School District No. 40
Missoula County
Frenchtown, Montana

AUDITED FINANCIAL STATEMENTS

Year ended June 30, 2023

ROSS R. STALCUP

CERTIFIED PUBLIC ACCOUNTANT, PC

School District No. 40
Missoula County
Frenchtown, Montana

AUDITED FINANCIAL STATEMENTS

Year ended June 30, 2023

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AUDITED FINANCIAL STATEMENTS
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School District No. 40
Missoula County
Frenchtown, Montana

ORGANIZATION
June 30, 2023

OFFICIALS

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

ROSS R. STALCUP

CERTIFIED PUBLIC ACCOUNTANT, P.C.

INDEPENDENT AUDITORS REPORT

Board of Trustees
School District No. 40
Frenchtown, Montana

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District No. 40, Frenchtown, Montana, as of and for the year ended June 30, 2023, and the related notes to the financial statements which collectively comprise School District No. 40's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of School District No. 40, Frenchtown, Montana, as of June 30, 2023, and the respective changes in financial position and, where applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School District No. 40, Frenchtown, Montana and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

3901 W U.S. Highway 212 Ashland, Montana 59003
Tel 406/784-2090 Cell 406/660-1226 Email mcdeed@rangeweb.net

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of School District No. 40, Frenchtown, Montana's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about School District No. 40, Frenchtown, Montana's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Generally Accepted Accounting Principles require that the Management's Discussion and Analysis, Budgetary Comparison Schedule (pages 50-51), the Schedule of Changes in Total OPEB Liability and Related Ratios (page 52) and the Supplementary Schedules of Proportionate Share of the Net Pension Liability (pages 53-59) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Combining Balance Sheet - General Fund, Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - General Fund (pages 60-61)

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

<u>*Required by the State of Montana*</u>
The Schedule of School District Enrollment (page 62) and the Schedule of Extracurricular Fund Revenues, Expenditures and Changes in Net Position (pages 63-64) are required by the State of Montana.

<u>*Required by Title 2 U.S. Code of Federal Regulations* (CFR) Part 200 (page 65)</u>
The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CRF) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and is also not a required part of the basic financial statements.

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The Combining Balance Sheet - General Fund, Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - General Fund, Schedule of School District Enrollment, the Schedule of Extracurricular Fund Revenues, Expenditures and Changes in Net Position, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Balance Sheet - General Fund, Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - General Fund, the Schedule of School District Enrollment, the Schedule of Extracurricular Fund Revenues, Expenditures and Changes in Net Position, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 21, 2024 on our consideration of School District No. 40's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of School District No. 40's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District No. 40's internal control over financial reporting and compliance.

March 21, 2024

Ross R. Stalcup
Certified Public Accountant

FRENCHTOWN SCHOOL DISTRICT NO. 40
P.O. BOX 117
FRENCHTOWN, MONTANA 59834

LES MEYER 406-626-2600 FAX 406-626-2605 Superintendent	JAKE HAYNES 406-626-2670 FAX 406-626-2676 High School Principal	AARON GRIFFIN 406-626-2650 FAX 406-626-2654 Middle School Principal	RILEY DEVINS 406-626-2622 FAX 406-626-2623 Intermediate Principal
JODI HALL 406-626-2620 FAX 406-626-2625 Elementary Principal	JENNIFER DEMMONS 406-626-2634 FAX 406-626-2605 Special Services Coordinator	SHAUNA ANDERSON 406-626-2706 Fax 406-626-2605 District Clerk	STACIE METHER 406-626-2703 Fax 406-626-2605 Deputy Clerk

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

This section of the School District No. 40's annual financial report presents the management discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2023. It is intended to provide a clear and concise analysis of the activities, financial results, and financial position during the fiscal years, and is a required element of the reporting model established by the Governmental Accounting Standards Board (GASB) in Statement Number 34. This management and discussion and analysis (MD&A) should be read in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for Frenchtown Public Schools are as follows:

- Total net position is $10,463,595
- Total net position increased by $1,090,384 or 11.63%

USING THESE FINANCIAL STATEMENTS

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

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

FUND FINANCIAL STATEMENTS

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REPORTING THE DISTRICT AS A WHOLE FINANCIAL ENTITY

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

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

DISTRICT NET POSITION AS FOLLOWS:

	2023	2022	Change	%
Current Assets	$ 5,979,176	$ 6,106,490	$ (127,314)	-2.08%
Non-Current Assets	20,926,572	20,989,535	(62,963)	-0.30%
Deferred Outflow of Resources	2,524,191	2,365,335	158,856	6.72%
Total Assets & Deferred Outflow	29,429,939	29,461,360	(31,421)	-0.11%
Total Liabilities & Deferred Inflow	18,966,344	20,088,149	(1,121,805)	-5.58%
Net Position	$ 10,463,595	$ 9,373,211	$ 1,090,384	11.63%

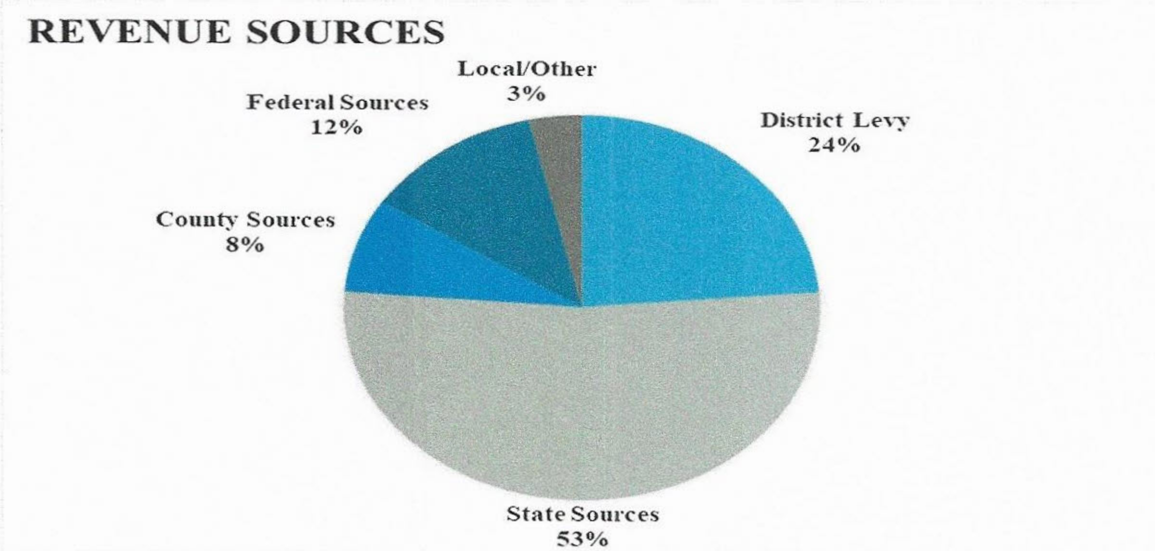
DISTRICT REVENUES AND EXPENDITURES AS FOLLOWS:

Revenues	2023	2022	Change	%
District Levy	4,524,346	4,502,153	22,193	0.49%
Direct State Aid	8,417,978	7,726,515	691,463	8.95%
Other State Sources	1,631,969	2,199,613	(567,644)	-25.81%
County Sources	1,505,841	1,444,248	61,593	4.26%
Federal Sources	2,339,856	3,607,843	(1,267,987)	-35.15%
User Fees - Program Revenue	61,217	45,626	15,591	34.17%
Interest	150,358	14,351	136,007	947.72%
Other	129,632	114,011	15,621	13.70%
Student Extracurricular	343,312	431,836	(88,524)	-20.50%
Total Revenues	19,104,509	20,086,196	(981,687)	-4.89%

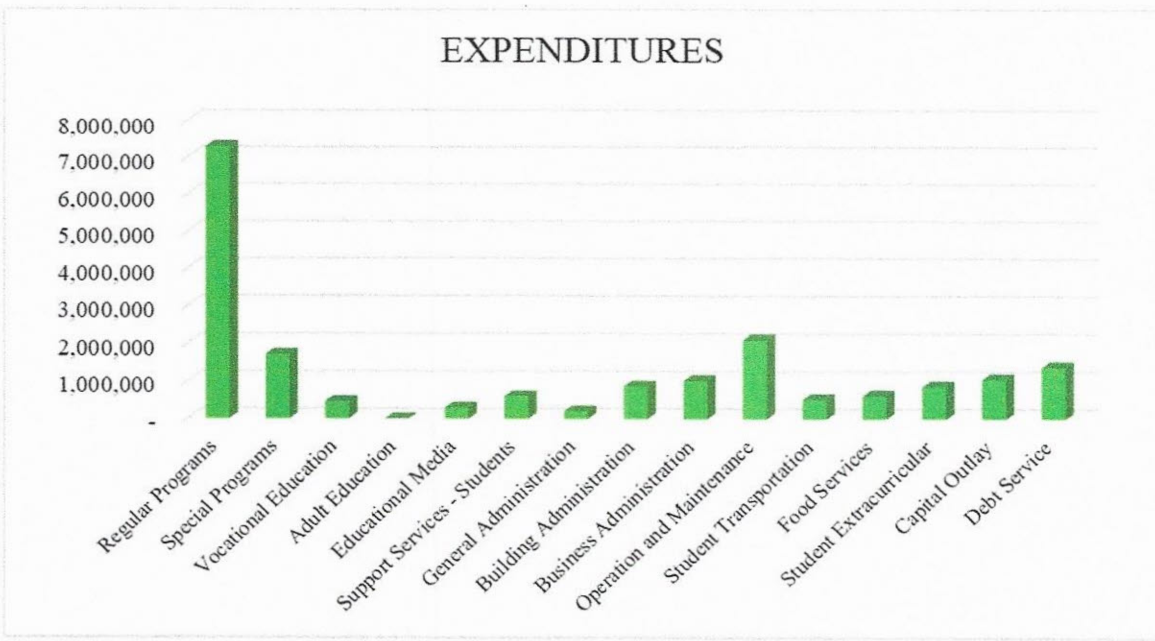
Expenditures	2023	2022	Change	%
Instruction				
Regular Programs	7,284,978	7,644,919	(359,941)	-4.71%
Special Programs	1,723,749	1,873,054	(149,305)	-7.97%
Vocational Education	466,916	411,233	55,683	13.54%
Adult Education	5,578	4,462	1,116	25.01%
Educational Media	302,021	257,285	44,736	17.39%
Support Services - Students	608,547	650,233	(41,686)	-6.41%
Administration				
General Administration	209,790	212,315	(2,525)	-1.19%
Building Administration	878,675	861,066	17,609	2.05%
Business Administration	1,024,643	999,751	24,892	2.49%
Operation and Maintenance	2,105,906	2,064,152	41,754	2.02%
Student Transportation	532,183	465,624	66,559	14.29%
Food Services	627,370	811,259	(183,889)	-22.67%
Student Extracurricular	874,471	1,013,873	(139,402)	-13.75%
Capital Outlay	1,066,849	523,568	543,281	103.77%
Debt Service				
Principal	1,220,000	1,175,000	45,000	3.83%
Interest	170,400	218,713	(48,313)	-22.09%
Bond Agent Fees	400	350	50	14.29%
Special Assessments	-	1,325	(1,325)	-100.00%
Total Expenditures	19,102,476	19,188,182	(85,706)	-0.45%
Other Financing Sources - Insurance proceeds	213,178	-	213,178	
Other Financing Sources - Sale of Assets	6,256	12,186	(5,930)	-48.66%
Excess of Revenues over Expenditures	221,467	898,014	(676,547)	-75.34%

FINANCIAL HIGHLIGHTS

The District levied $4,486,422 in local property taxes and collected $4,336,841 (96.7%) for the current tax year. In addition, prior year taxes were also received, bringing the total property tax revenue to 99.1% of levied taxes. This collection has allowed for sufficient operating reserves for the 2023 fiscal year end. State revenue increased by 3.63% primarily due to inflationary increases by the legislature.

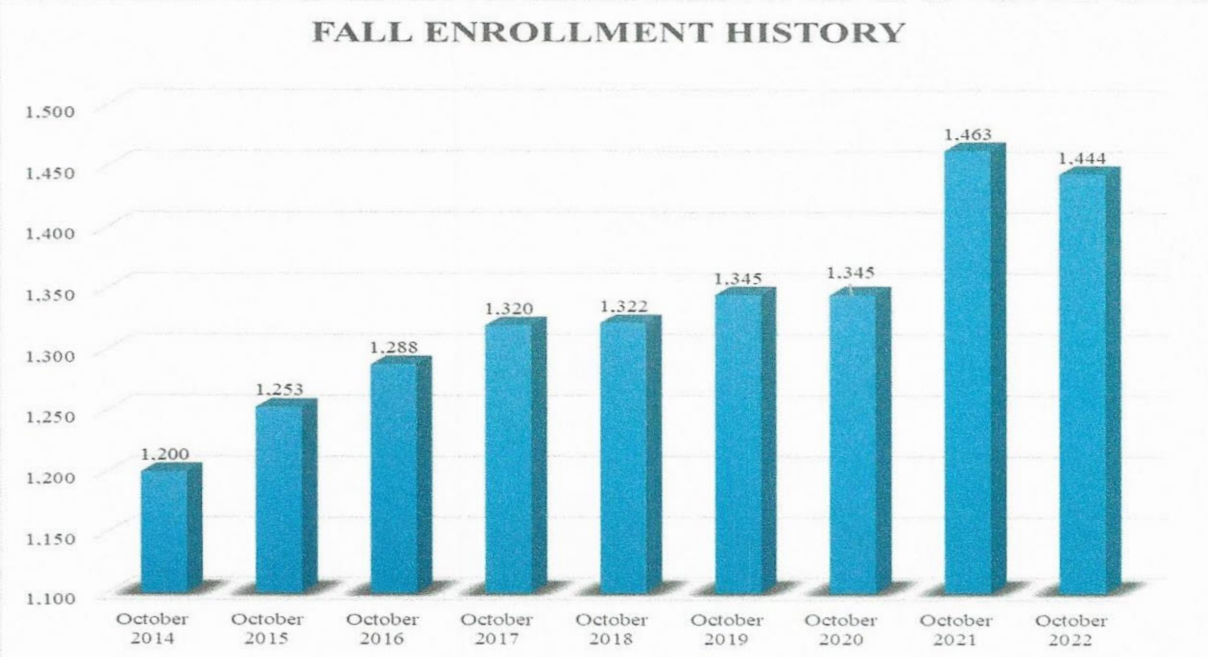


Expenditures decreased in fiscal year 2023 by 0.45%, as expected with the District reducing staff due to the failure of the general fund operating levy. Capital outlay increased from prior year by 103.77%, with the District investing in safety and security upgrades to entry doors on the north campus, two replacement busses, and critical kitchen equipment replacement.



THE FUTURE OF THE SCHOOL

Since the 2012-2013 school year, fall enrollment has shown an upward trend, stabilizing in 2022 with minor decreases. Despite the global pandemic causing enrollment declines in many districts across the state, the Frenchtown School District experienced a significant enrollment boost in fall 2021, greatly benefiting the general fund budget, which relies heavily on student count for state funding.



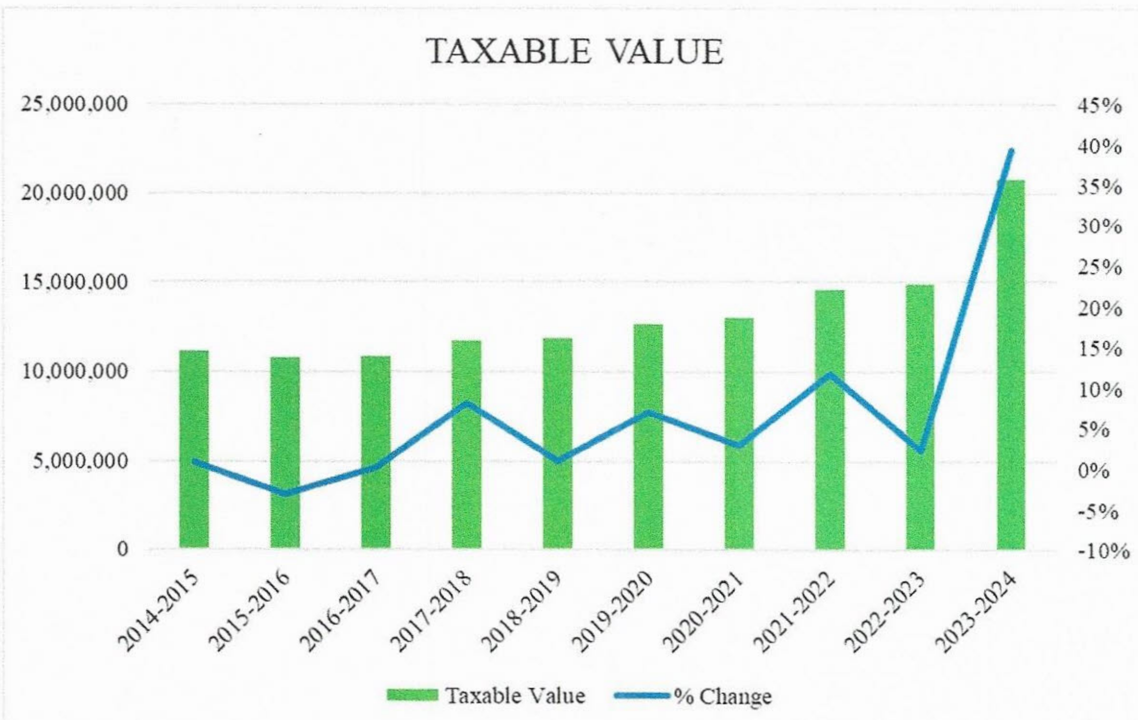
The major contributing factor to growth was increased housing starts in Frenchtown, as several new housing developments have completed and there continues to be an influx of people moving to the area from out of state. The District continued to allow enrollment of discretionary non-resident students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

Even with the new housing opportunities, the cost to own a home is problematic. The Frenchtown School District area does not have many opportunities for affordable housing or affordable rent. This is keeping the FTSD from growing too much too fast. In a way this is fortunate since the District relocated grade 6 to the North campus, transitioning the 7-8 junior high into a 6-8 middle school. The transition created additional space at the South campus for anticipated future growth. The North campus was able to house the additional students, but with bigger classes it became clear that more space was needed. The District secured two modular buildings, invested in bringing those buildings to code, and was able to alleviate the North campus crowding issues in the 2020-2021 school year.

With enrollment increases, the District also received an inflationary increase of 2.57% to the general fund as a statutory funding formula increase from the 2021 legislative session. In total, the general fund, the main operating fund for the District, saw a budget increase of $714,238.92. However, due to increased costs for maintenance and facility repair, utilities, and costs associated with recruiting and retaining quality staff, the Frenchtown School Board voted at the regular Board meeting in March 2022 to ask the public to approve a levy for school operations. Frenchtown School District has not asked for additional school operational levies for 18 years. The levy was not successful, which impacted budgetary decisions for the 2022-2023 school year. The FTSD also asked for a mill levy for the 2023-2024 school year in the amount of $513,551. It failed. Eleven years ago, the general fund was operating at 94.86% of the State's mandated maximum for the Frenchtown School District. Currently, the District operates at 90.54% of the state's mandated maximum. The FTSD general fund is growing closer to the State minimum budget allowed, and farther away from the maximum allowed budget set by the State. In addition, there is a growing concern regarding the condition of the buildings on the South campus. The District and community must address these concerns in the near future.

Each year in August, school boards across the state approve budgets for the fiscal year, which runs from July 1 to June 30. These budgets establish how much local taxpayers will pay to support the school district they live in. Taxing units are called mills, and unlike many other taxing jurisdictions across the state (county, city, and state schools), the Frenchtown School Board has reduced the number of mills they asked the taxpayers for in fiscal years every year since FY18. Fiscal year 2022 saw a reduction in mills from 354.69 to 306.12, a decrease of 48.57 mills, which equated to a 15.87% reduction. The Frenchtown School Board again drastically reduced the number of mills for the 2023-2024 school year by 82.67 mills, another 27.37% reduction.

Frenchtown has also seen a recent 39.34% increase in taxable valuation. Increases in taxable valuation does not provide additional funding for the District, but does impact local taxpayers as an increase in taxable value raises the value of a mill and thus decreases the number of mills necessary to fund the District budget. In other words, as our community grows, a larger tax base shares the tax burden.



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

In addition, the pandemic seems to have created a housing shortage within the Frenchtown School District. Houses and subdivisions are being built at a rapid rate and yet they are sold and bought before they are even finished at prices that have outpriced previous market values significantly, thus increasing the tax values on homes in the area. More people allows for the tax burden to be shared, thus fewer mills are needed to fund the school district; however, there are fewer renters and prices for homes are at an all-time high and we are seeing more and more homeless students. This creates a burden on families and district personnel. The housing situation creates a problem with the recruitment and retention of highly qualified staff with both certified and classified groups. Many of our certified staff find housing more available and affordable in Missoula than they do in Frenchtown. Many of our classified staff have quit since they cannot afford to work in the school for the wages available.

Another impact on the general fund is the continued rise in health insurance premiums. High premiums and rising claim costs jeopardized the financial health of the District's self-insurance program and as a result, the District transitioned to a fully insured program beginning with fiscal year 2021. As stated earlier regarding recruitment and retention, the rising costs of health insurance impact staff, both certified and classified.

Since the end of fiscal year 2020, the unprecedented challenge of the global health pandemic COVID-19 continued through fiscal year 2023. Significant investment into technology improvements were necessary to address the needs of remote learners. Operations and maintenance expenses rose because of the sanitization requirements needed and continued with supply challenges. State funding remained intact, and the District provided both in person and remote learning to students, continued food services, and maintained overall business operations.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

School District No. 40
Frenchtown, Montana
STATEMENT OF NET POSITION
June 30, 2023

	2023
ASSETS	
Current Assets:	
Cash and Investments	$5,673,936
Property Taxes Receivable	273,177
Due from Other Governments	32,063
Stop Loss Receivable	0
Total Current Assets	5,979,176
Non-current Assets:	
Restricted Assets	402,613
Capital Assets Net of Accumulated Depreciation	20,523,959
Total Non-current Assets	20,926,572
Total Assets	26,905,748
Deferred Outflow of Resources - Pension	2,320,811
Deferred Outflow of Resources - OPEB	203,380
Total Deferred Outflow of Resources	2,524,191
Total Assets and Deferred Outflow of Resources	29,429,939
LIABILITIES:	
Current Liabilities	
Warrants Payable	147,295
Accounts Payable	30,945
Compensated Absences	206,868
Bonds and Notes Payable	1,220,000
Total Current Liabilities	1,605,108
Non Current Liabilities	
Compensated Absences	413,735
Bonds and Notes Payable	3,960,000
Net OPEB Liability	171,183
Net Pension Liability	11,606,051
Total Non Current Liabilities	16,150,969
Total Liabilities	17,756,077
Deferred Inflow of Resources - Pension	1,080,965
Deferred Inflow of Resources - OPEB	129,302
Total Deferred Inflow of Resources	1,210,267
Total Liabilities and Deferred Inflow of Resources	18,966,344
Total Net Position	10,463,595
NET POSITION	
Net Investment in Capital Assets	15,343,959
Restricted- Expendable	
Capital Outlay	653,718
Technology	117,614
Bus Replacement	104,971
Transportation	229,358
Debt Service	164,853
Retirement	469,677
Other	462,378
Student Extracurricular	328,200
Health Insurance Benefits	402,613
Total Restricted- Expendable	2,933,382
Unrestricted	(7,813,746)
Total Net Position	$10,463,595

See Notes to Financial Statements

School District No. 40
Frenchtown, Montana

STATEMENT OF ACTIVITIES
June 30, 2023

	Expenses	Program Charges for Services	Revenue Operating Grants	Net (Expense) Revenue 2023
GOVERNMENT OPERATIONS				
Instruction:				
Regular Instruction	$6,853,797	$36,917	$1,600,201	($5,216,679)
Special Education	1,723,749		939,630	(784,119)
Vocational Education	466,916		33,461	(433,455)
Adult Education	5,578			(5,578)
Support Services - Students	608,547			(608,547)
Educational Media	302,021			(302,021)
Administration:				
General	209,790			(209,790)
Building	878,675			(878,675)
Business	1,024,643			(1,024,643)
Operation and Maintenance	2,105,906	23,435		(2,082,471)
Transportation	532,183		171,300	(360,883)
Food Services	627,370	23,365	470,225	(133,780)
Student Extracurricular	874,471		343,312	(531,159)
Community				0
Interest	170,800			(170,800)
Special Assessments				0
Pension Expense	790,252			(790,252)
Unallocated Depreciation	1,033,090			(1,033,090)
Totals	$18,207,788	$83,717	$3,558,129	($14,565,942)
GENERAL REVENUES				
District Property Taxes				$4,542,707
Direct State Aid				4,756,839
Guaranteed Tax Base				3,242,926
Other State Revenue				1,194,245
County Sources				1,420,191
Federal Sources				
Interest				150,358
Other Local Sources				129,626
Gain/Loss on Disposal of Assets				6,256
Total General Revenues				15,443,148
Extraordinary Item- Insurance Recovery				213,178
CHANGE IN NET POSITION				1,090,384
NET POSITION				
Beginning of Year				9,373,211
End of the Year				$10,463,595

See Notes to Financial Statements

School District No. 40
Frenchtown, Montana

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	MAJOR FUNDS			NON MAJOR FUNDS		
	General Fund	Misc Programs Fund	Debt Service Fund	Building Reserve Fund	Other Governmental Funds	Total
ASSETS:						
Cash and Investments	$2,018,883	$1,306,827	$79,887	$648,656	$1,619,683	$5,673,936
Property Taxes Receivable	120,533		81,892	4,486	56,394	263,305
Protested Taxes	4,360		3,074	576	1,862	9,872
Due from Other Entities		22,063			10,000	32,063
Due from Other Funds						0
Total Assets	2,143,776	1,328,890	164,853	653,718	1,687,939	5,979,176
Deferred Outflow of Resources	0	0	0	0	0	0
Total Assets and Deferred Outflow of Resources	2,143,776	1,328,890	164,853	653,718	1,687,939	5,979,176
LIABILITIES:						
Warrants Payable	147,295					147,295
Due to Other Funds						0
Accounts Payable	25,824				5,121	30,945
Total Liabilities	173,119	0	0	0	5,121	178,240
Deferred Inflow of Resources- Taxes	124,893		84,966	5,062	58,256	273,177
Total Liabilities and Deferred Inflow of Resources	298,012	0	84,966	5,062	63,377	451,417
FUND BALANCE:						
Non Spendable						0
Restricted		30,928	79,887	648,656	1,623,014	2,382,485
Assigned	380,474	1,297,962			1,548	1,679,984
Unassigned	1,465,290					1,465,290
Total Fund Balance	1,845,764	1,328,890	79,887	648,656	1,624,562	5,527,759
Total Liabilities and Fund Balance	$2,143,776	$1,328,890	$164,853	$653,718	$1,687,939	$5,979,176

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance from above	$5,527,759
Net capital assets	20,523,959
Deferred inflow of resources - Taxes	273,177
Less liabilities not reported above:	
Long-term debt	(5,180,000)
Compensated absences	(620,603)
OPEB:	
Deferred inflow of resources related to OPEB obligations	(129,302)
Deferred outflow of resources related to OPEB obligations	203,380
OPEB liability	(171,183)
Pension:	
Deferred inflow of resources related to pension obligations	(1,080,965)
Deferred outflow of resources related to pension obligations	2,320,811
Net pension liability	(11,606,051)
Internal Services Fund Net Position	402,613
Net Position	$10,463,595

See Notes to Financial Statements

School District No. 40
Frenchtown, Montana

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
June 30, 2023

	MAJOR FUNDS			NON MAJOR FUNDS		
	General Fund	Misc Programs Fund	Debt Service Fund	Building Reserve Fund	Other Governmental Funds	Total
REVENUES:						
District Levy	$1,960,785		$1,382,010	$66,370	$1,115,181	$4,524,346
Direct State Aid	8,356,675		61,303			8,417,978
Other State Sources	1,134,182	238,719		121,378	137,690	1,631,969
County Sources					1,505,841	1,505,841
Federal Sources		1,904,819			435,037	2,339,856
User Fees	935	4,225			56,057	61,217
Interest	93,759		12,593	12,208	31,798	150,358
Other	10,459	118,038			1,135	129,632
Student Extracurricular					343,312	343,312
Total Revenues	11,556,795	2,265,801	1,455,906	199,956	3,626,051	19,104,509
EXPENDITURES:						
Current Operations:						
Instruction:						
Regular Programs	5,275,996	1,246,028			762,954	7,284,978
Special Programs	908,248	417,536			397,965	1,723,749
Vocational Education	394,465	28,680			43,771	466,916
Adult Education					5,578	5,578
Instructional Support	237,947	6,358			57,716	302,021
Support Services Students	358,176	196,508			53,863	608,547
Administration						
General	154,343	3,255			52,192	209,790
Building	716,240	6,478			155,957	878,675
Business	896,964	43,031			84,648	1,024,643
Operation and Maintenance	1,684,708	112,580		59,979	248,639	2,105,906
Transportation	6,985				525,198	532,183
Food Services	20,845	7,501			599,024	627,370
Student Extracurricular	529,856	4,190			340,425	874,471
Community						0
Capital Outlay	98,482	460,725		12,424	495,218	1,066,849
Debt Service						
Principal			1,220,000			1,220,000
Interest			170,400			170,400
Bond Agent Fees			400			400
Special Assessments						0
Total Expenditures	11,283,255	2,532,870	1,390,800	72,403	3,823,148	19,102,476
Other Financing Sources (Uses)						
Insurance Proceeds					213,178	213,178
Sale of Assets		6,256				6,256
Transfers						
In				70,000		70,000
Out					(70,000)	(70,000)
Total Other Financing Sources (Uses)	0	6,256	0	70,000	143,178	219,434
Excess (Deficiency) Of Revenues Over Expenditures	273,540	(260,813)	65,106	197,553	(53,919)	221,467
FUND BALANCE						
Beginning of Year	1,572,224	1,589,703	14,781	451,103	1,678,481	5,306,292
End of Year	$1,845,764	$1,328,890	$79,887	$648,656	$1,624,562	$5,527,759

See Notes to Financial Statements

School District No. 40
Frenchtown, Montana

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

June 30, 2023

Change in Fund Balances	$221,467
Change in Property Taxes Receivable not included in the Governmental Fund Statements	(25,770)
Amounts Reported as Expenditures in the Governmental Fund Statements	
Capital Outlay	1,066,849
Change in Compensated Absences	12,167
Expenses on the Statement of Activities not included in the Governmental Fund Statements	
Pension Expense	(790,252)
OPEB Expense	(36,506)
Depreciation	(1,033,090)
Bond Principal	1,220,000
On Behalf Pension Contributions	508,109
Internal Service Fund Change in Net Position	(52,590)
Change in Net Position	$1,090,384

See Notes to Financial Statements

School District No. 40
Frenchtown, Montana

STATEMENT OF NET POSITION
PROPRIETARY FUND

June 30, 2023

	Governmental Activities Internal Service Funds
ASSETS	
Cash and cash equivalents	$402,613
Accounts receivable stop loss	
Total Assets	402,613
LIABILITIES	
CIBNR liability	0
Total Liabilities	0
Net Position	
Total Net Position	$402,613

See Notes to Financial Statements

School District No. 40
Frenchtown, Montana

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

for the Fiscal Year Ended June 30, 2023

	Governmental Activities Internal Service Funds
Operating Revenues:	
Premiums	$25,613
Interest	332
Total Operating Revenues	25,945
Operating Expenses:	
Health insurance claims	
Administrative fees	78,535
Total Operating Expenses	78,535
Operating Income (Loss)	(52,590)
Non-operating revenues (expenses):	
Interest and dividends	
Total Non-operating revenues (expenses)	0
Correction of Estimate CIBNR	
Change in Net Position	(52,590)
Net Position - Beginning of the Year	455,203
Net Position - End of the Year	$402,613

See Notes to Financial Statements

School District No. 40
Frenchtown, Montana

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

for the Fiscal Year Ended June 30, 2023

Cash Flows from Operating Activities:	
Health insurance premiums received	$25,613
Stop loss received	
Payments to provide health insurance benefits	
Payments to third party administrator	(78,535)
Net Cash Provided (Used) by Operating Activities	(52,922)
Cash Flows from Non-Capital and Related Financing Activities:	
Net Cash Provided (Used) by Non-Capital and Related Financing	0
Cash Flows from Investing Activities:	
Interest on investments	332
Net Cash Provided (Used) by Investing Activities	332
Net increase (decrease) in cash and cash equivalents	(52,590)
Cash and cash equivalents at July 1, 2022	455,203
Cash and cash equivalents at June 30, 2023	$402,613
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	(52,921)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Change in CIBNR	
Net Cash Provided (Used) by Operating Activities	($52,921)

See Notes to Financial Statements

STATEMENT OF FIDUCIARY NET POSITION
AND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
June 30, 2023

FIDUCIARY NET POSITION

	Custodial Funds
	Scholarships
ASSETS	
Cash	$50,148
NET POSITION	
Held in Trust	$50,148
CHANGES IN FIDUCIARY NET POSITION	
Revenues	
Contributions	38,444
Interest	1,282
	39,726
Expenditures	
Scholarships	23,600
	23,600
Change in Net Position	16,126
NET POSITION	
BEGINNING	34,022
ENDING	$50,148

See Notes to Financial Statements

School District No. 40
Frenchtown, Montana

NOTES TO FINANCIAL STATEMENTS
June 30, 2023

TABLE OF CONTENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

In determining the financial reporting entity, the District complies with the provisions of GASB statement No. 14, *The Financial Reporting District*, as amended by GASB statement No. 61, *The Financial Reporting Entity: Omnibus,* and includes all component units of which the District appointed a voting majority of the component units' board; the District is either able to impose its' will on the unit or a financial benefit or burden relationship exists. In addition, the District complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the District and with GASB Cod. Sec. 2100.

Primary Government

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

The District is managed by a board of trustees, elected in district-wide elections, and by an administration appointed by and responsible to the Board. These financial statements present all activities over which the Board of Trustees exercises responsibility.

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

Government-wide Financial Statements:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

Fund Financial Statements:

Basis of Presentation

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Measurement Focus and Basis of Accounting
Governmental Funds

Modified Accrual
All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Building Reserve Fund - Authorized by Section 20-9-502, MCA, for the purpose of financing voter approved building or construction projects funded with district mill levies. The Building Reserve Fund is a budgeted fund.

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Cash

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

D. Inventories

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

E. Property Taxes

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Capital Assets

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

G. Compensated Absences

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

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

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

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

H. Fund Equity

For information regarding Fund Balance and Net Position see Note 6.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Use of Estimates

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

J. Deferred Inflow/Outflow of Resources

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

K. Retirement System

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

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

District cash (except for the Student Extracurricular Fund) is held by the County Treasurer and pooled with other County cash. School District cash which is not necessary for short-term obligations is pooled in a County-wide investment program whereby all available cash is invested by the County Treasurer in pooled investments. Interest earned on the pooled investments is distributed to each contributing District and fund on a pro rata basis. The School District does not own specific identifiable investment securities in the pool; therefore, is not subject to categorization. Fair value approximates carrying value for investments as of June 30, 2023. The District may also direct the investment of it's money (Section 20-9-212 (9)).

Authorized investments allowed by Section 20-9-213 MCA, include savings or time deposits in a state or national bank, building or loan association, or credit union insured by the FDIC or NCUA located in the state, repurchase agreements, and the State Unified Investment Program. Further, Section 7-6-202, MCA, authorizes investments in U.S. government treasury bills, notes, bonds, U.S. Treasury obligations, treasury receipts, general obligations of certain agencies of the United States, and U.S. government security money market fund if the fund meets certain conditions.

Deposit Security

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

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

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

3. CAPITAL ASSETS

Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

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

June 1999 the Government Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the District has included the value of capital assets in the 2023 Basic Financial Statements.

Capital asset activity during 2023 was as follows:

	Balance June 30, 2022	Additions	Adjustments	Balance June 30, 2023
Cost of assets:				
Not depreciated:				
Land	$590,662			$590,662
Construction in Progress	44,133		(44,133)	0
Depreciated:				
Land Improvements	1,433,467	39,800		1,473,267
Buildings	29,170,105	426,380		29,596,485
Equipment	4,460,791	600,670		5,061,461
Total	35,699,158	1,066,850	(44,133)	36,721,875
Accumulated depreciation:				
Land Improvements	(834,279)	(55,193)		(889,472)
Buildings	(11,367,665)	(641,803)		(12,009,468)
Equipment	(2,962,882)	(336,094)		(3,298,976)
Total	(15,164,826)	(1,033,090)	0	(16,197,916)
Capital Assets, Net	$20,534,332	$33,760	($44,133)	$20,523,959

Depreciation expense was unallocated.

Notes to Financial Statements (continued)

4. LONG TERM DEBT

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

	June 30 2022	Reductions	Additions	June 30 2023	Current
General Obligation Bonds Series 2013	6,400,000	1,220,000		5,180,000	1,220,000
	6,400,000	1,220,000	0	5,180,000	1,220,000
Compensated Absences	632,770	12,167		620,603	206,868
Net OPEB Liability	176,565	5,382		171,183	
Net Pension Liability					
PERS	1,431,997		487,919	1,919,916	
TRS	7,661,611		2,024,524	9,686,135	
	9,093,608	0	2,512,443	11,606,051	
Total	$16,302,943	$1,237,549	$2,512,443	$17,577,837	$1,426,868

5. OTHER POST EMPLOYMENT BENEFITS

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

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

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

Employees covered by benefit terms: As of June 30, 2023, the following employees were covered by the benefit terms:

Retired employees	7
Active employees	105
	112

Total OPEB Liability: The District's total OPEB liability of $ was determined by an actuarial valuation as of June 30, 2023 and was rolled forward to a measurement date of June 30, 2023, utilizing update procedures incorporating actuarial assumptions.

Actuarial assumptions and other inputs: The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.25	percent, average, including inflation
Discount rate	4.09	Municipal discount
Healthcare cost trend rates	4.00	decreasing .5 percent per year to an ultimate rate of 4.5 percent
Retirees' share of benefit-related costs	0.00	percent of projected health insurance premiums for retirees

The benefit rate was based on the Current Municipal Bond Discount Rate.
Mortality rates were based on the RP 2000 Healthy Annuitant combined Mortality Table.
The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period June 30, 2023 and rolled forward using actuarial methodology.

5. OTHER POST EMPLOYMENT BENEFITS (continued)

Changes in the total OPEB liability

	Total OPEB Liability
Balance at June 30, 2022	$176,565
Changes for the year:	
Service cost	11,598
Interest	7,292
Differences between expected and actual experience	(23,789)
Changes in assumptions or other inputs	(483)
Benefit payments	
Net changes	(5,382)
Balance at June 30, 2023	$171,183

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

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

	1% Decrease 3.13	Discount Rate 4.13	1% Increase 5.13
Total OPEB liability	$183,774	$171,183	$159,649

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

	1% Decrease 3.0%	Healthcare Cost Trend 4.0%	1% Increase 5.0%
Total OPEB liability	$154,529	$171,183	$191,124

5. OTHER POST EMPLOYMENT BENEFITS (continued)

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB: For the year ended June 30, 2023, the District recognized OPEB expense of $36,506. The District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources	Deferred Inflows of Resources
$203,380	$129,302

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

Year ended June 30	
2024	12,605
2025	12,605
2026	12,605
2027	12,605
Thereafter	52,941
	$103,361

6. FUND BALANCE/NET POSITION DISCLOSURES

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

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

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

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

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

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

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

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

Notes to Financial Statements (continued)

6. FUND BALANCE/NET POSITION DISCLOSURES

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

Fund Balance Classification	MAJOR FUNDS			NON MAJOR		
	General Fund	Misc Programs Fund	Debt Service Fund	Bldg Reserve Fund	Other Government Funds	Total
Non Spendable						0
Restricted:						
Instruction		30,928			75,229	106,157
Tuition					105,366	105,366
Adult Education					45,496	45,496
Bus Replacement					90,877	90,877
Technology Acquisition					115,350	115,350
Maintenance & Operation					39,960	39,960
Transportation					228,872	228,872
School Food					81,109	81,109
Retirement					469,677	469,677
Compensated Absences					42,878	42,878
Capital Outlay				648,656		648,656
Other						0
Student Extracurricular					328,200	328,200
Debt Service			79,887			79,887
	0	30,928	79,887	648,656	1,623,014	2,382,485
Assigned:						
Encumbrances	380,474	1,297,962			1,548	1,679,984
Instruction						0
	380,474	1,297,962	0	0	1,548	1,679,984
Unassigned:	1,465,290					
	1,465,290	0	0	0	0	1,465,290
Total Fund Balance	$1,845,764	$1,328,890	$79,887	$648,656	$1,624,562	$5,527,759

Restricted for	Fund Balance	Deferred Inflow	Internal Services	Net Position
Capital Outlay	648,656	5,062		653,718
Technology	115,350	2,264		117,614
Bus Replacement	90,877	14,094		104,971
Transportation	228,872	486		229,358
Debt Service	79,887	84,966		164,853
Student Extracurricular	328,200			328,200
Other	420,966	41,412		462,378
Retirement	469,677			469,677
Health Insurance			402,613	402,613
	2,382,485	148,284	402,613	2,933,382

6. FUND BALANCE/NET POSITION DISCLOSURES (continued)

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

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

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

Unrestricted. All other assets.

Net Position Classifications:	
Invested in Capital Assets	15,343,959
Restricted	
Non expendable	0
Expendable	2,933,382
Unrestricted	(7,813,746)
	$10,463,595

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

		Deferred Inflow of Resources Taxes	Capital Assets Net	Long term Debt - Payroll Pension & OPEB related debt	Internal Services	Adjustments	Net Position
Fund Balances							
Non Spendable	0						0
Restricted	2,382,485	148,284			402,613		2,933,382
Invest Capital Assets			20,523,959	(5,180,000)			15,343,959
Assigned	1,679,984					(1,679,984)	0
Unrestricted		124,893		(11,083,913)		3,145,274	(7,813,746)
Unassigned	1,465,290					(1,465,290)	0
Total	$5,527,759	$273,177	$20,523,959	($16,263,913)	$402,613	$0	$10,463,595

7. EMPLOYEE RETIREMENT SYSTEM

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF EMPLOYEE RETIREMENT SYSTEMS

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

7. EMPLOYEE RETIREMENT SYSTEM (continued)

FRENCHTOWN K-12 SCHOOLS
GASB 68 Notes to the Financial Statements
Prepared as of June 30, 2022 (Measurement Date)
For the Year Ended June 30, 2023 (Reporting Date)

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

Net Pension Liability

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

	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
FRENCHTOWN PUBLIC SCHOOLS Proportionate Share	$9,686,135	$7,661,611	0.4925%	0.4625%	0.0300%
State of Montana Proportionate Share associated with employer	$5,349,342	$4,371,263	0.2720%	0.2639%	0.0081%
Total	$15,035,477	$12,032,874	0.7645%	0.7264%	0.0381%

At June 30, 2023, the employer recorded a liability of $9,686,135 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 employer's proportion of the net pension liability was based on the employer 's contributions received by TRS during the measurement period July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of TRS' participating employers. At June 30, 2023, the employer's proportion was 0.4925 percent.

7. EMPLOYEE RETIREMENT SYSTEM (continued)

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

- The discount rate was 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-2012 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

	Pension Expense as of 6/30/2023
FRENCHTOWN K-12 SCHOOLS Proportionate Share	$903,130
State of Montana Proportionate Share associated with the Employer	$442,345
Total	$1,345,475

At June 30, 2022, the employer recognized a Pension Expense of $1,345,475 for its proportionate share of the TRS' pension expense. The employer also recognized grant revenue of $442,345 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the employer.

7. EMPLOYEE RETIREMENT SYSTEM (continued)

Deferred Inflows and Outflows

At June 30, 2023, the employer reported its proportionate share of TRS' deferred outflows of resources and deferred inflows of resources related to TRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$141,973	$0
Changes in actuarial assumptions	$495,055	$885,457
Differences between projected and actual investment earnings	$226,556	$0
Changes in proportion & Differences between actual and expected contributions	$406,384	$54,952
*Contributions paid to TRS subsequent to the measurement date - FY 2023 Contributions	$726,912	
Total	$1,996,880	$940,409

*Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

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

Year ended June 30:	Amount of Deferred Outflows (Inflows) to be recognized as an increase or (decrease) to Pension Expense
2024	$246,432
2025	($66,262)
2026	($396,380)
2027	$545,776
2028	$0
Thereafter	$0

7. EMPLOYEE RETIREMENT SYSTEM (continued)

Plan Description

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

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

Summary of Benefits

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

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

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

7. EMPLOYEE RETIREMENT SYSTEM (continued)

Overview of Contributions

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

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

School Districts and Other Employers

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

School Districts and Other Employers

	Members	Employers	General fund	Total employee & employer
Prior to July 1, 2007	7.15%	7.47%	0.11%	14.73%
July 1, 2007 to June 30, 2009	7.15%	9.47%	0.11%	16.73%
July 1, 2009 to June 30, 2013	7.15%	9.85%	0.11%	17.11%
July 1, 2013 to June 30, 2014	8.15%	10.85%	0.11%	19.11%
July 1, 2014 to June 30, 2015	8.15%	10.95%	0.11%	19.21%
July 1, 2015 to June 30, 2016	8.15%	11.05%	0.11%	19.31%
July 1, 2016 to June 30, 2017	8.15%	11.15%	0.11%	19.41%
July 1, 2017 to June 30, 2018	8.15%	11.25%	0.11%	19.51%
July 1, 2018 to June 30, 2019	8.15%	11.35%	0.11%	19.61%
July 1, 2019 to June 30, 2020	8.15%	11.45%	0.11%	19.71%
July 1, 2020 to June 30, 2021	8.15%	11.55%	0.11%	19.81%
July 1, 2021 to June 30, 2022	8.15%	11.65%	0.11%	19.91%
July 1, 2022 to June 30, 2023	8.15%	11.75%	0.11%	20.01%
July 1, 2023 to June 30, 2024	8.15%	11.85%	0.11%	20.11%

7. EMPLOYEE RETIREMENT SYSTEM (continued)

TRS Stand-Alone Statements

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

Actuarial Assumptions

The Total Pension Liability as of June 30, 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 were 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 assumption.

7. EMPLOYEE RETIREMENT SYSTEM (continued)

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

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return*
Domestic Equity	30.00%	5.90%
International Equity	17.00%	7.14%
Private Investments	15.00%	9.13%
Real Assets	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	6.00%	3.02%
Cash	3.00%	(0.33)%
	100.00%	

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 inflation0, 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 weighting 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.

7. EMPLOYEE RETIREMENT SYSTEM (continued)

Sensitivity Analysis

	1.0% Decrease (6.30%)	Current Discount Rate	1.0% Increase (8.30%)
The Employer's proportion of Net Pension Liability	$13,530,043	$9,686,135	$6,469,269

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.

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 .

7. EMPLOYEE RETIREMENT SYSTEM (continued)

SCHOOL DISTRICT 40 - FRENCHTOWN PUBLIC EMPLOYEES' RETIREMENT SYSTEM – DEFINED BENEFIT GASB 68 NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED

JUNE 30, 2022 (measurement date)
JUNE 30, 2023 (reporting date)

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions*, employers and the non-employer contributing entity are required to recognize and report certain amounts associated with participation in the Public Employees' Retirement System Defined Benefit Retirement Plan (the Plan). This includes the proportionate share of the collective Net Pension Liability; Pension Expense; and Deferred Outflows and Deferred Inflows of Resources associated with pensions. Employers are provided guidance in GASB Statement 68, paragraph 74, where pension amounts must be combined as a total or aggregate for reporting, whether provided through cost-sharing, single-employer, or agent plans. This report provides information for employers who are using a June 30, 2022 measurement date for the 2023 reporting. If an employer's fiscal year end is after June 30th, the employer will not use the measurements shown in this report but will need to wait for the measurement date as of June 30, 2023.

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

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

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

7. EMPLOYEE RETIREMENT SYSTEM (continued)

Service retirement:
Hired prior to July 1, 2011:
o Age 60, 5 years of membership service
o Age 65, regardless of membership service
o Any age, 30 years of membership service
Hired on or after July 1, 2011:
o Age 65, 5 years of membership service
o Age 70, regardless of membership service
Early Retirement:
Hired prior to July 1, 2011:
o Age 50, 5 years of membership service
o Any age, 25 years of membership service
Hired on or after July 1, 2011:
o Age 55, 5 years of membership service
Second Retirement: (requires returning to PERS-covered employer or PERS service)
Retired before January 1, 2016 and accumulate less than 2 years additional service credit or retired on or after January 1, 2016 and accumulate less than 5 years additional service credit:
o A refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018).
o No service credit for second employment;
o Start the same benefit amount the month following termination; and
o Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
Retired before January 1, 2016 and accumulate at least 2 years of additional service credit:
o A recalculated retirement benefit based on provisions in effect after the initial retirement; and
o GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months. Retired on or after January 1, 2016 and accumulate 5 or more years of service credit:
o The same retirement as prior to the return to service;
o A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
o GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.
Member's highest average compensation (HAC)
Hired prior to July 1, 2011 highest average compensation during any consecutive 36 months;
Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months;
Compensation Cap
Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's highest average compensation.
Monthly benefit formula
Members hired prior to July 1, 2011
o Less than 25 years of membership service: 1.785% of HAC per year of service credit;
o 25 years of membership service or more: 2% of HAC per year of service credit.

7. EMPLOYEE RETIREMENT SYSTEM (continued)

Members hired on or after July 1, 2011
o Less than 10 years of membership service: 1.5% of HAC per year of service credit;
o 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
o 30 years or more of membership service: 2% of HAC per year of service credit.
Guaranteed Annual Benefit Adjustment (GABA)
After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, **inclusive** of all other adjustments to the member's benefit.
3.0% for members hired **prior to** July 1, 2007
1.5% for members hired between July 1, 2007 and June 30, 2013 Members hired on or after July 1, 2013:
(a) 1.5% for each year PERS is funded at or above 90%;
(b) 1.5% reduced by 0.1% for each 2.0% PERS is funded below 90%; and (c) 0% whenever the amortization period for PERS is 40 years or more.

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

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

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

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

Fiscal	Member		State & Universities	Local Govt		School Districts	
Year	Hired < 07/01/11	Hired > 07/01/11	Employer	Employer	State	Employer	State
2023	7.900%	7.900%	9.070%	8.970%	0.100%	8.700%	0.370%
2022	7.900%	7.900%	8.970%	8. 870%	0.100%	8.600%	0.370%
2021	7.900%	7.900%	8.870%	8.770%	0.100%	8.500%	0.370%
2020	7.900%	7.900%	8.770%	8.670%	0.100%	8.400%	0.370%
2019	7.900%	7.900%	8.670%	8.570%	0.100%	8.300%	0.370%
2018	7.900%	7.900%	8.570%	8.470%	0.100%	8.200%	0.370%
2017	7.900%	7.900%	8.470%	8.370%	0.100%	8.100%	0.370%
2016	7.900%	7.900%	8.370%	8.270%	0.100%	8.000%	0.370%
2015	7.900%	7.900%	8.270%	8.170%	0.100%	7.900%	0.370%
2014	7.900%	7.900%	8.170%	8.070%	0.100%	7.800%	0.370%
2012 – 2013	6.900%	7.900%	7.170%	7.070%	0.100%	6.800%	0.370%
2010 – 2011	6.900%		7.170%	7.070%	0.100%	6.800%	0.370%
2008 – 2009	6.900%		7.035%	6.935%	0.100%	6.800%	0.235%
2000 - 2007	6.900%		6.900%	6.800%	0.100%	6.800%	0.100%

7. EMPLOYEE RETIREMENT SYSTEM (continued)

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

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

3. Non-Employer Contributions:
b. Special Funding
i. The state contributed 0.1% of members' compensation on behalf of local government entities.
ii. The state contributed 0.37% of members' compensation on behalf of school district entities.
iii.The state contributed a Statutory Appropriation from the General Fund of $34,633,570.

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. The basis for the Total Pension Liability (TPL) as of June 30, 2022, is on an actuarial valuation performed by the Plan's actuary as of June 30, 2022. 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, 2022, and 2021, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The employer recorded a liability of $1,919,916 and the employer's proportionate share was 0.080740 percent.

As of measurement date	Net Pension Liability as of 6/30/2022	Net Pension Liability as of 6/30/2021	Percent of Collective NPL as of 6/30/2022	Percent of Collective NPL as of 6/30/2021	Change in Percent of Collective NPL
SCHOOL DISTRICT 40 - FRENCHTOWN Proportionate Share	$ 1,4919,916	$ 1,431,997	0.080740%	0.078975%	0.001765%
State of Montana Proportionate Share associated with Employer	$ 634,476	$ 466,681	0.026682%	0.025738%	0.000944%
Total	$ 2,554,392	$ 1,898,678	0.107422%	0.104713%	0.002709%

7. EMPLOYEE RETIREMENT SYSTEM (continued)

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

1. The discount rate was 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 for 3.50% to 3.25%.
6. The inflation rate was increased from 2.40% to 2.75%.

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

Changes in proportionate share: There were no changes between the measurement date of the collective NPL and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

***Note to Employers**: Each employer may have unique circumstances that will impact the employer's proportionate share of the collective net pension. If there were changes that are expected to have an impact on the net pension liability, the employer should disclose the amount of the expected resultant change in the employer's proportionate share of the collective net pension liability, if known.*

Pension Expense: At June 30, 2022, the employer recognized $237,602 for its proportionate share of the Plan's pension expenseand recognized grant revenue of $65,764 for the state of Montana proportionate share of the pension expense associated with the employer. *(Two years of pension expense are documented in the table below but are not necessary for the employer's disclosures.)*

As of measurement date	Pension Expense as of 6/30/2022	Pension Expense as of 6/30/2021
SCHOOL DISTRICT 40 - FRENCHTOWN'S Proportionate Share	$237,602	$56,549
Employer Grant Revenue – State of Montana Proportionate Share for employer	65,764	124,028
Total	$303,366	$180,577

Recognition of Deferred Inflows and Outflows: At June 30, 2022, the employer reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. Actual Experience	$24,475	$0
Projected Investment Earnings vs. Actual Investment Earnings	56,426	0
Changes in Assumptions	71,548	140,556
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	28,762	0
Employer Contributions Subsequent to the Measurement Date	142,720	
Total	$323,931	$140,556

 # the employer's contributions subsequent to the measurement date must be entered by the employer. These are the FY2023 contributions paid to the Plan.

7. EMPLOYEE RETIREMENT SYSTEM (continued)

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

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in future years as an increase or (decrease) to Pension Expense
2023	$36,391
2024	$(63,347)
2025	$(60,858)
2026	$128,469
Thereafter	$ 0

Actuarial Assumptions: The total pension liability as of June 30, 2022, was determined on the results of an actuarial valuation date of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement. Among those assumptions were the following:

Investment Return (net of admin expense)	7.30%
General Wage Growth * *includes Inflation at	3.50% 2.40%
Merit Increases	0% to 4.80%
Postretirement Benefit Increases 1. Guaranteed Annual Benefit Adjustment (GABA) each January After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit. Members hired prior to July 1, 2007 Members hired between July 1, 2007 & June 30, 2013 Members hired on or after July 1, 2013 For each year PERS is funded at or above 90% The 1.5% is reduced by 0.1% for each 2.0% PERS is funded below 90% 0% whenever the amortization period for PERS is 40 years or more	 3.0% 1.5% 1.5% 0%
Mortality: Active Participants	PUB-2010 General Amount Weighted Employer Mortality projected to 2021 for males and females. Projected generationally using MP- 2021.
Disabled Participants	PUB-2010 General Amount Weighted Disabled Retiree Mortality table, projected to 2021, set forward one year for both males and females.
Contingent Survivors	PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and females. Projected generationally using MP-2021.
Healthy Retirees	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.

The actuarial assumptions and methods utilized in the June 30, 2022 valuation, were developed in the five-year experience study for the period ending 2021.

7. EMPLOYEE RETIREMENT SYSTEM (continued)

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 a statutory appropriation from the general fund. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

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, 2022, 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 assumptions including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimated 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 weighting 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.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study, are summarized in the following table.

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

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate: The following presents the employer's sensitivity of the NPL to the discount rate in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.30%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

As of measurement date	1.0% Decrease (6.30%)	Current Discount Rate	1.0% Increase (8.30%)
SCHOOL DISTRICT 40 FRENCHTOWN'S			
Net Pension Liability	$2,767,648	$1,919,916	$1,208,678

7. EMPLOYEE RETIREMENT SYSTEM (continued)

PERS Disclosure for the defined contribution plan

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

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

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

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

At the plan level for the measurement period ended June 30, 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 of the Montana Public Employees Retirement Board (PERB) *Comprehensive Annual Financial Report* (ACFR) and the GASB 68 Report disclose the Plan's fiduciary net position. These reports, as well as the actuarial valuations and experience study, are available from the PERB at PO Box 200131, Helena MT 59620-0131, (406) 444-3154 or are available on the MPERA website at https://mpera.mt.gov/about/annualreports1/annualreports.

Notes to Financial Statements (continued)

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

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

	The employer's proportionate share associated with PERS	The employer's proportionate share associated with TRS	The employer's Total Pension Amounts
Total Pension Liability	$7,288,975	$32,952,896	$40,241,871
Fiduciary Net Position	$5,369,059	$23,266,761	$28,635,820
Net Pension Liability	$1,919,916	$9,686,135	$11,606,051
Deferred Outflows of Resources	$323,931	$1,996,880	$2,320,811
Deferred Inflows of Resources	$140,556	$940,409	$1,080,965
Pension Expense System Reports	$303,366	$1,345,475	$1,648,841

8. **RISK MANAGEMENT**

The District faces a number of risks including:

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

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

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

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

WCRRP
1 South Montana Avenue
Helena, Montana 59601

9. CONTINGENCY COVID 19

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Other than Management's Discussion and Analysis

School District No. 40
Frenchtown, Montana

SCHEDULE OF REVENUES, EXPENDITURES AND ENCUMBRANCES
BUDGET AND ACTUAL
GENERAL FUND
June 30, 2023

	Original Budget	Amended & Final Budget	Actual Amounts Budgetary Basis
REVENUES			
District Levy	$1,951,610	$1,951,610	$1,960,785
State Sources	8,950,983	8,950,983	8,950,983
County Sources			
Federal Sources			
User Fees			
Interest	7,451	7,451	84,824
Other	4,411	4,411	10,459
Total Amounts	10,914,455	10,914,455	11,007,051
Other Financing Sources (uses)			
Transfers			
In			
Out			
Total Other Financing Sources			0
Total Revenues and Other Financing Sources			11,007,051
EXPENDITURES			10,912,877
Excess Revenues and Other Financing over Expenditures			$94,174

See notes to budgetary required supplementary information.

NOTES TO REQUIRED SUPPLEMENTARY BUDGETARY INFORMATION
June 30, 2023

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

The budgets must be adopted on or before August 20th of each year, but may be continued day to day until August 25th. If taxable value information is not available. (MCA 20-9-131). Appropriations (budgetary spending authority) lapse at year end except for construction in progress and obligations for the purchase of personal property ordered but not paid for during the current year (MCA 20-9-209). Because Montana schools have appropriations which lapse at year end encumbrances are allowed as a means of budgetary control. Encumbrances do not represent expenditures for the period for generally accepted accounting principles. The budgetary basis statements total expenditures varies from modified accrual total expenditures in the General Fund by the change in encumbrances of $142,776, the on-behalf payment of $508,109, and the Flexibility Fund $312,634.

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

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

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

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

School District No. 40
Frenchtown, Montana

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
Year Ended June 30, 2023

Last 10 Fiscal Years*

Total OPEB liability	2023	2022	2021	2020	2019	2018
Service cost	$11,598	$11,681	$15,806	$14,417	$3,834	$3,718
Interest	7,292	8,703	4,565	1,482	1,984	2,142
Changes of benefit terms					-	
Differences between expected and actual experience	(23,789)	(22,880)	44,405	311,393	(9,567)	(7,489
Changes of assumptions or other inputs	(483)	(33,730)	7,144	(108,281)	403	(1,405
Employer contributions			(68,521)	(65,326)	0	0
Net change in Total OPEB Liability	($5,382)	($36,226)	$3,399	$153,685	($3,346)	($3,034
Total OPEB Liability - beginning	176,565	212,791	209,392	55,707	59,053	62,087
Total OPEB Liability - ending	$171,183	$176,565	$212,791	$209,392	$55,707	$59,053
Covered-employee payroll	$7,853,207	$7,606,012	$7,797,482	$7,552,041	$7,095,965	$6,872,605
Total OPEB Liability as a percentage of covered-employee payroll	2.20%	2.30%	2.70%	2.80%	0.80%	0.90%

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

Notes to Schedule

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

Major Assumptions	2023	2022	2021	2020	2019	2018
Discount Rate	4.13%	4.09%	2.18%	2.66%	3.36%	3.45%
Medical Trend	4.00%	4.00%	6.10%	6.10%	6.10%	6.30%

School District No. 40
Frenchtown, Montana
Supplementary Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions

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

Plan: **TRS**

Schedule of Proportionate Share of the Net Pension Liability:

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.4925%	0.4625%	0.4667%	0.4650%	0.4616%	0.4525%	0.4307%	0.04283%	0.3989%
Employer's proportionate share of the net pension liability associated with the Employer	$9,686,135	$7,661,611	$10,498,925	$8,965,658	$8,567,398	$7,630,214	$7,868,707	$7,036,662	$6,139,230
State of MT proportionate share of the net pension liability associated with the Employer	5,349,342	4,371,263	6,207,577	5,428,866	5,325,490	4,843,523	5,129,323	4,717,615	4,207,166
Total	$15,035,477	$12,032,874	$16,706,502	$14,394,524	$13,892,888	$12,473,737	$12,998,030	$11,754,277	$10,346,396
Employer's covered-employee payroll	7,263,246	6,587,513	6,424,258	6,311,651	6,165,330	5,968,887	5,591,727	5,466,333	5,031,069
Employer's proportionate share of the net pension liability as of its covered-employee payroll (as a percentage)	133.36%	116.31%	163.43%	142.05%	138.96%	127.83%	140.72%	128.73%	122.03%
Plan fiduciary net position the total pension liability (as a percentage)	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

Schedule of Contributions:

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	$726,912	$718,094	$647,769	$701,142	$577,346	$598,838	$587,889	$491,183	$506,648
Contributions in relation to the contractually required contributions	726,912	718,094	647,769	701,142	577,346	598,838	587,889	491,183	506,648
Contribution deficiency (excess)	0	0	0	0	0	0	0	0	0
Covered payroll	7,283,489	7,263,246	6,587,513	6,424,258	6,311,651	6,165,330	5,968,887	5,591,727	5,466,333
Contributions of covered-employee payroll (as a percentage)	9.98%	9.89%	9.83%	10.91%	9.15%	9.71%	9.85%	8.78%	9.27%

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

See Notes to Required Supplementary Information.

School District No. 40
Frenchtown, Montana

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

For the Last Ten Fiscal Years*

Plan: **PERS**

Schedule of Proportionate Share of the Net Pension Liability:

As of measurement date	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (percentage)	0.08074%	0.078975%	0.078708%	0.075183%	0.0734%	0.1009%	0.0980%	0.0971%	0.0972%
Employer's net pension liability (amount)	$1,919,916	$1,431,997	$2,076,494	$1,571,560	$1,531,982	$1,964,276	$1,669,252	$1,357,812	$1,210,911
State's net pension liability	634,476	466,681	722,200	565,148	570,345	96,680	78,013	63,803	56,606
Total	2,554,392	1,898,678	2,798,694	2,136,708	2,102,327	2,060,956	1,747,265	1,421,615	1,267,517
Employer's covered payroll	1,463,471	1,439,315	1,363,046	1,280,864	$1,271,316	$1,306,865	$1,213,467	$1,172,026	$1,143,865
Employer's proportionate share as a percent of covered payroll	131.19%	99.49%	152.34%	122.70%	120.50%	150.30%	137.56%	115.85%	111.22%
Plan fiduciary net position as a percent of total pension liability	73.66%	79.91%	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

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

Schedule of Contributions:

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	142,720	137,227	132,628	126,660	106,311	102,243	104,720	98,117	93,411
Plan Choice Rate required contributions	0	0	0	0	0	0	0	1,602	1,934
Contributions in relation to the contractually required contributions	142,720	137,227	132,628	126,660	106,311	102,243	104,720	96,515	91,477
Contribution deficiency (excess)	0	0	0	0	0	0	0	0	0
Covered payroll	1,640,456	1,629,198	1,560,326	1,507,859	1,280,864	1,271,316	1,306,865	1,213,467	1,172,026
Contributions as percent of covered payroll	8.70%	8.42%	8.50%	8.40%	8.30%	8.04%	8.01%	8.22%	8.14%

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

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

See Notes to Required Supplementary Information.

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

PERS

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

2017:

Working Retiree Limitations – for PERS

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

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Refunds

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

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

Lump-sum payouts

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

Disabled PERS Defined Contribution (DC) Members

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 30, 2020 actuarial evaluation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increase	0% to 8.47%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Mortality (Healthy members)	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table, with no projections
Admin Expense as % of Payroll	0.29%

Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year's actual administrative expenses. The actuarial assumptions and methods utilized in the June 30, 2021valuation, were developed in the six year experience study for the period ending 2016.

TRS

Changes of Benefit Terms:

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

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

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

(1) Final Average Compensation: average of earned compensation paid in five consecutive years of full-time service that yields the highest average
(2) Service Retirement: Eligible to receive a service retirement benefit if the member has been credited with at least five full years of creditable service and has attained the age of 60; or has been credited with 30 or more years of full-time or part-time creditable service and has attained age *55*
(3) Early Retirement: Eligible to receive an early retirement allowance if a member is not eligible for service retirement but has at least five years of creditable service and attained age *55*
(4) Professional Retirement Option: if the member has been credited with 30 or more years of service and has attained the age of 60 they are eligible for an enhanced allowance equal to *1.85%* of average final compensation times all service at retirement. Otherwise, the multiplier used to calculate the retirement allowance will be equal to 1.67%
(5) Annual Contribution: *8.15%* of member's earned compensation
(6) Supplemental Contribution Rate: On or after July 1, 2023, the TRS Board may require a supplemental contribution up to 0.5% if the following three conditions are met:

- The average funded ratio of the System based on the last three annual actuarial valuations is equal to or less than 80%; and
- The period necessary to amortize all liabilities of the System based on the latest annual actuarial valuation is greater than 20 years; and
- A State or employer contribution rate increase or a flat dollar contribution to the Retirement System Trust fund has been enacted that is equivalent to or greater than the supplemental contribution rate imposed by the TRS Board.

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

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

- Annual State contribution equal to $25 million paid to the System in monthly installments.
- One-time contribution payable to the Retirement System by the trustees of a school district maintaining a retirement fund. The one-time contribution to the Retirement System shall be the amount earmarked as an operating reserve in excess of 20% of the adopted retirement fund budget for the fiscal year 2013. The amount received was $22 million in FY 2014.
- 1% supplemental employer contribution. This will increase the current employer rates:
- School Districts contributions will increase from 7.47% to 8.47%
- The Montana University System and State Agencies will increase from *9.85%* to 10.85%.
- The supplemental employer contribution will increase by 0.1% each fiscal year for fiscal year 2014 thru fiscal year 2024. Fiscal years beginning after June 30, 2024 the total supplemental employer contribution will be equal to 2%.

- Members hired prior to July 1, 2013 (Tier 1) under HB 377 are required to contribute a supplemental contribution equal to an additional 1% of the member's earned compensation.
- Each employer is required to contribute 9.85% of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position to the System. This amount will increase by 1.00% for fiscal year 2014 and increase by 0.10% each fiscal year through 2024 until the total emploer contribution is equal to 11.85% of re-employed retiree compensation.

Changes in actuarial assumptions and other inputs:

The following changes to the actuarial assumptions were adopted in 2022:

- The discount rate was increased from 7.06% to 7.30%.
- The investment rate of return was increased from 7.06% to 7.30%.
- The inflation rate was increased from 2.40% to 2.75%.
- Updated the rates of retirement and termination.
- Updated the salary scale merit rates.

The following changes to the actuarial assumptions were adopted in 2021:

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

The following changes to the actuarial assumptions were adopted in 2020:

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

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

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

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

- Assumed rate of inflation was reduced from *3.25%* to *2.50%*
- Payroll growth assumption was reduced from 4.00% to *3.25%*
- Investment return assumption was reduced from *7.75%* to *7.50%.*
- Wage growth assumption was reduced from 4.00% to *3.25%*
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:

  - 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.

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	24 years
Asset valuation method	4-year smoothed market
Inflation	2.50 percent
Salary increase	3.25 to 7.76 percent, including inflation for Non-University Members and 4.25% for University Members
Investment rate of return	7.50 percent, net of pension plan investment expense, and including inflation

SUPPLEMENTARY INFORMATION

School District No. 40
Frenchtown, Montana

COMBINING BALANCE SHEET - GENERAL FUND
June 30, 2023

			Clearing	Funds	
	General	Flexibility	Payroll	Claims	Total
Assets					
Cash and cash equivalents	$1,558,954	$312,634	$93,089	$54,206	$2,018,883
Taxes receivable	120,533				120,533
Protested taxes receivable	4,360				4,360
Total Assets	1,683,847	312,634	93,089	54,206	2,143,776
Liabilities, deferred inflows of resources and fund balances					
Warrants payable			93,089	54,206	147,295
Accounts payable	25,824				25,824
Total Liabilities	25,824	0	93,089	54,206	173,119
Deferred inflows of resources					
Tax revenue	124,893				124,893
Total Deferred inflows	124,893	0	0	0	124,893
Total Liabilities & Deferred inflows	150,717	0	93,089	54,206	298,012
Fund balances					
Assigned for					
Encumbrances	380,474				380,474
Unassigned	1,152,656	312,634			1,465,290
Total fund balances	1,533,130	312,634	0	0	1,845,764
Total liabilities, deferred inflows of resources and fund balances	$1,683,847	$312,634	$93,089	$54,206	$2,143,776

See Independent Auditors Report

School District No. 40
Frenchtown, Montana

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GENERAL FUND
June 30, 2023

	General Fund	Flexibility	On-behalf Payment	Total
Revenues				
Property taxes	1,960,785			1,960,785
Intergovernmental - state	8,950,983	31,765	508,109	9,490,857
Other	10,459	935		11,394
Interest	84,824	8,935		93,759
Total revenues	11,007,051	41,635	508,109	11,556,795
Expenditures				
Current				
Instruction	6,065,555	5,045	508,109	6,578,709
Supporting services	2,363,670			2,363,670
Operations & Maintenance	1,684,708			1,684,708
Student transportation	6,985			6,985
Food services	20,845			20,845
Extracurricular	529,856			529,856
Capital outlay	98,482			98,482
Interest				0
Total expenditures	10,770,101	5,045	508,109	11,283,255
Excess (deficiency) of revenues over expenditures	236,950	36,590	0	273,540
Other financing sources				
Transfers in				0
Transfers out				0
Total other financing sources	0	0	0	0
Net change in fund balances				
Fund balances beginning of year	1,296,180	276,044	0	1,572,224
Fund balances end of year	$1,533,130	$312,634	$0	$1,845,764

See Independent Auditors Report

Other Supplemental Information
Enrollment / ANB Schedule

Students Grade K – 8

Full-Time Students:

Fall Enrollment-El District	MAEFAIRS Reports	District Reports	Difference
Kindergarten Half Day			
Kindergarten Full Day	149	149	0
Grades 1-6	599	599	0
Grades 7-8	220	220	0
Spring Enrollment-El District	**MAEFAIRS Reports**	**District Reports**	**Difference**
Kindergarten Half Day			
Kindergarten Full Day	149	149	0
Grades 1-6	600	600	0
Grades 7-8	223	223	0

Part Time Students:

Fall	Per MAEFAIRS Enrollment Reports				Per District Reports				
Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	**Difference**
K-Half									
K-Full			19				19		0
1-6									
7-8									
Spring	**Per MAEFAIRS Enrollment Reports**				**Per District Reports**				
Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	**Difference**
K-Half									
K-Full			19				19		0
1-6									
7-8									

Students Grade 9 – 12:

Full-Time Students:

Fall Enrollment-El District	MAEFAIRS Reports	District Reports	Difference
Grade 9 - 12	475	475	0
19-year olds included			
Job Corps			
Youth challenge	1	1	0
Spring Enrollment-El District	**MAEFAIRS Reports**	**District Reports**	**Difference**
Grade 9 - 12	449	449	0
19-year olds included			
Job Corps			
Youth challenge			
Early Graduates	11	11	0

Part Time Students:

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

School District No. 40
Frenchtown, Montana
EXTRACURRICULAR FUND
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION BY STUDENT ACTIVITY
June 30, 2023

Student Activity	Balance June 30 2022	Revenues & Misc Earnings	Expenditures & Misc Charges	Transfers In (Out)	Balance June 30 2023
2020 Legacy	$0			$2,185	$2,185
5 Valley Honor Band	41				41
Academic Challenge	888	1,849	1,774		963
Activities	70,577	20,102	13,951	2,604	79,332
Anime Club	332				332
Art Club	66				66
Band Fundraiser	6,139	5,827	1,926		10,040
Baseball	0	4,934	2,614	(2,320)	0
Baseball Fundraiser	0	5,720	4,856	750	1,614
BBB Fundraiser	2,401	10,460	6,577		6,284
Boys Basketball	0	8,741	8,138	(603)	0
Broadcast	2,609	2,743	1,500		3,852
Calendar Proceeds	2,086				2,086
Candy Machine	569				569
Cheer	0	175		(175)	0
Cheerleaders	3,251	3,285	4,229		2,307
Choir Fundraiser	728	239	306		661
Class of 2020	2,185			(2,185)	0
Class of 2022	1,132			(1,132)	0
Class of 2023	5,786	2,072	6,748	(1,110)	0
Class of 2024	2,111	5,712	2,669		5,154
Class of 2025	2,191	3,055	28		5,218
Class of 2026	3,220	46			3,266
Class of 2027	0	2,130	1,950		180
Concessions	33,615	49,374	40,051	(12,750)	30,188
Cross Country	0	100	427	327	0
Cross Country Fundraiser	459				459
Culinary Enterprise	1,778	8,550	6,165		4,163
Destination Imagination K-6	2,144	6,588	754		7,978
Divisional VB	883				883
Divisional Track	33				33
FCCLA	431				431
FFA Fundraiser	0	7,019	4,343		2,676
Football Fundraiser	6,768	14,057	8,052		12,773
Football	0	8,287	4,531	(3,756)	0
Football play-offs	217				217
GBB Fundraiser	2,297	9,460	8,918		2,839
Girls Basketball	0	6,121	6,201	80	0
Golf	0	455	1,963	1,508	0
Golf Fundraiser	1,611	9,343	3,275		7,679
Grade School Activities	1,654	109	76		1,687
Home Economics	776				776
HOSA	352	160	254		258
In & Out	129				129
Industrial Tech	314				314
Intermediate Activities	1,018				1,018
Jr. High Choir	243				243
Jr. High Cross Country Fundraiser	89				89
Jr. High Festival	800				800
Jr. High Five Valley Honor Band	1,358				1,358
Subtotal	163,281	196,713	142,276	(16,577)	201,141

Student Activity	Balance June 30 2022	Revenues & Misc Earnings	Expenditures & Misc Charges	Transfers In (Out)	Balance June 30 2023
Jr. High GBB Fundraiser	533				533
Jr. High Lounge/Pop	9				9
Jr. High Soccer Fundraiser	171				171
Jr. High Tackle Football	1,309				1,309
Jr. High Track Fundraiser	24				24
Jr. High Volleyball Fundraiser	668				668
Jr. High Wrestling	299				299
JMG (Jobs for MT Grads)	20				20
Jr. High Activities	180	16,448	11,580		5,048
Jr. High Annual	140				140
Jr. High Graduation	4,800				4,800
Jr. High Student Council	2,728	4,770	4,799		2,699
Key Club	4,783	1,649	1,617		4,815
Little Dribblers	515				515
Math Counts	119				119
Meals	21,124		16,140	12,000	16,984
Middle School NJHS	0	1,125			1,125
District Divisionals	1,387				1,387
MT State Class C/A Tip Off	2,880	27,407	17,806	(500)	11,981
Music	880	1,822	695		2,007
Newspaper	297				297
NHS Scholarship	3,432	4,156	5,476		2,112
Pep Club	730				730
Percussion Fundraiser	71				71
Program Account	0	360	150	500	710
SC Improvement Fund	6,053		240	2,242	8,055
Science Trip Fundraiser	29				29
Softball Fundraiser	7,129	8,412	4,253		11,288
Softball	0	9,391	10,012	621	0
Softball Divisional Tournament	0	6,775	7,263	488	0
School Play	3,941	547			4,488
Soccer	0	2,559	2,881	322	0
Soccer Fundraiser - Boys	1,757	313	452		1,618
Soccer Fundraiser - Girls	1,160	313	853		620
Soccer Playoff	268				268
Speech & Drama	(25)	2,214	1,221	(968)	0
Speech & Drama Fundraiser	463		152		311
Student Council	3,598	9,097	11,632		1,063
Sunshine Fund	572	573	125		1,020
Swim Fundraiser	552		307		245
The Bronc Store	1,477	4,100	2,310		3,267
Track	0	1,010	150	(860)	0
Track Fundraiser	4	15,116	625		14,495
Volleyball	0	4,665	5,465	800	0
Volleyball Fundraiser	10,315	12,728	9,184		13,859
WR Fundraiser	907				907
Wrestling	0	1,779	3,711	1,932	0
Yearbook	12,068	9,270	15,469		5,869
Youth Action Committee 7-12	1,084				1,084
Subtotal previous page	163,281	196,713	142,276	(16,577)	201,141
	$261,732	$343,312	$276,844	$0	$328,200

Supplementary Schedule
SCHOOL DISTRICT NO. 40
Frenchtown, Montana
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal Assistance Number	Grantor Number	Passed through Sub-recipients	Total Federal Expenditures
U.S. Department of Agriculture				
Food and Nutrition Service				
Through the State of Montana Office of Public Instruction				
Child Nutrition Cluster				
Cash Assistance				
Breakfast	10.553			33,470
Lunch	10.555			168,734
Lunch, Supply Chain Assistance 2	10.555			22,777
Lunch, Supply Chain Assistance 2	10.555			623
				225,604
Non-Cash Assistance (Commodities)				
Lunch	10.555			51,773
Total Child Nutrition Cluster				277,377
Food and Nutrition Service				
Fresh Fruit and Vegetable Program	10.582			39,178
				39,178
Total U.S. Dept. of Agriculture				$316,555
U.S. Department of Education				
Office of Elementary and Secondary Education				
Through the State of Montana Office of Public Instruction				
Title I, Grants to Local Agencies	84.010	32-0599-31-2022		2,227
Title I, Grants to Local Agencies	84.010	32-0599-31-2023		335,090
Total Title I, Grants to Local Agencies				337,317
Office of Special Education and Rehabilitation Services				
Special Education Cluster (IDEA)				
Special Education Grants				
Special Education Grants to States	84.027	32-0599-77-2022		2,929
Special Education Grants to States	84.027	32-0599-77-2023		297,092
Preschool Special Education Grants to States	84.173	32-0599-71-2022		1,458
Preschool Special Education Grants to States	84.173	32-0599-71-2023		11,394
Special Education Grants to States	84.027	32-0599-70-2022		40,903
Total Special Education Grants				353,776
Office of Vocational and Adult Education				
Career and Technical Education	84.048	32-0559-81-2023		19,572
Rural Education				
Rural Education	84.358	32-0599-99-2023		17,977
Rural Education	84.358	32-0599-99-2022		22,629
Total Rural Education				40,606
Supporting Effective Education State Grants				
Supporting Effective Education State Grants	84.367	32-0599-14-2023		51,797
Total Supporting Effective Education State Grants				51,797
Education Stabilization Fund				
Education Stabilization Fund	84.425D	32-0599-92-2021		188,962
Education Stabilization Fund	84.425U	32-0599-93-2021		515,581
Education Stabilization Fund	84.425W	32-0599-97-2021		19,376
Education Stabilization Fund	84.425D	32-0599-92-2021		10,867
Education Stabilization Fund	84.425D	32-0599-92-2021		22,236
Education Stabilization Fund	84.425D	32-0599-93-2021		2,681
Education Stabilization Fund	84.425U	32-0599-93-2021		292,178
Total Education Stabilization Fund				1,051,881
Total U.S. Department of Education				$1,854,949
Total Passed Through State of Montana				$2,171,504
TOTAL FEDERAL EXPENDITURES			$0	$2,171,504

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Note 1. Basis of Presentation
The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity for School District No. 40 under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of School District No. 40, it is not intended to and does not present the financial position, changes in net assets, or cash flows of School District No. 40.

Note 2. Summary of Significant Accounting Policies
Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate
School District No. 40 has an approved rate of 5.66%.

Note 4. Subrecipients
There were no subrecipients.

School District No. 40
Frenchtown, Montana
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023
Statistical Information

School District No. 40
Frenchtown, Montana

OTHER INFORMATION

FOR THE YEAR ENDED JUNE 30, 2023

Maximum Bonded Indebtedness

State law permits a maximum bonded indebtedness for the school district of 100% of the District's taxable valuation $14,909,342 at June 30, 2023. However, for school districts qualifying for guaranteed tax base aid, the law permits maximum bonded indebtedness equal to 50% of the statewide taxable valuation per student multiplied by the average number belonging (ANB).

The maximum bonded indebtedness under this exception is:

	State Guarantee Per Student	Average Number Belonging FY 22 Budget	Percent Allowed	Maximum Bonded Indebtedness
High School	$72,112	509	50%	$18,352,504
Elementary	$61,028	994	50%	$30,330,916
Maximum Bonded Indebtedness Allowed				$48,683,420
Less:				
Outstanding Bonds at June 30, 2023				$(5,180,000)
Maximum Bonded Indebtedness Available				$43,503,420

District Taxable Valuations

		Assessed (Market) Valuation		Taxable Valuation	Taxable Valuation as a Percent of Assessed Valuation
January 1, 2014	$	469,300,000	$	11,200,000	2.39%
January 1, 2015	$	734,600,000	$	10,800,000	1.47%
Note: 2015 reassessment and taxable valuation formula change					
January 1, 2016	$	734,619,505	$	10,816,053	1.47%
January 1, 2017	$	735,913,969	$	10,868,120	1.48%
January 1, 2018	$	791,118,256	$	11,731,308	1.48%
January 1, 2019	$	800,599,411	$	11,846,266	1.48%
January 1, 2020	$	863,373,740	$	12,672,626	1.47%
January 1, 2021	$	885,119,141	$	13,036,134	1.47%
January 1, 2022	$	997,192,247	$	14,573,237	1.46%
January 1, 2023	$	1,022,464,567	$	14,909,342	1.46%

School District No. 40
Frenchtown, Montana

OTHER INFORMATION

FOR THE YEAR ENDED JUNE 30, 2023

District Tax Levies (in Mills)

Taxing Entity	Fiscal year ended June 30 2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
School District No.40										
General Fund	167.68	167.62	172.48	173.25	176.18	166.65	155.55	148.76	134.74	130.86
Transportation Fund	20.02	23.81	25.18	29.08	28.90	33.52	36.68	35.62	29.38	34.32
Debt Service Fund	95.81	106.87	114.72	119.33	133.13	102.10	106.70	105.42	90.46	92.37
Bus Depreciation Fund	18.08	17.92	18.51	18.42	8.72	25.26	22.93	21.58	23.55	15.67
Building Reserve Fund	0.00	0.00	0.00	13.80	26.49	26.46	19.28	16.36	4.39	4.43
Technology Fund	3.16	3.14	3.23	3.22	2.98	2.95	2.76	2.68	2.40	2.35
Adult Education Fund	1.00	1.00	1.00	1.30	1.36	1.13	1.00	1.00	1.00	1.00
Tuition Fund	0.00	7.92	9.61	11.94	12.96	15.46	18.13	23.27	20.20	21.09
Total School District	305.75	328.28	344.73	370.34	390.72	373.53	363.03	354.69	306.12	302.09
State School Levy	144.60	145.64	144.35	143.73	141.91	142.04	141.37	143.40	143.13	139.83
District Levy	305.75	328.28	344.73	370.34	390.72	373.53	363.03	354.69	306.12	302.09
State Levy-University	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
County	186.69	196.46	205.66	211.89	212.32	217.23	220.96	227.16	229.75	249.98
Frenchtown Rural Fire District	54.14	58.14	65.74	67.03	64.03	68.34	69.11	75.35	69.94	71.23
Others: MUTD, Elk Meadows	175.30	192.36	198.48	200.99	192.35	193.57	187.87	191.09	199.92	200.69
Total	872.48	926.88	964.96	999.98	1,007.33	1,000.71	988.34	997.69	954.86	969.82

School District No. 40
Frenchtown, Montana

OTHER INFORMATION

FOR THE YEAR ENDED JUNE 30, 2023

Student Enrollment

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

	Student Count	Change	%
October			
2013	1,194	32	2.8%
2014	1,200	6	0.5%
2015	1,253	53	4.4%
2016	1,288	35	2.8%
2017	1,320	32	2.5%
2018	1,322	2	0.2%
2019	1,345	23	1.7%
2020	1,345	0	0.0%
2021	1,463	118	8.8%
2022	1,444	(19)	(1.3)%

School District No. 40
Frenchtown, Montana

OTHER INFORMATION

FOR THE YEAR ENDED JUNE 30, 2023

Tax Collections

Fiscal Year	Total Tax Levy	Current Tax Collections	Collections as % of Levy	Total Tax Collections	Collections as % of Levy
2022/2023	$4,486,422	$4,336,841	96.7%	$4,443,832	99.1%
2021/2022	$4,453,358	$4,280,243	96.1%	$4,433,393	99.6%
2020/21	$4,706,038	$4,419,044	93.9%	$4,664,500	99.1%
2019/20	$4,573,767	$4,356,868	95.3%	$4,615,549	100.9%
2018/19	$4,585,206	$4,180,805	91.2%	$4,380,881	95.5%
2017/18	$4,582,663	$4,328,925	94.5%	$4,828,495	105.4%
2016/17	$4,006,250	$3,724,694	93.0%	$3,821,634	95.4%
2015/16	$3,668,417	$3,501,387	95.4%	$3,698,708	100.8%
2014/15	$3,663,614	$3,458,600	94.4%	$3,602,034	98.3%
2013/14	$3,382,125	$3,174,512	93.9%	$3,283,214	97.1%
2012/13	$3,265,102	$2,971,706	91.0%	$3,278,005	100.4%

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

School District No. 40
Frenchtown, Montana

OTHER INFORMATION

FOR THE YEAR ENDED JUNE 30, 2023

Major Taxpayers

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

		Taxable Valuation $14,909,342 January 1, 2023		Percent of Total
Taxpayer	Business	Taxable Value	Largest Values	Taxable Value
Montana Rail Link	Railroad	$463,391	24.92%	3.11%
NorthWestern Energy	Gas and Electric Utility	407,135	21.89%	2.73%
Missoula Electric Coop Inc	Electric Utility	292,503	15.73%	1.96%
Missoula 7 RE LLC	Town Pump Travel Plaza	160,391	8.62%	1.08%
AT&T Mobility LLC	Tele-Communications	118,785	6.39%	0.80%
MLH Montana LLC	Investment-Development	99,881	5.37%	0.67%
4M Family Limited Partnership	Truck Stop (Muralts)	97,795	5.26%	0.66%
Tollefson Properties LLC	Industrial Services	83,147	4.47%	0.56%
M2Green Redevelopment LLC	Industrial	69,083	3.71%	0.46%
Decker Montana Land Co LLC	Agricultural/Land	67,498	3.63%	0.45%
Total		$1,859,609	100%	12.47%

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

ROSS R. STALCUP

CERTIFIED PUBLIC ACCOUNTANT, P.C.

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

Board of Trustees
School District No. 40
Frenchtown, Montana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District No. 40, Frenchtown, Montana as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise School District No. 40's basic financial statements, and have issued our report thereon dated March 21, 2024.

Report on Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered School District No. 40's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of School District No. 40's internal control. Accordingly, we do not express an opinion on the effectiveness of School District No. 40's internal control.

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

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

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

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

March 21, 2024

Ross R. Stalcup
Certified Public Accountant

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ROSS R. STALCUP

CERTIFIED PUBLIC ACCOUNTANT, P.C.

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

Board of Trustees
School District No. 40
Frenchtown, Montana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited School District No. 40, Frenchtown, Montana (the District)'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of School District No. 40's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, School District No. 40, Frenchtown, Montana complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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 School District No. 40, Frenchtown, Montana and to meet our other eithical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of School District No. 40, Frenchtown, Montana's compliance with the compliance requirements referred to above.

Responsibilities fo Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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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 be a reasonable user of the report on compliance about School District No. 40, Frenchtown, Montana's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose describe in the Auditor's Repsonsibilities for the Audit of Compliance section above and was not designed to designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control may exist that were not identified.

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

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

March 21, 2024

Ross R. Stalcup
Certified Public Accountant

ROSS R. STALCUP

CERTIFIED PUBLIC ACCOUNTANT, P.C.

SCHOOL DISTRICT NO. 40
FRENCHTOWN, MONTANA

Schedule of Findings and Questioned Costs

SECTION I SUMMARY OF AUDITORS RESULTS

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

   Federal Assistance No. 84.425 Education Stabilization Fund

9. The dollar threshold for Type A programs for School District No. 40:

   $750,000.

10. The District did qualify as a low-risk auditee.

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

None

OTHER MATTERS:

None

SECTION III FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

SECTION IV – STATUS OF PRIOR YEAR FINDINGS

None

March 21, 2024

Ross R. Stalcup
Certified Public Accountant

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