Instructional - adult education	11,274	4,747	6,527
Supporting services - operations & maintenance	725,156	704,315	20,841
Supporting services - general	121,388	237,230	(115,842)
Supporting services - educational media services	211,919	199,843	12,076
Administration - general	355,801	323,298	32,503
Administration - school	432,471	428,944	3,527
Administration - business	420,177	327,246	92,931
Student transportation	554,951	481,151	73,800
Extracurricular	484,851	413,334	71,517
School food	347,094	338,611	8,483
Community services	55,594	45,436	10,158
Debt service expense - interest	450,093	474,543	(24,450)
Unallocated depreciation*	170,275	180,403	(10,128)
Total expenses	<u>\$ 9,618,942</u>	<u>\$ 8,867,406</u>	<u>\$ 751,536</u>
Excess (deficiency) before special items and transfers	1,588,854	908,457	680,397
Increase (decrease) in net position	<u>\$ 1,588,854</u>	<u>\$ 908,457</u>	<u>\$ 680,397</u>

**TOWNSEND K-12 SCHOOL DISTRICT #1
BROADWATER COUNTY
TOWNSEND, MONTANA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023**

The Future of the District

Our local economy continues to feel the negative impact of high inflationary costs; housing, goods and services, as well as lower than average salaries. Median housing prices in the district boundaries remain high. Broadwater County economy remains focused on agriculture. Townsend K12 School District #1, Billings Clinic – Broadwater, Broadwater County Offices, Graymont Industries, LLC., and the National Forest Service continue to provide a stable source of employment for our community. Several new small businesses have emerged as anchors to the City of Townsend economy. Growth can also be measured in Broadwater County population increase. According to the U.S. Census Bureau, the estimated population of Broadwater County as of July 1, 2022, was 7,793 people. The estimated population of Broadwater County as of July 1, 2021, was 7,040 people. District student enrollment has been on a steady incline for both Cecelia Hazleton Elementary and Townsend Middle School. Broadwater High School has experienced a recent decline in enrollment but maintains a 10-year average of 206.5 students. Listed below are a number of identified topics which may or will have an impact on the general operations of the Townsend School District.

Funding

State Government Legislative Action: Public education funding was positively impacted by the 2023 legislative session. There were substantial increases in both per pupil amounts and the base funding.

Federal Funding Decrease - Federal funding (Title Programs) continue to decline. The decrease has had a negative impact on the district’s budget. More general funds are now utilized to fund the rising costs of student services.

Enrollment - The enrollment in the Townsend K-12 School District continues to see growth within Cecelia Hazelton Elementary and Townsend Middle School. Broadwater High School has reported enrollment declines over the past few years, resulting in a negative impact to the Districts Student ANB counts. The Montana school funding system bases the amount of the general fund budget on student enrollment.

Contact for Additional Information

If you have questions about this report or need additional information, contact the Superintendent or District Clerk of Townsend Schools at Townsend School District #1, 201 N. Spruce, Townsend, MT 59644 (406) 441-3454 or (406) 441-3471.

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

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

INDEPENDENT AUDITOR’S REPORT

To the Board of Trustees
Townsend Public School
Broadwater County
Townsend, Montana

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Townsend Public School, Broadwater County, Montana as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Townsend Public School, Broadwater County, Montana 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 the Townsend Public School, Broadwater County, Montana, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibility under those standards are further described in the Auditor’s Responsibility for the Audit of the Financial Statements section of our report. We are required to be independent of Townsend Public School, Broadwater County, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2023, Townsend Public School, Broadwater County adopted new accounting guidance, GASB No. 96 Subscription-Based Information Technology Arrangements (SBITA) is effective for years beginning after June 15, 2022, and all reporting periods thereafter Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 misstatements, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Townsend Public School, Broadwater County, Montana's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently know 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, misrepresentation, 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 judgement 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 the Townsend Public School, Broadwater County, 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Townsend Public School, Broadwater County, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Budgetary Comparison Information, Schedule of Changes in the Total OPEB Liability and Related Ratios, Schedules of Proportionate Share of the Net Pension Liability and the Schedule of Contributions 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 content.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Townsend Public School, Broadwater County, Montana's basic financial statements. The Schedule of Revenues and Expenditures for the Extracurricular Fund, the Schedule of Enrollment and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, The Schedule of Revenues and Expenditures for the Extracurricular Fund, the Schedule of Enrollment and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report March 13, 2024, on our consideration of the Townsend Public School, Broadwater County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws regulations contracts, and grant agreements and other matters. The purpose of that report is 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 the Townsend Public School, Broadwater County, Montana's internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Townsend Public School, Broadwater County, Montana's internal control over financial reporting and compliance.

Derringer, Downey and Associates, CPAs, P.C.

March 13, 2024

Townsend Public School, Broadwater County, Montana
Statement of Net Position
June 30, 2023

		Governmental Activities
ASSETS		
Current assets:		
Cash and investments	\$	4,375,021
Taxes and assessments receivable, net		238,692
Due from other governments		46,144
Inventories		16,889
Other debits		18,394
Total current assets	\$	4,695,140
Noncurrent assets		
Capital assets - land	\$	274,107
Capital assets - construction in progress		21,993,623
Capital assets - depreciable, net		5,764,116
Leased assets, net		109,942
Total noncurrent assets	\$	28,141,788
Total assets	\$	32,836,928
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pensions	\$	1,016,930
Total deferred outflows of resources	\$	1,016,930
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$	33,853,858
LIABILITIES		
Current liabilities		
Warrants payable	\$	230,310
Accounts payable		608,754
Other payroll liabilities		25,943
Current portion of lease liabilities		26,669
Current portion of long-term capital liabilities		745,000
Current portion of compensated absences payable		96,870
Current portion of bond premium liability		139,957
Total current liabilities	\$	1,873,503
Noncurrent liabilities		
Other post-employment benefit liability	\$	96,353
Noncurrent portion of lease liabilities		95,458
Noncurrent portion of long-term capital liabilities		16,265,000
Noncurrent portion of compensated absences		399,605
Net pension liability		5,710,441
Noncurrent portion of bond premium liability		2,239,310
Total noncurrent liabilities	\$	24,806,167
Total liabilities	\$	26,679,670
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pensions	\$	548,984
Total deferred inflows of resources	\$	548,984
NET POSITION		
Net investment in capital assets	\$	8,630,394
Restricted for capital projects		1,093,934
Restricted for debt service		152,257
Restricted for special projects		1,458,342
Unrestricted		(4,709,723)
Total net position	\$	6,625,204
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$	33,853,858

See accompanying Notes to the Financial Statements

Townsend Public School, Broadwater County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position Primary Government</u>	
<u>Primary government:</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:					
Instructional - regular	\$ 4,675,365	\$ 3,000	\$ 708,225	\$ 17,967	\$ (3,946,173)
Instructional - special education	306,117	-	114,442	-	(191,675)
Instructional - vocational education	296,416	-	13,078	-	(283,338)
Instructional - adult education	11,274	291	-	-	(10,983)
Supporting services - operations & maintenance	725,156	-	790,178	3,612	68,634
Supporting services - general	121,388	-	-	-	(121,388)
Supporting services - educational media services	211,919	-	1,000	-	(210,919)
Administration - general	355,801	-	33,167	-	(322,634)
Administration - school	432,471	-	64,051	-	(368,420)
Administration - business	420,177	-	2,898	-	(417,279)
Student transportation	554,951	-	137,497	-	(417,454)
Extracurricular	484,851	-	221,720	-	(263,131)
School food	347,094	132,319	211,571	-	(3,204)
Community services	55,594	10,803	62,373	-	17,582
Debt service expense - interest	450,093	-	-	-	(450,093)
Unallocated depreciation*	170,275	-	-	-	(170,275)
Total primary government	\$ 9,618,942	\$ 146,413	\$ 2,360,200	\$ 21,579	\$ (7,090,750)
General Revenues:					
				\$	3,650,705
					3,692,256
					236,454
					122,607
					4,434
					251,081
					722,067
				\$	8,679,604
				\$	1,588,854
				\$	5,036,350
				\$	6,625,204

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

Townsend Public School, Broadwater County, Montana
Balance Sheet
Governmental Funds
June 30, 2023

	<u>General</u>	<u>Misc Programs</u>	<u>Debt Service</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Current assets:						
Cash and investments	\$ 1,252,757	\$ 479,213	\$ 25,571	\$ 1,262,057	\$ 1,355,423	\$ 4,375,021
Taxes and assessments receivable, net	121,353	-	84,298	-	33,041	238,692
Due from other governments	-	46,144	-	-	-	46,144
Inventories	-	-	-	-	16,889	16,889
Other debits	7,743	-	-	-	10,651	18,394
TOTAL ASSETS	\$ 1,381,853	\$ 525,357	\$ 109,869	\$ 1,262,057	\$ 1,416,004	\$ 4,695,140
LIABILITIES						
Current liabilities:						
Warrants payable	\$ 230,310	\$ -	\$ -	\$ -	\$ -	\$ 230,310
Accounts payable	-	23,278	-	585,476	-	608,754
Other payroll liabilities	25,943	-	-	-	-	25,943
Total liabilities	<u>\$ 256,253</u>	<u>\$ 23,278</u>	<u>\$ -</u>	<u>\$ 585,476</u>	<u>\$ -</u>	<u>\$ 865,007</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources - taxes	\$ 121,353	\$ -	\$ 84,298	\$ -	\$ 33,041	\$ 238,692
Total deferred inflows of resources	<u>\$ 121,353</u>	<u>\$ -</u>	<u>\$ 84,298</u>	<u>\$ -</u>	<u>\$ 33,041</u>	<u>\$ 238,692</u>
FUND BALANCES						
Nonspendable	\$ -	\$ -	\$ -	\$ -	16,889	16,889
Restricted	-	502,079	25,571	676,581	1,366,074	2,570,305
Unassigned fund balance	1,004,247	-	-	-	-	1,004,247
Total fund balance	<u>\$ 1,004,247</u>	<u>\$ 502,079</u>	<u>\$ 25,571</u>	<u>\$ 676,581</u>	<u>\$ 1,382,963</u>	<u>\$ 3,591,441</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,381,853	\$ 525,357	\$ 109,869	\$ 1,262,057	\$ 1,416,004	\$ 4,695,140

See accompanying Notes to the Financial Statements

Townsend Public School, Broadwater County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2023

Total fund balances - governmental funds	\$ 3,591,441
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	28,031,846
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	238,692
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(19,885,742)
Net pension and other post-employment benefit liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(5,806,794)
The changes between actuarial assumptions, differences in expected vs actual pension experiences, changes in proportionate share allocation, and current year retirement contributions as they relate to the net pension liability are a deferred outflow of resources and are not payable in current period, therefore are not reported in the funds.	1,016,930
The changes between actuarial assumptions, differences in projected vs actual investment earnings, and changes in proportionate share allocation as they relate to the net pension liability are a deferred inflows of resources and are not available to pay for current expenditures, therefore are not reported in the funds.	(548,984)
Leased assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	109,942
Lease liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(122,127)
Total net position - governmental activities	\$ <u>6,625,204</u>

See accompanying Notes to the Financial Statements

Townsend Public School, Broadwater County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2023

	<u>General</u>	<u>Misc Programs</u>	<u>Debt Service</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Local revenue	\$ 1,783,929	\$ 294,240	\$ 1,351,562	\$ 220,215	\$ 824,494	\$ 4,474,440
County revenue	-	-	-	-	795,928	795,928
State revenue	3,914,176	157,988	8,087	-	83,387	4,163,638
Federal revenue	-	1,409,365	-	-	210,806	1,620,171
Total revenues	<u>\$ 5,698,105</u>	<u>\$ 1,861,593</u>	<u>\$ 1,359,649</u>	<u>\$ 220,215</u>	<u>\$ 1,914,615</u>	<u>\$ 11,054,177</u>
EXPENDITURES						
Instructional - regular	\$ 3,164,291	\$ 783,994	\$ 8,916	\$ -	\$ 593,214	\$ 4,550,415
Instructional - special education	214,549	10,000	-	-	81,568	306,117
Instructional - vocational education	239,644	26,457	-	-	30,315	296,416
Instructional - adult education	-	-	-	-	11,274	11,274
Supporting services - operations & maintenance	509,483	50,775	-	35,182	47,758	643,198
Supporting services - general	106,608	-	-	-	14,780	121,388
Supporting services - educational media services	130,167	-	-	-	81,752	211,919
Administration - general	294,380	24,490	-	-	36,931	355,801
Administration - school	365,775	17,684	-	-	49,012	432,471
Administration - business	369,803	17,407	-	-	32,967	420,177
Student transportation	66,557	4,424	-	-	427,029	498,010
Extracurricular	233,204	224,389	-	-	25,693	483,286
School food	9,227	4,679	-	-	331,775	345,681
Community services	-	51,592	-	-	4,002	55,594
Debt service expense - principal	15,300	-	720,000	-	-	735,300
Debt service expense - interest	1,604	-	586,751	-	1,695	590,050
Capital outlay	-	603,428	-	6,702,510	37,919	7,343,857
Lease outlay	137,427	-	-	-	-	137,427
Total expenditures	<u>\$ 5,858,019</u>	<u>\$ 1,819,319</u>	<u>\$ 1,315,667</u>	<u>\$ 6,737,692</u>	<u>\$ 1,807,684</u>	<u>\$ 17,538,381</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (159,914)</u>	<u>\$ 42,274</u>	<u>\$ 43,982</u>	<u>\$ (6,517,477)</u>	<u>\$ 106,931</u>	<u>\$ (6,484,204)</u>
OTHER FINANCING SOURCES (USES)						
Inception of lease	\$ 137,427	\$ -	\$ -	\$ -	\$ -	\$ 137,427
Transfers in	-	-	-	-	4,500	4,500
Transfers out	(4,500)	-	-	-	-	(4,500)
Total other financing sources (uses)	<u>\$ 132,927</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,500</u>	<u>\$ 137,427</u>
Net Change in Fund Balance	<u>\$ (26,987)</u>	<u>\$ 42,274</u>	<u>\$ 43,982</u>	<u>\$ (6,517,477)</u>	<u>\$ 111,431</u>	<u>\$ (6,346,777)</u>
Fund balances - beginning	\$ 1,031,234	\$ 459,805	\$ (18,411)	\$ 7,194,058	\$ 1,271,532	\$ 9,938,218
Fund balance - ending	<u>\$ 1,004,247</u>	<u>\$ 502,079</u>	<u>\$ 25,571</u>	<u>\$ 676,581</u>	<u>\$ 1,382,963</u>	<u>\$ 3,591,441</u>

See accompanying Notes to the Financial Statements

Townsend Public School, Broadwater County, Montana
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2023

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

Net change in fund balances - total governmental funds \$ (6,346,777)

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

- Capital assets purchased 7,343,857
- Depreciation expense (388,147)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

- Long-term receivables (deferred inflows) 72,008

The change in compensated absences is shown as an expense in the Statement of Activities

18,940

Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:

- Long-term debt and lease principal payments 735,300

Long term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position:

- Inception of lease (137,427)

Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:

- Post-employment benefits other than retirement liability (5,776)

Pension expense related to the net pension liability is shown as an expense on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance

(531,023)

State aid revenue related to the net pension liability is shown as a revenue on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance

81,611

Current year contributions to retirement benefits are shown as deferred outflows of resources on the Statement of Net Position and shown as expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance when paid.

496,389

The amortization of bond premiums is shown as an offset to interest expense on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance.

139,957

Governmental funds report lease outlays as expenditures while governmental activities report amortization expense to allocate those expenditures over the life of the assets:

- Lease assets purchased 137,427
- Amortization expense (27,485)

Change in net position - Statement of Activities \$ 1,588,854

See accompanying Notes to the Financial Statements

Townsend Public School, Broadwater County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2023

		<u>Private Purpose Trust Funds</u>
ASSETS		
Cash and short-term investments	\$	<u>464,457</u>
Total assets	\$	<u>464,457</u>
 NET POSITION		
Restricted for:		
Individuals, organizations, and other governments	\$	<u>464,457</u>
Total net position		<u>464,457</u>
NET POSITION	\$	<u>464,457</u>

See accompanying Notes to the Financial Statements

Townsend Public School, Broadwater County, Montana
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2023

		<u>Private Purpose Trust Funds</u>
ADDITIONS		
Interest and change in fair value of investments	\$	19,682
Total additions	\$	<u>19,682</u>
DEDUCTIONS		
Community services	\$	11,250
Total deductions	\$	<u>11,250</u>
Change in net position	\$	<u>8,432</u>
Net Position - Beginning of the year	\$	456,025
Net Position - End of the year	\$	<u>464,457</u>

See accompanying Notes to the Financial Statements

TOWNSEND PUBLIC SCHOOL
BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

New Accounting Pronouncements

GASB No. 96 Subscription-Based Information Technology Arrangements (SBITA) is effective for years beginning after June 15, 2022, and all reporting periods thereafter. This statement establishes standards of accounting and financial reporting for SBITAs through specifically defined criteria to identify when a government has a SBITA contract that requires a subscription liability and intangible right-to-use asset be reported and disclosed. The statement defines how governments are to measure the subscription liability and intangible right -to-use asset and required footnote disclosures for those liabilities and assets reported. Lastly, the statement addresses the reporting for implementation phase costs, impairments on SBITA's, incentives provided by SBITA vendor, contracts with multiple components and combinations, and modifications and terminations to SBITA contracts. The District has implemented this pronouncement in the current fiscal year.

Financial Reporting Entity

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

Primary Government

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

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

TOWNSEND PUBLIC SCHOOL
BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Basis of Presentation, Measurement Focus and Basis of Accounting

Government-wide Financial Statements:

Basis of Presentation

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

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

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

Measurement Focus and Basis of Accounting

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

TOWNSEND PUBLIC SCHOOL
BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Fund Financial Statements:

Basis of Presentation

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

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

Measurement Focus and Basis of Accounting

Governmental Funds:

Modified Accrual

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

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

TOWNSEND PUBLIC SCHOOL
BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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

Major Funds:

The District reports the following major governmental funds:

General Fund - This is the District's primary operating fund and it accounts for all financial resources of the District except those required to be accounted for in other funds. The payroll and claims clearing funds of the District, previously reported in the agency funds, have been combined with the General Funds for reporting purposes. The cash and related payables of these clearing funds are also reported here.

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

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.

Building Fund – The Building Fund is authorized by Section 20-9-508, MCA. It is used primarily to account for the proceeds of bonds sold for the purposes provided in Section 20-9-403, MCA. The fund is also used to account for insurance proceeds for damaged property as provided in 20-6-608, MCA, or the sale or rental of property as provided by 20-6-604 and 607, MCA.

Fiduciary Funds:

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

Private-purpose Trust Funds – To report the fiduciary activities of those resources held in a trust that are not required to be reported in Pension (and other employee benefit) or Investment Trust funds. These funds are used for specific purposes that were originally defined by the individual or organization that gave the funds to the government.

TOWNSEND PUBLIC SCHOOL
 BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

The District’s 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, the District participates in a County-wide investment program whereby all available cash is invested by the County Treasurer in pooled investments. Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. The County’s investment portfolio as of June 30, 2023, consisted of certificates of deposits, U.S. government securities, and STIP. Interest earned on pooled investments is distributed to each contributing entity and fund on a pro rata basis.

The School District does not own specific identifiable investment securities in the pool; therefore, is not subject to categorization. Information regarding investment risk, collateral, security, and fair values for Broadwater County deposits and investments is available from Broadwater County Treasurer's office, 515 Broadwater Street, Townsend Montana 59644.

Fair value approximates carrying value for investments as of June 30, 2023.

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Assets held in trust with Broadwater County	\$ 4,733,029
Cash in banks:	
Demand deposits	106,449
Total	<u>\$ 4,839,478</u>

Deposits

The District’s deposit balance at year end was \$106,449 and the bank balance was \$109,007.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the government’s deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. All deposits are carried at cost plus accrued interest. As of June 30, 2023, the government’s bank balance was exposed to custodial credit risk as follows:

	June 30, 2023 <u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 109,007
Total deposits and investments	<u>\$ 109,007</u>

TOWNSEND PUBLIC SCHOOL
BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 3. RECEIVABLES

Tax Receivables

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

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

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

NOTE 4. INVENTORIES AND PREPAIDS

Inventories are valued at cost using the First In First Out (FIFO) method.

NOTE 5. CAPITAL ASSETS

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

Buildings	20 – 50 years
Improvements	20 – 50 years
Equipment	5 – 60 years

TOWNSEND PUBLIC SCHOOL
 BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

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

Governmental activities:

	Balance July 1, 2022	Additions	Balance June 30, 2023
Capital assets not being depreciated:			
Land	\$ 274,107	\$ -	\$ 274,107
Construction in progress	15,735,643	6,257,980	21,993,623
Total capital assets not being depreciated	<u>\$ 16,009,750</u>	<u>\$ 6,257,980</u>	<u>\$ 22,267,730</u>
Other capital assets:			
Buildings	\$ 8,735,837	\$ 1,028,672	\$ 9,764,509
Improvements other than buildings	36,968	-	36,968
Machinery and equipment	1,927,329	57,205	1,984,534
Total other capital assets at historical cost	\$ 10,700,134	\$ 1,085,877	\$ 11,786,011
Less: accumulated depreciation	<u>(5,633,748)</u>	<u>(388,147)</u>	<u>(6,021,895)</u>
Total	<u>\$ 21,076,136</u>	<u>\$ 6,955,710</u>	<u>\$ 28,031,846</u>

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

Governmental Activities:		
Instructional – regular		\$ 75,995
Supporting services – operations and maintenance		81,958
Student transportation		56,941
Extracurricular		1,565
School food		1,413
Unallocated		<u>170,275</u>
Total governmental activities depreciation expense		<u>\$ 388,147</u>

NOTE 6. LEASES

Leased Assets and Lease Liabilities

The District has two lease agreements through Fishers Technology for machinery and equipment. Each agreement is a five-year terms requiring monthly payments and no purchase option. The governmental leased assets is for a copiers and postage machine.

A summary of changes in governmental leased assets and liabilities was as follows as of June 30, 2023:

Governmental activities:

	Balance July 1, 2022	Additions	Deletion	Balance June 30, 2023	Principal Due Within Year
Leased Assets:					
Machinery and equipment	\$ -	\$ 137,427	\$ -	\$ 137,427	\$ -
Less: accumulated amortization	-	(27,485)	-	(27,485)	-
Total Leased Assets, net	<u>\$ -</u>	<u>\$ 109,942</u>	<u>\$ -</u>	<u>\$ 109,942</u>	<u>\$ -</u>
Lease liability	<u>\$ -</u>	<u>\$ 137,427</u>	<u>\$ (15,300)</u>	<u>\$ 122,127</u>	<u>\$ 26,669</u>

TOWNSEND PUBLIC SCHOOL
 BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

A summary of changes in business type leased assets and liabilities was as follows as of June 30, 2023:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 26,669	\$ 2,309
2025	27,234	1,743
2026	27,812	1,166
2027	28,402	576
2028	12,010	63
Total	<u>\$ 122,127</u>	<u>\$ 5,857</u>

NOTE 7. LONG TERM DEBT OBLIGATIONS

In the governmental-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs are expensed at the date of sale. Bond premiums are capitalized with the debt and amortized over the life of the bonds.

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

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2023, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance <u>July 1, 2022</u>	<u>Deletions</u>	Balance <u>June 30, 2023</u>	Due Within <u>One Year</u>
General obligation bonds	\$ 17,730,000	\$ (720,000)	\$ 17,010,000	\$ 745,000
Bond Premiums	2,519,224	(139,957)	2,379,267	139,957
Compensated absences	506,998	(10,523)	496,475	96,870
Total	<u>\$ 20,756,222</u>	<u>\$ (870,480)</u>	<u>\$ 19,885,742</u>	<u>\$ 981,827</u>

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

General Obligation Bonds - The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds outstanding as of June 30, 2023, were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2023</u>
School Building - 2020	8/20/20	4.00%	20yrs	7/1/40	\$ <u>18,838,000</u>	Varies	\$ <u>17,010,000</u>
Reported in the governmental activities.							

TOWNSEND PUBLIC SCHOOL
 BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

Annual requirement to amortize debt:

For Fiscal Year Ended	<u>Principal</u>	<u>Interest</u>
2024	\$ 745,000	\$ 563,950
2025	775,000	534,150
2026	800,000	507,250
2027	835,000	475,250
2028	865,000	441,850
2029	900,000	407,250
2030	935,000	371,250
2031	975,000	334,650
2032	1,000,000	305,400
2033	1,030,000	275,400
2034	1,065,000	244,500
2035	1,095,000	212,550
2036	1,130,000	179,700
2037	1,160,000	145,800
2038	1,195,000	111,000
2039	1,235,000	75,150
2040	1,270,000	38,100
Total	<u>\$ 17,010,000</u>	<u>\$ 5,223,200</u>

Compensated Absences

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

Fifteen (15) days annually at full salary will be provided each teacher for personal illness or disability, quarantine, communicable disease, maternity, adoption, and personal medical appointments for the individual teacher, immediate family or household members. Unused day of leave will be accumulated to 120 days. Each teacher shall receive 15 days annually regardless of the number of days accumulated. However, at the conclusion of the school year each teacher may carry over a maximum of 120 days and upon termination, the District would pay out the accumulated days up to 120 days at 25% any leave over the above 120-day limit shall be forfeited.

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

TOWNSEND PUBLIC SCHOOL
 BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

Bond Premiums

As of June 30, 2023, the District recognized bond premiums totaling \$2,379,657. The premiums are related to the issuance of the General Obligation Bonds Series 2020 of \$18,838,000 issued for the construction of the new school building and remodels. The premiums are being amortized over the life of the bonds that equals 20 years. Total amount amortized during fiscal year 2023 equaled \$139,957 per year.

NOTE 8. POSTEMPLOYMENT HEALTHCARE PLAN

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

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

Employees covered by benefit terms. At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	2
Active employees	66
Total employees	<hr style="border: 0.5px solid black;"/> <hr style="border: 0.5px solid black;"/> 68

Total OPEB Liability

The District's total OPEB liability of \$96,353 at June 30, 2023 was determined by using the alternative measurement method. The measurement date of the determined liability was June 30, 2022. The current year was rolled forward of the prior year evaluation.

TOWNSEND PUBLIC SCHOOL
 BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

Actuarial assumptions and other input. The total OPEB liability in the June 30, 2022, alternative measurement method was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	3.37%
Average salary increase (Consumer Price Index)	8.35%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	

<u>Year</u>	<u>% Increase</u>
2022	4.60%
2023	5.00%
2024	5.10%
2025	5.40%
2026	5.30%
2027	5.30%
2028	5.30%
2029	5.50%
2030	5.40%
2031	4.70%
2032 and after	4.70%

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

Life expectancy of employees was based on the United States Life Tables, 2020 for Males: Table 2 and Females: Table 3 as published in the National Vital Statistics Reports, Vol. 71, No. 2, August 23, 2022.

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

Changes in the Total OPEB Liability

Balance at 6/30/2022	\$ <u>90,577</u>
Changes for the year:	
Service Cost	\$ <u>5,776</u>
Net Changes	\$ <u>5,776</u>
Balance at 6/30/2023	\$ <u>96,353</u>

TOWNSEND PUBLIC SCHOOL
 BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

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

	1% Decrease (2.37%)	Discount Rate (3.37%)	1% Increase (4.37%)
Total OPEB Liability \$	\$ 98,410	\$ 90,577	\$ 78,060

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

	1% Decrease	Healthcare Cost Trends*	1% Increase
Total OPEB Liability \$	\$ 73,964	\$ 90,577	\$ 103,793

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

In fiscal year ending June 30, 2023, the above sensitivity analysis does not reflect the change to the total OPEB liability. The total OPEB liability in the analysis is based on the June 30, 2022, calculated liability per valuation completed on June 30, 2022.

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

For the year ended June 30, 2023, the District recognized an OPEB expense of \$5,776. The District does not report any deferred outflows of resources and deferred inflows of resources related to OPEB as there were no differences between expected and actual experience or changes in assumptions performed in the alternative measurement method. In addition, since District records costs as they come due, there are no deferred outflows of resources for contributions to the OPEB plan trust.

NOTE 9. NET PENSION LIABILITY (NPL)

As of June 30, 2023, the District reported the following balances as its proportionate share of PERS and TRS pension amounts:

	PERS	TRS	Pension Totals
Net Pension Liability	\$ 828,196	\$ 4,882,245	\$ 5,710,441
Deferred outflows of resources*	\$ 141,324	\$ 875,606	\$ 1,016,930
Deferred inflows of resources	\$ 60,632	\$ 488,352	\$ 548,984
Pension expense	\$ 122,199	\$ 578,479	\$ 700,678

TOWNSEND PUBLIC SCHOOL
BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

*Deferred outflows for PERS and TRS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$56,069, and \$440,320, respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Total deferred inflows and outflows in the remainder of the note are as of the reporting date of June 30, 2023.

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

Public Employee's Retirement System – Defined Benefit Retirement Plan

Summary of Significant Accounting Policies

The District's employees participate in the Public Employees Retirement System (PERS) administered by the Montana Public Employee Retirement Administration (MPERA), MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and Additions to, or Deductions from, Fiduciary Net Position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable.

Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Plan Descriptions

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

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

TOWNSEND PUBLIC SCHOOL
BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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

Summary of Benefits

Service retirement:

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

Early Retirement (actuarially reduced):

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

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

1) Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:

- a. A refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018).
- b. No service credit for second employment;
- c. Start the same benefit amount the month following termination; and
- d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

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

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

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

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

TOWNSEND PUBLIC SCHOOL
BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Member's highest average compensation (HAC)

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

Compensation Cap

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

Monthly benefit formula

Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

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

Guaranteed Annual Benefit Adjustment (GABA)

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

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

Contributions

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

TOWNSEND PUBLIC SCHOOL
 BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

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

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

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

Fiscal Year	Member		Local Government Employer		School Districts	
	Hired<07/01/11	Hired>07/01/11	Employer	State	Employer	State
2023	7.900%	7.900%	8.970%	0.100%	8.700%	0.370%
2022	7.900%	7.900%	8.870%	0.100%	8.600%	0.370%
2021	7.900%	7.900%	8.770%	0.100%	8.500%	0.370%
2020	7.900%	7.900%	8.670%	0.100%	8.400%	0.370%
2019	7.900%	7.900%	8.570%	0.100%	8.300%	0.370%
2018	7.900%	7.900%	8.470%	0.100%	8.200%	0.370%
2017	7.900%	7.900%	8.370%	0.100%	8.100%	0.370%
2016	7.900%	7.900%	8.270%	0.100%	8.000%	0.370%
2015	7.900%	7.900%	8.170%	0.100%	7.900%	0.370%
2014	7.900%	7.900%	8.070%	0.100%	7.800%	0.370%
2012 – 2013	6.900%	7.900%	7.070%	0.100%	6.800%	0.370%
2010 – 2011	6.900%		7.070%	0.100%	6.800%	0.370%
2008 – 2009	6.900%		6.935%	0.100%	6.800%	0.235%
2000 - 2007	6.900%		6.800%	0.100%	6.800%	0.100%

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 the 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.

TOWNSEND PUBLIC SCHOOL
 BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

3. Non-Employer Contributions

a. Special Funding

- i. The State contributes 0.1% of members' compensation on behalf of local government entities.
- ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
- iii. The State contributed a statutory appropriation from its General Fund of \$34,633,570.

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, 2022, was determined by taking the results of the June 30, 2022, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards and Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2023, and 2022 (reporting period), are displayed below. The District proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The District recorded a liability of \$828,196 and the District's proportionate share was 0.034829 percent.

	Net Pension Liability as of 6/30/2023	Net Pension Liability as of 6/30/2022	Percent of Collective NPL as of 6/30/2023	Percent of Collective NPL as of 6/30/2022	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 828,196	\$ 610,130	0.034829%	0.033649%	0.001180%
State of Montana Proportionate Share associated with Employer	272,019	198,327	0.011440%	0.010938%	0.000502%
Total	\$ 1,100,215	\$ 808,457	0.046269%	0.044587%	0.001682%

TOWNSEND PUBLIC SCHOOL
 BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

Changes in actuarial assumptions and methods:

The following changes in assumptions or other inputs were made that affected the measurement of the TPL.

1. The discount rate was increased from 7.06% to 7.30%.
2. The investment rate of return was increased from 7.06% to 7.30%.
3. Updated all mortality tables to the PUB2010 tables for general employees.
4. Updated the rates of withdrawal, retirement, and disability.
5. Lowered the payroll growth assumption from 3.50% to 3.25%.
6. The inflation rate was increased from 2.40% to 2.75%.

Changes in benefit terms:

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

Changes in proportionate share:

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

Pension Expense:

At June 30, 2023, the District recognized a Pension Expense of \$94,004 for its proportionate share of the pension expense. The District also recognized grant revenue of \$28,195 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the District.

	Pension Expense as of 6/30/23	Pension Expense as of 6/30/22	
Employer Proportionate Share	\$ 94,004	\$ 21,747	
State of Montana Proportionate Share associated with the Employer	28,195	51,905	
Total	\$ 122,199	\$ 73,652	

Recognition of Beginning Deferred Outflow

At June 30, 2023, the District recognized a beginning deferred outflow of resources for the District's fiscal year 2022 contributions of \$54,252.

TOWNSEND PUBLIC SCHOOL
 BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

Recognition of Deferred Inflows and Outflows:

At June 30, 2023, the District reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 10,558	\$ -
Actual vs. Expected Investment Earnings	24,340	-
Changes in Assumptions	30,864	60,632
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	19,493	-
Employer contributions subsequent to the measurement date - FY23*	56,069	-
Total	<u>\$ 141,324</u>	<u>\$ 60,632</u>

*Amounts reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date have been recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2023	\$ 19,611
2024	\$ (24,154)
2025	\$ (26,252)
2026	\$ 55,418
Thereafter	<u>\$ -</u>

TOWNSEND PUBLIC SCHOOL
BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Actuarial Assumptions

The total pension liability used to calculate the NPL was determined by taking the results of the June 30, 2022, actuarial valuation, and was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.30%
- Admin Expense as % of Payroll 0.28%
- General Wage Growth* 3.50%
 *includes Inflation at 2.75%
- Merit Increases 0% to 4.80%
- Postretirement Benefit Increase Below:

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, Inclusive of other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Member hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members, service retired members and beneficiaries based on PUB-2010 General Amount Weighted Employer Mortality projected to 2021 for males and females projected generationally using MP-2021.
- Mortality assumptions among Disabled members are based on PUB-2010 General Amount Weighted Disabled Retiree Mortality table, projected to 2021, set forward one year for both males and females.
- Mortality assumptions among contingent survivors are based on PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and projected generationally using MP-2021.
- Mortality assumptions among Healthy members are based on PUB-2010 General Amount Weighted Healthy Retiree Mortality table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.

TOWNSEND PUBLIC SCHOOL
 BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

Target Allocations

The long-term expected rate of return on pension plan investments is reviewed as part of regular experience studies prepared for the Plan about every five years. The long-term rate of return as of June 30, 2023, is based on analysis in the experience study report dated May 2, 2022, without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation or a fundamental change in the market that alters expected returns in future years. The best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2023, are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash	3.00%	(0.33%)
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	<u>6.00%</u>	3.02%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the TPL was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed coal severance tax and interest money from the general fund. The interest was contributed monthly, and the severance tax was contributed quarterly. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 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.

TOWNSEND PUBLIC SCHOOL
 BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

1.0% Decrease (6.30%)	Current Discount Rate	1.0% Increase (8.30%)
\$ 1,193,884	\$ 828,196	\$ 521,389

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 7.30%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.30%) or 1.00% higher (8.30%) than the current rate.

PERS Disclosure for the defined contribution plan

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

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

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

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

At the plan level for the measurement period ended June 30, 2022, 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 344 employers that have participants in the PERS-DCRP totaled \$1,681,603.

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

TOWNSEND PUBLIC SCHOOL
BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Teachers Retirement System

Summary of Significant Accounting Policies

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

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

Plan Descriptions

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

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

Summary of Benefits

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

- Tier Two uses a 5-year average final compensation (as opposed to 3-year AFC in Tier One)
- Tier Two provides for unreduced service retirement benefits at age 60 with 5 years of creditable service or at age 55 with at least 30 years of creditable service (rather than at age 60 with 5 years of service or at any age with creditable service in 25 years in Tier One)

TOWNSEND PUBLIC SCHOOL
BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

- 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.

Contributions

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

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

TOWNSEND PUBLIC SCHOOL
 BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

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

School District and Other Employers

	<u>Members</u>	<u>Employers</u>	<u>General fund</u>	<u>Total employee & employer</u>
Prior to July 1, 2007	7.15%	7.47%	0.11%	14.73%
July 1, 2007 to June 30, 2009	7.15%	7.47%	2.11%	16.73%
July 1, 2009 to June 30, 2013	7.15%	7.47%	2.49%	17.11%
July 1, 2013 to June 30, 2014	8.15%	8.47%	2.49%	19.11%
July 1, 2014 to June 30, 2015	8.15%	8.57%	2.49%	19.21%
July 1, 2015 to June 30, 2016	8.15%	8.67%	2.49%	19.31%
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%

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

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Montana Teachers' Retirement System (TRS or the System). Statement 68 became effective June 30, 2015, and includes requirements to record and report their proportionate share of the collective Net Pension Liability. In accordance with Statement 68, the System has a special funding situation in which the State of Montana is legally responsible for making contributions directly to TRS that are used to provide pension benefits to the retired members of TRS. Due to the existence of a special funding situation, employers are also required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer. The following table displays the amounts and the percentages of Net Pension Liability for the fiscal years ended June 30, 2023, and June 30, 2022 (reporting dates).

	<u>Net Pension Liability as of 6/30/2023</u>	<u>Net Pension Liability as of 6/30/2022</u>	<u>Percent of Collective NPL as of 6/30/2023</u>	<u>Percent of Collective NPL as of 6/30/2022</u>	<u>Change in Percent of Collective NPL</u>
Employer Proportionate Share	\$ 4,882,245	\$ 4,109,342	0.24820%	0.2481%	0.0001%
State of Montana Proportionate Share associated with Employer	2,695,391	2,344,255	0.1370%	0.1415%	-0.0045%
Total	<u>\$ 7,577,636</u>	<u>\$ 6,453,597</u>	<u>0.3852%</u>	<u>0.3896%</u>	<u>-0.0044%</u>

TOWNSEND PUBLIC SCHOOL
BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

At June 30, 2023, the District recorded a liability of \$4,882,245 for its proportionate share of the Net Pension Liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The District's proportion of the net pension liability was based on the District's contributions received by TRS during the measurement period July 1, 2021, through June 30, 2022, relative to the total District contributions received from all of TRS' participating employers. At June 30, 2023, the District's proportion was 0.2482 percent.

Changes in actuarial assumptions and methods:

Since the previous measurement date, the following changes to actuarial assumptions were made:

- The discount rate was increased from 7.06% to 7.30%.
- The investment rate of return assumption was increased from 7.06% to 7.30%.
- The inflation rate was increased from 2.40% to 2.75%.
- Updated all mortality tables to the PUB-2010 tables for teachers.
- Updated the rates of retirement and termination.
- Updated the salary scale merit rates.

Changes in benefit terms:

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

Changes in proportionate share:

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

Pension Expense:

At June 30, 2023, the District recognized a Pension Expense of \$355,593 for its proportionate share of the TRS' pension expense. The District also recognized grant revenue of \$222,886 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the District.

TOWNSEND PUBLIC SCHOOL
 BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

	Pension Expense as of 6/30/23	Pension Expense as of 6/30/22
Employer Proportionate Share	\$ 355,593	\$ 378,279
State of Montana Proportionate Share associated with the Employer	222,886	228,384
Total	\$ 578,479	\$ 606,663

Recognition of Beginning Deferred Outflow

At June 30, 2023, the District recognized a beginning deferred outflow of resources for the District's fiscal year 2022 contributions of \$369,577.

Recognition of Deferred Inflows and Outflows:

At June 30, 2023, the District reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 71,561	\$ -
Actual vs. Expected Investment Earnings	114,195	-
Changes in Assumptions	249,530	446,305
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	42,047
Employer contributions subsequent to the measurement date - FY23*	440,320	-
Total	\$ 875,606	\$ 488,352

*Amounts reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

TOWNSEND PUBLIC SCHOOL
 BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

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

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2024	\$ 42,496
2025	\$ (96,144)
2026	\$ (270,284)
2027	\$ 270,866
2028	\$ -
Thereafter	\$ -

Actuarial Assumptions

The Total Pension Liability as of June 30, 2022, is based on the results of an actuarial valuation date of July 1, 2022. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2022, valuation was based on the results of the last actuarial experience study, dated May 3, 2022. Among those assumptions were the following:

- Total Wage Increases* 3.50% - 9.00% for Non-University Members and 4.25% for University Members
- Investment Return 7.30%
- Price Inflation 2.75%
- 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
 - PUBT-2010 General Employee mortality projected to 2021. Projected generationally using MP-2021.
- Mortality among service retired members
 - PUBT-2010 Retiree mortality projected to 2021 adjusted 102% for males and 103% for females. Projected generationally using MP-2021.
- Mortality among beneficiaries
 - PUBT-2010 Contingent Survivor table projected to 2021. Projected generationally using MP-2021.
- Mortality among disabled members
 - PUBT-2010 Disabled Retiree mortality table projected to 2021.

*Total Wage Increases include 3.50% general wage increase.

TOWNSEND PUBLIC SCHOOL
 BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

Discount Rate

The discount rate used to measure the total pension liability was 7.30%. 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 2123. 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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return*</u>
Domestic Equity	30.00%	5.90%
International Equity	17.00%	7.14%
Private Equity	15.00%	9.13%
Natural Resources	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	<u>3.00%</u>	(0.33)%
Total	<u>100.00%</u>	

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

The long-term expected rate of return on pension plan investments of 7.30% is reviewed as part of regular experience studies prepared for the System about every five years. The current long-term rate of return is based on analysis in the experience study report dated May 3, 2022, without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years.

TOWNSEND PUBLIC SCHOOL
 BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

Sensitivity Analysis

1.0% Decrease (6.30%)	Current Discount Rate	1.0% Increase (8.30%)
\$ <u>6,819,747</u>	\$ <u>4,882,245</u>	\$ <u>3,260,801</u>

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 7.30%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.30%) or 1.00% higher (8.30%) than the current rate.

NOTE 10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2023:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Maintain compensated absence liability fund	Compensated Absence – Nonmajor Governmental	General – Major Governmental	\$ <u>4,500</u>

NOTE 11. LOCAL RETIREMENT PLANS

Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all District employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

NOTE 12. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

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

Non-spendable – Resources not in spendable form, such as inventory, or those legally required to be maintained intact, such as principle portion of permanent funds.

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

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

TOWNSEND PUBLIC SCHOOL
 BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

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

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

Nonspendable Fund Balance

<u>Fund</u>	<u>Amount</u>	<u>Reason Nonspendable</u>
All other aggregate	\$ <u>16,889</u>	Inventory

Restricted Fund Balance

<u>Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Miscellaneous Programs	\$ 502,079	Third party grantor restrictions
Debt Service	25,571	Debt Service
Building	676,581	Future construction costs
All other aggregate	106,250	Pupil Transportation
	146,100	Food services
	21,159	Student instructional services
	228,753	Employer costs of benefits
	8,631	Operations and maintenance
	42,388	Vacation and sick leave payouts
	63,539	Technology upgrades and maintenance
	38,230	Adult Education
	304,878	Bus replacement
	107,576	Future construction costs
	<u>298,570</u>	Community library
Total	\$ <u>2,570,305</u>	

NOTE 13. JOINT VENTURES

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

Broadwater Community Library

The County Commissioner of Broadwater County and the Board of Trustees of Townsend Public Schools entered into an Interlocal agreement to support the functions of the joint school-public library within Broadwater County and agreed to provide the services of the school-public library to all residents of Broadwater County. The joint school-public library is known as the Broadwater Community Library. The financial activity is accounted for as an Interlocal Agreement Trust Fund (an expendable trust) by the District. The County contributed a total of \$72,898 during fiscal year ending June 30, 2023.

TOWNSEND PUBLIC SCHOOL
BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Prickly Pear Special Service Cooperative

The District is a member of the Prickly Pear Educational Cooperative. The Cooperative is comprised of twelve member districts, each of which contributed to the operating costs of the Cooperative based on the annual fiscal budget adopted by the Cooperative and the benefits derived from the Cooperative's services. A Joint Advisory Board exists to set Cooperative policy, review its performance, review its financial management, and set and approve the fiscal budget of the Cooperative. The Advisory Board consists of the Superintendent from each of the participating Public Schools. The District's contribution for fiscal year 2023 was \$11,488.

School/City Tennis Courts

As hereinafter provided, the City Council and Mayor of Townsend and the Board of Trustees of Townsend Schools agree to support the functions of the joint school-city tennis court complex within the city limits of Townsend and agree to provide the services of the school-city tennis courts to all residents of Broadwater County. The joint school-city tennis courts shall be known as the Tennis Courts located at McCarthy Park.

NOTE 14. SERVICES PROVIDED BY OTHER GOVERNMENTS

County Provided Services

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

NOTE 15. RISK MANAGEMENT

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

Insurance Policies:

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

TOWNSEND PUBLIC SCHOOL
BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Insurance Pools:

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

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

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Townsend Public School, Broadwater County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2023

General

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>WITH FINAL</u>
			<u>(BUDGETARY</u>	<u>BUDGET</u>
RESOURCES (INFLOWS):			<u>BASIS) See Note A</u>	
Local revenue	\$ 1,728,790	\$ 1,728,790	\$ 1,764,314	\$ 35,524
State revenue	3,744,706	3,744,706	3,744,706	-
Amounts available for appropriation	<u>\$ 5,473,496</u>	<u>\$ 5,473,496</u>	<u>\$ 5,509,020</u>	<u>\$ 35,524</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 3,047,946	\$ 3,047,946	\$ 2,924,548	\$ 123,398
Instructional - special education	155,523	155,523	214,549	(59,026)
Instructional - vocational education	241,382	241,382	239,644	1,738
Supporting services - operations & maintenance	558,205	558,205	509,453	48,752
Supporting services - general	107,925	107,925	106,608	1,317
Supporting services - educational media services	132,460	132,460	128,343	4,117
Administration - general	282,107	282,107	294,268	(12,161)
Administration - school	390,985	390,985	364,986	25,999
Administration - business	262,014	262,014	368,356	(106,342)
Student transportation	37,907	37,907	66,557	(28,650)
Extracurricular	186,887	186,887	211,167	(24,280)
School food	41,178	41,178	8,878	32,300
Debt service expense - principal	28,977	28,977	15,300	13,677
Debt service expense - interest	-	-	1,604	(1,604)
Total charges to appropriations	<u>\$ 5,473,496</u>	<u>\$ 5,473,496</u>	<u>\$ 5,454,261</u>	<u>\$ 19,235</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (4,500)	\$ (4,500)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,500)</u>	<u>\$ (4,500)</u>
Net change in fund balance			<u>\$ 50,259</u>	
Fund balance - beginning of the year			<u>\$ 507,102</u>	
Fund balance - end of the year			<u>\$ 557,361</u>	

Townsend Public School, Broadwater County, Montana
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation

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

	General
Sources/Inflows of resources	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 5,509,020
Combined funds (GASBS 54) revenues	189,085
Inception of leases per GASB 87	137,427
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances- governmental funds.	\$ 5,835,532
 Uses/Outflows of resources	
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 5,454,261
Combined funds (GASBS 54) expenditures	186,668
Outflows of resources from leases per GASB 87	137,427
- Encumbrances reported at the beginning of the year	\$ 79,663
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 5,858,019

Townsend Public School, Broadwater County, Montana
Schedules of Required Supplementary Information
SCHEDULE OF CHANGES IN THE
TOTAL OPEB LIABILITY AND RELATED RATIOS
For Fiscal Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability						
Service Cost	\$ 5,776	\$ 5,776	\$ 8,698	\$ 8,698	\$ 7,861	\$ 7,861
Change in assumptions and inputs	<u>-</u>	<u>(74,915)</u>	<u>-</u>	<u>(3,964)</u>	<u>-</u>	<u>-</u>
Net change in total OPEB liability	5,776	(69,139)	8,698	4,734	7,861	7,861
Total OPEB Liability - beginning	90,577	159,716	151,018	146,284	138,423	665,701
Restatement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(535,139)</u>
Total OPEB Liability - ending	\$ <u>96,353</u>	\$ <u>90,577</u>	\$ <u>159,716</u>	\$ <u>151,018</u>	\$ <u>146,284</u>	\$ <u>138,423</u>
Covered-employee payroll	\$ 4,214,184	\$ 4,214,184	\$ 3,869,539	\$ 3,869,539	\$ 2,724,733	\$ 3,564,942
Total OPEB liability as a percentage of covered -employee payroll	2%	2%	4%	4%	5%	4%

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

Townsend Public School, Broadwater County, Montana
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2023

	<u>PERS</u> <u>2023</u>	<u>PERS</u> <u>2022</u>	<u>PERS</u> <u>2021</u>	<u>PERS</u> <u>2020</u>	<u>PERS</u> <u>2019</u>	<u>PERS</u> <u>2018</u>	<u>PERS</u> <u>2017</u>	<u>PERS</u> <u>2016</u>	<u>PERS</u> <u>2015</u>
Employer's proportion of the net pension liability	0.034829%	0.033649%	0.033435%	0.033798%	0.032502%	0.042747%	0.038427%	0.035009%	0.038990%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 828,196	\$ 610,130	\$ 882,099	\$ 706,493	\$ 678,361	\$ 832,548	\$ 654,551	\$ 489,383	\$ 485,823
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 272,019	\$ 198,327	\$ 304,990	\$ 252,119	\$ 250,244	\$ 40,242	\$ 30,591	\$ 22,996	\$ 22,711
Total	<u>\$ 1,100,215</u>	<u>\$ 808,457</u>	<u>\$ 1,187,089</u>	<u>\$ 958,612</u>	<u>\$ 928,605</u>	<u>\$ 872,790</u>	<u>\$ 685,142</u>	<u>\$ 512,379</u>	<u>\$ 508,534</u>
Employer's covered payroll	\$ 595,050	\$ 611,356	\$ 579,025	\$ 575,810	\$ 556,810	\$ 547,957	\$ 475,827	\$ 422,422	\$ 458,930
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	139.18%	99.80%	152.34%	122.70%	121.83%	151.94%	137.56%	115.85%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.66%	79.91%	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%
	<u>TRS</u> <u>2023</u>	<u>TRS</u> <u>2022</u>	<u>TRS</u> <u>2021</u>	<u>TRS</u> <u>2020</u>	<u>TRS</u> <u>2019</u>	<u>TRS</u> <u>2018</u>	<u>TRS</u> <u>2017</u>	<u>TRS</u> <u>2016</u>	<u>TRS</u> <u>2015</u>
Employer's proportion of the net pension liability	0.2482%	0.2481%	0.2483%	0.2547%	0.2509%	0.2454%	0.2384%	0.2252%	0.2320%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 4,882,245	\$ 4,109,342	\$ 5,584,558	\$ 4,911,693	\$ 4,656,739	\$ 4,137,802	\$ 4,355,727	\$ 3,699,601	\$ 3,569,461
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 2,695,391	\$ 2,344,255	\$ 3,301,170	\$ 2,974,691	\$ 2,897,013	\$ 2,626,703	\$ 2,840,856	\$ 2,483,870	\$ 2,447,231
Total	<u>\$ 7,577,636</u>	<u>\$ 6,453,597</u>	<u>\$ 8,885,728</u>	<u>\$ 7,886,384</u>	<u>\$ 7,553,752</u>	<u>\$ 6,764,505</u>	<u>\$ 7,196,583</u>	<u>\$ 6,183,471</u>	<u>\$ 6,016,692</u>
Employer's covered payroll	\$ 3,643,760	\$ 3,533,239	\$ 3,417,151	\$ 3,457,731	\$ 3,351,111	\$ 3,236,877	\$ 3,094,894	\$ 2,873,978	\$ 2,925,160
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	133.99%	116.31%	163.43%	142.05%	138.96%	127.83%	140.74%	128.73%	122.03%
Plan fiduciary net position as a percentage of the total pension liability	70.61%	75.54%	64.95%	68.64%	69.09%	70.09%	66.69%	69.30%	70.36%

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

Townsend Public School, Broadwater County, Montana
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2023

	PERS	PERS	PERS	PERS	PERS	PERS	PERS	PERS	PERS
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 56,069	\$ 54,436	\$ 52,672	\$ 49,150	\$ 47,963	\$ 45,273	\$ 44,385	\$ 38,474	\$ 33,667
Contributions in relation to the contractually required contributions	\$ 56,069	\$ 54,436	\$ 52,672	\$ 49,150	\$ 47,963	\$ 45,273	\$ 44,385	\$ 39,178	\$ 34,861
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 644,471	\$ 595,050	\$ 611,356	\$ 579,025	\$ 575,810	\$ 556,810	\$ 547,957	\$ 475,827	\$ 422,422
Contributions as a percentage of covered payroll	8.70%	9.15%	8.62%	8.49%	8.33%	8.13%	8.10%	8.23%	8.25%

	TRS	TRS	TRS	TRS	TRS	TRS	TRS	TRS	TRS
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 440,320	\$ 369,577	\$ 366,276	\$ 312,790	\$ 356,461	\$ 319,493	\$ 331,897	\$ 288,127	\$ 331,822
Contributions in relation to the contractually required contributions	\$ 440,320	\$ 369,577	\$ 366,276	\$ 312,790	\$ 356,461	\$ 319,493	\$ 331,897	\$ 288,127	\$ 331,822
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 3,725,469	\$ 3,643,760	\$ 3,533,239	\$ 3,417,151	\$ 3,457,731	\$ 3,351,111	\$ 3,236,877	\$ 3,094,894	\$ 2,873,978
Contributions as a percentage of covered payroll	11.82%	10.14%	10.37%	9.15%	10.31%	9.53%	10.25%	9.31%	11.55%

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

Townsend Public School, Broadwater County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2023

Public Employees' Retirement System of Montana (PERS)

Changes of Benefit Terms

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

2013 Legislative Changes

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

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

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

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

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

Guaranteed Annual Benefit Adjustment (GABA) - for PERS

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

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007 and before July 1, 2013
- Members hired on or after July 1, 2013:
 - 1.5% each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.

2015 Legislative Changes

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

Second Retirement Benefit - for PERS

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

Townsend Public School, Broadwater County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2023

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

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

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

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

2017 Legislative Changes

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

- Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
- 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.
- 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%.

Townsend Public School, Broadwater County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2023

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 valuation:

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
	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (Healthy members)	
	For Males and Females: RP 2000 Combined Mortality Table, with no projections
Mortality (Disabled members)	
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 actuarial administrative expenses.

Teachers' Retirement System of Montana (TRS)

Changes of Benefit Terms:

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

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

Townsend Public School, Broadwater County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2023

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

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

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

- *Final Average Compensation:* Average of earned compensation paid in five consecutive years of full-time service that yields the highest average
- *Service Retirement:* Eligible to receive a service retirement benefit if the member has been credited with at least five full years of creditable service and has attained the age of 60; or has been credited with 30 or more years of full-time or part-time creditable service and has attained age 55
- *Early Retirement:* Eligible to receive an early retirement allowance if a member is not eligible for service retirement but has at least five years of creditable service and attained age 55
- *Professional Retirement Option:* If the member has been credited with 30 or more years of service and has attained the age of 60, they are eligible for an enhanced allowance equal to 1.85% of average final compensation times all service at retirement. Otherwise, the multiplier used to calculate the retirement allowance will be equal to 1.67%.
- *Annual Contribution:* 8.15% of member's earned compensation
- *Supplemental Contribution Rate:* On or after July 1, 2023, the TRS Board may require a supplemental contribution up to 0.5%, if the following three conditions are met:
 - The average funded ratio of the System based on the last three annual actuarial valuations is equal to or less than 80%; and
 - The period necessary to amortize all liabilities of the System based on the latest annual actuarial valuation is greater than 20 years; and
 - A State or employer contribution rate increase or a flat dollar contribution to the Retirement System Trust fund has been enacted that is equivalent to or greater than the supplemental contribution rate imposed by the TRS Board.
- *Disability Retirement:* A member will not be eligible for a disability retirement if the member is or will be eligible for a service retirement on the date of termination
- *Guaranteed Annual Benefit Adjustment (GABA):*
If the most recent actuarial valuation shows that Retirement System liabilities are at least 90% funded, and the provision of the increase is not projected to cause the System's liabilities to be less than 85% funded, the GABA may increase from the 0.5% floor up to 1.5%, as set by the Board.

Townsend Public School, Broadwater County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2023

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 was 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%

Townsend Public School, Broadwater County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2023

- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
 - 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:
 - 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.
- 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.

Townsend Public School, Broadwater County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2023

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

SUPPLEMENTAL INFORMATION

Townsend Public School
Broadwater County, Montana
Schedule of Enrollment/ANB Schedule
For the Fiscal Year Ended June 30, 2023

Students Grade K – 8

Full-Time Students:

Fall Enrollment-El District	MAEFAIRS Reports	District Reports	Difference
Kindergarten Half Day	0	0	0
Kindergarten Full Day	69	69	0
Grades 1-6	330	330	0
Grades 7-8	122	122	0
Spring Enrollment-El District	MAEFAIRS Reports	District Reports	Difference
Kindergarten Half Day	0	0	0
Kindergarten Full Day	66	66	0
Grades 1-6	329	329	0
Grades 7-8	119	119	0

Part Time Students:

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

Students Grades 9 – 12:

Full-Time Students:

Fall Enrollment-HS District	MAEFAIRS Reports	District Reports	Difference
Grades 9 - 12	184	184	0
19-year olds included	0	0	0
Job Corps	0	0	0
Youth challenge	0	0	0
Other	1	1	0
Spring Enrollment-HS District	MAEFAIRS Reports	District Reports	Difference
Grades 9 - 12	178	178	0
19-year olds included	0	0	0
Job Corps	0	0	0
Youth challenge	0	0	0
Early Graduates	0	0	0

Part Time Students:

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

Townsend Public Schools
Broadwater County, Montana
EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS
Fiscal Year Ended June 30, 2023

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Transfers In(Out)	Ending Balance
Revolving - Elementary	\$ 87	\$ -	\$ -	\$ -	\$ 87
Candy Club - Elementary	13,072	13,516	13,479	788	13,897
Band - Elementary	1,294	-	-	-	1,294
Student Council - Middle Sc.	1,197	3,850	4,168	-	879
Student Council - Elementary	19,576	4,300	3,813	(788)	19,275
Pencil Money	1,038	74	-	-	1,112
General - High School	82	-	71	-	11
Concessions - High School	4,450	24,715	15,532	(8,971)	4,662
Renaissance - High School	-	-	-	-	-
Youth Council	954	-	-	(954)	-
Athletics - High School	10,243	66,212	61,475	495	15,475
Class of 2026 - High School	1	-	-	800	801
Class of 2023 - High School	1,465	-	1,635	171	1
Class of 2024 - High School	852	1,215	457	376	1,986
Class of 2025 - High School	1,001	1,200	60	(766)	1,375
National Honor Society	2,899	1,536	3,256	78	1,257
FCCLA	1,973	2,845	4,444	181	555
BPA - High School	(482)	1,296	1,382	1,062	494
Student Council - High School	2,415	2,064	2,803	955	2,631
Skills USA	6,001	3,475	4,478	45	5,043
FFA	5,968	26,206	29,515	1,591	4,250
Yearbook/Publications	11,348	8,037	11,779	-	7,606
Drama - High School	1,403	2,056	1,141	-	2,318
Close Up - High School	5,121	30,029	30,306	148	4,992
Spanish - High School	-	-	-	-	-
Art-Woods-Leather - HS	859	2,884	2,988	-	755
Technical Education - HS	4,894	954	510	-	5,338
Bulldogs to Britain	1	21,539	25,058	4,182	664
B Club	5,783	2,118	-	-	7,901
Cheerleading - High School	459	-	-	607	1,066
Music/Band - High School	1,164	-	38	-	1,126
Change Fund - HS	-	1,600	2,000	-	(400)
Total	<u>\$ 105,118</u>	<u>\$ 221,721</u>	<u>\$ 220,388</u>	<u>\$ -</u>	<u>\$ 106,451</u>

SINGLE AUDIT SECTION

Townsend Public School
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
Child Nutrition Cluster-Cluster			
United States Department of Agriculture School Breakfast Program		Montana Office of Public Instruction	
School Breakfast Program	10.553		<u>32,043</u>
Total School Breakfast Program			32,043
National School Lunch Program		Montana Office of Public Instruction	
National School Lunch Program	10.555		145,852
National School Lunch Program	10.555	Montana Office of Public Instruction	21,802
National School Lunch Program	10.555	Montana Office of Public Instruction	<u>22,099</u>
Total National School Lunch Program			189,753
Summer Food Service Program for Children		Montana Office of Public Instruction	
Summer Food Service Program for Children	10.559		<u>14,932</u>
Total Summer Food Service Program for Children			<u>14,932</u>
<i>Total United States Department of Agriculture</i>			<u>236,728</u>
Total Child Nutrition Cluster-Cluster			236,728
Special Education Cluster (IDEA)-Cluster			
Department of Education Special Education Grants to States		Prickly Pear Cooperative, 84.027X	
Special Education Grants to States	84.027		<u>3,963</u>
Total Special Education Grants to States			<u>3,963</u>
<i>Total Department of Education</i>			<u>3,963</u>
Total Special Education Cluster (IDEA)-Cluster			3,963
Other Programs			
Department of Education Title I Grants to Local Educational Agencies		Montana Office of Public Instruction, 004-0055-37-2022	
Title I Grants to Local Educational Agencies	84.010		10,000
Title I Grants to Local Educational Agencies	84.010	Montana Office of Public Instruction, 004-0055-37-2023	3,764
Title I Grants to Local Educational Agencies	84.010	Montana Office of Public Instruction, 004-0055-31-2023	2,712
Title I Grants to Local Educational Agencies	84.010	Montana Office of Public Instruction, 004-0055-31-2023	<u>203,445</u>
Total Title I Grants to Local Educational Agencies			219,921
Career and Technical Education -- Basic Grants to States		Montana Office of Public Instruction, 004-0055-81-2023	
Career and Technical Education -- Basic Grants to States	84.048		<u>14,965</u>
Total Career and Technical Education -- Basic Grants to States			14,965

Townsend Public School
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023 - Continued

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
Rehabilitation Services Vocational Rehabilitation Grants to States			
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	Montana Office of Public Instruction,20-01-175	<u>2,123</u>
Total Rehabilitation Services Vocational Rehabilitation Grants to States			2,123
Education Stabilization Fund			
Education Stabilization Fund	84.425	Montana Office of Public Instruction,004-0055-92-2021	7,897
Education Stabilization Fund	84.425	Montana Office of Public Instruction,004-0055-93-2021	118,714
Education Stabilization Fund	84.425	Montana Office of Public Instruction,004-0055-93-2021	15,173
Education Stabilization Fund	84.425	Montana Office of Public Instruction,004-0055-93-2021	612,042
Education Stabilization Fund	84.425	Montana Office of Public Instruction,004-0055-93-2021	13,334
Education Stabilization Fund	84.425	Montana Office of Public Instruction,004-0055-91-2020	39,844
Education Stabilization Fund	84.425	Montana Office of Public Instruction,004-0055-92-2021	186,605
Education Stabilization Fund	84.425	Montana Office of Public Instruction,004-0055-93-2021	21,916
Education Stabilization Fund	84.425	Montana Office of Public Instruction,004-0055-93-2021	<u>18,565</u>
Total Education Stabilization Fund			<u>1,034,090</u>
<i>Total Department of Education</i>			1,271,099
Department of Health and Human Services			
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)			
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	Montana Department of Public Health and Human Services	<u>89,851</u>
Total Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)			<u>89,851</u>
<i>Total Department of Health and Human Services</i>			89,851
United States Department of Agriculture			
Child and Adult Care Food Program			
Child and Adult Care Food Program	10.558	Montana Office of Public Instruction	<u>1,460</u>
Total Child and Adult Care Food Program			<u>1,460</u>
<i>Total United States Department of Agriculture</i>			1,460
Total Other Programs			<u>1,362,410</u>
Total Expenditures of Federal Awards			<u>\$ 1,603,101</u>

The accompanying notes are an integral part of this schedule

TOWNSEND PUBLIC SCHOOL

BROADWATER COUNTY, MONTANA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2023

Basis of Presentation and Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of Townsend Public School, Broadwater County, Montana. The information in this schedule is presented in accordance with the requirements Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the Townsend Public School, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Townsend Public School. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the basic financial statements.

Expenditures reported on the Schedule are reported on the 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.

The Townsend Public School has elected not to use the 10 percent de Minimis indirect cost rate as provided in Sec. 200.414 Indirect Costs under Uniform Guidance.

Value of Federal Awards Expended in the form of Noncash Assistance

- *Food Commodities value equals the fair value at the time of the receipt \$21,802.*

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

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

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

To the Board of Trustees
Townsend Public School
Broadwater County
Townsend, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Townsend Public School, Broadwater County, Montana, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Townsend Public School’s basic financial statements and have issued our report thereon dated March 13, 2024.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses listed as item(s) 2023-001.

Compliance and Other Matters

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

Townsend Public School's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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.

Derring, Downey and Associates, CPAs, P.C.

March 13, 2024

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

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

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

To the Board of Trustees
Townsend Public School
Broadwater County
Townsend, Montana

Report on Compliance for each Major Federal Program

Opinion on Each Major Federal Program

We have audited Townsend Public School'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 Townsend Public School's Major federal programs for the year ended June 30, 2023. Townsend Public School'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, Townsend Public School 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, 2023.

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 Townsend Public School 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 Townsend Public School's compliance with the compliance requirements referred to above.

Responsibilities of 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 Townsend Public School'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 referred to above occurred, whether due to fraud or error, and express an opinion on Townsend Public School'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 Townsend Public School'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 risks of 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 Townsend Public School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Townsend Public School'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 Townsend Public School'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 types of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal

program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not 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 over compliance 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 requirement of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Derring, Downey and Associates, CPAs, P.C.

March 13, 2024

TOWNSEND PUBLIC SCHOOL
 BROADWATER COUNTY, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	<i>Unmodified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(s) identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified	None Reported
Type of auditor’s report issued on compliance for major programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Section II – Financial Statement Findings

2023-001 Unrecorded Accounts Payable

Condition:

The District had unrecorded accounts payables and related expenditures for costs that were incurred prior to end of June 30, 2023, but were paid in fiscal year 2024.

Context:

We reviewed significant claims paid in July and August 2023 and noted two claims which pertained for services received prior to June 30, 2023.

Criteria:

Internal control procedures should be in place to review claims paid shortly after year-end for any which pertain to prior year services.

Effect:

The accounts payable and construction expenditures were understated \$380,067 in the building fund and \$10,897 in miscellaneous programs fund. This has been corrected and is reflected in the financial statements.

Cause:

The District did not review the claims paid in July and August for services which were received prior of June 30, 2023.

Recommendation:

The District should implement internal control procedures which review the claims paid subsequent to year end for amounts that should be recorded as accounts payable.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported.

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

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

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

To the Board of Trustees
Townsend Public School
Broadwater County
Townsend, Montana

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

<u>Recommendation</u>	<u>Action Taken</u>
2022-001 Cash Balancing	Implemented
2022-002 Journal Voucher Controls	Implemented
2022-003 Emergency and Second School Emergency Relief Fund (ESSER) Cash Requests	Implemented
2022-004 Required Supplementary Information	Implemented
2022-005 Budget Overdraft	Implemented

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

March 13, 2024

Townsend K-12 School District #1



201 N. Spruce • Townsend, MT 59644

Superintendent's Office

Phone (406) 441-3454

Fax (406) 441-3457

High School Office

Phone (406) 441-3430

Fax (406) 441-3466

Townsend School Corrective Action Plan

Elementary Office

Phone (406) 441-3431

Fax (406) 441-3475

Contact Person:

Kayce Williams, District Clerk
Townsend School
201 N. Spruce
Townsend, MT 59644
(406) 441-3471

Expected Completion Date of Corrective Action Plan: With reference to the June 30, 2023 audit for Townsend Public Schools District #1, I am notifying you below as to the actions that Townsend School has taken on the auditor's recommendation for the audit finding. We began the corrective action plan in March 2024.

Finding 2023-001 - Unrecorded Accounts Payable. The District had unrecorded accounts payables and related expenditures for costs that were incurred prior to end of June 30, 2023 but were paid in fiscal year 2024.

School Response: The District has implemented a control procedure for Accounts Payable review at fiscal year-end. Upon learning of these deficiencies corrective actions were immediately applied: reinforced training for Accounts Payable staff to strengthen internal controls, double-check procedures to identify errors with an emphasis on timely reporting, and preserve audit schedules to reinforce strong procedures and communication.

STATUS OF PRIOR AUDIT FINDINGS

FINDING 2022-001: Cash Balancing

Response: Implemented

FINDING 2022-002: Journal Voucher Controls

Response: Implemented

FINDING 2022-003: Emergency and Second School Emergency Relief Fund (ESSER)
Cash Requests

Response: Implemented

FINDING 2022-004: Required Supplementary Information

Response: Implemented

FINDING 2022-005: Budget Overdraft

Response: Implemented