

**MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1**

FINANCIAL REPORT

June 30, 2021



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MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1

2020 – 2021

ORGANIZATION

BOARD OF TRUSTEES

Board Chair Diane Lorenzen
Vice Chair/Elementary..... Wilena Old Person
Vice Chair/Secondary.....Ann Wake
Trustee Grace Decker
Trustee Vicki McDonald
Trustee Wilena Old Person
Trustee Michael Gehl
Trustee Jeffrey Avgeris
Trustee Nancy Hobbins
Trustee Koan Mercer
Trustee Jennifer Vogel

OFFICERS

District Superintendent Rob Watson
Director, Business Services/Clerk of Board Pat McHugh
County Superintendent of Schools Dr. Erin Lipkind
County Attorney..... Kirsten H. Pabst

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Missoula County Public Schools
School District No. 1
Missoula, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Missoula County Public Schools, School District No. 1 (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Missoula County Public Schools, School District No. 1, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information required by the Montana Office of Public Instruction and the other supplementary information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information required by the Montana Office of Public Instruction 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the supplementary information required by the Montana Office of Public Instruction and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Prior-Year Comparative Information

We have previously audited the District's June 30, 2020 financial statements, and we expressed unmodified opinions in our report dated June 30, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived except as disclosed in the footnotes to the financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the District's internal control over financial reporting and compliance.

Anderson Zurmuehlen & Co, P.C.

Missoula, Montana
June 30, 2022

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2021

This discussion and analysis provides an overall review of the financial performance of Missoula Public School District, School District No. 1 (the "District") for the fiscal year ended June 30, 2021. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

The 2020-21 fiscal year, saw some relatively major changes in the operation of the District in response to the COVID 19 pandemic. The District opened an online academy for over 1,700 students at the beginning of that year. Additionally, the District operated a hybrid learning model where students learned remotely part of the week, and in a classroom the other part of the week. The new learning models required additional staff, computers, materials and administration, all funded through federal grants specifically provided to help mitigate, plan for, and respond to the COVID 19 pandemic.

The District continued to expend bond proceeds to design, construct, improve, renovate, equip, and furnish schools in accordance with the District's Smart Schools 2020 Strategic Facilities Plan. As part of a \$158,000,000 voter approved bond election in November of 2015, the District issued bonds in January of 2016 and October of 2017. The proceeds of those two issues, including bond premium, amounted to \$175,197,990. By the end of fiscal year 2021, approximately \$173,200,000 of bond proceeds were expended, including approximately \$6,500,000 expended during fiscal year 2021. Most of the nearly \$8,000,000 in fixed assets purchased during the fiscal year, were funded with bond proceeds.

The Elementary District's general fund budget grew by approximately \$1,526,000 or 3.77%. This increase was partially due to an inflationary increase of 1.83% in the basic and per ANB entitlements and an increase in ANB of 166 in grades K-8. ANB or "Average Number Belonging" means the average number of regularly enrolled full-time pupils. The District did not go to the voters for approval of a \$411,407 levy increase, given the budgetary increase of \$1.5 million, and the economic upheaval of the COVID 19 pandemic. Like most parts of the county, some businesses closed and others cut back on staffing. In the 2020 fiscal year, Elementary voters approved a \$200,519 levy that allowed the Elementary general fund to operate at maximum budget for that year.

The High School District experienced a smaller general fund budget increase of \$152,974 or .50%. This increase was due to the 1.83% inflationary increase built into the school funding formula for fiscal year 2021. The High School general fund budget increased in spite of a slight decrease in High School ANB of 38. For similar reasons as noted above, the District did not ask the voters to approve a levy. In the 2020 fiscal year, the voters approved an operating levy of \$118,986.

With the budgetary increases discussed above, the Board of Trustees adopted general fund budgets of \$41,983,822 in the Elementary District and \$30,751,683 in the High School District, for the 2021 fiscal year.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2021

USING THIS FINANCIAL REPORT

Reporting the District as a Whole

This report includes two District-wide statements: Statement of Net Position and Statement of Activities. These statements focus on operations of the District as a whole. They measure inflows and outflows using an economic resources measurement focus and the accrual basis of accounting. The *accrual basis of accounting* is similar to the accounting system used by most private sector companies. This basis takes into account all of the current year's revenues and expenses regardless of when the cash was received or paid.

The *Statement of Net Position* (pages 15 and 16) presents the "assets" (what is owned), "liabilities" (what is owed), deferred outflows and inflows, and the "net position" (the resources that would remain if all obligations were settled) of the District. The statement categorizes assets. Some assets are very liquid, such as cash and cash equivalents; some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes; some assets are invested in "fixed" or "capital" assets, such as buildings, equipment, and other long-lived property; and some assets are available to fund budgets of the following year. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* (page 17) presents information showing how the net position of the District changed during the most recent fiscal year.

The Statement of Net Position and the Statement of Activities provide information about the District's school functions, such as instruction, student services, and administration. Property taxes, state revenue, and federal revenue support most of these functions of the District. The District has no business-type activities.

Reporting the District's Most Significant Funds

Fund financial statements provide detailed information about the specific funds used by the District. State law and Generally Accepted Accounting Principles (GAAP) establish the fund structure for school districts. State law generally requires school districts to segregate money generated for certain specific purposes, i.e. transportation, retirement, and debt service, into separate funds.

The financial statements report balances and activities of the "major" funds separately and combine activities of less significant funds under a single category. Significance of funds is determined by the proportional size of the fund, the relative importance of the activities of the fund to the school district's operations, and the existence of legal budget requirements.

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances are presented for governmental funds, such as the general fund, special revenue funds, debt service fund, and capital projects fund. These funds use the modified accrual basis of accounting and represent the majority of the District's activities and programs.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2021

USING THIS FINANCIAL REPORT (CONTINUED)

Reporting the District's Most Significant Funds (Continued)

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

Reporting the District's Trust and Fiduciary Responsibilities

The District is the trustee, or fiduciary, for reporting the elementary and high school endowment funds and the elementary and high school student extracurricular funds. This report includes these activities in a separate Statement of Net Position-Fiduciary Funds and Statement of Changes in Fiduciary Net Position (pages 25 and 26). These activities are reported in this statement because the District cannot use these assets to fund operations. The District is responsible for ensuring these assets are used for their intended purpose.

GENERAL FUND BUDGET

The Elementary District ANB for the 2021 fiscal year increased by 166. ANB (average number belonging) is calculated from two enrollment counts taken in the prior fiscal year. ANB has a significant impact upon the calculation of a school district's general fund budget. If a district experiences an "unanticipated" enrollment increase compared to the enrollment counts taken the prior year, then that district can apply for a budget amendment. The Elementary District did not experience an increase in enrollment during the 2021 fiscal year and therefore did not apply for a general fund budget amendment for 2021. The High School District did have an enrollment increase for the counts taken in fiscal year 2021, however, the District did not apply for a budget amendment in the 2021 fiscal year.

The District tries to budget certain variable expenditures, like utilities, at a higher than average level so that, in a "worst case" year, adequate budget will be available to cover excess costs. In a normal year, excess budget is typically utilized to purchase instructional materials and supplies for new curriculum adoptions. The 2021 fiscal year was an unusual year due to the COVID 19 pandemic. As a result of operations for the year, the District had enough remaining general fund dollars to do the following: transfer approximately \$3,000,000 to the Inter-local Fund through a multidistrict agreement between the elementary and high school districts; contribute approximately \$260,000 to the high school food service fund, which helps the District keep meal prices to a minimum; transfer approximately \$780,000 of building maintenance expenses from the building reserve fund into the general fund; and contribute \$335,000 to the compensated absences fund to help cover the future pay-out of accumulated leave for classified and administrative staff upon termination from employment.

The availability of funds near the end of the year is the main reason for budget transfers, though the transfers are relatively insignificant in relation to the total general fund budgets.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2021

THE DISTRICT AS A WHOLE

Net position is the amount by which assets exceed or (are less than) liabilities. The District's net position decreased by \$1.4 million during the year. Liabilities exceeded assets because the District's share of the net pension liability totaled approximately \$98 million as of June 30, 2021. GASB Statement No. 68 requires governmental entities to reflect a portion of the deficit resulting from underfunded pension plans if that governmental entity participates in the pension plan. Please see the Notes to the Financial Statements for further discussion.

The increase in *invested in fixed assets* was primarily the result of purchasing capital assets or contracting for the construction of fixed assets. In addition, the net investment in capital assets also increased by the reclassification of long-term debt to a current liability. This reclassification occurs when debt becomes payable within one year. The amount that was reclassified was approximately \$7.6 million. The other significant impact to the invested in capital assets amount was depreciation expense of approximately \$4.6 million

Table 1 summarizes the District's financial position.

Table 1

	<u>2021</u>	<u>2020</u>	<u>Variance</u>
Current assets	\$ 49,203,266	\$ 50,124,893	\$ (921,627)
Capital assets	<u>197,764,758</u>	<u>195,314,659</u>	<u>2,450,099</u>
Total assets	246,968,024	245,439,552	1,528,472
Deferred outflows of resources	<u>21,693,998</u>	<u>13,276,226</u>	<u>8,417,772</u>
Total assets and deferred outflows	<u>268,662,022</u>	<u>258,715,778</u>	<u>9,946,244</u>
Current liabilities	18,354,019	16,234,145	2,119,874
Noncurrent debt payable	136,629,818	144,182,688	(7,552,870)
Other noncurrent liabilities	13,489,494	12,688,125	801,369
Pension liability	<u>97,898,119</u>	<u>82,041,471</u>	<u>15,856,648</u>
Total liabilities	266,371,450	255,146,429	11,225,021
Deferred inflows of resources	<u>2,835,799</u>	<u>2,658,055</u>	<u>177,744</u>
Total liabilities and deferred inflows	<u>269,207,249</u>	<u>257,804,484</u>	<u>11,402,765</u>
NET POSITION			
Net investment in capital assets	59,458,248	45,268,969	14,189,279
Restricted	14,714,605	9,020,660	5,693,945
Unrestricted	<u>(74,718,080)</u>	<u>(53,378,335)</u>	<u>(21,339,745)</u>
Total net position	<u>\$ (545,227)</u>	<u>\$ 911,294</u>	<u>\$ (1,456,521)</u>

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2021

THE DISTRICT AS A WHOLE (CONTINUED)

Current assets are comprised mostly of cash and property taxes receivable. Current assets decreased by \$5.2 million primarily due to the continued expenditure of bond proceeds for construction and renovation of District fixed assets. That contributed to a decline in current assets of \$6,500,000 as the construction costs were paid from cash of the District. Offsetting this decline was the aforementioned transfer of approximately \$3 million to the interlocal fund, which preserved those funds that were taken in as revenue during the fiscal year in the normal course of operations.

Capital assets include all land owned by the District and buildings and equipment costing \$5,000 or more. Capital assets increased by approximately \$2,450,000. This change was the result of capital asset additions of \$8,027,000, offset by depreciation expense of \$4,600,000. The largest addition to capital assets resulted from bond construction, discussed in a later section.

Current liabilities consist of items owed as of the financial statement date that are expected to be paid within the next twelve months. Current liabilities decreased by approximately \$2,100,000 in the 2021 fiscal year as a result of the reduction in the number of construction projects funded with bond proceeds. Since the vast majority of bond projects had been completed by June 30, 2020, there were far fewer liabilities payable to construction vendors at the end of fiscal year 2021.

Noncurrent debt consists of all bond liabilities, capital leases, and notes payable due in more than one year. Noncurrent debt decreased by approximately \$7,600,000 in fiscal year 2021. This decrease was the result of the reclassification of bonds payable and bond premium due to be paid or recognized within the next twelve months. The reclassification was from noncurrent debt to current debt.

The district's pension liability increased by nearly \$16,000,000 as a result of the actuarial update to the State of Montana PERS and TRS retirement systems. The change in liability is affected by the assumptions used by the actuary, as well as differences between estimates and actual experience. This topic is explained in greater detail in the Notes to the Financial Statements.

Net position is the difference between assets and deferred outflows, and liabilities and deferred inflows. Some net position is restricted for capital projects, and some is restricted for debt service. The Net Investment in Capital Assets portion of net position increased by approximately \$14,200,000 during the 2021 fiscal year. This increase is primarily the result of the reclassification of \$8,100,000 of noncurrent bonds payable to short term, along with purchase or construction of fixed assets which totaled over \$8 million, offset by depreciation of approximately \$4.6 million.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2021

THE DISTRICT AS A WHOLE (CONTINUED)

Restricted net position increased by approximately \$5,700,000. The largest contributor to this increase was the previously mentioned transfer to the Interlocal Agreement Fund. Additionally, though spending had increased with the utilization of new allocations of Federal funds to aid in the struggles of educating students during the pandemic, some of the traditional costs were not occurring at the same levels as prior to the pandemic. Therefore some restricted net assets were not necessarily spent out at the levels expected and thus causing an increase in restricted net assets.

Unrestricted net assets decreased by \$21,340,000 or 40%. This decrease is primarily due to the previously discussed increase in the net pension liability.

Governmental Activities

In Montana, school districts must seek voter approval for additional levy authority above the base budget in order to operate the school district at or near the state funding cap (max budget). Additionally, Montana schools are limited by state law in the amount they can levy for operating expenses in the general fund. Overall, local property tax collections made up 34% of District revenues for governmental activities for fiscal year 2021, which is slightly lower than the 37.5% in the prior year. This slight decrease occurred because of the significant increase in program revenue. Program revenue increased as a result of federal assistance relating to the COVID 19 pandemic. Additionally, state revenue grew by approximately \$4 million which is almost entirely related to a necessary adjustment associated with the actuarial study of the state retirement plans. The footnotes to the financial statements explain these plans and liabilities in detail.

The major categories of expenses are presented in Table 4 on page 11. The largest expense is for instruction, which comprises 60.2% of total District expenses. This is quite a bit higher than the prior fiscal year, which was 57.5%. This increase is explained by the significant increase in instructional support during the pandemic. The additional support was funded with federal grants.

Spending Levels Compared to Resource Levels

As shown on page 20, total expenditures for governmental funds exceeded total revenues by approximately \$1,200,000. These expenditures include capital outlays amounting to slightly more than \$8 million. Those expenditures had no offsetting revenue in fiscal year 2021. The net effect of the reduction coupled with expenditure savings in other funds, some of which resulted from the pandemic, was an excess of expenses over revenue of only \$1.2 million.

Table 2 reflects a total revenue increase of approximately \$9,748,000 as the result of the changes in program revenues. This table also reflects total expenditures for the 2021 fiscal year as well as the prior year. Changes in expenditures are covered in another section of this analysis.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2021

THE DISTRICT AS A WHOLE (CONTINUED)

Spending Levels Compared to Resource Levels (Continued)

As shown in Table 2 and 3, total general revenues were almost exactly the same as the prior year. However, within general revenue, state revenue increased by approximately \$4,000,000 (8%). This wasn't so much of a change in revenue in the 2021 fiscal year as it was a reduction in state revenue in the prior year, which did not recur in fiscal year 2021. This revenue reduction in fiscal year 2020 was a component of the actuarial study required for the state's retirement systems. Without this reduction in fiscal year 2020, the state revenue total was almost exactly the same for the two fixed years. Please see the footnotes to the financial statements for more in-depth information regarding these retirement systems.

Table 2

	<u>2021</u>	<u>2020</u>	<u>Variance</u>
REVENUES			
General revenues	\$ 106,867,857	\$ 106,863,731	\$ 4,126
Program revenues	<u>29,964,918</u>	<u>20,216,449</u>	<u>9,748,469</u>
Total revenues	136,832,775	127,080,180	9,752,595
EXPENSES			
Governmental activities	<u>138,289,296</u>	<u>123,267,732</u>	<u>15,021,564</u>
Change in net position	(1,456,521)	3,812,448	(5,268,969)
Net position, beginning of year	<u>911,294</u>	<u>(2,901,154)</u>	<u>3,812,448</u>
Net position, end of year	<u>\$ (545,227)</u>	<u>\$ 911,294</u>	<u>\$ (1,456,521)</u>

Table 3

	<u>2021</u>	<u>2020</u>	<u>Variance</u>
General Revenues			
District tax-levies	\$ 46,785,224	\$ 47,894,722	\$ (1,109,498)
Missoula County	10,401,087	11,256,931	(855,844)
State of Montana	52,635,278	48,593,056	4,042,222
Investment earnings	95,579	800,897	(705,318)
Transfer	(3,060,898)	(1,348,650)	(1,712,248)
Other revenues	<u>11,587</u>	<u>(333,225)</u>	<u>344,812</u>
Total general revenues	<u>\$ 106,867,857</u>	<u>\$ 106,863,731</u>	<u>\$ 4,126</u>
Program Revenues			
Charges for services	\$ 1,646,906	\$ 2,017,865	\$ (370,959)
Operating grants and contributions	<u>28,318,012</u>	<u>18,198,584</u>	<u>10,119,428</u>
Total program revenues	<u>\$ 29,964,918</u>	<u>\$ 20,216,449</u>	<u>\$ 9,748,469</u>

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2021

ANALYSIS OF FINANCIAL INFORMATION

The following analysis is intended to help the reader understand the following: the major operations of the District; where the resources come from; what the resources are used for; and trends, decisions, and events that are expected to affect the District's financial situation in the future.

What does the District do? The District provides education for children in grades kindergarten through 12th grade, transportation to and from school, meals (breakfast and lunch), athletic and extracurricular activities, and services via various federal programs.

Where do the resources come from? The majority of resources utilized by the District come from local property taxes, state aid, and state and federal grants. Table 3 shows the components of the general resources (revenues) and the program revenues of the District.

What does it cost? The major expenditure functions of the District include instructional services, support services, operations, administration, capital outlay, transportation, and debt service. Table 4 illustrates the costs of major functions as components of total expenditures.

Table 4

	<u>2021</u>	<u>2020</u>	<u>Variance</u>
EXPENSES			
Instruction	\$ 83,203,206	\$ 70,876,930	\$ 12,326,276
Support services	17,292,201	17,237,618	54,583
General administration	9,097,751	8,050,183	1,047,568
Operations and maintenance	11,678,036	9,843,978	1,834,058
Student transportation	6,948,324	6,842,860	105,464
Food services	3,064,012	3,322,032	(258,020)
Extracurricular activities	2,499,144	2,411,441	87,703
Other	344,427	386,822	(42,395)
Interest and fiscal charges	<u>4,162,195</u>	<u>4,295,868</u>	<u>(133,673)</u>
	<u>\$ 138,289,296</u>	<u>\$ 123,267,732</u>	<u>\$ 15,021,564</u>

Overall, expenses increased by approximately \$15,000,000 or 12.2%. The expenditure of federal grants to help deal with the COVID 19 pandemic was a significant contributor to the increase in expenses. The District expended more than \$10 million in Cares Act and the Governor's Corona Virus Relief funds as well as some State School Emergency Relief funds (ESSER). The federal government distributed ESSER funds to the State to be allocated to schools. The District used the new funds to establish hybrid learning for all students, as well as a full-time online learning academy. The District hired approximately seventy additional teachers to staff the online academy. The District also purchased more than \$600,000 in new computer devices for remote online learning. During first semester of the 2020-21 fiscal year, the District had more than 1700 students in the online academy and more than 1,000 students second semester.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Year Ended June 30, 2021

ANALYSIS OF FINANCIAL INFORMATION (CONTINUED)

Other pandemic related expenditures included cleaning supplies, facemasks and additional custodial support. The District held two vaccination clinics for staff in the spring of 2021. And additional funds were used to address learning loss and to provide social and emotional support for students.

General administration increased by more than \$1 million from the prior fiscal year. This follows a reduction of those expenses in the prior year of more than \$400,000 which was caused by the pandemic. In fiscal year 2021, the District appointed some administrators to develop and rollout plans in response to in person instruction and to address other impacts of COVID 19. The District also hired four administrators to run the online academy.

Operations and maintenance expenses also grew by nearly \$2 million or 20%. The increase in fiscal year 2021 follows the decline in operation and maintenance expenses of approximately \$826,000 in the prior year. This shift was largely related to classification of more bond projects as maintenance related. The amount of maintenance projects paid from the bond funds was very minimal relative to the full value of the bonds, however some did exist. Additionally, as mentioned previously, there were many COVID 19 expenses including the purchase of cleaning supplies, hand sanitizer, masks, filters, and maintenance services. There were expenditures to help limit the spread of COVID 19 as well as classroom modifications to help facilitate social distancing.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

What are capital assets of the District? Capital assets of the District are assets purchased for \$5,000 or more and having a useful life of more than one year. The majority of capital assets include buildings, building improvements, and equipment. Technology purchases are mainly funded by the technology fund. However, because of the \$5,000 capitalization threshold, these purchases are rarely considered capital assets.

Table 5

	<u>2021</u>	<u>2020</u>
Land	\$ 2,506,208	\$ 2,506,208
Construction in progress	-	30,212,011
Land improvements	4,184,833	4,184,833
Buildings and improvements	235,096,272	197,235,696
Equipment and other	<u>16,951,340</u>	<u>16,560,948</u>
Total capital assets	258,738,653	250,699,696
Less - accumulated depreciation	<u>(60,973,895)</u>	<u>(55,385,037)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 197,764,758</u>	<u>\$ 195,314,659</u>

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2021

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

In looking at Table 5, total capital assets increased by \$2,451,000 after depreciation. The actual amount of additions before depreciation totaled more than \$8 million which was down significantly from recent years. During fiscal year 2021, the District was in the final stages of completing the construction, wiring and renovation projects that were funded with 2016 bond proceeds. Some of the most notable construction included renovation/addition expenditures of \$624,000 at Sentinel High School, \$3.45 million at Big Sky High School, \$282,000 at C. S. Porter Middle School, \$1.1 million at the District's administration building, \$179,000 at Chief Charlo Elementary School, \$173,000 at Paxson Elementary School, \$534,000 at Jefferson Center and \$291,000 at Seeley Swan High School. The pipe replacement project at Seeley Swan High School was primarily funded with a grant through the State of Montana. The administration building remodeling expenses were covered through a variety of sources including rent/lease revenue as well as property sale proceeds.

Equipment purchases included a new fingerprint scanner, a suburban, a bowl cutter, a splitting saw, cameras at the Ag Ed center and various pieces of welding equipment. Please refer to Note 3 for further information.

Debt Administration

In August 2017, the Elementary and High School Districts each went through the bond rating process in anticipation of issuing bonds. Each District received a rating of "Aa3". This rating is considered excellent and gives each District the ability to issue general obligation bonds at some of the lowest bond interest rates available to any government. The new bond rates in the Elementary District ranged from 2.0% to 5.0%, and had an average coupon rate of 4.1%. The High School District rates also ranged from 2.0% to 5.0%, and have an average coupon rate of 4.0%. Please refer to Note 4 for further information on the District's debt. D.A. Davidson & Co. was the underwriter of the 2017 bond issue, and reported true interest cost of 2.9% associated with the Elementary and High School District bond issues.

In the spring of 2021, each district underwent a rating review and each maintained their Aa3 rating.

THE FUTURE OF THE DISTRICT

The COVID 19 pandemic created a new landscape for the District's delivery of educational services. During the 2022 school year, the District has been able to get back to delivering education in the traditional in-class learning environment, though the District continued to offer the online academy for a few hundred students. The District has a significant allocation of federal COVID 19 funds remaining. Funds will be utilized to address learning loss, retention of staff, safety and a myriad of other COVID 19 impacts.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2021

THE FUTURE OF THE DISTRICT (CONTINUED)

The District has continued to foster the development of an inspired 21st century educational culture that improves student achievement, develops remarkable educational leaders and engages the Missoula community in the educational future of its children. The District adopted a new strategic plan and recently completed a curriculum review of K-12 science. The core ideology of the District is to engage all students in a high-quality education that empowers, inspires, and prepares each student for their future.

In the 2022 fiscal year, the District general fund budgets decreased by approximately \$150,000. Making up this decrease was a decrease in the Elementary general fund budget of \$642,000 and an increase in the High School District general fund budget of \$493,000. The major driving force behind a school district's general fund budgets is the prior year's enrollment count. The Elementary District's enrollment dropped from 5,628 in October 2019 to 5,264 in October 2020 which is attributed to the COVID 19 pandemic. The High School District's enrollment actually increased in the fall, but only by approximately 125 students. The Districts high school enrollment projections, however, which had been highly accurate to this point, projected an enrollment increase of nearly 300 students.

Along with lower enrollments, the District committed to a 2.75% salary increase as part of a 3 year contract negotiated two years ago. The increases in wages as well as the addition of staff resulted in a significant general fund deficit. ESSER grant funds were utilized to cover the cost of staff during the economic downturn caused by the COVID 19 pandemic.

The 2023 general fund budgets are estimated to increase by a total of approximately \$3,000,000. This increase is primarily caused by the enrollment increase in the High School District as well as a 2.57 % increase in the state funding rates. The increase will be utilized to cover salary increases and staffing paid for with ESSER funds.

CONTACT FOR FURTHER INFORMATION

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Accounting Supervisor or the Executive Director of Business and Operations for the District, at 909 South Avenue West, Missoula, Montana 59801.

FINANCIAL STATEMENTS

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION
 June 30, 2021
 (With Comparative Totals as of June 30, 2020)

	<u>2021</u>	<u>2020</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 37,757,123	\$ 43,619,187
Property taxes receivable	1,216,894	1,143,070
Protested taxes receivable	1,046,589	1,253,070
Due from other governments	8,012,766	2,466,423
Inventory	499,778	878,053
Prepaid expenses	19,323	181,471
Other current assets	650,793	583,619
Total current assets	<u>49,203,266</u>	<u>50,124,893</u>
CAPITAL ASSETS		
Land	2,506,208	2,506,208
Construction in progress	-	30,212,011
Land improvements	4,184,833	4,184,833
Buildings and improvements	235,096,272	197,235,696
Machinery and equipment	16,951,340	16,560,948
Less - accumulated depreciation	<u>(60,973,895)</u>	<u>(55,385,037)</u>
Total capital assets	<u>197,764,758</u>	<u>195,314,659</u>
Total assets	<u>246,968,024</u>	<u>245,439,552</u>
DEFERRED OUTFLOW OF RESOURCES		
Other postemployment health benefits deferred contributions	453,636	129,720
Contributions to pension plans in current fiscal year	<u>21,240,362</u>	<u>13,146,506</u>
Total deferred outflows of resources	<u>21,693,998</u>	<u>13,276,226</u>
Total assets and deferred outflows of resources	<u>\$ 268,662,022</u>	<u>\$ 258,715,778</u>

The Notes to Financial Statements are an integral part of these statements.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION (CONTINUED)
 June 30, 2021
 (With Comparative Totals as of June 30, 2020)

	<u>2021</u>	<u>2020</u>
LIABILITIES, DEFERED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and other current liabilities	\$ 7,860,999	\$ 5,412,550
Unearned revenue	1,763,650	1,684,490
Bonds payable - due within one year	7,576,042	8,096,164
Current portion capital lease and other debt	3,328	15,941
Compensated absences - due within one year	<u>1,150,000</u>	<u>1,025,000</u>
Total current liabilities	<u>18,354,019</u>	<u>16,234,145</u>
NONCURRENT LIABILITIES		
Bonds payable	136,606,646	144,182,688
Capital lease and other debt	23,172	-
Compensated absences	10,259,388	9,651,793
OPEB liability	3,230,106	3,036,332
Pension liabilities	<u>97,898,119</u>	<u>82,041,471</u>
Total noncurrent liabilities	<u>248,017,431</u>	<u>238,912,284</u>
Total liabilities	<u>266,371,450</u>	<u>255,146,429</u>
DEFERRED INFLOWS OF RESOURCES		
Other postemployment health benefits assumption changes	1,501,544	570,152
Pension deferrals	<u>1,334,255</u>	<u>2,087,903</u>
Total deferred inflows of resources	<u>2,835,799</u>	<u>2,658,055</u>
NET POSITION		
Net investment in capital assets	59,458,248	45,268,969
Restricted	14,714,605	9,020,660
Unrestricted	<u>(74,718,080)</u>	<u>(53,378,335)</u>
Total net position	<u>(545,227)</u>	<u>911,294</u>
Total liabilities, deferred inflows and net position	<u>\$ 268,662,022</u>	<u>\$ 258,715,778</u>

The Notes to Financial Statements are an integral part of these statements.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
STATEMENT OF ACTIVITIES
Year Ended June 30, 2021
(With Comparative Totals as of June 30, 2020)

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	2021	2020
Governmental Activities:					
Instruction	\$ 83,203,206	\$ 498,979	\$ 21,069,891	\$ (61,634,336)	\$ (59,847,205)
Support services	17,292,201	1,097,955	1,324,921	(14,869,325)	(13,623,961)
General administration	9,097,751	-	125,785	(8,971,966)	(7,940,257)
Operations and maintenance	11,678,036	47,880	542,357	(11,087,799)	(9,706,186)
Student transportation	6,948,324	-	875,724	(6,072,600)	(5,995,983)
Food services	3,064,012	2,092	2,216,608	(845,312)	(629,004)
Extracurricular activities	2,499,144	-	-	(2,499,144)	(2,411,441)
Other	344,427	-	2,162,726	1,818,299	2,148,001
Interest and bond issuance costs	4,162,195	-	-	(4,162,195)	(4,295,868)
Total governmental activities	<u>\$ 138,289,296</u>	<u>\$ 1,646,906</u>	<u>\$ 28,318,012</u>	<u>(108,324,378)</u>	<u>(102,301,904)</u>
General revenues:					
				46,785,224	47,894,722
				10,401,087	11,256,931
				52,635,278	48,593,056
				95,579	800,897
				(3,060,898)	(1,348,650)
				11,587	(333,225)
				<u>106,867,857</u>	<u>106,863,731</u>
				(1,456,521)	4,561,827
				911,294	(2,901,154)
				-	(749,379)
				<u>\$ (545,227)</u>	<u>\$ 911,294</u>

The Notes to Financial Statements are an integral part of these statements.

**MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2021**

	General Fund	Elementary Miscellaneous Program	High School Miscellaneous Program	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 7,761,690	\$ (2,056,632)	\$ 1,122,290	\$ 11,812,754	\$ 18,640,102
Property taxes receivable	621,761	-	-	595,133	1,216,894
Protested property taxes receivable	603,291	-	-	443,298	1,046,589
Due from other governments	-	5,365,837	2,578,693	68,236	8,012,766
Prepaid expenses	19,323	-	-	-	19,323
Inventory	-	-	-	67,097	67,097
Other current assets	187,672	138,946	237,604	1,500	565,722
Total assets	<u>\$ 9,193,737</u>	<u>\$ 3,448,151</u>	<u>\$ 3,938,587</u>	<u>\$ 12,988,018</u>	<u>\$ 29,568,493</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
LIABILITIES					
Other current liabilities	4,700,801	453,647	143,596	678,054	5,976,098
Total liabilities	<u>4,700,801</u>	<u>453,647</u>	<u>143,596</u>	<u>678,054</u>	<u>5,976,098</u>
DEFERRED INFLOWS OF RESOURCES					
Uncollected tax revenue	1,225,052	50,062	187,896	1,068,376	2,531,386
Total deferred inflows of resources	<u>1,225,052</u>	<u>50,062</u>	<u>187,896</u>	<u>1,068,376</u>	<u>2,531,386</u>
FUND BALANCES					
Non-spendable	-	-	-	67,397	67,397
Restricted	-	2,213,226	3,465,446	10,543,349	16,222,021
Assigned	144,914	731,216	141,649	673,152	1,690,931
Unassigned	3,122,970	-	-	(42,310)	3,080,660
Total fund balances	<u>3,267,884</u>	<u>2,944,442</u>	<u>3,607,095</u>	<u>11,241,588</u>	<u>21,061,009</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,193,737</u>	<u>\$ 3,448,151</u>	<u>\$ 3,938,587</u>	<u>\$ 12,988,018</u>	<u>\$ 29,568,493</u>

The Notes to Financial Statements are an integral part of this statement.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
 June 30, 2021

Total fund balances - governmental funds		\$ 21,061,009
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Internal service funds net position not reported in the governmental funds statements.		16,123,126
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets	\$ 258,713,653	
Accumulated depreciation	(60,973,895)	
Less - capital assets recorded in internal service funds	<u>(208,675)</u>	197,531,083
Property tax revenue is recognized when earned (and the claim to resources is established) rather than when "available." All of the deferred inflows-uncollected tax revenue reported in the governmental funds is not available.		2,531,386
Deferred outflows and inflows of resources related to pensions, OPEB and refinanced bonds are applicable to future periods and, therefore, are not reported in governmental funds.		
Deferred outflows of resources	21,693,998	
Deferred inflows of resources	(2,835,799)	
Unamortized bond premium on refinanced bonds	<u>-</u>	18,858,199
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	(144,182,688)	
Capital leases and other debt	(1,500)	
Compensated absences	(11,337,617)	
OPEB liability	(3,230,106)	
Pension liabilities	<u>(97,898,119)</u>	<u>(256,650,030)</u>
Total net position - governmental activities		<u>\$ (545,227)</u>

The Notes to Financial Statements are an integral part of this statement.

**MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
Year Ended June 30, 2021**

	General Fund	Elementary Miscellaneous Program	High School Miscellaneous Program	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
District levies	\$ 23,914,440	\$ -	\$ -	\$ 22,922,438	\$ 46,836,878
Investment interest	26,261	1,953	1,759	65,606	95,579
Tuition and fees	43,672	-	1,852	453,455	498,979
School Food	-	-	-	65,347	65,347
County sources	-	-	-	10,764,327	10,764,327
State sources	49,046,222	1,277,106	1,145,840	1,222,929	52,692,097
Federal sources	-	3,969,047	3,519,233	2,045,350	9,533,630
Federal sources: CARES	-	6,765,669	3,201,156	149,244	10,116,069
Contributions	-	564,712	472,771	-	1,037,483
Rentals	-	186,935	21,657	25,000	233,592
Other	-	458,797	207,691	36,559	703,047
Total revenue	<u>73,030,595</u>	<u>13,224,219</u>	<u>8,571,959</u>	<u>37,750,255</u>	<u>132,577,028</u>
EXPENDITURES					
Current:					
Instruction	42,049,378	10,529,504	6,408,329	10,309,772	69,296,983
Support services	9,190,012	1,738,639	1,037,398	1,475,193	13,441,242
Vocational programs	-	-	63,984	282,039	346,023
Administration	6,939,817	73,510	54,523	1,194,748	8,262,598
Operations and maintenance	8,203,008	359,490	239,313	1,340,251	10,142,062
Student transportation	336,599	-	1,133	6,556,097	6,893,829
Food service	259,068	-	14,436	2,450,521	2,724,025
Extracurricular	1,746,401	-	65,741	197,656	2,009,798
Other	-	43,026	20,520	11,678	75,224
Capital outlay	588,982	383,672	736,443	6,595,293	8,304,390
Debt service:					
Principal retirement	-	-	-	6,870,000	6,870,000
Interest and fiscal charges	-	-	-	5,377,800	5,377,800
Total expenditures	<u>69,313,265</u>	<u>13,127,841</u>	<u>8,641,820</u>	<u>42,661,048</u>	<u>133,743,974</u>
Revenues over (under) expenditures	3,717,330	96,378	(69,861)	(4,910,793)	(1,166,946)
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	<u>(3,395,898)</u>	<u>-</u>	<u>-</u>	<u>335,000</u>	<u>(3,060,898)</u>
Total other financing sources (uses)	<u>(3,395,898)</u>	<u>-</u>	<u>-</u>	<u>335,000</u>	<u>(3,060,898)</u>
Revenues over expenditures and other financing sources	321,432	96,378	(69,861)	(4,575,793)	(4,227,844)
Fund balances, beginning of year	<u>2,946,452</u>	<u>2,848,064</u>	<u>3,676,956</u>	<u>15,817,381</u>	<u>25,288,853</u>
Fund balances, end of year	<u>\$ 3,267,884</u>	<u>\$ 2,944,442</u>	<u>\$ 3,607,095</u>	<u>\$ 11,241,588</u>	<u>\$ 21,061,009</u>

The Notes to Financial Statements are an integral part of this statement.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

Net change in fund balances - total governmental funds \$ (4,227,844)

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

Governmental funds report capital outlays as expenditures and gross proceeds from sales of assets as revenue. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Proceeds from sales are adjusted by the basis of the assets. This is the adjustments for those differences in the current period.

Capital outlay	\$ 8,304,390	
Basis in assets sold	-	
Depreciation expense	<u>(5,590,318)</u>	2,714,072

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (51,654)

The governmental funds report increases in notes payable as revenues and repayment of bond principal as an expenditure. These have no effect on net position and are therefore not shown on the statement of activities.

Long-term debt principal payments	6,870,000	
Amortization of bond premiums and discounts	<u>1,226,164</u>	8,096,164

The current period net change in compensated absences, other post employment benefits payable, and pension liabilities did not require the use of current financial resources and, therefore, generated no expenditure to be reported in the governmental funds.

Compensated absences	(732,594)	
OPEB liability	(801,250)	
Pension liability	<u>(7,257,098)</u>	(8,790,942)

Change in net position of internal service funds reported within governmental activities. 803,683

Change in net position of governmental activities \$ (1,456,521)

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION – INTERNAL SERVICE FUNDS
 June 30, 2021

ASSETS	
Cash and investments	\$ 19,117,021
Other current assets	85,071
Inventory	<u>432,681</u>
Total current assets	<u>19,634,773</u>
Capital assets	379,379
Less - accumulated depreciation	<u>(170,704)</u>
Capital assets, net	<u>208,675</u>
Total assets	<u>\$ 19,843,448</u>
LIABILITIES	
Payable to retirees	\$ 73,251
Other current liabilities	1,811,650
Unearned revenue	1,763,650
Compensated absences	<u>71,771</u>
Total current liabilities	<u>3,720,322</u>
Total liabilities	<u>3,720,322</u>
NET POSITION	
Non-spendable	432,681
Assigned	53,674
Unrestricted	<u>15,636,771</u>
Total net position	<u>16,123,126</u>
Total liabilities and net position	<u>\$ 19,843,448</u>

The Notes to Financial Statements are an integral part of this statement.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION – INTERNAL SERVICE FUNDS
 Year Ended June 30, 2021

OPERATING REVENUES	
Charges for services	\$ 1,130,178
Health insurance premiums	8,655,471
Donations by employees	<u>4,511,355</u>
Total operating revenue	<u>14,299,719</u>
OPERATING EXPENSES	
Medical claims	11,394,907
Personnel	720,440
Operations	744,759
Administration	-
Stop loss insurance	684,426
Depreciation	<u>17,384</u>
Total operating expenses	<u>13,561,916</u>
Operating income	<u>737,803</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment interest	<u>65,879</u>
Total non-operating revenues (expenses)	<u>65,879</u>
Change in net position	803,682
Net position, beginning of year	<u>15,319,444</u>
Net position, end of year	<u>\$ 16,123,126</u>

The Notes to Financial Statements are an integral part of this statement.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUNDS
Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Health insurance premiums received	\$ 13,245,986
Cash received for internal services	847,116
Medical claims paid	(10,466,184)
Cash paid to employees	(711,246)
Cash paid to suppliers for goods and services	<u>(1,368,464)</u>
Net cash flows from operating activities	<u>1,547,208</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earnings	<u>65,877</u>
Net cash flows from investing activities	<u>65,877</u>
Net increase in cash and cash equivalents	1,613,085
Cash and cash equivalents, beginning of year	<u>17,503,936</u>
Cash and cash equivalents, end of year	<u><u>\$ 19,117,021</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET	
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ 737,803
Adjustments to reconciled operating income to net cash flows from operating activities:	
Depreciation	17,384
Change in other assets	(276,420)
Change in inventory	51,363
Change in payables	928,723
Change in compensated absences	9,194
Change in unearned revenue	<u>79,161</u>
Net cash flows from operating activities	<u><u>\$ 1,547,208</u></u>

The Notes to Financial Statements are an integral part of this statement.

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 STATEMENT OF NET POSITION – FIDUCIARY FUNDS
 June 30, 2021

	<u>Private-Purpose Trust Funds</u>
ASSETS	
Cash and investments	\$ 5,455,695
Other current assets	<u>115</u>
Total assets	<u>\$ 5,455,810</u>
 LIABILITIES	
Accounts payable and other current liabilities	<u>\$ 18,165</u>
 NET POSITION	
Restricted for endowment	384,429
Restricted for extracurricular	1,241,862
Restricted for interlocal	<u>3,811,354</u>
Total net position	<u>5,437,645</u>
Total liabilities and net position	<u>\$ 5,455,810</u>

The Notes to Financial Statements are an integral part of this statement.

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 Year Ended June 30, 2021

	Private-Purpose Trust Funds
ADDITIONS	
Investment interest	\$ 9,519
Contributions	149,143
Internal service	-
Student receipts	<u>995,303</u>
Total additions	<u>1,153,965</u>
 DEDUCTIONS	
Other	45,301
Extracurricular	<u>1,168,496</u>
Total deductions	<u>1,252,442</u>
Change in net position	(98,477)
Transfer in	3,070,720
Net position, beginning of year	<u>2,465,402</u>
Net position, end of year	<u>\$ 5,437,645</u>

The Notes to Financial Statements are an integral part of this statement.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and practices of the Missoula County Public Schools, School District No. 1 (the District), as reflected in the accompanying financial statements for the fiscal year ended June 30, 2021, conform to accounting principles generally accepted in the United States of America (GAAP) for local government units as prescribed by the Governmental Accounting Standards Board (GASB).

Reporting Entity

The District operates under a district-wide elected eleven-member Board of Trustees and provides educational services to approximately 9,010 students in seventeen (K-12) schools throughout Missoula County, Montana.

GAAP requires that these financial statements present the District (the primary government) and all component units. Component units, as established by GASB Statement No. 14, are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations for which the District is financially accountable have been considered for inclusion in the basic financial statements. As a result of applying the component unit definition criteria above, it has been determined that the District does not have any component units.

The District consists of two separate legal entities: 1) the High School District, and 2) the Elementary District. The High School District includes all of the area covered by the Elementary District plus several other elementary districts in Missoula County. The Elementary District provides education from kindergarten through eighth grade; the High School District provides education from grades nine through twelve. The District also provides programs for preschoolers, adult, and continuing education. Due to differences in funding and the associated tax base, separate accounting records of both entities must be maintained. Both entities are managed by the central Board of Trustees as noted above and by a central administration appointed by and responsible to the Board. Seven of the Board members have voting authority over all District operations; four have voting authority over high school issues only.

Prior Period Comparative Amounts

The basic financial statements include certain prior year comparative amounts but the notes to the financial statements do not contain the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2020, from which the comparative information was derived.

Government-Wide and Fund Financial Statements

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

Government-Wide Financial Statements – The statement of net position and statement of activities report information on all of the non-fiduciary activities of the primary government and distinguish between the governmental and business-type activities of the District. All internal activity has been eliminated.

The statement of net position presents the financial condition of the governmental and business-type activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's activities. Direct expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function.

Program revenues include: 1) charges paid by the recipient of the goods or services provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

The District's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related 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 grantor or provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes, state and county aid, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The general fund accounts for all revenues and expenditures related to instruction, administration, and other activities, except those required to be accounted for in another fund. The elementary and high school building funds account for revenue and expenditures related to capital improvements.

Additionally, the government also reports the following fund types:

Internal Service Funds – Used to account for health insurance coverage provided to District employees. They also account for the data processing services, purchasing services, and instructional materials services, which provide services on a cost reimbursement basis.

Fiduciary Funds – The *Private-Purpose Trust Funds* are used to account for resources legally held in trust for student extracurricular activities and student scholarships. All resources of the funds, including any earnings on invested resources, may be used to support the purpose of the fund.

Governmental Fund Balance Classifications

The District has adopted Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

GASB 54 requires, among other things, that all state and local governmental entities adopt a policy regarding spending priorities of fund balance in governmental funds. The fund balance resources of the District's governmental funds have been categorized as follows:

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resource Categories

- Non-spendable: Resources not in spendable form (i.e. inventory) or those legally required to be maintained intact (i.e., principal portion of permanent trust funds),
- Restricted: Constraint is externally imposed by a third party (grantor, contributor, etc.), State Constitution, or by enabling legislation by the State Legislature,
- Committed: Constraint is internally imposed by local government through a resolution,
- Assigned: Constraint is internally expressed intent by government body or authorized official through a budget approval process or express assignment, and
- Unassigned: No constraints and negative fund balance in non-general fund funds.

Expenditure Order for Resource Categories

	General and Special Revenue Funds	Debt Service and Capital Project Funds
First	Restricted	Assigned
Second	Committed	Committed
Third	Assigned	Restricted
Fourth	Unassigned	Unassigned

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

State law requires that the District adopt budgets for certain funds, generally those supported by property taxes. Budgeted and non-budgeted funds are as follows:

Fund	Budgeted	Non-Budgeted
General	X	
Special Revenue:		
Transportation	X	
School Food		X
Tuition	X	
Retirement	X	
Miscellaneous Programs		X
Comprehensive Insurance		X
Adult Education	X	
Traffic Education		X
Lease Rental Agreement		X
Compensated Absences		X
Technology	X	
Flexibility	X	
Debt Service	X	
Capital Projects:		
Building		X
Building Reserve	X	
Trust and Agency:		
Endowment Trust		X
Interlocal Agreement		X
Extracurricular Activities		X
Claims Clearing		X
Payroll Clearing		X

The General Fund budget is formulated on basic and per student entitlement amounts and enrollment. Budgets for other funds are based primarily on expected revenues and expenditures.

Budgeted fund expenditures are limited by State law to budgeted amounts. However, budgets may be amended for emergencies as defined by State law.

Budget authority may be transferred between expenditure classifications within the same fund. Budgeted amounts shown are the original budgeted amounts and do not reflect line item budget transfers within the funds during the year.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets (Continued)

The budget policy is as follows:

- 1) By August 25 the Board of Trustees must meet to legally adopt the final budget. This budget is adopted consistent with the basis of accounting described in Note 1.
- 2) Upon adoption of the final budget, expenditures are limited to the total fund budget. The District has the right to transfer budgetary authority among the various line items of a fund, but not between funds. Unencumbered appropriations lapse at year-end.

Property Taxes

Property taxes are levied in August of each fiscal year, based on assessments as of the prior January 1. Taxes are normally billed in October and payable 50% by November 30 and 50% by May 31. Property taxes are maintained and collected by the County Treasurer; the District records such receipts when reported by the Treasurer. After those dates taxes are considered to be delinquent and a lien is placed upon the property. After three years the County exercises the lien and takes title to the property. Personal property taxes (other than those billed with real estate) are generally due thirty days after billing. Because of the above described collection procedures, estimated uncollectible taxes are minimal and, therefore, not recorded.

Taxes paid under protest are placed in an escrow fund by the County pending settlement of the protest. Under State law (MCA 15-1-402), the School District may demand payment from the protested tax escrow fund of all or part of the protested taxes from the second and subsequent years of the protest. No demand for payment has been made by the District.

Cash and Investments

Except for certain student activity funds, petty cash, interim accounts, and endowment funds maintained in separate bank accounts, the District's cash and investments are held in either the investment pool managed by the Missoula County Treasurer or the municipal investment account. The County Treasurer invests the pooled cash pursuant to State law (MCA 20-9-213[4]). Allowable investments include eligible securities as authorized by MCA 7-6-202; savings or time deposits in a state or national bank; building and loan association, savings and loan association, or credit union insured by the Federal Deposit Insurance Corporation (FDIC) or NCUA located in the State; repurchase agreements; and the State Short-Term Investment Pool (STIP) as provided in MCA 17-6-204.

For purposes of the statement of cash flows, the Internal Service Funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventories

Inventory is valued at cost using an average cost method.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include construction in progress, land, land improvements, building and improvements, and machinery and equipment is reported in the government-wide financial statements. It is the policy of the District to capitalize all assets with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year.

Capital assets are stated on the basis of historical cost or estimated historical costs when actual costs are not available. Major fixed asset additions are financed primarily through bond proceeds.

Assets acquired through gifts or donations are recorded at their estimated fair market value at the date of acquisition.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	15 – 25 years
Buildings and improvements	25 – 60 years
Machinery and equipment	5 – 20 years

Warrants Payable

The District makes expenditures by means of warrants. These warrants are orders to the County Treasurer to pay a specified sum to the person named or to the bearer. State law requires that warrants be paid and registered if presented for a budgeted fund with insufficient cash and refused for payment for a non-budgeted fund with insufficient cash. Registered warrants become a liability of the District. Interest accrues thereon until publication of the call for payment. The District has no registered warrants as of June 30, 2021.

Due from Other Governments

Due from Other Government balances are composed primarily of: 1) revenue accruals in the General Fund for the state entitlement payment, and 2) revenue accruals for the various reimbursable type grants for which revenue is recognized when expenditures are made. If receipts exceed expenditures, the excess is generally deferred until expenditure of funds, but may be recognized as revenue depending on the terms of the particular grant agreement.

Liability for Compensated Absences

Compensated absences for vacation and sick leave are recorded as expenditures in the government funds when taken. Vacation leave, within certain limitations, may be payable to employees upon termination. Sick leave is accumulated for administrative, certified (teaching) and classified (non-teaching) employees at the rate of 12 working days for each year of service. Part-time employees are entitled to prorated benefits upon fulfillment of the qualifying period of time.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liability for Compensated Absences (Continued)

Upon termination, classified employees are eligible for compensation at one-fourth of the accumulated sick leave amount. Certified and administrative employees are eligible for compensation at one-half of the accumulated sick leave amount.

Liabilities incurred because of vacation and sick leave accumulated by employees are reported in the Statement of Net Position, and the internal service fund to the extent they are vested. Expenditures for unused leave are recorded when paid.

Other Postemployment Benefits

The District recognizes and reports its postemployment health care benefits in accordance with GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*.

Pension Liabilities

The District reports its proportionate share of the collective net pension liability, pension expense, deferred inflows, and deferred outflows of resources associated with pension plans that its employees are eligible to participate in. See Note 6 for a more in-depth discussion of this liability and related elements.

NOTE 2. CASH AND CASH EQUIVALENTS

The District participates in the Missoula County Treasurer's investment program. All funds deposited with the County Treasurer are pooled and invested in certificates of deposit, U.S. Treasury bills, and other short-term bank investments and STIP and are reported with cash at market value. Interest earnings are allocated to the individual funds of the District based on average month-end cash balances.

Short-term investments of the pool consist of the State of Montana Unified Investment Program, a daily repurchase agreement with a local bank, United States agencies, and certificates of deposit account for the management of cash temporarily idle during the year. The pool is valued at cost, which approximates fair value. There is no material difference between the value of the pool shares and the fair value. The pool is not SEC registered.

Montana law allows the local governing body to require security for the portion of deposits not guaranteed or insured. Deposit insurance is administered by the FDIC. Since the District invests in a cooperative pool, pledged securities for the various individual deposits and repurchase agreements are managed by the County Treasurer. 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%.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

Information as to the types and amounts of fully insured deposits and collateral for deposit with securities including derivative type investments held in STIP can be obtained from the Missoula County Treasurer.

Risk in the event of loss is unclear in State law, but appears to be the liability of the County government. Because of the custodial involvement of the County government, and the commingling of cash in County deposits in the name of the County Treasurer, the risk classification according to GASB 40 is impracticable.

	Credit Risk	Interest Rate Risk
Missoula County Treasurer External Investment Pool	Not Rated	No Maturity

The District also has a municipal investment account (MIA) with a financial institution. The District directs the County Treasurer as to the amount of money to be invested with the MIA on a periodic basis. All deposits are collateralized 100% with U.S. Government securities pledged to the District but held in the institution's name. The interest rate was 0.05% at June 30, 2021, and the balance was \$4,695.

At June 30, 2021, the District's balances were:

	Governmental Activities	Fiduciary Funds	Total
Cash in county treasury	\$ 37,728,790	\$ 5,427,715	\$ 43,156,505
Short term investment pool	4,695	-	4,695
Cash on hand and in banks	23,638	27,980	51,618
	<u>\$ 37,757,123</u>	<u>\$ 5,455,695</u>	<u>\$ 43,212,818</u>

Certain student activity, petty cash, interim accounts, and endowment funds are deposited in non-interest bearing checking and savings accounts covered by FDIC insurance.

**MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021**

NOTE 3. CAPITAL ASSETS

A summary of capital asset activity for the year ended June 30, 2021, follows:

<u>Governmental activities</u>	<u>June 30, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2021</u>
Capital assets not subject to depreciation:				
Land	\$ 2,506,208	\$ -	\$ -	\$ 2,506,208
Construction in process	30,212,011	-	(30,212,011)	-
Capital assets subject to depreciation:				
Land improvements	4,184,833	-	-	4,184,833
Buildings and improvements	197,235,696	37,860,576	-	235,096,272
Equipment and other	<u>16,560,948</u>	<u>390,392</u>	-	<u>16,951,340</u>
Total capital assets	<u>250,699,696</u>	<u>38,250,968</u>	<u>(30,212,011)</u>	<u>258,738,653</u>
Less - accumulated depreciation for:				
Land improvements	(1,731,186)	(334,146)	-	(2,065,332)
Buildings and improvements	(48,425,798)	(4,498,065)	-	(52,923,863)
Equipment and other	<u>(5,228,053)</u>	<u>(756,647)</u>	-	<u>(5,984,700)</u>
Total accumulated depreciation	<u>(55,385,037)</u>	<u>(5,588,858)</u>	-	<u>(60,973,895)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 195,314,659</u>	<u>\$ 32,662,110</u>	<u>\$ (30,212,011)</u>	<u>\$ 197,764,758</u>

Internal Service Fund capital assets included above:

<u>Capital assets subject to depreciation:</u>	<u>June 30, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2021</u>
Equipment and other	\$ 379,379	\$ -	\$ -	\$ 379,379
Less - accumulated depreciation	<u>(153,320)</u>	<u>(17,384)</u>	-	<u>(170,704)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 226,059</u>	<u>\$ (17,384)</u>	<u>\$ -</u>	<u>\$ 208,675</u>

Depreciation expense has been charged to functions of the primary government, as follows:

Instruction	\$ 3,420,681
Support services	682,882
General administration	615,121
Operations and maintenance	665,821
Student transportation	30,357
Extracurricular activities	156,619
Internal service funds	<u>17,377</u>
	<u>\$ 5,588,858</u>

The District also leases the Prescott Elementary school building to the Missoula International School. In August 2017, the lease was renewed for an additional five years until July 31, 2022, at a monthly rate of \$4,583, which increases approximately \$208 per month each year for the first three years. The lessors also reimburse the District for the cost of utilities and insurance.

**MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021**

NOTE 4. LONG-TERM DEBT

Changes in general long-term debt during 2021 were as follows:

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
General obligation bonds:					
2010 Refunding issue - HS	\$ 720,000	\$ -	\$ (720,000)	\$ -	\$ -
2016 General obligation issue - Elem	43,830,000	-	(2,120,000)	41,710,000	2,205,000
2016 General obligation issue - HS	19,205,000	-	(940,000)	18,265,000	980,000
2017 General obligation issue - HS	42,365,000	-	(1,760,000)	40,605,000	1,830,000
2017 General obligation issue - Elem	32,735,000	-	(1,330,000)	31,405,000	1,380,000
Unamortized bond premium	<u>13,423,852</u>	-	<u>(1,226,164)</u>	<u>12,197,688</u>	<u>1,181,042</u>
Total bonds payable	152,278,852	-	(8,096,164)	144,182,688	7,576,042
Special improvements	1,500	-	-	1,500	-
HS Suburban	-	25,000	-	25,000	3,328
Capital lease	14,441	-	(14,441)	-	-
Compensated absences, internal service fund	62,576	9,194	-	71,770	-
Compensated absences	<u>10,614,217</u>	<u>1,855,150</u>	<u>(1,131,750)</u>	<u>11,337,617</u>	<u>1,150,000</u>
Total	<u>\$ 162,971,586</u>	<u>\$ 1,889,344</u>	<u>\$ (9,242,355)</u>	<u>\$ 155,618,575</u>	<u>\$ 8,729,370</u>

General Obligation Bonds

2016 General Obligation Bonds

In February 2016, the District issued \$74,425,000 of general obligation school building bonds, \$51,640,000 related to Elementary and \$22,785,000 related to High School. The Series 2016 Bonds bear interest ranging from 2.0% to 5.0% and mature in 2036. Proceeds from the sale of the 2016 bonds, including an initial bond premium of \$7,199,331 were deposited into an irrevocable escrow to call the outstanding bonds.

2017 General Obligation Bonds

In September 2017, the District issued \$83,575,000 of general obligation school building bonds, \$36,360,000 related to Elementary and \$47,215,000 related to High School. The Series 2017 Bonds bear interest ranging from 2.0% to 5.0% and mature in 2037. Proceeds from the sale of the 2017 bonds, including an initial bond premium of \$9,998,659 were deposited into an irrevocable escrow to call the outstanding bonds.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 4. LONG-TERM DEBT (CONTINUED)

Special Improvements Payable

Missoula County issued special improvement obligations with interest rates of 7.5% to 8.25% due in varying amounts through June 2024 to fund miscellaneous improvements for the elementary school.

Debt service principal and interest payments required on the bonds and notes payable are as follows:

Year Ended June 30,	General Obligation Bonds		SID Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 6,395,000	\$ 5,110,200	\$ 4,828	\$ -	\$ 6,399,828	\$ 5,110,200
2023	6,635,000	4,878,300	3,395	-	6,638,395	4,878,300
2024	6,865,000	4,644,350	3,480	-	6,868,480	4,644,350
2025	7,070,000	4,443,750	3,568	-	7,073,568	4,443,750
2026	7,395,000	4,111,250	3,657	-	7,398,657	4,111,250
Thereafter	<u>109,822,688</u>	<u>23,659,975</u>	<u>7,572</u>	<u>-</u>	<u>109,830,260</u>	<u>23,659,975</u>
Total	<u>\$ 144,182,688</u>	<u>\$ 46,847,825</u>	<u>\$ 26,500</u>	<u>\$ -</u>	<u>\$ 144,209,188</u>	<u>\$ 46,847,825</u>

Compensated absence payments can be made by the compensated absences fund or by the affected fund, usually the general fund. The District records an estimate of compensated absences due within one year based on prior three year history of payments made to retirees.

The District is authorized by state law to issue general obligation bonds up to an amount equal to the greater of 1) 100% of the taxable value of the property within the District or 2) 100% of the statewide average taxable valuation per student times the number of students in the District (calculated separately for the Elementary and High School Districts).

NOTE 5. RESERVED FUND BALANCES AND RESTRICTED NET ASSETS

Reserved Fund Balances

State law permits a reserve for operations in certain budgeted funds. The maximum reserve for operations permitted for the School, which is a percentage of the subsequent year's budgeted expenditures, are as follows:

General Fund	10%
Transportation Fund	20%
Retirement Fund	20%
Adult Education Fund	35%

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 5. RESERVED FUND BALANCES AND RESTRICTED NET ASSETS
(CONTINUED)

Restricted Fund Balance

Restricted fund balances under GASB 54 at June 30, 2021, are as follows:

	<u>Elementary</u>	<u>High School</u>	<u>Total</u>
Transportation	\$ 729,077	\$ 376,406	\$ 1,105,483
Food services	68,239	16,705	84,944
Tuition	33,249	125,010	158,259
Retirement	1,441,043	1,074,753	2,515,796
Miscellaneous program	2,213,226	3,465,446	5,678,672
Insurance fund	-	8,727	8,727
Adult education	125,377	418,778	544,155
Traffic education	-	150,300	150,300
Compensated absences	348,298	373,719	722,017
Technology acquisition	339,696	863,378	1,203,074
Lease rental agreement	6	171	177
Flexibility	503	50,024	50,527
Debt service	209,809	191,209	401,018
Building	-	251,144	251,144
Building reserve	1,099,138	2,248,590	3,347,728
Total	<u>\$ 6,607,661</u>	<u>\$ 9,614,360</u>	<u>\$ 16,222,021</u>

State law permits a reserve for operations in the bond debt service funds equal to the payments required within 17 months after year-end. State law also permits the District to reserve collections of prior year's delinquent and protested property taxes.

Assigned Fund Balance

Assigned fund balances under GASB 54 at June 30, 2021, are for program and instruction.

Restricted Net Position

Restricted net position at June 30, 2021, consists of the following:

Capital projects	\$ 3,598,872
Debt service	401,018
Program	<u>10,714,715</u>
Total	<u>\$ 14,714,605</u>

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 6. RETIREMENT PLANS

The District participates in two state-wide, cost-sharing multiple-employer defined benefit retirement plans, which cover all employees, except certain substitute teachers and part-time, non-teaching employees. The Teachers' Retirement System (TRS) covers certified teaching employees, including principals and other administrators. The Public Employee Retirement System (PERS) covers non-teaching employees. The plans are established under state law with the TRS plan being administered by the Teachers' Retirement System and PERS administered by the Montana Public Employees Retirement Administration. The plans provide retirement, disability, and death benefits to plan members and beneficiaries. The authority to establish, amend and provide cost of living adjustments for the plan is assigned to the state legislature. The following table presents the District's (Employer) proportion of TRS and PERS pension amounts.

	The District's proportionate share associated with TRS	The District's proportionate share associated with PERS	The District's Total Pension Amounts
Net pension liability	\$ 84,110,894	\$ 13,787,225	\$ 97,898,119
Deferred outflows of resources	18,085,604	3,154,758	21,240,362
Deferred inflows of resources	96,731	1,237,524	1,334,255
Pension expense	18,540,032	2,271,223	20,811,255

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) and the Public Employees' Retirement System (PERS). 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, TRS and PERS have special funding situations in which the State of Montana is legally responsible for making contributions directly to TRS and PERS on behalf of the District. Due to the existence of a special funding situation, the District is 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 District.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 6. RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System (TRS)

	Net Pension Liability as of June 30, 2021	Net Pension Liability as of June 30, 2020	Percent of Collective NPL as of June 30, 2021	Percent of Collective NPL as of June 30, 2020	Change in Percent of Collective NPL
Missoula County Public Schools Proportionate share	\$ 84,110,894	\$ 70,910,054	3.7392%	3.6774%	0.0618%
State of Montana Proportionate share associated with the District	<u>49,742,417</u>	<u>42,928,628</u>	<u>2.2113%</u>	<u>2.2263%</u>	<u>-0.0150%</u>
Total	<u>\$ 133,853,311</u>	<u>\$ 113,838,682</u>	<u>5.9505%</u>	<u>5.9037%</u>	<u>0.0468%</u>

At June 30, 2021, the District recorded a liability of \$84,110,894 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The District's proportion of the net pension liability was based on the District's contributions received by TRS during the measurement period July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of TRS' participating employers. At June 30, 2021, the District's proportion was 3.7392% percent.

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

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

Changes in benefit terms:

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

Changes in proportionate share:

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

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 6. RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System (TRS) (Continued)

Pension Expense

	<u>Pension Expense as of June 30, 2021</u>
Missoula County Public Schools:	
Proportionate share	\$ 11,949,359
State of Montana:	
Proportionate share associated with the District	<u>6,590,673</u> <u>\$ 18,540,032</u>

At June 30, 2021, the District recognized a pension expense of \$18,540,032 for its proportionate share of the TRS' pension expense. The employer also recognized grant revenue of \$6,590,673 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the District.

Deferred Inflows and Outflows

At June 30, 2021, the District 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	\$ 815,365	\$ -
Changes in actuarial assumptions	4,405,268	96,731
Differences between projected and actual investment earnings	5,892,336	-
Difference between actual and expected contributions	1,322,463	-
*Contributions paid to TRS subsequent to the measurement date - FY 2021 Contributions	<u>5,650,172</u>	<u>-</u>
Total	<u>\$ 18,085,604</u>	<u>\$ 96,731</u>

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

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 6. RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System (TRS) (Continued)

Deferred Inflows and Outflows (Continued)

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 an increase or (decrease) to Pension Expense
2022	\$ 4,376,443
2023	3,611,383
2024	2,872,066
2025	1,478,809
2026	-
Thereafter	-

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:

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 6. RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System (TRS) (Continued)

Summary of Benefits (Continued)

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

A guaranteed annual benefit adjustment (GABA) is payable on January 1st of each calendar year for each retiree who has received at least 36 monthly retirement benefit payments prior to that date. The GABA is applicable to both Tier One and Tier Two members. The GABA calculated prior to July 1, 2013, was 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.

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 State and University Employers. Finally, the State is also required to contribute \$25 million in perpetuity payable July 1st of each year.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 6. RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System (TRS) (Continued)

Actuarial Assumptions (Continued)

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

* Total wage increases include 3.25% general wage increase assumption.

Discount Rate

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

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 6. RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System (TRS) (Continued)

Target Allocations

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

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

Sensitivity Analysis

	<u>1.0% Decrease (6.34%)</u>	<u>Current Discount Rate</u>	<u>1.0% Increase (8.34%)</u>
The employer's proportion of Net Pension Liability	<u>\$111,991,133</u>	<u>\$ 84,110,894</u>	<u>\$ 60,784,492</u>

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

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 6. RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System (TRS) (Continued)

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>

Public Employees' Retirement System (PERS)

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). Employers are required to record and report their proportionate share of the collective Net Pension Liability; Pension Expense; and Deferred Outflows and Deferred Inflows of Resources associated with pensions.

This report provides information for employers who are using a June 30, 2020 measurement date for the 2021 reporting. If an employer's fiscal year end is after June 30th, the employer will not use the measurements shown in this report but will need to wait for the measurement date as of June 30, 2021.

Net Pension Liability

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). As GASB Statement 68 allows, a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2020, was determined by taking the results of the June 30, 2019, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 6. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Net Pension Liability (Continued)

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 counties; cities & towns; school districts & high schools; and other governmental agencies.

Not Special Funding

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

	<u>Net Pension Liability as of June 30, 2020</u>	<u>Net Pension Liability as of June 30, 2019</u>	<u>Percent of Collective NPL as of June 30, 2020</u>	<u>Percent of Collective NPL as of June 30, 2019</u>	<u>Change in Percent of Collective NPL</u>
Missoula County Public Schools Proportionate share	\$ 13,787,225	\$ 11,131,417	0.5226%	0.5325%	-0.0099%
State of Montana Proportionate share associated with the District	<u>4,754,898</u>	<u>3,966,637</u>	<u>0.1802%</u>	<u>0.1898%</u>	<u>-0.0095%</u>
Total	<u>\$ 18,542,123</u>	<u>\$ 15,098,054</u>	<u>0.7028%</u>	<u>0.7223%</u>	<u>-0.0195%</u>

The table above displays the proportionate shares of the District's and the State of Montana's NPL for June 30, 2021, and 2020. The District's proportionate share equals the ratio of the District'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 a particular employer to the total state contributions paid. The District recorded a liability of \$13,787,225 and the District's proportionate share was 0.522597 percent.

Changes in Actuarial Assumptions and Methods: The following changes in assumptions or other inputs were made that affected the measurement of the TPL.

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

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

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

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 6. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Pension Expense

At June 30, 2020, the employer recognized \$1,496,869 for its proportionate share of the Plan's pension expense and recognized grant revenue of \$777,626 for the state of Montana proportionate share of the pension expense associated with the employer.

Recognition of Deferred Inflows and Outflows

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Expected vs actual experience	\$ 222,554	\$ 394,198
Changes in assumptions	954,713	-
Projected investment earnings vs actual investment earnings	1,193,851	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	843,326
Employer contributions subsequent to the measurement	<u>783,641</u>	<u>-</u>
Total	<u>\$ 3,154,759</u>	<u>\$ 1,237,524</u>

* 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, 2021.

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

<u>Year ended June 30:</u>	<u>Amount of deferred outflows and deferred inflows recognized in future years as an increase or (decrease) to Pension Expense</u>
2021	\$ (272,749)
2022	690,933
2023	417,141
2024	298,269
Thereafter	-

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 6. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

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 covers the State, local governments, 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 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 contribution and defined benefit 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).

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.

Summary of Benefits

Eligibility for Benefit

Service retirement:

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

Any age, 30 years of membership service.

Hired on or after July 1, 2011:	Age 65, 5 years of membership services; Age 70, regardless of membership service.
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Early Retirement

Early retirement, actuarially reduced:

Hired prior to July 1, 2011:	Age 50, 5 years of membership service; or Any age, 25 years of membership service.
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Hired on or after July 1, 2011:	Age 55, 5 years of membership service.
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MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 6. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Summary of Benefits (Continued)

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 retire on or after January 1, 2016, and accumulate less than 5 years additional service credit.

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

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

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

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

- The same retirement as prior to the return to service;
- A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
- 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 part of a member's highest average compensation.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 6. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Summary of Benefits (Continued)

Monthly Benefit Formula

Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

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

Guaranteed Annual Benefit Adjustment (GABA)

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

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

Overview of Contributions

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 Montana Legislature has the authority to establish and amend contribution rates.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 6. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Overview of Contributions (Continued)

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

Fiscal Year	Member		State & Local Government			School Districts	
	Hired <7/01/11	Hired >7/01/11	Universities Employer	Local Government Employer	State	Employer	State
2021	7.9%	7.9%	8.870%	8.770%	0.10%	8.40%	0.370%
2020	7.9%	7.9%	8.770%	8.770%	0.10%	8.40%	0.370%
2019	7.9%	7.9%	8.670%	8.570%	0.10%	8.30%	0.370%
2018	7.9%	7.9%	8.570%	8.470%	0.10%	8.20%	0.370%
2017	7.9%	7.9%	8.470%	8.370%	0.10%	8.10%	0.370%
2016	7.9%	7.9%	8.370%	8.270%	0.10%	8.00%	0.370%
2015	7.9%	7.9%	8.270%	8.170%	0.10%	7.90%	0.370%
2014	7.9%	7.9%	8.170%	8.070%	0.10%	7.80%	0.370%
2012-2013	6.9%	7.9%	7.170%	7.070%	0.10%	6.80%	0.370%
2010-2011	6.9%		7.170%	7.070%	0.10%	6.80%	0.370%
2008-2009	6.9%		7.035%	6.935%	0.10%	6.80%	0.235%
2000-2007	6.9%		6.900%	6.800%	0.10%	6.80%	0.100%

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
2. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period of the PERS-DBRP has dropped below 25 years and remains below 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.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 6. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Overview of Contributions (Continued)

3. Non Employer Contributions

a. Special Funding

- i. The State contributes 0.1% of members' compensation on behalf of local government entities.
- ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
- iii. The state contributed a Statutory Appropriation from the General Fund of \$33,951,150.

Stand-Alone Statements

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

Actuarial Assumptions

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2019 actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2020. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2018, valuation were based on the results of the last actuarial experience study, dated May 5, 2017, for the six-year period July 1, 2010 to June 30, 2016.

Among those assumptions were the following:

- Investment Return (net of admin expense) 7.34%
- Admin Expense as a % of Payroll 0.30%
- General Wage Growth* 3.50%
- *includes Inflation at 2.40%
- Merit Increases 0% to 4.80%

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 6. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Guaranteed Annual Benefit Adjustment (GABA)

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

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

Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, set back one year for males.

Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections.

Discount Rate

The discount rate used to measure the TPL was 7.34%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. Of salaries paid, the State contributes 0.10% for local governments and 0.37% for school districts.

In addition, the State contributes a statutory appropriation from the general fund. 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 TPL. No municipal bond rate was incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. The most recent analysis, performed for the period of July 1, 2010 to June 30, 2016, was outlined in a report dated May 5, 2017, and is located on the MPERA website.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 6. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Target Allocations (Continued)

The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020, are summarized below.

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

Sensitivity Analysis

The sensitivity of the NPL to the discount rate is shown 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 7.34%, 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.

	<u>1.0% Decrease (6.34%)</u>	<u>Current Discount Rate</u>	<u>1.0% Increase (8.34%)</u>
The District's proportion of net pension liability	<u>\$ 18,977,299</u>	<u>\$ 13,787,225</u>	<u>\$ 9,427,599</u>

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 6. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

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 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).

PERS Disclosure for the Defined Contribution Plan

The District 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 Montana Legislature has the authority to establish and amend contribution rates.

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

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

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 7. RISK MANAGEMENT

The District faces a number of risks of loss including a) loss or damage to property, b) general liability, c) workers' compensation, and d) employee medical insurance. There were no significant changes in how the District covered its risks in fiscal year 2021.

The District has established two internal service funds (one for elementary and one for high school employees) to account for and finance its employee medical claims risks. Medical claims are self-insured up to \$100,000 per employee and approximately \$1,000,000 in the aggregate. Claims in excess of these amounts are insured by commercial carriers. Dental claims are also self-insured. The internal service funds charge premiums to the other District funds based on employees in those funds and their respective coverage.

Change in medical claims liabilities were as follows:

	Elementary School	High School	Total
Claims liability, June 30, 2019	\$ 683,313	\$ 437,300	\$ 1,120,613
Claims incurred in 2020	6,229,187	3,570,104	9,799,291
Claims paid in 2020	<u>(6,426,470)</u>	<u>(3,683,384)</u>	<u>(10,109,854)</u>
Claims liability, June 30, 2020	486,030	324,020	810,050
Claims incurred in 2021	8,764,290	4,731,620	13,495,910
Claims paid in 2021	<u>(8,180,585)</u>	<u>(4,342,483)</u>	<u>(12,523,068)</u>
Claims liability, June 30, 2021	<u>\$ 1,069,735</u>	<u>\$ 713,157</u>	<u>\$ 1,782,892</u>

Commercial insurance policies are purchased for loss or damage to property and for general liability. The District participates in one statewide public risk pool, the Montana Schools Group Workers' Compensation Risk Retention Program (WCRRP) for workers' compensation coverage.

GASB Statement No. 75 sets the accounting and financial reporting requirements for local governments that provide health care benefits to their retirees. Montana law (MCA 2-18-704) requires local governments to permit retired employees with at least five years of service and at least age 50 to remain in the government's medical insurance plan until they become eligible for Medicare. The law requires retirees to pay 100% of the employee premium amount.

The District's medical benefit plans have standard insurance premium amounts that are charged to all members, including retirees. The District pays the premium for the employee and the employee pays the premium for his or her family. Retirees pay their own premium.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 8. VOLUNTARY TERMINATION BENEFITS

The District has established an early notification of retirement benefit. If an employee submits a letter of retirement between January 1 and February 27 that results in a retirement from the District and the State retirement system effective on or before June 30, they will receive a one-time payment of \$500, less appropriate deductions, to be paid upon retirement. During the year ended June 30, 2021, 21 employees qualified for this benefit resulting in an expense of \$20,500.

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY

For purposes of measuring the total OPEB liability (TOL), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the District's Retiree Benefits Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Plan Description

The District's Health Plan (the Health Plan) is a single-employer defined benefit healthcare plan administered by the District. The Health Plan provides medical and prescription drug expenses for retirees and their spouses. The Health Plan's actuary is Healthcare Actuaries. The Health Plan does not issue a separate stand-alone financial report.

Benefits Provided

Participants are eligible for benefits upon retirement. Benefits are in the form of access to the District's medical plans. Retirement eligibility is the earlier of age 50 and five years of service or any age with 25 years of service. Benefits continue for the retirees and their spouses' lifetime.

Other benefit provisions apply.

Employees Covered by Benefit Terms

At the census date of July 1, 2020 (as an actuarial report is required every 2 years), the benefit terms covered the following employees:

<u>Category</u>	<u>Count</u>
Inactive employees or beneficiaries currently receiving benefit payments	99
Inactive employees entitled to but not yet receiving benefit payment	-
Active employees	971

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY (CONTINUED)

Contributions

Benefit contributions are paid by the District as they come due.

Total OPEB Liability (TOL)

The District's TOL was measured as of July 1, 2018, and the TOL was determined by an actuarial valuation as of July 1, 2020, with adjustments in arriving at the June 30, 2021 TOL.

Actuarial Assumptions

The TOL in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases: Individual and aggregate
salary increases of 3.25% for TRS
salary increases of 3.5% for PERS

Healthcare cost trend rates: 6.00% in 2018; 5.5% in 2019 through 2021
Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later

Mortality

Adjusted RP-2014 Total Mortality Table for both post-retirement and pre-retirement projected on a generational basis using Scale MP-2018 with base year 2006. Rate vary by age and gender.

Discount Rate

The discount rate used to measure the TOL was 2.28%. The District's OPEB Plan is an unfunded plan, therefore the discount rate is based on S&P Municipal Bond 20-year high grade rate index at July 1, 2021.

Total OPEB Liability as of June 30, 2021	<u>\$ 3,230,106</u>
Deferred Outflows of Resources	<u>\$ 453,636</u>
Deferred Inflows of Resources	<u>\$ 1,501,544</u>

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY (CONTINUED)

Total OPEB Liability (TOL) (Continued)

Discount Rate (Continued)

The District's TOL was measured Changes in the TOL for the year ended June 30, 2021 are as follows:

	Total OPEB Liability
Total OPEB Liability as of June 30, 2020	\$ 2,963,901
Changes for the year:	
Service cost	361,354
Interest	61,114
Differences between expected and actual experience	-
Change of assumptions	(83,288)
Benefit payments, including refunds of employee contributions	(72,975)
Net change	266,205
Total OPEB Liability as of June 30, 2021	\$ 3,230,106
Deferred Outflows of Resources	\$ 453,636
Deferred Inflows of Resources	\$ 1,501,544

There is sensitivity of the TOL to changes in the discount rate. The TOL of the District, as well as what the District's TOL would be if it were calculated using a discount rate that is one percentage point lower (2.36%) or one percentage point higher (4.36%) follows:

	1% Decrease 1.28%	Discount Rate 2.28%	1% Increase 3.28%
Total OPEB liability	\$ 3,429,265	\$ 3,230,106	\$ 3,035,282

There is also sensitivity of the TOL to changes in the healthcare cost trend rates. The TOL of the District as well as what the District's TOL would be if it we recalculated using healthcare cost trend rates that are one percentage point lower (4.50%) or one percentage point higher (6.50%) than the current healthcare cost trend rate follows:

	1% Decrease	Current Rate	1% Increase
Total OPEB liability	\$ 2,821,826	\$ 3,230,106	\$ 3,713,161

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY (CONTINUED)

Future Deferred Outflows and (Inflows) to be Recognized as OPEB Expense (Income)

For the year ended June 30, 2021, the District recognized an OPEB expense of \$279,875. At June 30, 2021, the District reported \$453,290 in deferred outflows of resources and \$1,501,544 in deferred inflows of resources related to OPEB, based on the actuarial report received.

Year Ended June 30:	
2022	\$ (142,593)
2023	(142,593)
2024	(142,593)
2025	(142,593)
2026	(142,593)
Thereafter	(437,105)

The implicit subsidy arises when an employer allows a retiree (and their dependents) to continue on the active plan and pay the active premiums. Retirees are not paying the true cost of their benefits because they have higher utilization rates than actives and therefore are partially subsidized by the active employees. Once a retiree reaches Medicare eligibility, the rates are sufficient to cover the true costs and there is no implicit subsidy.

Funded Status as of:	<u>June 30, 2021</u>
Total OPEB liability	\$ 3,230,106
Covered payroll	\$ 56,442,249
Total OPEB liability as a percentage of covered payroll	5.25%
Expense	\$ 279,875

NOTE 10. COMMITMENTS AND CONTINGENCIES

The District is subject to various legal disputes and claims arising in the normal course of operations. Based on information currently available, it is the opinion of management that the ultimate resolution of pending matters will not have a material adverse effect on the District's financial condition. Accordingly, no provision has been made in the financial statements for these contingencies.

At June 30, 2021, the District had encumbered approximately \$1.7 million against its 2021 budget, representing the estimated amount of unperformed purchase orders or contracts in process at year-end.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 11. TAX ABATEMENTS

The District's property tax revenue is subject to tax abatement agreements it enters into directly, as well as indirectly by those entered into by the County and the City. Tax abatement agreements are entered into on an individual basis with businesses under the Montana Code Annotated 2015, Title 15 Taxation (the Code). Under the Code, local governments may grant property tax abatements to business with qualifying improvements or modernized processes that represent new industry or expansion of an existing industry (15-24-1402).

In the first five years after a construction permit is issued, a business' property is taxed at 50 percent of taxable value with equal percentage increases taxed until the full taxable value is attained in the tenth year. In subsequent years, the property is taxed at its full taxable value (15-10-420). For the year ended June 30, 2021, the District has not entered into any tax abatement agreements, nor has the District received any information from the City or the County regarding any indirect effects to the District, if any, regarding tax abatement agreements entered into by those entities during the fiscal year.

NOTE 12. PRIOR PERIOD ADJUSTMENT

During the current fiscal year, adjustments relating to prior year's transactions were made to the fund balance and net position accounts. The following is a schedule of these adjustments:

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
Elementary Misc	\$ 304,008	To reduce federal revenue accrued
High School Misc	\$ 445,371	To reduce federal revenue accrued

REQUIRED SUPPLEMENTAL INFORMATION

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF BUDGETARY COMPARISON –
GENERAL FUNDS-BUDGET BASIS
 Year Ended June 30, 2021

	Elementary General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
District levies	\$ 13,040,420	\$ 13,040,420	\$ 13,210,864
Investment interest	66,022	66,022	16,268
Tuition and fees	40,000	40,000	13,565
State sources	<u>28,847,880</u>	<u>28,847,880</u>	<u>28,847,380</u>
Total revenue	<u>41,994,322</u>	<u>41,994,322</u>	<u>42,088,077</u>
EXPENDITURES			
Current:			
Instruction	26,313,724	26,313,724	24,619,227
Support services	6,166,128	6,166,128	5,769,054
Administration	4,375,226	4,375,226	4,093,479
Operations and maintenance	4,571,583	4,571,583	4,277,192
Student transportation	1,101	1,101	1,030
Extracurricular	63,590	63,590	59,495
Food services	-	-	-
Capital outlay	<u>502,970</u>	<u>502,970</u>	<u>470,581</u>
Total expenditures	<u>41,994,322</u>	<u>41,994,322</u>	<u>39,290,058</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	2,798,019
OTHER FINANCING SOURCES			
Transfers out			<u>(2,687,405)</u>
Revenues and other financing sources over expenditures			110,614
Budget basis fund balances, June 30, 2020			<u>1,611,235</u>
Budget basis fund balances, June 30, 2021			1,721,849
Change in encumbrances			<u>-</u>
GAAP basis fund balances, June 30, 2021			<u>\$ 1,721,849</u>

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF BUDGETARY COMPARISON –
GENERAL FUNDS-BUDGET BASIS (CONTINUED)
 Year Ended June 30, 2021

	High School General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
District levies	\$ 10,490,784	\$ 10,490,784	\$ 10,703,576
Investment interest	32,810	32,810	9,993
Tuition and fees	30,000	30,000	30,107
State sources	<u>20,198,089</u>	<u>20,198,089</u>	<u>20,198,842</u>
Total revenue	<u>30,751,683</u>	<u>30,751,683</u>	<u>30,942,518</u>
EXPENDITURES			
Current:			
Instruction	17,853,072	17,853,072	17,430,151
Support services	3,503,963	3,503,963	3,420,958
Administration	2,915,401	2,915,401	2,846,338
Operations and maintenance	4,021,071	4,021,071	3,925,816
Student transportation	343,711	343,711	335,569
Extracurricular	1,727,837	1,727,837	1,686,906
Food services	265,354	265,354	259,068
Capital outlay	<u>121,274</u>	<u>121,274</u>	<u>118,401</u>
Total expenditures	<u>30,751,683</u>	<u>30,751,683</u>	<u>30,023,207</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	919,311
OTHER FINANCING SOURCES			
Transfers out			<u>(708,493)</u>
Revenues and other financing sources over expenditures			210,818
Budget basis fund balances, June 30, 2020			<u>1,335,217</u>
Budget basis fund balances, June 30, 2021			1,546,035
Change in encumbrances			<u>-</u>
GAAP basis fund balances, June 30, 2021			<u>\$ 1,546,035</u>

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF BUDGETARY COMPARISON –
GENERAL FUNDS-BUDGET BASIS (CONTINUED)
 Year Ended June 30, 2021

	High School General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
District levies	\$ 10,490,784	\$ 10,490,784	\$ 10,703,576
Investment interest	32,810	32,810	9,993
Tuition and fees	30,000	30,000	30,107
State sources	<u>20,198,089</u>	<u>20,198,089</u>	<u>20,198,842</u>
Total revenue	<u>30,751,683</u>	<u>30,751,683</u>	<u>30,942,518</u>
EXPENDITURES			
Current:			
Instruction	17,853,072	17,853,072	17,430,151
Support services	3,503,963	3,503,963	3,420,958
Administration	2,915,401	2,915,401	2,846,338
Operations and maintenance	4,021,071	4,021,071	3,925,816
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Capital outlay	<u>121,274</u>	<u>121,274</u>	<u>118,401</u>
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Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	919,311
OTHER FINANCING SOURCES			
Transfers out			<u>(708,493)</u>
Revenues and other financing sources over expenditures			210,818
Budget basis fund balances, June 30, 2020			<u>1,335,217</u>
Budget basis fund balances, June 30, 2021			1,546,035
Change in encumbrances			<u>-</u>
GAAP basis fund balances, June 30, 2021			<u>\$ 1,546,035</u>

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1

SCHEDULE OF CHANGES IN OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY AND RELATED RATIOS FOR THE LAST
TEN YEARS*
June 30, 2021

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total OPEB Liability				
Service cost	\$ 366,973	\$ 360,173	\$ 381,448	\$ 411,670
Interest	84,670	111,261	100,063	123,451
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	(529,651)	-	(1,203,824)
Change of assumptions	(91,652)	(6,089)	(74,429)	429,578
Benefit payments	<u>(191,988)</u>	<u>(204,801)</u>	<u>(110,668)</u>	<u>(129,720)</u>
Net changes in total OPEB liability	168,003	(269,107)	296,414	(368,845)
Total OPEB liability, beginning of year	<u>3,137,436</u>	<u>3,305,439</u>	<u>3,036,332</u>	<u>3,332,746</u>
Total OPEB liability, end of year	<u>\$ 3,305,439</u>	<u>\$ 3,036,332</u>	<u>\$ 3,332,746</u>	<u>\$ 2,963,901</u>
Covered employee payroll	<u>\$ 56,923,831</u>	<u>\$ 62,738,526</u>	<u>\$ 62,738,526</u>	<u>\$ 56,442,249</u>
District's total OPEB liability as a percentage of covered-employee payroll	5.81%	4.84%	5.31%	5.25%

**The amount presented above for the fiscal year was determined as of June 30th. The schedule is intended to show information for 10 years, additional years will be displayed as they become available.*

**MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF PROPORTIONATE SHARE OF
THE NET PENSION LIABILITIES *
Year Ended June 30, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Schedule of Proportionate Share of the Net TRS Pension Liability							
Employer's proportion of the net pension liability (percentage)	3.73920%	3.67740%	3.58500%	3.57130%	3.54130%	3.45190%	3.45420%
Employer's proportion of the net pension liability (amount)	\$ 84,110,894	\$ 70,910,054	\$ 66,542,036	\$ 60,215,694	\$ 64,693,543	\$ 56,715,501	\$ 53,154,264
State of MT proportionate share of the net pension liability associated with the Employer	<u>49,742,417</u>	<u>42,928,628</u>	<u>41,327,128</u>	<u>38,222,304</u>	<u>42,146,894</u>	<u>37,971,426</u>	<u>36,405,765</u>
Total	<u>\$ 133,853,311</u>	<u>\$ 113,838,682</u>	<u>\$ 107,869,164</u>	<u>\$ 98,437,998</u>	<u>\$ 106,840,437</u>	<u>\$ 94,686,927</u>	<u>\$ 89,560,029</u>
Employer's covered payroll	\$ 51,467,312	\$ 49,918,743	\$ 47,885,443	\$ 47,104,919	\$ 45,711,129	\$ 44,058,840	\$ 43,559,708
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	163.43%	142.05%	138.96%	127.833%	141.527%	128.727%	122.026%
Plan fiduciary net position as a percentage of the total pension liability	64.95%	68.64%	69.09%	70.09%	66.69%	69.30%	70.36%
 Schedule of Proportionate Share of the Net PERS Pension Liability:							
Employer's proportion of the net pension liability (percentage)	0.5226%	0.7223%	0.7237%	0.7070%	0.7018%	0.6919%	0.7049%
Employer's net pension liability (amount)	\$ 13,787,225	\$ 11,131,417	\$ 11,037,979	\$ 13,769,093	\$ 11,131,417	\$ 11,037,979	\$ 8,783,314
State of Montana's net pension liability (amount)	<u>4,754,898</u>	<u>3,966,637</u>	<u>4,066,575</u>	<u>648,571</u>	<u>3,966,637</u>	<u>4,066,575</u>	<u>410,590</u>
Total	<u>\$ 18,542,123</u>	<u>\$ 15,098,054</u>	<u>\$ 15,104,554</u>	<u>\$ 14,417,664</u>	<u>\$ 15,098,054</u>	<u>\$ 15,104,554</u>	<u>\$ 9,193,904</u>
Employer's covered payroll	\$ 9,107,328	\$ 9,072,401	\$ 9,020,589	\$ 9,063,252	\$ 8,689,595	\$ 8,348,017	\$ 8,255,840
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	151.39%	122.70%	122.36%	151.92%	128.10%	132.22%	106.39%
Plan fiduciary net position as a percentage of the total pension liability	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

*The amounts presented above for each fiscal year were determined as of June 30th, the employer's most recent fiscal year end. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF CONTRIBUTIONS *
Year Ended June 30, 2021**

	2021	2020	2019	2018	2017	2016	2015
Schedule of TRS Contributions:							
Contractually required contributions	\$ 5,650,172	\$ 5,372,575	\$ 5,163,459	\$ 4,749,929	\$ 4,824,345	\$ 4,444,690	\$ 4,481,260
Contributions in relation to the contractually required contributions	\$ 5,650,172	\$ 5,372,575	\$ 5,163,459	\$ 4,749,929	\$ 4,824,345	\$ 4,444,690	\$ 4,481,260
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 57,007,701	\$ 51,467,312	\$ 49,918,743	\$ 47,885,443	\$ 47,104,919	\$ 45,711,129	\$ 44,063,040
Contributions as a percentage of covered payroll	9.91%	10.44%	10.34%	9.92%	10.24%	9.72%	10.17%
Schedule of PERS Contributions:							
Contractually required defined benefit contributions	\$ 783,641	\$ 768,221	\$ 755,706	\$ 736,664	\$ 734,060	\$ 702,611	\$ 665,342
Plan Choice rate required contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,158	\$ 7,362
Contributions in relation to the contractually required contributions	\$ 783,641	\$ 768,221	\$ 755,706	\$ 736,664	\$ 734,060	\$ 707,769	\$ 672,704
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 9,219,314	\$ 9,107,328	\$ 9,072,401	\$ 9,020,589	\$ 9,063,252	\$ 8,689,595	\$ 8,348,017
Contributions as a percentage of covered payroll	8.50%	8.44%	8.33%	8.17%	8.10%	8.15%	8.06%

* The amounts presented above for each fiscal year were determined as of June 30, the employer's most recent fiscal year end. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2021

Teachers Retirement System

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:
 - a. The average funded ratio of the System based on the last three annual actuarial valuations is equal to or less than 80%; and
 - b. The period necessary to amortize all liabilities of the System based on the latest annual actuarial valuation is greater than 20 years; and
 - c. 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.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION (CONTINUED)
June 30, 2021

Teachers Retirement System (Continued)

Changes of Benefit Terms (Continued):

(8) Guaranteed Annual Benefit Adjustment (GABA):

- a. If the most recent actuarial valuation shows that Retirement System liabilities are at least 90% funded and the provision of the increase is not projected to cause the System's liabilities to be less than 85% funded, the GABA may increase from the 0.5% floor up to 1.5%, as set by the Board.

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

- Annual State contribution equal to \$25 million paid to the System in monthly installments.
- One-time contribution payable to the Retirement System by the trustees of a school district maintaining a retirement fund. The one-time contribution to the Retirement System shall be the amount earmarked as an operating reserve in excess of 20% of the adopted retirement fund budget for the fiscal year 2013. The amount received was \$22 million in FY 2014.
- 1% supplemental employer contribution. This will increase the current employer rates:
 - School Districts contributions will increase from 7.47% to 8.47%.
 - The Montana University System and State Agencies will increase from 9.85% to 10.85%.
 - The supplemental employer contribution will increase by 0.1% each fiscal year for fiscal year 2014 thru fiscal year 2024. Fiscal years beginning after June 30, 2024 the total supplemental employer contribution will be equal to 2%.
- Members hired prior to July 1, 2013 (Tier 1) under HB 377 are required to contribute a supplemental contribution equal to an additional 1% of the member's earned compensation.
- Each employer is required to contribute 9.85% of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position to the System.

Changes in Actuarial Assumptions and Other Inputs:

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

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

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION (CONTINUED)
June 30, 2021

Teachers Retirement System (Continued)

Changes in Actuarial Assumptions and Other Inputs (Continued):

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).

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION (CONTINUED)
June 30, 2021

Teachers Retirement System (Continued)

Changes in Actuarial Assumptions and Other Inputs (Continued):

- 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.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION (CONTINUED)
June 30, 2021

Teachers Retirement System (Continued)

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	31 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.

Public Employees Retirement System

Changes of Benefit Terms

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

2015 Legislative Changes:

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

Second Retirement Benefit - for PERS

- 1) Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again:
 - refund of member's contributions from second employment plus regular interest (currently 0.25%);
 - no service credit for second employment;
 - start same benefit amount the month following termination; and
 - GABA starts again in the January immediately following second retirement.
- 2) For members who retire before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:
 - member receives a recalculated retirement benefit based on laws in effect at second retirement; and,
 - GABA starts in the January after receiving recalculated benefit for 12 months.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION (CONTINUED)
June 30, 2021

Public Employees Retirement System (Continued)

Changes of Benefit Terms (Continued)

2015 Legislative Changes (Continued):

Second Retirement Benefit - for PERS (Continued)

- 3) For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:
 - refund of member's contributions from second employment plus regular interest (currently 0.25%);
 - no service credit for second employment;
 - start same benefit amount the month following termination; and,
 - GABA starts again in the January immediately following second retirement.
- 4) For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate five or more years of service credit before retiring again:
 - member receives same retirement benefit as prior to return to service;
 - member receives second retirement benefit for second period of service based on laws in effect at second retirement; and
 - GABA starts on both benefits in January after member receives original and new benefit for 12 months.

2015 Legislative Changes (Continued):

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

Employer Contributions and the Defined Contribution Plan – for PERS and MUS-RP
The PCR was paid off effective March 2016 and the contributions of 2.37%, .47%, and the 1.0% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member's account.

2017 Legislative Changes:

General Revisions - House Bill 101, effective July 1, 2017

Working Retiree Limitations – for PERS

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.

Terminating Employers – Recovery of actuary costs – for PERS

Employers who terminate participation in PERS must pay the actuarial liability associated with that termination. Starting July 1, 2017, the terminating employer must also pay for the cost of the actuarial study used to determine that liability.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION (CONTINUED)
June 30, 2021

Public Employees Retirement System (Continued)

2017 Legislative Changes (Continued):

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.

Family Law Order

If a Family Law Order (FLO) is silent regarding the apportionment of post-retirement benefit adjustments such as the Guaranteed Annual Benefit Adjustment (GABA), the FLO is presumed to require apportionment of the post-retirement benefit adjustment in the same percentage as the monthly retirement benefit is apportioned.

Disabled PERS Defined Contributions (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.

2017 Legislative Changes:

PERS Statutory Appropriation – House Bill 648, effective July 1, 2017

Revenue from coal severance taxes and interest income from the coal severance tax permanent fund previously statutorily-appropriated to the PERS defined benefit trust fund will be replaced with the following statutory appropriations:

- 1) FY2018 - \$32.277 million
- 2) FY2019 - 32.6 million
- 3) Beginning July 1, 2019 through at least June 30, 2025, 101% of the contributions from the previous year from the general fund to the PERS defined benefit trust fund, as follows:
 - a. FY2020 - \$32.277 million
 - b. FY2021 - \$32.6 million
 - c. FY2022 - \$32.926 million
 - d. FY2023 - \$33.255 million
 - e. FY2024 - \$33.588 million
 - f. FY2025 - \$33.924 million

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
 NOTES TO REQUIRED SUPPLEMENTAL INFORMATION (CONTINUED)
 June 30, 2021

Public Employees Retirement System (Continued)

2017 Legislative Changes (Continued):

Changes in Actuarial Assumptions and Methods

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The following Actuarial Assumptions are from the June 2019 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes Inflation	2.75%
Merit salary increases	0% to 4.47%
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
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
Admin Expenses as % of Payroll	0.30%

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

SUPPLEMENTAL INFORMATION
REQUIRED BY THE
MONTANA OFFICE OF PUBLIC INSTRUCTION

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF ENROLLMENT
 Year Ended June 30, 2021

<u>ENROLLMENT</u>	PER ENROLLMENT	Audit Per District Reports	Records	Difference
Spring - February 1, 2021				
Elementary School District				
Pre-K-6:				
Pre-Kindergarten		-	-	-
Kindergarten - Half (enrolled 180+ hours per year)		1	1	-
Kindergarten - Half (enrolled <180 hours per year)		-	-	-
Grades K(Full) - 6 (enrolled 720+ hours per year)		4,057	4,057	-
Grades K(Full) - 6 (enrolled 540-719 hours per year)		1	1	-
Grades K(Full) - 6 (enrolled 360-539 hours per year)		1	1	-
Grades K(Full) - 6 (enrolled 180-359 hours per year)		-	-	-
Grades K(Full) - 6 (enrolled <180 hours per year)		-	-	-
7-8:				
Grades 7 - 8 (enrolled 720+ hours per year)		1,133	1,133	-
Grades 7 - 8 (enrolled 540-719 hours per year)		-	-	-
Grades 7 - 8 (enrolled 360-539 hours per year)		5	5	-
Grades 7 - 8 (enrolled 180-359 hours per year)		1	1	-
Grades 7 - 8 (enrolled <180 hours per year)		-	-	-
Total Elementary		5,199	5,199	-
High School District				
9-12:				
Grades 9 - 12 (enrolled 720+ hours per year)		3,267	3,267	-
Grades 9 - 12 (enrolled 540-719 hours per year)		199	199	-
Grades 9 - 12 (enrolled 360-539 hours per year)		105	105	-
Grades 9 - 12 (enrolled 180-359 hours per year)		59	59	-
Grades 9 - 12 (enrolled <180 hours per year)		-	-	-
Total High School		3,630	3,630	-
19 Year-olds included in Grades 9-12 above		2	2	-
Job Corps/MT Youth Academy Students included in Grades 9 - 12 above		10	10	-

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF ENROLLMENT (CONTINUED)
 Year Ended June 30, 2021

Fall - September 30, 2020

Elementary School District	Audit Per District Reports	Records	Difference
K-6:			
Pre-Kindergarten	-	-	-
Kindergarten - Half (enrolled 180+ hours per year)	-	-	-
Kindergarten - Half (enrolled <180 hours per year)	-	-	-
Grades K(Full) - 6 (enrolled 720+ hours per year)	4,059	4,059	-
Grades K(Full) - 6 (enrolled 540-719 hours per year)	1	1	-
Grades K(Full) - 6 (enrolled 360-539 hours per year)	-	-	-
Grades K(Full) - 6 (enrolled 180-359 hours per year)	-	-	-
Grades K(Full) - 6 (enrolled <180 hours per year)	-	-	-
7-8:			
Grades 7 - 8 (enrolled 720+ hours per year)	1,133	1,133	-
Grades 7 - 8 (enrolled 540-719 hours per year)	-	-	-
Grades 7 - 8 (enrolled 360-539 hours per year)	4	4	-
Grades 7 - 8 (enrolled 180-359 hours per year)	-	-	-
Grades 7 - 8 (enrolled <180 hours per year)	2	2	-
Total Elementary	5,199	5,199	-
High School District			
9-12:			
Grades 9 - 12 (enrolled 720+ hours per year)	3,494	3,494	-
Grades 9 - 12 (enrolled 540-719 hours per year)	125	125	-
Grades 9 - 12 (enrolled 360-539 hours per year)	88	88	-
Grades 9 - 12 (enrolled 180-359 hours per year)	41	41	-
Grades 9 - 12 (enrolled <180 hours per year)	-	-	-
Total High School	3,748	3,748	-
19 Year-olds included in Grades 9-12 above	2	2	-
Job Corps/MT Youth Academy Students included in Grades 9 - 12 above	6	6	-

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF CHANGES IN NET POSITION – EXTRACURRICULAR
Year Ended June 30, 2021

	Balance June 30, 2020	Revenue	Expenditures	Balance June 30, 2021
Hellgate High School	\$ 395,680	\$ 265,842	\$ 370,481	\$ 291,041
Seeley-Swan High School	254,823	79,362	93,902	240,283
Sentinel High School	269,847	340,867	344,895	265,819
Big Sky High School	323,441	394,238	435,523	282,156
District Wide	4,558	10,551	25	15,084
Jeanette Rankin Elementary	13	-	-	13
Franklin Elementary	39	1	-	40
Hawthorne Elementary	11,407	9,212	9,230	11,389
Jefferson Center	97,649	1,829	12,512	86,966
Lowell Elementary	116	1	-	117
Paxson Elementary	352	1	-	353
C.S. Porter Middle School	10,877	3,050	1,368	12,559
Russell Elementary	1,392	6	-	1,398
Washington Middle School	29,518	2,758	4,805	27,471
Meadow Hill Middle School	10,288	2,207	2,148	10,347
Willard Alternative High School	343	44	-	387
	<u>\$ 1,410,343</u>	<u>\$ 1,109,969</u>	<u>\$ 1,274,889</u>	<u>\$ 1,245,423</u>

This schedule has been summarized by School. A detailed schedule is available upon request.

OTHER SUPPLEMENTAL INFORMATION

**MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
OTHER INFORMATION
June 30, 2021**

DESCRIPTION OF THE DISTRICT

School District No. 1 is comprised of two districts, an elementary district and a high school district. The Districts provide public education for students in grades preschool through grade twelve and adults. The public education provided includes services for handicapped, basic education, special needs, gifted, vocational, and traffic education. There are nine elementary schools, three middle schools, five high schools, and an adult education school. The estimated population of the Elementary District is 77,023 and 112,906 for the High School District. The county-wide population is estimated at 117,922. The fall enrollment of students attending the District's schools is as follows:

	Average Fall Enrollment Year Ended June 30,											
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Grades 9-12	3,616	3,643	3,665	3,561	3,596	3,519	3,633	3,675	3,630	3,705	3,625	3,748
Grades 6-8	1,525	1,504	1,506	1,547	1,508	1,548	1,593	1,602	1,608	1,120	1,829	1,772
Grades K-5	<u>3,281</u>	<u>3,339</u>	<u>3,395</u>	<u>3,478</u>	<u>3,496</u>	<u>3,644</u>	<u>3,629</u>	<u>3,652</u>	<u>3,676</u>	<u>4,315</u>	<u>3,799</u>	<u>3,489</u>
Total	<u>8,422</u>	<u>8,486</u>	<u>8,566</u>	<u>8,586</u>	<u>8,600</u>	<u>8,711</u>	<u>8,855</u>	<u>8,929</u>	<u>8,914</u>	<u>9,140</u>	<u>9,253</u>	<u>9,009</u>
Increase (decrease)	4	64	80	20	14	111	144	74	(15)	226	113	(244)
Percentage change from prior year	0.05%	0.76%	0.94%	0.23%	0.16%	1.29%	1.65%	0.84%	-0.17%	2.54%	1.24%	-2.64%

SCHOOL DISTRICT VALUATIONS

	As of January 1,										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
ELEMENTARY											
Assessed valuation	\$ 3,805,884,721	\$ 3,964,517,962	\$ 4,075,397,432	\$ 6,798,935,815	\$ 6,845,815,813	\$ 7,463,353,990	\$ 7,488,389,388	\$ 8,623,604,097	\$ 8,326,604,097	\$ 8,623,981,654	
Taxable valuation	104,678,227	106,045,274	106,626,049	106,720,341	109,462,027	116,439,687	116,439,687	129,495,847	129,495,847	130,020,256	
Taxable valuation as a percent of assessed valuations	<u>2.75%</u>	<u>2.67%</u>	<u>2.62%</u>	<u>1.57%</u>	<u>1.60%</u>	<u>1.56%</u>	<u>1.55%</u>	<u>1.50%</u>	<u>1.56%</u>	<u>1.51%</u>	
HIGH SCHOOL											
Assessed valuation	\$ 6,806,202,585	\$ 7,107,410,347	\$ 7,338,761,046	\$11,935,647,630	\$ 12,108,475,706	\$13,149,534,101	\$13,252,923,400	\$14,981,500,954	\$14,981,500,954	\$15,051,843,311	
Taxable valuation	179,950,510	181,892,508	183,502,389	183,149,451	190,465,906	203,816,466	203,816,466	229,101,729	229,101,729	231,134,662	
Taxable valuation as a percent of assessed valuations	<u>2.64%</u>	<u>2.56%</u>	<u>2.50%</u>	<u>1.53%</u>	<u>1.57%</u>	<u>1.55%</u>	<u>1.54%</u>	<u>1.53%</u>	<u>1.53%</u>	<u>1.54%</u>	

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
OTHER INFORMATION (CONTINUED)
 June 30, 2021

SCHOOL DISTRICT TAX LEVIES (In Mills)

	Year Ended June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
ELEMENTARY										
General	104.07	102.26	104.92	105.07	107.80	105.09	112.64	109.90	101.60	100.29
Transportation	28.58	27.22	26.60	27.87	28.54	25.22	29.12	31.44	31.15	30.71
Debt service	-	-	-	-	-	34.01	52.33	55.21	48.92	48.84
Adult education	1.27	1.29	1.23	1.23	0.87	0.78	0.73	0.79	0.71	0.70
Tuition	-	-	-	-	-	4.17	8.62	8.74	8.97	9.07
Technology	2.89	2.85	7.97	7.96	7.87	7.77	7.30	7.30	6.56	6.54
Flex	-	-	-	-	-	-	-	-	-	-
Building reserve	<u>8.37</u>	<u>8.26</u>	<u>8.22</u>	<u>8.21</u>	<u>4.63</u>	<u>-</u>	<u>1.80</u>	<u>2.66</u>	<u>3.78</u>	<u>2.94</u>
Total Elementary Levies	<u>145.18</u>	<u>141.88</u>	<u>148.94</u>	<u>150.34</u>	<u>149.71</u>	<u>177.04</u>	<u>212.54</u>	<u>216.04</u>	<u>201.69</u>	<u>199.09</u>
HIGH SCHOOL										
General	56.34	52.16	51.35	50.73	50.56	51.58	52.64	49.63	46.17	45.38
Transportation	7.27	7.31	7.45	7.54	7.84	7.23	7.23	7.92	8.00	7.93
Debt service	5.75	5.28	4.54	4.73	5.80	14.93	30.15	31.79	28.53	25.19
Adult education	1.97	2.00	2.00	2.05	2.25	2.16	2.15	2.14	1.94	1.92
Tuition	0.11	0.23	0.31	1.16	2.24	2.81	3.14	3.05	2.79	2.76
Technology	2.50	2.47	4.09	4.10	4.01	3.94	3.68	3.62	3.27	3.24
Building reserve	<u>2.50</u>	<u>2.47</u>	<u>2.45</u>	<u>2.46</u>	<u>2.41</u>	<u>2.36</u>	<u>4.11</u>	<u>1.88</u>	<u>1.55</u>	<u>0.87</u>
Total High School Levies	<u>76.44</u>	<u>71.92</u>	<u>72.19</u>	<u>72.77</u>	<u>75.11</u>	<u>85.01</u>	<u>103.10</u>	<u>100.03</u>	<u>92.25</u>	<u>87.29</u>

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
OTHER INFORMATION (CONTINUED)
June 30, 2021

OTHER TAX LEVIES (In Mills)

The following table shows the mill rates per \$1,000 of taxable value for property located in the City of Missoula Elementary District No. 1 and the Missoula County High School District for the year ended:

	Year Ended June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Missoula County	142.47	145.01	150.32	160.09	172.32	174.44	179.26	183.63	188.89	189.32
Open Space Bond Levy	3.04	3.33	3.45	2.74	3.22	3.1	3.15	1.84	1.82	2.27
University Levy	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
State School Equalization	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00
County-wide School Levy	100.94	104.60	104.60	105.64	103.5	101.91	102.04	101.37	103.4	103.13
Urban Transportation	17.69	19.51	21.05	34.26	40.47	36.78	37.29	37.99	38.56	56.8
Missoula School District No. 1	145.18	141.88	148.94	150.34	149.71	177.04	212.54	216.04	201.69	199.09
MCHS	76.44	71.92	72.19	72.77	75.11	85.01	103.1	100.03	92.25	87.29
Missoula Rural Fire	97.97	100.33	102.39	112.59	114.33	110.38	113.69	141.94	143.35	134.94
East Missoula Fire	25.01	27.42	42.62	42.89	45.49	43.41	45.32	41.14	41.44	37.86
City of Missoula	233.24	240.90	243.52	245.62	260.08	252.27	242.17	237.24	236.59	234.24
Road/Health	32.39	32.58	32.58	32.58	34.58	33.11	33.43	32.9	33.74	35.08
Animal Control	1.60	1.61	1.61	1.61	1.61	1.54	1.42	1.44	1.56	2.39
Medical Levy	2.19	2.18	2.18	2.18	3.38	3.23	3.12	2.99	2.97	2.96
Total Levies	<u>924.16</u>	<u>937.27</u>	<u>971.45</u>	<u>1,009.31</u>	<u>1,049.80</u>	<u>1,068.22</u>	<u>1,122.53</u>	<u>1,144.55</u>	<u>1,132.26</u>	<u>1,131.37</u>

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
OTHER INFORMATION (CONTINUED)
 June 30, 2021

TAX COLLECTIONS

The following tables demonstrate the tax collection history for the period of July 1, 2012 through June 30, 2021.

Year Ended June 30,	Total Tax Levy	Current Tax Collections	Current Collections as a Percent of Levy	Total Tax Collections	Total Collections as a Percent of Levy
HIGH SCHOOL					
2021	\$ 20,178,077	\$ 20,579,663	101.99%	\$ 20,579,663	101.99%
2020	21,131,122	20,810,356	98.48%	20,810,356	98.48%
2019	20,702,852	20,681,198	99.90%	20,681,198	99.90%
2018	21,001,830	20,883,479	99.44%	20,883,479	99.44%
2017	16,188,078	15,816,742	97.71%	15,816,742	97.71%
2016	14,050,388	14,282,570	101.65%	14,282,570	101.65%
2015	13,324,295	13,843,920	103.90%	13,843,920	103.90%
2014	13,246,710	13,114,111	99.00%	13,114,111	99.00%
2013	13,081,624	13,196,785	100.88%	13,196,785	100.88%
2012	13,753,713	13,780,310	100.19%	13,780,310	100.19%
ELEMENTARY					
2021	\$ 25,886,324	\$ 26,170,814	101.10%	\$ 26,170,814	101.10%
2020	26,118,440	25,884,149	99.10%	25,884,149	99.10%
2019	24,748,266	25,184,354	101.76%	25,184,354	101.76%
2018	24,748,266	24,583,499	99.33%	24,583,499	99.33%
2017	19,708,214	19,218,043	97.51%	19,218,043	97.51%
2016	16,175,807	16,401,325	101.39%	16,401,325	101.39%
2015	16,044,238	16,800,003	104.71%	16,800,003	104.71%
2014	15,879,897	15,613,032	98.32%	15,613,032	98.32%
2013	15,044,770	15,021,928	99.85%	15,021,928	99.85%
2012	15,196,651	15,044,436	99.00%	15,044,436	99.00%

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
OTHER INFORMATION (CONTINUED)
 June 30, 2021

MAJOR TAXPAYERS

The following table lists the major taxpayers within the Elementary School District for the year ended June 30, 2021, listed in declining order of taxable value.

<u>Taxpayer</u>	<u>Business</u>	<u>Taxable Value</u>	<u>Percent of Total Taxable Value</u>
MT Rail Link	Railroad	\$ 982,775	0.76%
Lumen Technologies Inc. DBA Lumen	Communications	706,958	0.54%
Stockman Bank of Montana	Bank	664,787	0.51%
Mercantile Investors	Investments	541,877	0.42%
Verizon Wireless	Communications	599,856	0.46%
UT Missoula LLC	Real Estate Development	430,852	0.33%
Lloyd Twite Family Partnership	Real Estate Development	408,770	0.31%
	Total	<u>\$ 4,335,875</u>	<u>3.33%</u>

The following table lists the major taxpayers within the High School District for the year ended June 30, 2021, listed in declining order of taxable value.

<u>Taxpayer</u>	<u>Business</u>	<u>Taxable Value</u>	<u>Percent of Total Taxable Value</u>
Northwestern Corporation	Utility	\$ 19,712,980	8.53%
MT Rail Link	Railroad	2,330,133	1.01%
Verizon Wireless	Communications	1,690,882	0.73%
Charter Communications	Communications	1,579,156	0.68%
Southgate Mall	Retail Shopping Mall	1,316,846	0.57%
RCHP Billings Missoula LLC	Medical Facility	1,181,531	0.51%
Gateway Lmt'd Partnership	Real Estate Agency	902,225	0.39%
Lumen Technologies Inc. DBA Lumen	Communications	768,876	0.33%
Yellowstone Pipeline	Utility	784,341	0.34%
Roseburg Forest Products Co.	Wood Products Industry	698,230	0.30%
	Total	<u>\$ 30,965,200</u>	<u>13.39%</u>

MISSOULA COUNTY PUBLIC SCHOOLS
 SCHOOL DISTRICT NO. 1
 OTHER INFORMATION (CONTINUED)
 June 30, 2021

MAXIMUM BONDED INDEBTEDNESS

Montana statute limits the maximum bonded indebtedness. The calculation of each district's remaining bonding capacity is as follows:

SCHOOL DISTRICT	<u>Maximum Bonded Indebtedness</u>	<u>Less - Debt Outstanding</u>	<u>Remaining Bonding Capacity June 30, 2021</u>
High School	\$ 368,428,080	\$ 58,895,000	\$ 309,533,080
Elementary	<u>225,321,300</u>	<u>73,115,000</u>	<u>152,206,300</u>
Total	<u>\$ 593,749,380</u>	<u>\$ 132,010,000</u>	<u>\$ 461,739,380</u>

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
OTHER INFORMATION (CONTINUED)
COMBINING BALANCE SHEETS – GENERAL FUNDS
 June 30, 2021

	Elementary General Fund	High School General Fund	Total General Fund
ASSETS			
Cash and investments	\$ 1,769,375	\$ 5,992,315	\$ 7,761,690
Property taxes receivable	338,090	283,671	621,761
Protested property tax receivable	362,372	240,919	603,291
Prepaid expenses	11,594	7,729	19,323
Due from other governments	-	-	-
Other current assets	<u>144,010</u>	<u>43,662</u>	<u>187,672</u>
Total assets	<u>\$ 2,625,441</u>	<u>\$ 6,568,296</u>	<u>\$ 9,193,737</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
LIABILITIES			
Other current liabilities	<u>\$ 203,130</u>	<u>\$ 4,497,671</u>	<u>\$ 4,700,801</u>
Total liabilities	<u>203,130</u>	<u>4,497,671</u>	<u>4,700,801</u>
DEFERRED INFLOWS OF RESOURCES			
Uncollected tax revenue	<u>700,462</u>	<u>524,590</u>	<u>1,225,052</u>
Total deferred inflows of resources	<u>700,462</u>	<u>524,590</u>	<u>1,225,052</u>
FUND BALANCES			
Spendable:			
Assigned	78,222	66,692	144,914
Unassigned	1,643,627	1,479,343	3,122,970
Debt service funds	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,721,849</u>	<u>1,546,035</u>	<u>3,267,884</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 2,625,441</u>	<u>\$ 6,568,296</u>	<u>\$ 9,193,737</u>

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
 OTHER INFORMATION (CONTINUED)
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE – GENERAL FUNDS
 Year Ended June 30, 2021

	<u>Elementary</u> <u>General Fund</u>	<u>High School</u> <u>General Fund</u>	<u>Total</u> <u>General Fund</u>
REVENUES			
District levies	\$ 13,210,864	\$ 10,703,576	\$ 23,914,440
Investment interest	16,268	9,993	26,261
Tuition and fees	13,565	30,107	43,672
State sources	<u>28,847,380</u>	<u>20,198,842</u>	<u>49,046,222</u>
Total revenue	<u>42,088,077</u>	<u>30,942,518</u>	<u>73,030,595</u>
EXPENDITURES			
Current:			
Instruction	24,619,227	17,430,151	42,049,378
Support services	5,769,054	3,420,958	9,190,012
Administration	4,093,479	2,846,338	6,939,817
Operations and maintenance	4,277,192	3,925,816	8,203,008
Student transportation	1,030	335,569	336,599
Food service	-	259,068	259,068
Extracurricular	59,495	1,686,906	1,746,401
Transfer in	2,687,405	708,493	3,395,898
Capital outlay	<u>470,581</u>	<u>118,401</u>	<u>588,982</u>
Total expenditures	<u>41,977,463</u>	<u>30,731,700</u>	<u>72,709,163</u>
Revenues over expenditures	110,614	210,818	321,432
Revenues and other financing sources over expenditures	110,614	210,818	321,432
Fund balances, beginning of year	<u>1,611,235</u>	<u>1,335,217</u>	<u>2,946,452</u>
Fund balances, end of year	<u>\$ 1,721,849</u>	<u>\$ 1,546,035</u>	<u>\$ 3,267,884</u>

SINGLE AUDIT SECTION

**MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021**

Federal Grantor/Pass-through Grantor/Program Title	AL Number	Project Number	Federal Awards Expenditures
DEPARTMENT OF AGRICULTURE			
COVID-19 Ag Ed Meat Processing	21.019	N/A	\$ 154,057
<i>Passed through the Office of Public Instruction</i>			
<i>Child Nutrition Cluster</i>			
Non-Cash Assistance (Commodities)	10.555	N/A	206,977
School Lunch Program	10.555	N/A	<u>1,836,723</u>
Total AL 10.555			2,043,700
School Lunch Summer Program	10.559	N/A	<u>1,650</u>
Total Department of Agriculture <i>Child Nutrition Cluster</i>			2,045,350
USDA Farm to School Grant	10.575	N/A	<u>78,735</u>
Total Department of Agriculture			<u>2,278,142</u>
DEPARTMENT OF EDUCATION			
<i>Passed through the Office of Public Instruction:</i>			
Adult Ed. EL Civics	84.002A	32-0584-562021	30,124
Adult Ed. - Federal ABLE	84.002A	32-0584-562020	3,224
Adult Ed. - Federal ABLE	84.002A	32-0584-5621	<u>194,101</u>
Total AL 84.002			<u>227,449</u>
Title I Improving Basic Program	84.010	32-0584-312020	1,455
Title I Improving Basic Program	84.010	32-0584-312021	1,927
Title I Schoolwide	84.010	32-0583-322020	346,688
Title I Schoolwide	84.010	32-0583-322021	1,278,919
Title I Schoolwide	84.010	32-0584-322020	354,277
Title I Schoolwide	84.010	32-0584-322021	562,867
Title I - Part A	84.010	32-0583-312020	443
Title I - Part A	84.010	32-0583-312021	9,685
Title I-Support	84.010	32-0584-372021	<u>22,470</u>
Total AL 84.010			<u>2,578,731</u>
Title I - Part D N & D	84.013A	32-0584-422020	559
Title I - Part D N & D	84.013A	32-0584-422021	<u>85,373</u>
Total AL 84.013A			<u>85,932</u>
<i>Special Education Cluster (IDEA)</i>			
IDEA-MTSS	84.027	32-0583-7721 INST	51,200
IDEA-MTSS	84.027	32-058/3-7720 INST	3,282
IDEA Part B-Elementary	84.027	32-0584-7720	1,193,275
IDEA Part B-High School	84.027	32-0584-772021	<u>927,830</u>
Total AL 84.027			<u>2,175,587</u>
IDEA Federal Handicapped-Preschool	84.173A	32-0584-7921	<u>52,319</u>
Total <i>Special Education Cluster (IDEA)</i>			<u>2,227,906</u>
Special Education - State Personnel Development	84.323	32-0583-7820	<u>34,926</u>
Total AL 84.323			<u>34,926</u>

See Notes to Schedule of Expenditures of Federal Awards.

**MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2021**

Federal Grantor/Pass-through Grantor/Program Title	AL Number	Project Number	Federal Awards Expenditures
Vo Ed Carl Perkins Basic Grant	84.048A	32-0584-8121	<u>221,011</u>
Total AL 84.048A			<u>221,011</u>
21st Century Community Learning	84.287	32-0583-1720	7,832
21st Century Community Learning	84.287	32-0583-172021	<u>153,878</u>
Total AL 84.287			<u>161,710</u>
Title III Part A, English Language Acquisition	84.365A	32-0583-412020	1,056
Title III Part A, English Language Acquisition	84.365A	32-0583-412021	47,017
Emergency Immigrant	84.365A	32-0583-4120	<u>195</u>
Total AL 84.365A			<u>48,268</u>
Title IV - Part A - Student Support	84.424A	32-0583-522020	9,945
Title IV - Part A - Student Support	84.424A	32-0584-522020	4,489
Title IV - Part A - Student Support	84.424A	32-0584-522021	<u>154,325</u>
Total AL 84.424A			<u>168,759</u>
Title IIA High School	84.367A	32-0584-142020	2,255
Title IIA High School	84-367A	32-0584-142021	219,909
Title IIA Elementary	84.367A	32-0583-142020	3,349
Title IIA Elementary	84-367A	32-0583-142021	<u>366,318</u>
Total AL 84.367A			<u>591,831</u>
Comprehensive Literacy Development	34.371	32-0583-392021	<u>53,851</u>
Title VII Indian Education	84.060A	S060A190873	<u>102,630</u>
Total AL 84.060A			<u>102,630</u>
COVID-19 Education Stabilization Fund	84.425D	32-0583-9120	1,497,396
COVID-19 Education Stabilization Fund	84.425D	32-0584-9120	680,370
CRRSA-State School Emergency Relief Fund II (ESSER II)	84.425D		3,315,814
ARP State School Emergency Relief Fund (ESSER III)	84.425U		<u>118,095</u>
Total AL 84.425D			<u>5,611,675</u>
Homeless Children and Youth	84.196A	32-0583-572020	4,422
Homeless Children and Youth	84.196A	32-0583-572021	<u>40,190</u>
Total AL 84.196A			<u>44,612</u>
Promotion of the Humanities Federal/State Partnership	45.129	N/A	<u>338</u>
Total State Administered - Office of Public Instruction			<u>12,159,629</u>
DEPARTMENT OF EDUCATION			
DPHHS Suicide Prevention	93.764		22,370
DPHHS - Adult Ed ESL	93.764		<u>10,746</u>
Total AL 84.060A			<u>33,116</u>
DPHHS ELL	93.714		<u>111,373</u>
Voc Rehab	84.126A	H126A150028	<u>27,917</u>
Total Federally Administered - Department of Education			<u>172,406</u>
Total Department of Education			<u>12,332,035</u>
DEPARTMENT OF THE TREASURY			
<i>Passed through the Governor's Office</i>			
COVID-19 CARES Governor's Coronavirus Relief Funds	21.019		<u>4,874,469</u>
Total Federal Awards			<u>\$ 19,484,646</u>

See Notes to Schedule of Expenditures of Federal Awards.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Missoula County Public Schools, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Guidance Administrative Requirements, Subpart E Cost Principles*. Accordingly, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

NOTE 2. INDIRECT COSTS

The District did not elect to use the 10% de minimis indirect cost rate from Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Guidance Administrative Requirements, Subpart E Cost Principles*.

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

To the Board of Trustees
Missoula County Public Schools
School District No. 1
Missoula, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Missoula County Public Schools, School District No. 1 (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 30, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Anderson Zurmuehlen + Co, P.C.

Missoula, Montana
June 30, 2022

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

To the Board of Trustees
Missoula County Public Schools
School District No. 1
Missoula, Montana

Report on Compliance for Each Major Federal Program

We have audited Missoula County Public Schools, School District No. 1's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District 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, 2021.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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.

Anderson Zurmuehlen + Co, P.C.

Missoula, Montana
June 30, 2022

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS
 Year Ended June 30, 2021

Section I – Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal Control over major programs:	
Material weakness identified?	No
Significant deficiencies identified not considered material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

Identification of Major Programs

21.019 Coronavirus Relief Fund
 84.010 Title I Grants
 84.425 Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None reported.

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS (CONTINUED)
Year Ended June 30, 2021

Section III – Federal Award Findings and Questioned Costs

None

MISSOULA COUNTY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1
SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 2021

Financial Statement Findings:

None reported.

Federal Award Findings:

#2020-001 Lack of controls in the Child Nutrition Program: 10.555 and 10.559

Current Status: Implemented



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